

# **SEBATA HOLDINGS LIMITED**

**(Registration Number 1998/003821/06)**

**Annual Consolidated Financial Statements**

**for the year ended 31 March 2024**

Annual consolidated financial statements have been audited in compliance with the Companies Act of South Africa

Preparer: Abel Anderson Narainsamy

Position: Group Financial Manager

Auditors: Nexia SAB&T

Position: Registered Auditors

# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Index

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The reports and statements set out below comprise the annual consolidated financial statements presented to the shareholders:

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## Level of assurance

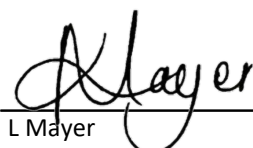
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These annual consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

## Certification by Company Secretary

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In my capacity as Company Secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act of South Africa, that for the year ended 31 March 2024, the company lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



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L Mayer  
Company Secretary

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# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Directors' Responsibilities and Approval

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The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the annual consolidated financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the group, and explain the transactions and financial position of the business of the group at the end of the financial year. The annual consolidated financial statements are based upon appropriate accounting policies consistently applied throughout the group and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The annual consolidated financial statements support the viability of the company.

The consolidated annual financial statements have been audited by the independent auditing firm, Nexia SAB&T, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' audit report is presented on pages 7 to 11.

The annual consolidated financial statements as set out on pages 12 to 76 were approved by the board on 31 July 2024 and were signed on their behalf by:



IG Morris  
CEO, Interim CFO and Executive Director



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RJ Viljoen  
Executive Director

# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Directors' Responsibilities and Approval

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### CEO, Interim CFO and Executive Director responsibility statement

Each of the directors, whose names are stated below hereby confirm that:

- a. the annual consolidated financial statements set out on pages 12 to 76, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;
- b. to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual consolidated financial statements false or misleading;
- c. internal financial controls have been put in place to ensure that material information relating to the group and its consolidated subsidiaries has been provided to effectively prepare the annual consolidated financial statements of the group;
- d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual consolidated financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- e. where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- f. we are not aware of any fraud involving directors.



IG Morris  
CEO, Interim CFO and Executive Director



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RJ Viljoen  
Executive Director

# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Audit Committee Report

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The Audit Committee is pleased to present its report for the financial year ended 31 March 2024 to the board of directors and to all company stakeholders.

This report is in compliance with the requirements of the Companies Act of South Africa, No. 71 of 2008 and the King Code of Governance for South Africa.

### Committee composition and attendance at meetings

The Committee comprised of three independent non-executive directors and the Chairman of the Committee was not the Chairman of the board for the 2024 financial year.

The following directors served on the Committee during the year under review:

1. S Nodwele (Chairperson) (Resigned 28 August 2023)
2. D Passmore
3. PH Duvenhage (Appointed Chairperson 25 January 2024)
4. DA Di Siena (Appointed 25 January 2024)

The Audit Committee is required to meet at least twice a year. During the 2024 financial year, the Committee met three times and attendance thereat is set out below.

<b>Members</b>	13/07/2023	12/12/2023	20/03/2024
S Nodwele	Yes	-	-
D Passmore	Yes	Yes	Yes
PH Duvenhage	Yes	Yes	Yes
DA Di Siena	-	Yes	Yes
<b>Invitees</b>			
IG Morris	Yes	Yes	Yes
PW van Eeden	Yes	Yes	-
TW Hamill	Yes	Yes	Yes
CA King	Yes	Yes	Yes
DA Di Siena	Yes	-	-
Nexia SAB&T	Yes	Yes	Yes
L Mayer (company Secretary)	Yes	Yes	Yes

The executive directors and representatives from the independent external auditor, Nexia SAB&T, are invited to attend all Audit Committee meetings.

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Audit Committee Report

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### Audit Committee mandate

In accordance with the Audit Committee's approved terms of reference, the Committee discharged, inter alia, the following responsibilities during the 2024 financial period:

- Reviewed the interim results, annual consolidated financial statements, trading updates, SENS announcements and other similar documents, and provided comments thereon to the board of directors.
- Made submissions to the board on matters concerning Sebata's accounting policies, financial controls and reporting.
- Generally reviewed the group's financial risk management and controls and held discussions with the independent external auditor Nexia SAB&T.
- Satisfied itself with the appropriateness of the expertise and adequacy of resources of the finance function.
- Monitored the group's combined assurance model and ensured that significant risks facing the group were adequately addressed and passed on to the Risk Committee where applicable.
- Ensured that Nexia SAB&T maintained its independence and objectivity at all times.
- Assessed the quality and effectiveness of the audit process and approved the fees paid to the independent external auditor for the 2024 financial period.
- Reviewed the directors' report to be included in the financial statements prior to endorsement by the board of directors.
- Evaluated significant judgements and reporting decisions in the annual integrated report and the clarity and completeness of the proposed financial and sustainability disclosures.
- Confirmed that the company has, with consideration to all entities included in the consolidated group IFRS financial statements, established appropriate financial reporting procedures and that those procedures are operating to ensure that it has access to all financial information of the group, to allow the group to effectively prepare and report on the financial statements.

At the request of the board, the Committee considers whether the annual report is fair, balanced, understandable and whether it provides the information necessary for shareholders to assess the group's performance, business model and strategy. The Committee reports to the board on its activities, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken thereupon.

### External Auditors

Input from the independent external auditors at Audit Committee meetings provides Committee members with greater insight into the financial management of the company. The Audit Committee is therefore satisfied that the financial statements of the group comply with International Financial Reporting Standards and are consistent with the previous annual consolidated financial statements and that no matters of significance have been raised during the 2024 financial year.

The group has a formal policy on the provision of non-audit services by the independent external auditor which specifies those services that the auditor is prohibited from providing to the Sebata group as well as those that require pre-approval by the Audit Committee.

During the year under review, Nexia SAB&T did not provide any non-audit services to Sebata. The Audit Committee duly satisfied itself that, in accordance with section 94 (8) of the Companies Act, Nexia SAB&T, the external auditors of the group remain independent. Nexia SAB&T has confirmed to the Committee its continuing independence and compliance with the Sebata policy on auditor independence.

The Audit Committee was provided with the latest Audit Quality Indicators report by Nexia SAB&T. The information was used by the Committee to assess the suitability for reappointment of both Nexia SAB&T as the external auditor and Johandre Engelbrecht as the individual designated audit partner.

### Finance function

The Audit Committee has considered the appropriateness of the expertise and experience of the Interim Chief Financial Officer, Greg Morris, together with Sebata's finance team, and is satisfied that Greg Morris and the finance team have the necessary knowledge, skills and expertise to perform the finance function for the group.

