

Sebata Holdings Limited
 Incorporated in the Republic of South Africa
 (Registration number 1998/003821/06)
 JSE Share code: SEB ISIN: ZAE000260493
 (“Sebata” or “the company” or “the group”)

PROVISIONAL AUDITED SUMMARISED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Notes	Audited 12 months ended 31 March 2022 R'000	Audited 12 months ended 31 March 2021 R'000
Revenue	5	25 399	33 910
Cost of sales		(3 230)	(8 648)
Gross profit		22 169	25 262
Other net income/(expense)	6	63 724	(20 982)
Administration expenses	7	(1 062 813)	(119 970)
Loss from operations		(976 920)	(115 690)
Finance income	8	41 809	88 896
Finance cost		(983)	(10 742)
Share of (losses)/profit from equity accounted associate		(2 683)	3 105
Loss before tax		(938 777)	(34 431)
Tax expense		232 959	(16 426)
Loss for the year		(705 818)	(50 857)
Profit/(Loss) attributable to:			
Owners of the parent - continuing		(707 583)	(52 604)
Non-controlling interest - continuing		1 765	1 747
		(705 818)	(50 857)
Attributable earnings/(loss) per share (cents)			
Basic		(646.99)	(47.36)
Continuing operations		(646.99)	(47.36)
Diluted basic		(646.99)	(47.36)
Continuing operations		(646.99)	(47.36)
Headline		(443.68)	(28.46)
Continuing operations		(443.68)	(28.46)

Diluted headline	(443.68)	(28.46)
Continuing operations	(443.68)	(28.46)

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 12 months ended 31 March 2022 R'000	Audited 12 months ended 31 March 2021 R'000
(Loss)/Profit for the year	(705 818)	(50 857)
Other comprehensive(loss)/income: Items which may be subsequently reclassified through profit or loss:		
Foreign currency translation differences	(663)	(338)
Disposal of subsidiary	355	-
	(706 126)	(51 195)
Total comprehensive income attributable to:		
Owners of the parent	(707 891)	(52 942)
Non-controlling interest	1 765	1 747
	(706 126)	(51 195)
Reconciliation of headline earnings/(loss) (net of tax) for continuing operations:		
(Loss)/Profit attributable to owners of the parent	(707 583)	(52 604)
Profit on disposal of property, plant and equipment	(168)	(156)
(Profit)/Loss on disposal of investment in subsidiaries and associates	(61 239)	21 143
Impairment of investment in associate	283 759	-
Headline earnings	(485 231)	(31 617)
Weighted average number of shares (000s)	109 366	111 077
Diluted weighted average number of shares (000s)	109 366	111 079
Total number of shares in issue (000s)	113 127	113 127

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Notes	Audited as at 31 March 2022 R'000	Audited as at 31 March 2021 R'000
ASSETS			
Non-current assets		433 466	1 459 827
Property, plant and equipment		3 149	4 776
Intangible assets		36 705	34 564
Investments in associates		162 093	534 979
Other financial assets	9	230 661	885 022
Deferred tax assets		858	486
Current assets		148 961	147 339
Inventories		1 519	184
Trade and other receivables		9 975	9 693
Current tax		3 672	5 105
Other financial assets	9	132 601	124 806
Cash and cash equivalents		1 194	7 551
TOTAL ASSETS		582 427	1 607 166
EQUITY AND LIABILITIES			
EQUITY		495 829	1 203 505
Share capital and share premium		285 063	285 063
Other reserves		(102)	561
Retained earnings		211 973	919 131
Non-controlling interest		(1 105)	(1 250)
LIABILITIES			
Non-current liabilities		50 490	285 698
Other financial liabilities		1 054	2 602
Deferred tax liabilities		49 436	283 096
Current liabilities		36 108	117 963
Trade and other payables		26 442	24 329
Other financial liabilities		1 725	31 496
Current tax		927	55 124
Deferred vendor payments		7 014	7 014
Bank overdraft		-	-
TOTAL LIABILITIES		86 598	403 661
TOTAL EQUITY AND LIABILITIES		582 427	1 607 166
Net asset value per share (cents)		438.29	1 063.85
Net tangible asset value per share (cents)		405.85	1 033.30