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Audit Committee Report

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### Internal Audit

The group does not have an internal audit function. The Committee nevertheless undertakes an annual review on the feasibility of establishing an internal audit function. In undertaking the review, the Committee considers:

- The operational necessity of having an internal audit function that can operate and report independently to the Committee;
- The possible risk that the company may incur by not having an internal audit function, considering all compensating controls that management has put in place;
- The findings contained in the management report prepared by the external auditor during their financial audit; and
- The cost of having an internal audit function that can report independently to the Committee.

In the absence of an internal audit function, the Committee may, from time to time, require management to review and report on key operational controls.

### Whistle blowing policy

Sebata implemented a whistle blowing policy in order to demonstrate its commitment to working towards a culture of fairness, openness and transparency. In conjunction with the whistle blowing policy, the Sebata Holdings Ethics Hotline, which is independently operated by Vuvuzela, provides employees and clients with a mechanism to anonymously bring any unethical business practices to the attention of management. Communication in respect of this hotline is regularly circulated to all group employees, and constant reminders are sent out via the monthly group newsletter.

All reports received from the Ethics Hotline are forwarded to the designated representatives at Sebata and to the Audit Committee for review, and consideration is made as to whether the action taken by the designated representative was appropriate or whether further action is required.

### Financial Statements

The Committee has reviewed the annual consolidated financial statements of the group, and is satisfied that they comply with IFRS Accounting Standards as issued by the International Accounting Standards board and the Companies Act, and that the accounting policies used are appropriate.

The Committee has reviewed a documented assessment by management of the going concern premise of the company.

Based on the facts and circumstances known, management and the Committee determined that there is not a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern, and therefore the Committee recommended to the board that the company will be a going concern for the foreseeable future.

### Compliance

The Committee is responsible for reviewing any major breach of relevant legal and regulatory requirements. The Committee is satisfied that there has been no material non-compliance with law and regulations during the period under review.

The Committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the period under review.

### General

The Audit Committee reviews the going concern status of the group by considering the documentation prepared by management and the assurance provided by the Financial Director at each meeting, and therefore supports the going concern statement by the board of directors.

Sebata's combined assurance model aims to optimise the assurance coverage obtained on the risks affecting the group. Within the group there is interplay between a number of key assurance providers which includes both the Audit and Risk Committee as well as the External audit function. This is supported by the assurance provided on an operational and structural level by both the executive management and the management at an individual subsidiary level.

# SEBATA HOLDINGS LIMITED

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## Audit Committee Report

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The management team of each subsidiary in the group identifies and addresses the risks on the day-to-day operations of that particular business. Monthly management meetings are held with the group executives where these issues are discussed. Lastly, the Risk Committee is responsible for monitoring the appropriateness of the combined assurance model.

The Audit Committee are satisfied that the current combined assurance model utilised by the group ensures that significant risks facing the company are adequately addressed. The Committee has reviewed the annual consolidated financial statements of the group, based on the information provided to the Committee, considers that the group complies, in all material aspects, with the requirements of the Companies Act and IFRS Accounting Standards as issued by the International Accounting Standards board. The Committee has recommended the annual consolidated financial statements for the year ended 31 March 2024 to the board for approval.



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**PH Duvenhage**  
**Chairperson**  
**Audit Committee**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sebata Holdings Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Sebata Holdings Limited and its subsidiaries (the group) set out on pages 15 to 76, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sebata Holdings Limited and its subsidiaries as at 31 March 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Audit. Tax. Advisory.

Key Audit Matter	How our audit addressed the key audit matter
<b>Impairment of investment in associate</b>	
<p>As at 31 March 2024, the group recognised investments in associates in the amount of R133 million (2023: R168 million) as disclosed in note 9 to the consolidated financial statements.</p> <p>Subsequent to initial recognition, in accordance with IAS 36 – Impairment of assets, the group is required to consider whether there are indicators of impairment with respect to investments in associates, and conduct an impairment test to determine the recoverable amount of the investments in associates, where indicators are identified.</p> <p>These investments are unlisted and therefore the valuation requires the use of director’s judgement and estimates in the determination of the recoverable amount of the investment.</p> <p>The impairment assessment is considered a key audit matter to our audit due to the significant judgement and assumptions applied in determining these valuations.</p>	<p>Our audit procedures focused on the evaluation of the key judgements and estimates used in the directors’ determination of the recoverable amounts. The procedures on key judgements and estimates included:</p> <ul style="list-style-type: none"> <li>• We confirmed through inspection of the relevant contractual documentation, independent legal corroboration and review of specific representation from the shareholders that the investee entities are not controlled by the group.</li> <li>• We confirmed the adequacy of management’s assessment of impairment indicators to determine whether there are any indicators of impairment to the carrying value of the investment in associates as at year end, through our knowledge of the business and managements identification of the risk of impairment.</li> <li>• We obtained an understanding of the groups policy with regard to the subsequent assessment of impairment of investments in associates.</li> <li>• Where an impairment indicator was identified, we assessed the methodology used by management to estimate the recoverable amount of each investment in accordance with the requirements of IAS 36: Impairment of Assets.</li> <li>• We evaluated the reasonability of the data, assumptions and methodologies used by management to determine the recoverable amounts of the investments in associates. These would include, where applicable, the review of future cash flow forecasts, growth rates and discount rates or the assumptions and calculations of fair value less cost of disposal for cash generating units with reference to recent market transactions, if applicable.</li> <li>• We considered the adequacy of the group’s disclosure in terms of the applicable accounting standards.</li> </ul> <p>We found the methods, assumptions and data used by the directors to be appropriate based on historical performance, future outlook and current prevailing circumstances.</p> <p>We considered the investment in associate impairment assessment disclosures to be appropriate.</p>
<b>Impairment assessment of other financial assets recognised at amortised cost</b>	
<p>As at 31 March 2024, the group recognised other financial assets at amortised cost valued at approximately R49 million (2023: R74 million) as disclosed in note 10 to the consolidated financial statements.</p> <p>As described in the notes to the consolidated financial statements, the impairment loss is determined in accordance with IFRS 9 - Financial Instruments.</p> <p>The application of IFRS 9’s requirements related to credit loss allowances is considered to be a key audit matter due to the significant degree of judgement required in assessing the impairment of financial instruments.</p> <p>Those judgements include amongst others, the classification of the financial instrument on initial recognition, defining the default and determining the stage of impairment the financial instrument falls within.</p> <p>The general approach was applied for these other financial assets.</p>	<p>Our audit procedures focused on the evaluation of the key judgements and estimates used in the directors’ determination of the expected credit loss. The procedures on key judgements included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the group’s process for estimating the credit loss allowance.</li> <li>• Assessed the group’s IFRS 9 credit loss allowance policy, modelling technique and methodology against the requirements of IFRS 9.</li> <li>• Reviewed the group’s business model assessment to confirm the financial instruments are correctly classified on initial recognition.</li> <li>• Assessed under the general approach, the classification of financial asset between the various stages of credit impaired, taking into account the default rate.</li> <li>• Assessed the financial health of the underlying security against which the financial assets have been advanced to determine the reasonability of the present value of anticipated future cash flows.</li> <li>• Researched current market conditions and macro-economic indicators for indications of financial distress, and assessed the forward-looking assumptions applied by management in their calculation.</li> <li>• Tested the mathematical accuracy of the model to ensure the calculation is considered to be reasonable.</li> <li>• We confirmed the adequacy of the group’s disclosure in the consolidated financial statements in terms of IFRS 9.</li> </ul>

	<p>We found the method, assumptions and data used by the directors to be appropriate.</p> <p>We considered the credit loss allowance for other financial assets carried at amortised cost to be appropriately disclosed.</p>
<p><b>Fair value determination of other financial assets recognised at fair value through profit or loss</b></p>	
<p>As at 31 March 2024, the group recognised other financial assets at fair value through profit or loss valued at approximately R187 million (2023: R230 million) which consists of contingent consideration receivable from the disposal of subsidiaries as disclosed in note 10 to the consolidated financial statements.</p> <p>As described in the notes to the consolidated financial statements, the fair value movement is determined in accordance with IFRS 9 - Financial Instruments and is dependent on whether the respective earn out targets are achieved, failing which ownership of the respective investees would revert back to the Group on termination of the agreements.</p> <p>The application of IFRS 9's requirements related to fair value determination of the contingent consideration receivable, taking into account the probability of achieving the respective earn out targets over the earn out period, is considered to be a key audit matter due to the significant degree of estimation uncertainty and judgement involved in these assessments.</p> <p>Those judgements and estimates include amongst others forecast EBITDA of the investees over the remaining earn out period, validity of addendums to the sale of share agreements, as well as fair value determination of the consideration receivable which equals the value of the underlying equity of the investees serving as security over the contingent consideration receivable, in instances where the earn out targets are estimated not to be met.</p> <p>In those instances where the earn out targets are estimated not to be met, the financial assets have been measured at fair in accordance with IFRS 13 utilising a combination of various valuation models, most notably the income approach.</p> <p>These investees are unlisted and therefore the valuation requires the use of director's judgement and estimates in the determination of their respective fair values.</p> <p>The fair value determination is considered a key audit matter to our audit due to the significant judgement and assumptions applied in determining these valuations.</p>	<p>Our audit procedures focused on the evaluation of the key judgements and estimates used in the directors' determination of whether the earn out targets will be achieved, and if not, the key judgements and estimates used in the directors' determination of fair value for the respective assets. The procedures on key judgements and estimates included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the contractual agreements informing the contingent consideration receivable related to the various disposals, as well as any addendum thereto.</li> <li>• Obtained third party technical accounting opinions to confirm the treatment of the transactions is in accordance with the requirements as prescribed by the financial reporting framework.</li> <li>• Reviewed the forecast EBITDA estimates over the remaining earn-out period in order to determine whether the respective earn-out hurdles will be met over the remaining earn-out period.</li> <li>• Where it was concluded that the earn-out hurdles would be achieved, we determined whether the other financial assets should be recognised at their fair values, taking into account the counterparties ability to service their obligation to the Group;</li> <li>• Where it was concluded that the earn-out hurdles would not be achieved, or the counterparty would not be in a position to service their purchase consideration obligation to the Group, we assessed the group's IFRS 9 fair value measurement policy, modelling technique and methodology against the requirements of IFRS 9, specifically relating to the determination of the fair value of the underlying equity of the investee serving as security over the contingent consideration receivable measured in accordance with IFRS 9 at fair value through profit or loss.</li> <li>• We evaluated the reasonability of the data, assumptions and methodologies used by management to determine the recoverable amount of the other financial assets recognised at fair value through profit or loss. These would include, where applicable, the review of future cash flow forecasts, growth rates and discount rates or the assumptions and calculations of fair value less cost of disposal for cash generating units with reference to recent market transactions, if applicable.</li> </ul> <p>We found the methods, assumptions and data used by the directors to be appropriate based on historical performance, future outlook and current prevailing circumstances.</p> <p>We considered the fair value determination assessment disclosures to be appropriate.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sebata Holdings Limited Annual Consolidated Financial Statements for the year ended 31 March 2024" which includes the Directors' Report, the Audit Committee Report and the Certification by Company Secretary as required by the Companies Act of South Africa and the CEO, Interim CFO and Executive Director Responsibility Statement as required by the JSE Limited Listing Requirements, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we do receive and read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Sebata Holdings Limited for 13 years.

*Nexia SAB&T*

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#### **Nexia SAB&T**

Johandre Engelbrecht

Director

Registered Auditor

31 July 2024

Centurion

# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Directors' Report

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The directors present their report for the year ended 31 March 2024.

### 1. Reporting entity and review of activities

Sebata Holdings Limited is a group domiciled in the Republic of South Africa. The address of the group's registered office is c/o The Lodge, Hunts End, 38 and 42 Wierda Road, Wierda Valley, Sandton. The annual consolidated financial statements of the group as at and for the year ended 31 March 2024, comprise the company and its subsidiaries (together referred to as the "group" and individually as "group entities") and the group's interest in associates.

Sebata is a holding company with equity interests in a number of operating entities and is listed on the main board of the Stock Exchange operated by the JSE Limited (JSE) under the computer services sector. Our businesses are primarily focused on the provision of information technology.

The operating results and financial position of the group are fully set out in the attached annual consolidated financial statements and do not in our opinion require any further comment.

### 2. Going concern

The annual consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The group incurred a loss for the year of R112.7 million (2023: R13.8 million) largely attributable to fair value adjustments and losses from equity accounted investments. The events or conditions which lead to the loss for the year is non-recurring and largely attributable to the restructuring of the investees operations. The necessary plans such as cost containment measures are being implemented in order to strengthen the financial position and performance of the group.

The directors believe that the group has adequate financial resources, or has access to adequate financial resources, to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The group has obtained a commitment from its controlling shareholder to continue providing financial support in the form of interest bearing loans should additional funding be required by the group for the foreseeable future.

Following from the considerations noted above, the directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

There is currently no outstanding litigation that the directors believe has not been adequately accounted for that could affect the group's ability to meet its obligations.

# SEBATA HOLDINGS LIMITED

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## Directors' Report

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### 3. Events after reporting date

#### Termination of Water group and Software group transactions

With effect from 1 July 2024 the Sale of Share agreements originally concluded during the 2020 financial period relating to the Water group and Software group transactions were terminated. The company gained ownership of the equity interests originally disposed off to Inzalo Capital Holdings (Pty) Ltd. With effect from 1 July 2024 the company effectively regained control over the entities within the Water group and Software group.