CONDENSED GROUP STATEMENT OF CASH FLOW

	Audited 12 months ended 31 March 2022 R'000	Audited 12 months ended 31 March 2021 R'000
Cash flow from operating activities	(21 055)	(14 148)
Cash generated from operations	(20 194)	(10 917)
Finance income	58	330
Finance costs	(58)	(2 682)
Income tax paid	(861)	(879)
Cash flow from investing activities	48 528	(51 647)
Property, plant and equipment acquired	(157)	(145)
Intangible assets acquired	(4 327)	(4 525)
Proceeds on disposal of property, plant and equipment	233	510
Net cash (forfeited)/inflow from acquisition/disposal of businesses	(3 000)	10 967
Other financial assets repaid	60 312	62 379
Other financial assets advanced	4 533	(17 539)
Cash flow from financing activities	(33 830)	(43 819)
Other financial liabilities repaid	(45 849)	(63 872)
Other financial liabilities raised	13 639	21 493
Dividends paid to non-controlling interest	(1 620)	(1 440)
(Decrease)/Increase in cash and cash equivalents	(6 357)	(6 320)
Cash and cash equivalents at the beginning of the year	7 551	13 871
Cash and cash equivalents at the end of the year	1 194	7 551

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital and Share Premium R'000	Other Reserves R'000	Retained Earnings R'000	Non- Controlling Interest R'000	TOTAL R'000
Balance at 1 April 2020	285 063	7 434	971 611	3 692	1 267 800
Loss for the year	-	-	(52 604)	1 747	(50 857)
Other comprehensive income					
Foreign currency translation differences	-	(338)	-	-	(338)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	-	(1 440)	(1 440)
Share-based payment transactions	-	49	124	-	173
Provision for repurchase of shares	-	(6 584)	-	-	(6 584)
Disposal of subsidiaries	-	-	-	(5 249)	(5 249)
Balance at 31 March 2021	285 063	561	919 131	(1 250)	1 203 505
Balance at 1 April 2021	285 063	561	919 131	(1 250)	1 203 505
Loss for the year	-	-	(707 583)	1 765	(705 818)
Other comprehensive income					
Foreign currency translation differences	-	(663)	-	-	(663)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	-	(1 620)	(1 620)
Share-based payment transactions	-	(355)	425	-	70
Disposal of subsidiaries	-	355	-	-	355
Balance at 31 March 2022	285 063	(102)	211 973	(1 105)	495 829

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These provisional audited summarised consolidated annual financial statements for the year ended 31 March 2022 are prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”), its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Limited (“JSE”) and the requirements of the Companies Act (Act 71 of 2008), as amended (“Companies Act”). The accounting policies applied in the preparation of these provisional audited summarised consolidated annual financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. The provisional audited summarised consolidated annual financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The provisional audited summarised consolidated annual financial statements have been prepared under the supervision of Pierre van Eeden CA (SA), the Financial Director.

The provisional audited summarised consolidated annual financial statements are extracted from the audited annual consolidated financial statements and are consistent in all material respects with the group annual financial statements for the year ended 31 March 2022, which are available on the company's website at www.sebataholdings.com

This provisional report is extracted from audited financial information but is not itself audited.

The directors take full responsibility for the preparation of the report and confirm the financial information has been correctly extracted from the underlying audited annual consolidated financial information.

All financial information presented in South African Rand has been rounded to the nearest thousand.

Selected explanatory notes are included to explain certain events and transactions that are significant, in order to understand the group's financial position and performance.

2. Significant accounting policies

These provisional audited summarised consolidated annual financial statements have been prepared using accounting policies that comply with IFRS and are consistent with those used in the audited consolidated annual financial statements for the year ended 31 March 2021.