As the Sale of Share agreements continued to remain in effect and in force as at 31 March 2024 the termination of the Sale of Share agreements are considered to be a non-adjusting event after reporting date requiring disclosure thereof as noted above.

#### Appointment of directors

With effect from 6 May 2024, Dylan Strydom and Ruan Viljoen were appointed as executive directors of the company.

The directors are not aware of any other matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the group.

### 4. Directors' interest in contracts

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

### 5. Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the company during the year under review.

### 6. Borrowing limitations

In terms of the Memorandum of Incorporation of the group, the directors may exercise all the powers of the group to borrow money, as they consider appropriate.

### 7. Dividends

As detailed in the announcement released on SENS on 2 October 2024, a special dividend of 25 cents per share, totaling R28 728 772, was declared to shareholders on 23 October 2024.

### 8. Directors

The directors of the company during the year and to the date of this report are as follows:

IG Morris (Chief Executive Officer and Interim Chief Financial Officer)

DA Di Siena (Independent Non-executive Chairperson)

PH Duvenhage (Independent Non-executive)

TW Hamill (Non-executive)

D Passmore (Independent Non-executive)

C King (Executive)

DL Strydom (Executive) (Appointed 6 May 2024)

RJ Viljoen (Executive) (Appointed 6 May 2024)

S Nodwele (Resigned 28 August 2023)

PW van Eeden (Resigned 19 January 2024)

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Directors' Report

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### 9. Company Secretary

The role of company Secretary continues to be occupied by Ms. L Mayer. The board is satisfied that Ms. L Mayer maintains an arm's length and independent relationship with the board and is not a director of the company, as required in terms of paragraphs 3.84 (h) of the JSE Listings Requirements.

In evaluating the company Secretary, the board has considered the prescribed duties and responsibilities of the company Secretary which are set out in the Companies Act of 2008 as amended, JSE Listings Requirements and governance requirements as set out in King IV.

### 10. Subsidiaries, Associates and other investments

Particulars of the principal subsidiaries, associate companies and other investments of the group are provided in note 34 of the annual consolidated financial statements.

### 11. Special Resolutions

The company passed four special resolutions during the year ended 31 March 2024 (all special resolutions were passed at the company's Annual General Meeting on 19 October 2023):

- Approving the remuneration of the non-executive directors.
- Approving financial assistance to related or inter-related companies and corporations.
- Approving Loans or other financial assistance to directors.
- General approval to acquire shares.

Except for the above, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the affairs of the company is required to be disclosed.

### 12. Segment Information

Segment information is included in note 32 of the annual consolidated financial statements.

### 13. Independent Auditors

Nexia SAB&T were the independent auditors for the year under review.

### 14. Directors interest in shares

Directors interest in shares are disclosed in note 37 to the annual consolidated financial statements which shows the shareholders information.

# SEBATA HOLDINGS LIMITED

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## Statement of Financial Position

Figures in R'000	Note(s)	2024	2023
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	4,678	1,548
Investment property	7	33,692	33,900
Intangible assets	8	38,239	38,143
Investments in associates	9	133,434	168,349
Deferred tax assets	18	254	9,600
		<b>210,297</b>	<b>251,540</b>
<b>Current Assets</b>			
Inventories		158	1,224
Current tax	20	129	3,672
Other financial assets	10	236,479	303,945
Trade and other receivables	11	9,664	10,712
Cash and cash equivalents	12	12,093	4,731
		<b>258,523</b>	<b>324,284</b>
<b>Total Assets</b>		<b>468,820</b>	<b>575,824</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital	13	287,223	285,063
Other reserves	14	5,956	5,956
Retained earnings		54,464	196,909
		<b>347,643</b>	<b>487,928</b>
Non-controlling interest	15	(31)	(254)
<b>Non-Current Liabilities</b>			
Other financial liabilities	16	30,576	444
Deferred tax liabilities	18	33,587	49,291
		<b>64,163</b>	<b>49,735</b>
<b>Current Liabilities</b>			
Trade and other payables	19	19,024	21,582
Current tax	20	3,710	975
Other financial liabilities	16	27,297	8,844
Deferred vendor payments	17	7,014	7,014
		<b>57,045</b>	<b>38,415</b>
<b>Total Equity and Liabilities</b>		<b>468,820</b>	<b>575,824</b>

# SEBATA HOLDINGS LIMITED

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## Statement of profit and loss and other comprehensive income

Figures in R'000	Note(s)	2024	2023
<b>Revenue</b>	22	33,149	28,652
Cost of sales		(4,715)	(3,657)
<b>Gross profit</b>		<b>28,434</b>	<b>24,995</b>
Other net income/(expenses)		304	(1,232)
Administration expenses	23	(61,499)	(45,017)
Credit loss allowance on financial assets measured at amortised cost	23	(14,749)	(2,071)
<b>Operating loss</b>		<b>(47,510)</b>	<b>(23,325)</b>
Finance income		915	1,490
Finance costs		(3,094)	(985)
Share of (loss)/profit from equity accounted associates	9	(61,790)	1,218
<b>Loss before taxation</b>		<b>(111,479)</b>	<b>(21,602)</b>
Tax expense	24	(1,234)	7,834
<b>Loss for the year</b>		<b>(112,713)</b>	<b>(13,768)</b>
<b>(Loss)/Profit for the year attributable to:</b>			
Owners of the parent		(113,938)	(15,590)
Non-controlling interests		1,225	1,822
		<b>(112,713)</b>	<b>(13,768)</b>
<b>Loss per share (cents)</b>	26		
Basic		-100.29	-13.78
Diluted Basic		-100.29	-13.78
<b>Other comprehensive income/(losses) (shown net of taxes)</b>			
<b>Items that may subsequently be reclassified into profit or loss</b>			
Foreign currency translation differences	14	-	-
<b>Total comprehensive loss for the year</b>		<b>(112,713)</b>	<b>(13,768)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Non-controlling interests		1,225	1,822
Owners of the parent		(113,938)	(15,590)
		<b>(112,713)</b>	<b>(13,768)</b>

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## Statement of Changes in Equity

Figures in R'000	Note(s)	Share capital	Share premium	Foreign Currency Translation Reserve	Share based payment reserve	Treasury share reserve	Retained earnings	Total	Non-controlling interest	Total
<b>Balance at 1 April 2022</b>		1,131	283,932	3,607	2,875	(6,584)	211,973	496,934	(1,105)	495,829
<b>Total comprehensive income for the year</b>										
Loss for the year		-	-	-	-	-	(15,590)	(15,590)	1,822	(13,768)
<b>Total comprehensive income for the year</b>		-	-	-	-	-	(15,590)	(15,590)	1,822	(13,768)
<b>Transactions with owners recorded directly in equity</b>										
Dividends paid		-	-	-	-	-	-	-	(971)	(971)
Share-based payment transactions	14	-	-	-	(526)	-	526	-	-	-
Reversal of accrual for share repurchase		-	-	-	(526)	6,584	526	6,584	(971)	6,584
		-	-	-	(526)	6,584	526	6,584	(971)	5,613
<b>Balance at 1 April 2023</b>		<b>1,131</b>	<b>283,932</b>	<b>3,607</b>	<b>2,349</b>	<b>-</b>	<b>196,909</b>	<b>487,928</b>	<b>(254)</b>	<b>487,674</b>
<b>Balance at 1 April 2023</b>		1,131	283,932	3,607	2,349	-	196,909	487,928	(254)	487,674
<b>Total comprehensive income for the year</b>										
Loss for the year		-	-	-	-	-	(113,938)	(113,938)	1,225	(112,713)
<b>Total comprehensive income for the year</b>		-	-	-	-	-	(113,938)	(113,938)	1,225	(112,713)

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Statement of Changes in Equity

Figures in R'000	Note(s)	Share capital	Share premium	Foreign Currency Translation Reserve	Share based payment reserve	Treasury share reserve	Retained earnings	Total	Non-controlling interest	Total
<b>Transactions with owners recorded directly in equity</b>										
Dividends paid		-	-	-	-		(28,507)	(28,507)	(1,002)	(29,509)
Issue of shares	14	9	2,151	-	-	-	-	2,160	-	2,160
<b>Balance at 31 March 2024</b>		<b>1,140</b>	<b>286,083</b>	<b>3,607</b>	<b>2,349</b>	<b>-</b>	<b>54,464</b>	<b>347,643</b>	<b>(31)</b>	<b>347,612</b>
<b>Notes</b>		13	13	14	14				15	

# SEBATA HOLDINGS LIMITED

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## Statement of Cash Flow

Figures in R'000	Note(s)	2024	2023
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	(4,261)	(19,714)
Finance income		915	358
Finance costs		(2,192)	(985)
Income tax paid	20	(870)	(1,006)
<b>Net cash from operating activities</b>		<b>(6,408)</b>	<b>(21,347)</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired		(107)	(129)
Intangible assets acquired	8	(3,027)	(3,849)
Investment property acquired	7		(34,299)
Proceeds on disposals of property, plant and equipment		59	152
Other financial assets advanced		(17,227)	(2,927)
Other financial assets repaid		27,370	60,398
		<b>7,068</b>	<b>19,346</b>
<b>Cash flows from financing activities</b>			
Other financial liabilities raised	28	40,819	8,088
Other financial liabilities repaid	28	(23,010)	(1,579)
Dividends paid to non-controlling interest		(1,001)	(971)
Dividends paid		(10,106)	-
		<b>6,702</b>	<b>5,538</b>
Increase in cash and cash equivalents		7,362	3,537
Cash and cash equivalents at beginning of the year		4,731	1,194
<b>Cash and cash equivalents at end of the year</b>	12	<b>12,093</b>	<b>4,731</b>

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Accounting Policies

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### 1. Statement of compliance

The annual consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act).

The annual consolidated financial statements of the company for the year ended 31 March 2024 comprise the company and its subsidiaries and the group's interests in associates (together referred to as the 'group').

### 2. Basis of preparation

The annual consolidated financial statements are presented in South African Rand, which is the group's functional currency. All financial information presented in South African Rand had been rounded to the nearest thousand, except when otherwise indicated.

The annual consolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual consolidated financial statements are disclosed in note 4.

### 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual consolidated financial statements are set out below. These policies have been consistently applied apart from the changes to the accounting policies applied in note 5. These accounting policies have been applied consistently by all group entities.

#### 3.1 Consolidations

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Losses and each component of comprehensive income applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

#### Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Accounting Policies

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### *Summary of significant accounting policies continued...*

The group's share of post-acquisition profit or loss is recognised in the statement of profit and loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income.

Profit and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### **Transactions eliminated on consolidation**

Intergroup balances and transactions, and any unrealised income and expenses arising from intergroup transactions, are eliminated in preparing the annual consolidated financial statements.

## **3.2 Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred.

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Useful lives are affected by technology innovations, maintenance programs and future economic benefits. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

Depreciation is provided on the straight-line basis which, will reduce the carrying amount of the property, plant and equipment to their residual values at the end of their useful lives. Depreciation is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Items of property, plant and equipment are depreciated from the date that they are installed and available for use. Where the residual value exceeds the cost no depreciation is recognised.

The major categories of property, plant and equipment are depreciated at the following rates:

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Accounting Policies

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### *Summary of significant accounting policies continued...*

Plant and equipment	5 – 15 years
Motor vehicles	4 – 5 years
Furniture and fittings	5 – 10 years
Office equipment	5 – 10 years
IT equipment	2 – 5 years
Right of Use Assets	Over the period of the lease

### **3.3 Investment Property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at cost less accumulated depreciation and impairments in accordance with IAS 40. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Depreciation is provided on the straight-line basis over a period of 50 years which, will reduce the carrying amount of the investment property to their residual values at the end of their useful lives. Depreciation is recognised in profit or loss. Where the residual value exceeds the carrying value depreciation is not charged on investment property.

### **3.4 Intangible Assets**

#### **3.4.1 Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is recognised as the excess of the purchase price over the fair value of the identifiable assets and liabilities assumed in a business combination.

Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the business combination.

Goodwill is measured at cost less accumulated impairment losses.

#### **3.4.2 Computer software internally generated and computer software under development**

Expenditure of research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or sustainable improved products and processes. Development expenditure is capitalised only if development costs can be, measured reliably, the product or process is technically commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the assets for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is allocated to computer software under development until such time that the products and processes are ready for use. The relevant items are then transferred from the computer software under development category to the computer software internally generated category within intangible assets.

# SEBATA HOLDINGS LIMITED

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Annual Consolidated Financial Statements for the year ended 31 March 2024

## Accounting Policies

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### *Summary of significant accounting policies continued...*

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

#### **3.4.3 Amortisation**

The estimated useful lives for the current and comparative years are as follows:

Computer software purchased and internally generated	3 - 15 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and it is subsequently carried at cost less accumulated impairment losses.

#### **3.5 Impairment of non-financial assets**

The carrying amount of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or when changes in circumstances may indicate that an impairment exists.

For the purpose of impairment testing, assets are first assessed individually and then if the asset does not generate cash flows individually, the asset is grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the group on a pro rata basis. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **3.6 Financial Instruments**

##### **Financial assets**

Financial assets comprise trade and other receivables, cash and cash equivalents and other financial assets measured at amortised cost and at fair value through profit or loss. Financial assets excludes prepayments, contract assets and indirect taxes.

# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### **Recognition**

Financial assets are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments. Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current.

#### **Classification**

The group classifies financial assets on initial recognition as measured at amortised cost or fair value through profit or loss (FVTPL) based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

- FVTPL – Contingent disposal consideration receivable where the amount that will be received is based on the outcome of uncertain future events.