3. Audit opinion

The annual consolidated financial statements were audited by the group's auditors, Nexia SAB&T, and their unmodified audit report is available for inspection on the group's website at www.sebataholdings.com

4. Disposal of businesses

Micromega Limited UK

On 30 June 2021 the group disposed of its interests Micromega Limited (UK). Due to the funding gap that was required to grow the operations internationally and the adverse exchange rates, the board of directors of Sebata ("**Board**") decided to exit the investment. The transaction resulted in a profit on disposal of R8.7m.

NOSA Investment Holdings and Nosa Consulting

On 31 August 2021 the group disposed of its interests in two non-operational subsidiaries for a nominal fee, namely NOSA Investment Holdings Proprietary Limited and NOSA Consulting Proprietary Limited. The transaction resulted in a profit on disposal of R54.3m.

Figures in R'000	MMG UK	NIH	NC	Total
Property, plant and equipment	20	-	-	20
Intangible assets	-	-	-	-
Investment in Associates	4 534	-	-	4 534
Inventories	7	-	-	7
Other financial Assets	20 767	-	-	20 767
Trade and other receivables	2 378	-	-	2 378
Cash and cash equivalents	3 000	-	-	3 000
Trade and other payables	(282)	-	-	(282)
Other financial liabilities	(41 174)	-	-	(41 174)
Foreign currency translation reserve	355	-	-	355
Tax receivable/(payable)	1 623	(54 357)	-	(52 734)
Total net assets disposed	(8 772)	(54 357)	-	(63 129)
Profit/(Loss) on disposal	(8 772)	54 357	-	63 129
Non-controlling interest	-	-	-	-
Consideration	-	-	-	-

Cash disposed	(3 000)	-	-	(3 000)
Net cash flow from disposals	(3 000)	-	-	(3 000)

Water Group (USC Metering and Amanzi Meters)

On 20 August 2019, the group announced that it had entered into Sale of Shares Agreements, Donation Agreements and Shareholders' Agreements with Inzalo Capital Holdings (Pty) Limited ("Inzalo"), for the disposal of 55% of the total issued share capital in Amanzi Meters Proprietary Limited ("Amanzi Meters") and USC Metering Proprietary Limited ("USC Metering") and the donation of 5% of the total issued share capital in each of such companies to Inzalo for an aggregate purchase consideration of R388 484 000. The purchase price is payable on the achievement of a net profit after tax of R165 million over the 24 month period from the effective date, being 1 August 2019. The donation shares were donated in two tranches of 2.5% each, with the first tranche being donated as at the effective date and the second tranche being donated 12 months after the effective date. If the profit warranty is not achieved, the sale shares will be returned to Sebata and Sebata will have an obligation to repurchase the donation shares at the growth in the net asset value of the business per share.

Software Group (Sebata Municipal Solutions, R-data and Micromega Accounting and Professional Services)

On 25 February 2020 the group announced that it had entered into Sale of Shares Agreements, Donation Agreements and Shareholders' Agreements with Inzalo Capital Holdings (Pty) Limited ("Inzalo"), for the disposal of 55% of the total issued share capital in Sebata Municipal Solutions Proprietary Limited ("Sebata Municipal"), R-data Proprietary Limited ("R-data") and Micromega Accounting and Professional Services Proprietary Limited ("MAPS") and the donation of 5% of the total issued share capital in each of such companies to Inzalo for an aggregate purchase consideration of R501.9. The purchase price is payable on the achievement of an earnings before interest, tax, depreciation and amortisation of R80 million over the 24 month period from the effective date, being 1 February 2020. The donation shares were donated in two tranches of 2.5% each, with the first being donated as at the effective date and the second tranche being donated 12 months after the effective date. If the profit warranty is not achieved the sale shares will be returned to Sebata and Sebata will have an obligation to repurchase the donation shares at the growth in the net asset value of the business per share.