The contingent disposal consideration receivable is classified as held at fair value through profit or loss due to the contingent nature thereof, in reference to the performance conditions as stipulated in the sale of share agreement, and the addendum thereto, and the probability of the third party achieving these targets. Failing which the underlying collateral is utilised as reference for fair value measurement.

- Amortised cost – These assets are held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

#### **Subsequent Measurement**

Subsequent to initial recognition, financial assets are measured as described below:

- FVTPL – These financial assets are subsequently measured at fair value and changes therein are recognised in profit or loss. The contingent disposal receivable is measured at fair value utilising a free-cash-flow to equity valuation method (Income approach) in accordance with the fair value measurement criteria of IFRS 13 where the underlying security is utilised as reference for the valuation purposes. Any gain or loss on derecognition is recognised in profit or loss. Financial assets measured at fair value through profit or loss include the Inzalo Capital Holdings (Pty) Ltd receivable under other financial assets.
- Amortised cost – These financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

# SEBATA HOLDINGS LIMITED

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## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### **Impairment of financial assets**

##### **Trade receivables carried at amortised cost**

Under IFRS 9 the company calculates its allowance for credit losses as expected credit losses (ECLs) for trade and other receivables measured at amortised cost. ECLs are a probability weighted estimate of credit losses. To calculate ECLs the company groups trade receivables by customer type and ageing. The company applies the simplified approach to determine the ECL for trade receivables. This results in calculating lifetime expected credit losses for trade receivables. ECLs for trade receivables are calculated using a provision matrix. The provision matrix is determined by using reference to the credit quality of the assets, the customers ability to pay, historical default rates and credit losses incurred along with reference to forward looking information such as macroeconomic factors which are used to adjust the ECL rate to take the risks into consideration. The trade and other receivables are considered credit impaired financial assets once management has commenced legal proceedings to recover the amounts in default. The company has defined a default as a significant deviation to the contractual payment terms and accepted historical payment rates from customers which has impacted on the ability of the customers ability to settle current and future debt, resulting in the commencement of legal proceedings. If there have been significant defaults from a specific customer and these have given rise to indications that the customer has a decreased ability to settle the debt when due these expected credit losses are provided for in full and not with reference to the provision matrix. In determining whether default has occurred the company has rebutted the presumption applied by IFRS 9 that default occurs at 90 days, and applied 150 days, this is due to the segments in which the company operates in which it is common practice for payment terms to extend past 30 days. The groups policy is to write-off all outstanding trade and other receivables only once all legal avenues have been exhausted.

##### **Other financial assets carried at amortised cost**

ECLs for other financial assets carried at amortised cost are determined in accordance with the general approach under IFRS9 and are assessed on an individual basis based on a credit risk assessment of the borrower. ECLs on other financial assets are recognised in terms of IFRS 9 and is based on assumptions related to the risk of default by the counterparty and expected loss rates taking into consideration the group's past history of payments from counterparties and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Forward looking information includes the credit risk assessment, consideration of historic defaults by the borrower, the payment history of the borrower, the borrowers ability to repay any outstanding debt based on prospective financial performance and the security in place over the debt.

The company applies the following credit risk grading:

Stage 1 - applies when the counterparty has a low risk (strong financial position with adherence to payment requirements) of default and does not have any past-due amounts. 12-month ECL is used as basis for recognising ECL;

Stage 2 - applies when the receivable is more than 30 days past due or when there has been significant increase in credit risk (weakened solvency and liquidity position). The receivable is not credit-impaired and lifetime ECL is used as basis for recognising ECL; and

Stage 3 - applies when the receivable is 90 days past due or when there is evidence indicating that the receivable is credit impaired (significant deterioration in the financial position or performance). The receivable is credit-impaired and lifetime ECL is used as basis for recognising ECL.

#### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

#### **Financial liabilities**

Financial liabilities comprise trade and other payables, other financial liabilities, deferred vendor payments, related party loans and bank overdrafts. Financial liabilities excludes contract liabilities, indirect taxes and all payroll related payables.

# SEBATA HOLDINGS LIMITED

(Registration Number 1998/003821/06)

Annual Consolidated Financial Statements for the year ended 31 March 2024

## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### **Recognition**

Financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date otherwise they are classified as current.

#### **Classification**

All financial liabilities are classified at amortised.

#### **Subsequent Measurement**

Subsequent to initial recognition, financial liabilities are measured as described below:

- Amortised cost – These financial liabilities are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### **Derecognition**

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

#### **Contingent considerations**

Contingent consideration arising from the disposal of the Water group and Software group is classified as financial asset following from the cash consideration receivable being contingent on uncertain future events.

Amounts classified as contingent financial assets are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. The financial asset represents the expected purchase consideration receivable in respect of the Water group and Software group disposals.

The contingent consideration classified as a financial assets are measured with direct reference to the performance conditions stipulated in the sale of share agreement related to the Water group and Software group, and the probability of the Water group and Software group achieving these targets over the earn out period. In instances where the performance conditions stipulated in the disposal agreement is not expected to be achieved based on the company's assessment as at report period end, the underlying security against the financial asset receivable is used to determine the fair value of the contingent consideration receivable, following from the consideration that the underlying equity would return back to the company on conclusion of the earn-out period if the transaction is terminated due to the performance conditions not being met.

### **3.7 Share capital**

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### **3.8 Employee benefits**

#### **3.8.1 Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the company has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

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## Accounting Policies

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### *Summary of significant accounting policies continued...*

A liability is recognised for the amount expected to be paid under short term bonuses in the company as the company has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### **3.9 Income tax**

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity in which case current tax and deferred tax are also recognised directly equity.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a year, and any adjustments in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

At each statement of financial position date, the company reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax assets and liabilities are not discounted.

Dividends withholding taxes that arise from the distribution of dividends are recognised when the distributions are made to shareholders that do not qualify for exemption in terms of the Income Tax Act.

# SEBATA HOLDINGS LIMITED

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## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### 3.10 Revenue recognition

##### 3.10.1 Revenue contracts with customers

Revenue is measured at the transaction price of the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or services to a customer. The following indicators are used by the group in determining when control has passed to the customer:

- the group has the right to payment for the product or service;
- the customer has legal title to the product;
- the group has transferred physical possession of the product to the customer;
- the customer has the significant risks and rewards of ownership of the product; and
- the customer has accepted the product.

The transaction price is allocated to specific performance obligations within the contract, these prices are specifically linked and disclosed in accordance to the performance obligations. Hence there is no need for management to make any assumptions as it relates to allocating the transaction price to the various performance obligations. The transaction prices charged in each contract, for each performance obligation, is its stand alone selling price, therefore the price is not required to be allocated based on stand alone selling prices.

##### **Nature of significant revenue streams**

The group's revenue streams consists of the major products and services lines set out below, which includes a description of the principle activities from which the group generates its revenue, significant judgements applied in assessing the timing of measurement of performance obligation and the transaction price allocated to performance obligations.

##### **Major product lines over time**

###### **Products and services**

###### **Nature, timing of satisfaction of performance obligations and significant payment terms**

Software licence with Support and maintenance

Software licensing programs include on-premises licenses combined with continuous Software Support and Maintenance (Software solution as a Services). Software licence with support and maintenance conveys rights to access the licenced software and upgrades released over the contract period and provides support, tools, and training to help customers deploy and use products more efficiently. Revenue allocated to software licence as a service with support and maintenance offered as a service over time, is generally recognised over the contract period as customers simultaneously consume and receive benefits from control over the software licence together with periodic support and maintenance services. Refer to note 4.7 where the judgements applied in determining performance obligations is disclosed.

Project installation and implementation services

Revenue from installation and implementation services spanning extended periods of time is recognised in accordance with the relevant milestones as contractually agreed and confirmed by the customer based on the completion of the installation and implementation services over time, based on the output.

Professional Services

Revenue related to consulting services comprises mostly specialised resources based on consumption. Revenue from consulting services is recognised as services are provided based on the input.

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## Accounting Policies

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### *Summary of significant accounting policies continued...*

Support and maintenance	Revenue related to support and maintenance services comprises mostly support services or maintenance required on existing software. Revenue from support and maintenance services is recognised as ad-hoc services are provided and the necessary repairs, maintenance or equivalent services has been completed to the customer's satisfaction.
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### Major product lines at a point in time

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Physical goods	Revenue from physical goods is recognised at the point in time when the customer takes control of the goods.

### Contract Assets

Timing of revenue recognition may differ from the timing of invoicing to customers. The group records a contract asset when revenue is recognised prior to invoicing. Contract assets raised are expected to be realised within 12 months as there is no significant difference as to when the performance obligations are delivered and when the assets become contractually due.

### Contract Liabilities

Timing of revenue recognition may differ from the timing of invoicing to customers. The group records a contract liability where the consideration relating to the revenue has been received prior to the performance obligation having been met. Contract liabilities are expected to be utilised within 12 months.

### Contract Financing

Generally, the group receives short-term advances from its customers and in certain cases there are delayed payment terms of generally 30 days. Using the practical expedient in IFRS 15, the group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

### 3.11 Finance income and finance costs

Finance income comprises interest income on funds invested and the unwinding of the financial assets carried at fair value. All finance incomes are recognised in profit or loss using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method, other than borrowing costs directly attributable to asset being developed, which is accounted for as part of the asset.

### 3.12 Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

The group calculates headline earnings per share (HEPS) data for its ordinary shares. Headline earnings are determined by excluding certain items from profit or loss attributable to ordinary shareholders through making use of the table and requirements contained in Circular 01/2023 issued by the South African Institute of Chartered Accountants.

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## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### **3.13 Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which components are regularly reviewed by the group's chief operating decision makers to make decisions about resources to be allocated and to assess its performance, and for which financial information is available.

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management as used for day to day decision making and as reviewed by the chief operating decision maker, which in the group's case is the executive committee. The segments have been identified according to the nature of their respective products and services.

#### **4. Critical accounting judgements, key sources of estimation uncertainty and fair value determination**

The group's management makes assumptions, estimates and judgements in the process of applying the group's accounting policies that affect the assets, liabilities, income and expenses in the annual consolidated financial statements prepared in accordance with IFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision policy affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **4.1 Residual values and useful lives of tangible and intangible assets**

The useful lives and residual values of items of property, plant and equipment and intangible assets are estimated annually. The actual lives and residual values may vary depending on a variety of factors such as the nature of item, the condition as result of current usage and the expected physical wear and tear of each item and technical relevance of property, plant and equipment and intangible assets. The useful lives are based on managements best estimate of the period over which the asset could be used, which is based on past experience of similar assets in similar conditions, information in the market about similar products in similar condition, servicing similar industries, and other related factors directly influencing the period over which the asset can be utilised. Residual value of tangible assets are based on actual historic sales proceeds for similar assets in similar conditions and the blue book values for motor vehicles. Residual value of Intangible assets is placed at nil due to the unique nature of the products internally developed.

##### **4.2 Impairment assessment of non-financial assets**

The group tests annually whether goodwill and intangible assets with indefinite lives have suffered any impairment or where there are sufficient indicators of a possible impairment. The group has concluded that each of its investees represents a separately identifiable CGU. The recoverable amounts of the respective CGUs were determined based on the higher of the value in use of the fair value less cost to sell calculations. The calculations mainly use forecast cash flow projections based on financial budgets that were approved by the Board of Directors. The forecast period used in the calculations covers a five year (2023: five year) period, with year one being the approved budgeted year. A terminal value is calculated into perpetuity using long-term growth rates. The growth rates used are in line with industry norms.

The input factors most sensitive to change are management's estimates of growth rates and discount rates.

The group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to an appropriate CGU being impaired. The goodwill was not impaired in the current year (2023: Rnil million).

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## Accounting Policies

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### *Critical accounting judgements, key sources of estimation uncertainty and fair value determination continued...*

#### **4.3 Measurement of the recoverable amount of trade receivables**

Management has made estimates on the recoverable amount of the group's trade receivables around the ability of the customer to settle outstanding debts when it becomes due and estimations on future default rates translated into expected credit losses. Past payment history, financial wellness and historical write offs are considered part of the estimation uncertainty associated with the measurement of the recoverable amount of trade and other receivables. Refer to note 11 and note 30. The calculations mainly use forecast cash flow projections based on financial budgets that were approved by the Board of Directors. The forecast period used in the calculation

#### **4.4 Measurement of the recoverable amount of other financial assets at amortised cost**

Management utilised estimates to determine the recoverable amount of the company's other financial assets, which focuses on the ability of the counter part to settle outstanding debt when it becomes due and payable. The company uses judgment in making these estimations and selecting the inputs to the credit loss calculations, based on the company's past payment history, the historical write off's, existing market conditions as well as forward looking estimates at the end of the reporting period estimations on future default rates translated into expected credit losses. Where there is a increase in the credit risk of the counterparty following from the above assessment the ECL will accordingly be adjusted. Where the credit risk increase is considered to be significant, the ECLs will be adjusted to equal a lifetime ECL.

#### **4.5 Deferred tax assets**

Management's judgement is exercised when determining the probability of future taxable profits, which will determine whether deferred tax assets should be recognised or derecognised. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income. Deferred tax assets have been raised at year end on income and capital tax losses and temporary differences based on current profit forecasts. The group analysed its deferred tax assets in respect of assessed losses and expects to realise the deferred tax assets in the ordinary course of business.