Water and Software Group

These deals earnings' deadlines and earnings' warranties have been adjusted and extended twice with the current extension being valid until 31 March 2023 to achieve a revised EBITDA target of R40 million for the Water deal and R35 million for the Software deal. These extensions have been granted on the back of market conditions that have been prevalent and hampered both the ability to achieve the earnings' hurdle rates in both deals and the ability of Inzalo to raise the requisite funding to settle their obligations to the group. The extensions are legally binding and valid and remain an avenue that the Board is pursuing in order to create value to all shareholders.

5. Revenue disaggregation

2022	Software Solutions R'000	Holdings and consolidated R'000	Total
Revenue	24 042	1 357	25 399
Major product lines over time			
Software license with support and maintenance	13 117	-	13 117
Major product lines at a point in time			
Consulting	2 480	-	2 480
Support Services	5 567	1 357	6 924
Goods	2 878	-	2 878

2021	Software Solutions R'000	Holdings and consolidated R'000	Total
Revenue	22 367	11 543	33 910
Major product lines over time			
<i>Software license with support and maintenance</i>	11 970	-	11 970
Major product lines at a point in time			
<i>Consulting</i>	2 874	-	2 874
<i>Support Services</i>	5 340	1 336	6 676
<i>Goods</i>	2 208	10 182	12 390

6. Other net income

(Loss) on foreign exchange		(81)	(1 171)
(Loss) on sale of associate		-	(13 770)
Profit/(Loss) on sale of subsidiaries		63 129	(6 803)
Profit on sale of property, plant and equipment		233	217
Rent received		241	330
Sundry income		202	215
		63 724	(20 982)

7. Administration expenses

Employee compensation and benefit expense	24 944	31 349
Motor vehicle expenses	91	66
Repairs and maintenance	39	119
Telephone and fax	356	347
Security	46	133
Insurance	188	283
Computer expense	383	1 202
Advertising expense	106	44
Audit fees	1 009	2 148
Courier and postage	46	54
Depreciation and amortisation	3 508	10 440
Printing and stationary	39	163
Travel - Local	1 061	603
Travel - International	-	168
Consulting fees	8100	4 699
Electricity	140	1 630
Bank charges	175	160
Legal fees	817	4 123
Administration and management fee	104	102
Movement in credit loss allowance	1 198	21 886
Cleaning	42	99
Sponsorship enterprise development and donations	46	33
Entertainment	196	44
Fines and penalties	-	393
Fair value adjustment of financial assets	651 680	-
Impairment of investment in associate	365 669	-

Share based payments	70	34 106
Other	2 763	5 576
	1 062 816	119 970

8. Finance Income

Bank	678	5 774
Related parties	2 304	115
Tax Receivable	-	10
Deferred vendor assets	38 827	82 997
	41 809	88 896

9. Other Financial Assets – Fair value and risk management

The Board considers the carrying value of financial instruments of a short-term nature, that mature in 12 months or less, to approximate the fair value of such assets or liability classes. The carrying value of longer-term assets are considered to approximate their fair value as these instruments bear interest at interest rates appropriate to the risk profile of the asset or liability class.

Non-interest bearing

FIDO Tech Limited (“FIDO”)	-	16 341
Inzalo Enterprise Management Systems Proprietary Limited	93 617	101 440
Other	3 905	3 292
	97 522	121 073

Interest bearing

Training Room Online Receivable	-	53 123
Micromega Limited. (UK)	32 389	-
Inzalo UMS Proprietary Limited	2 690	3 169
R-data Proprietary Limited	-	564
Inzalo Capital Holdings Proprietary Limited (“Inzalo Capital Holdings”)	230 661	885 022
	265 740	941 878
Credit loss allowance	-	(53 123)
	265 740	888 755

Total

Financial assets carried at amortised cost	132 601	124 806
Financial assets carried at fair value through profit or loss	230 661	885 022
Total	363 262	1 009 828

All loans receivable are denominated in South African Rand. The loans are carried at their amortised cost while the financial asset receivable from Inzalo Capital Holdings is measured at fair value. The fair value of other financial assets carried at amortised cost have been assessed taking into account their respective interest rates and maturity periods. None of the fair values differ materially from the corresponding carrying values due to the short-term nature of these assets.

Inzalo

The financial assets are the result of contingent consideration due from the disposal of interest in Sebata Municipal Solutions (Pty) Ltd, MICROmega Accounting and Professional Services (Pty) Ltd, Inzalo Utility-Systems (Pty) Ltd, Amanzi Meters (Pty) Ltd and Inzalo UMS (Pty) Ltd in the 2020 financial year and are measured at fair value through profit and loss based on the probability-weighted average cash flows as determined in accordance with per IFRS 13.B26-B28. Refer to note 4 above for more detail on the transactions. The loan unwinds at an interest equal to prime and becomes repayable on the achievement of the performance conditions stipulated in the sale agreements. In the event that the performance conditions are not achieved the shares will be returned to the Group and the transaction terminated. The entities disposed of will then again become wholly owned subsidiaries and will be consolidated.

As at 31 March 2022, after taking into consideration the historic extensions granted on the of transaction, the Board has determined that the probability of bringing finality to these transactions within the contract period remains a risk. In reaching this conclusion the Board gave consideration to the progress Inzalo, as acquirors of the businesses, have made in respect of capital raising, given the time parameters set in the agreements concluded between the parties.

It is in this regard that the Board has made the decision to be prudent, and that the assets need to be written down to their representative fair values. The values determined approximate a small premium to the net asset values of the underlying companies.

Importantly, the Board wishes to make stakeholders aware that the full value of the transactions with Inzalo are still contractually binding and whilst the Board has adopted prudence in the results of the company, they are desirous of Inzalo indeed concluding on them.

Level of fair value

Description	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Discount rates	Sensitivity of the input to fair value
Other financial asset: Inzalo Capital Holdings	Level 3	Probability of achieving Net Profit after Tax or EBITDA earn out targets, which if unlikely, requires fair value determination utilising the discounted cash flow - income approach valuation.	Future growth rates and discount rates.	2022: 18.53% 2021: 20.52%	5% increase in the discount rate applied would result in a decrease in the fair value by R98 million with a 5% decrease in the discount rate applied would result in an increase in the fair value by R172 million. Additionally, a 10% increase in the turnover projected would result in an increase in the fair value of R32 million. The Inzalo Capital Holdings financial asset is contingent on the successful achievement of the predetermined earn out targets over the earn out period as previously communicated, failing which the equity which serves as security against the financial assets would be returned to the Group and ownership revert back to Sebata Holdings Limited. Once it is determined that the underlying profit warranties will no longer be achieved, and the contingent consideration would no longer become receivable, the value of the financial asset

would be equal to the fair value of the equity instruments serving as security against the financial asset receivable.

10. Commitments and contingencies

The group is currently involved in litigation with a material shareholder that dissented in terms of section 164 of the Companies Act on the conclusions Software Group transaction, referred to above. In terms of section 164, as at 31 March 2022 the group is obligated to repurchase the shares from the shareholder at a fair value. The area of the dispute is the fair value of these shares, the fair value is currently under litigation. A provision of R6.5m has been recognised against equity reserves based on the fair value offer that was made by the group. Following from the requirements of section 164 of the Companies Act, on lodgement of the application to dissent, the shareholder has no continuing right to the shares under dissent, thus these shares have been treated in the same manner as a treasury shares from the date of lodgement of the application to dissent.

The group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from these contingent liabilities.

11. Segment information

	Audited 12 months ended 31 March 2022 R'000	Audited 12 months ended 31 March 2021 R'000
SEGMENT REVENUE		
Software solutions	24 042	22 367
Holdings and consolidated	1 357	11 543
Total revenue	25 399	33 910
SEGMENT PROFIT / (LOSS)		
Software solutions	2 157	2 136
Holdings and consolidated	(709 740)	(57 334)
Total profit	(707 583)	125 254
SEGMENT ASSETS		
Software solutions	33 315	31 584
Holdings and consolidated	549 112	1 575 582
Total assets	582 427	1 607 166
SEGMENT LIABILITIES		
Software solutions	12 755	11 345
Holdings and consolidated	73 843	394 910
Total liabilities	86 598	406 255

12. Related party disclosure

Listed below are the balances in respect of transactions entered into with related parties. These include associates, joint operations, directors and members of key management. The transactions that are eliminated on consolidation are not included.

	Audited 12 months ended 31 March 2022 R'000	Audited 12 months ended 31 March 2021 R'000
Kyostax Proprietary Limited		
Associate		
Repayment of lease liability	-	8 609
Kamberg Investment Holdings Proprietary Limited		
Shareholder loan	-	1 472
Interest paid	30	368
Laird Investments Proprietary Limited		
Disposal of MMG UK	1	-
Shareholders loan	-	11 817
Interest paid	564	1 469
Talacar Holdings Proprietary Limited		
Consulting fees	4 978	2 538

13. Corporate Governance and changes to the Board

Sebata has embraced the recommendations of the King IV Report on governance and strives to provide reports to shareholders that are timely, accurate, consistent and informative.

There were no changes to the board during the period.

14. Subsequent events

No other significant events have occurred in the period between the reporting date and the date of this report.

15. Commentary on results

Trading conditions reported in previous years have remained extremely difficult and were only exacerbated by the local government elections. Historically we have seen a slowdown in spend over election periods. Decision making in the sphere has slowed and this is reflected in the number of tenders that have been extended and remain in the adjudication phase. The companies that form part of the group and those over which it has significant influence have remained stable even with the contraction in government spend.

Due to the large volume of corporate activity over the past few years and given that the majority of the group's current investment holding relates to the reduced stakes held in the companies that were disposed of to Inzalo Capital Holdings, the results are difficult to interpret on face value.

Water and Software deals with Inzalo Capital Holdings ("Inzalo")

The Water and Software deals that were entered into with Inzalo in the 2020 financial year, with the earn out periods extended in the 2021 and again in 2022 financial years, have been impaired to their respective fair values, with the value of the total impairment being R1 billion. As at 31 March 2022, after taking into consideration the historic extensions granted on this transaction, The Board has determined that the probability of bringing finality to these transactions within the contract period

remains a risk. In reaching this conclusion the Board gave consideration to the progress Inzalo, as acquirors of the businesses, have made in respect of capital raising given the time parameters set in the agreements concluded between the parties.

It is in this regard that the Board has made the decision to be prudent, and that the assets need to be written down to their representative fair values. The values determined approximate a small premium to the net asset values of the underlying companies.

Importantly, the Board wishes to make stakeholders aware that the full value of the transactions with Inzalo are still contractually binding and whilst the Board has adopted prudence in the results of the company, they are desirous of Inzalo indeed concluding on them. We refer shareholders to note 4 above with regards to the values at which these transactions were concluded.

Outlook

The restructurings have returned the group to a more sustainable operational state and allowed the Board to strengthen the balance sheet. The Board remains committed to bringing finality to the Inzalo transactions and returning maximum value to shareholders, and in this regard we refer shareholders to the cautionary announcement released on SENS on 11 July 2022.

By order of the Board

14 July 2022

Directors: DA Di Siena (Independent Non-Executive Chairperson); IG Morris (Chief Executive Officer); P van Eeden (Financial Director); CA King (Executive Director); PH Duvenhage (Independent Non-Executive Director); TW Hamill (Non-Executive Director); S Nodwele (Chair of the Audit Committee and Independent Non-Executive Director) and D Passmore (Independent Non-Executive Director).

Company Secretary: L Mayer

Auditors: Nexia SAB&T

Transfer Secretaries: Singular Systems Proprietary Limited

Sponsor: Merchantec Capital

Attorneys: Di Siena Attorneys

Note: No forward-looking statements in this announcement has been reviewed or reported on by Sebata's auditors.