#### **4.6 Revenue contracts with customers**

Our contracts with customers often include promises to transfer multiple products and services to a customer, for instance goods, software and support and maintenance (software solution). Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgement. When a software based service includes both on- premises software licenses and services, support and upgrades management assess whether the support and upgrades provided are critical to the functionality of the software in determining whether there are multiple or a single performance obligation. The group has concluded that its software based services which includes on-premise software licenses and services, support and upgrades (Software as a Services) is considered to be a single performance obligation over time due to the continued involvement of the group in the provision of non-critical upgrades. Where an integrated product offering is sold management assess the allocation of the transaction price with reference to the stand alone selling prices of the individual performance obligations.

#### **4.7 Control**

The control principle in IFRS 10 sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of those returns. Management assess ownership levels, board control and shareholder agreements in determining whether control exists or not. As at 31 March 2024 the Sale of Share agreements continue to remain in effect and binding with Inzalo Capital Holdings Limited retaining the controlling ownership levels over the investee entities, as well as controlling board representation rights as governed by the various shareholders agreement in effect.

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## Accounting Policies

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### *Critical accounting judgements, key sources of estimation uncertainty and fair value determination continued...*

#### **4.8 Measurement and recoverability of other financial assets subject to earn out**

Other financial assets measured at fair value through profit and loss includes amounts that are subject to certain earn out targets, and are thus considered to be contingent in nature. Management determines the fair value of these financial assets based on the probability of the earn-out targets being achieved over the earn out period, which is based on forecast profits and earnings before interest and tax targets.

Should the earn-out targets not be achieved, the respective disposals of the Water group and Software group would unwind, and the ownership and controlling stake in the investees would be returned to the group.

In instances where the earn-out targets are anticipated not to be achieved, the fair value of the consideration receivable is updated to reflect the fair value of the proportionate share of the investees equity which serves as security against the outstanding receivable.

As at 31 March 2024, following from the continued economic difficulty experienced during the current financial period, the Water group and Software group does not expect its earn-out target for the year ending 30 June 2024 will be achieved, resulting in the contingent financial asset receivable being measured at fair value.

As the purchaser has thus far been unable to demonstrate its ability to raise the consideration payable by any other means, the company has remeasured the fair value of the contingent purchase consideration asset receivable to the proportionate share of the investees equity, utilising the Income approach as per IFRS 13.

The income approach as prescribed by IFRS 13 converts forecast future cash flows into a singular discounted equity value, taking into account various factors including risk and uncertainty specific to the investee to determine the value of the underlying equity. The income approach requires significant judgement in selecting the appropriate valuation method and estimation period and includes significant estimation uncertainty inherent in the selection of the key assumptions utilised in the valuation, such as the growth rates and discount rates.

The company has utilised the most recent budgets and forecasts of the underlying investees to determine the forecast free cash flows over the estimation period, taking into account economic and market factors as well as internal production capabilities. Estimation of the terminal growth rates and discount rates are based on market information applicable to the entities' nature of operations, including the risk free rate, appropriate equity risk premium and other key inputs in determining the cost of capital. A terminal value is calculated into perpetuity using long-term growth rates. The growth rates used are in line with industry norms.

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## Accounting Policies

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### *Critical accounting judgements, key sources of estimation uncertainty and fair value determination continued...*

#### **4.9 Measurement of investments in associates**

Associates recognised as a result of the disposal of the majority of the interest in a subsidiary are measured at the fair value of the retained investment on recognition date, which is considered the deemed cost of the investment in the associates for subsequent measurement.

Subsequent thereto, the investment in associate is measured at cost, plus/less accumulated equity accounted accumulated profits or losses from associates and accumulated impairments.

The group determines annually whether indicators of impairment exists, or or impairment reversal exists, at which point a impairment assessment is performed, should indicators be identified. The investment in associated is impaired to the recoverable amount, which is the higher of the fair value less cost to sell or the value in use. The recoverable amounts have been determined based on the fair value less cost to sell, using the income approach. The income approach as prescribed by IFRS 13 converts forecast future cash flows into a singular discounted equity value, taking into account various factors including risk and uncertainty specific to the investee to determine the value of the underlying equity.

The income approach requires significant judgement in selecting the appropriate valuation method and estimation period and includes significant estimation uncertainty inherent in the selection of the key assumptions utilised in the valuation, such as the growth rates and discount rates. Refer to note 29 for detail around the key assumptions utilised in the valuation.

The company has utilised the most recent budgets and forecasts of the underlying investees to determine the forecast free cash flows over the estimation period, taking into account economic and market factors as well as internal production capabilities. Estimation of the terminal growth rates and discount rates are based on market information applicable to the entities' nature of operations, including the risk free rate, appropriate equity risk premium and other key inputs in determining the cost of capital. A terminal value is calculated into perpetuity using long-term growth rates. The growth rates used are in line with industry norms.

#### **5. New standards and interpretations**

##### **New Standards and Interpretations not yet adopted or effective in the current year**

The following amendments to standards and interpretations are not yet effective in the current year, and have therefore not been adopted and implemented by the company. The amendments as set out below are being assessed to determine their impact on the financial statements:

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## Accounting Policies

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### *New standards and interpretations continued...*

<b>Standards</b>	<b>Details of amendment</b>	<b>Annual periods beginning on or after</b>
IFRS 18 Presentation and disclosure in the Financial Statements	<p>IFRS 18 is the culmination of the IASB's primary financial statement project. IFRS 18 introduces three sets of new requirements to improve companies' reporting of the financial performance and give investors a better basis for analysing and comparing companies.</p> <ul style="list-style-type: none"><li>- Improved comparability in the statement of profit or loss through the introduction of three defined categories for income and expenses - operating, investing and financing, to improve the structure of the income statement and a requirement for all companies to provide new defined subtotals, including operating profit.</li><li>- Enhanced transparency of management defined performance measures with a requirement for companies to disclose an explanation of those company specific measures that are related to the income statement.</li><li>- More useful grouping of information in the financial statements through enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes, as well as requirement for companies to provide more transparency about operating expenses. This standard replaces IAS 1.</li></ul>	1 January 2027

### **New standards and interpretations adopted in the current year**

The following amendments to standards and interpretations became effective in the current year, and have therefore been adopted and implemented by the company. The amendments as set out below have been assessed and are considered not to have a material impact on the financial statements.

# SEBATA HOLDINGS LIMITED

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## Accounting Policies

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### *New standards and interpretations continued...*

<b>Standards</b>	<b>Details of amendment</b>	<b>Annual periods beginning on or after</b>
IAS 1 Presentation of Financial Statements	Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. become repayable within twelve months.	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged.	1 January 2023
IAS 12 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.	1 January 2023

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## Notes to the Annual Financial Statements

Figures in R'000

2024

2023

### 6. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Plant and equipment	21	(21)	-	21	(20)	1
Motor vehicles	181	(150)	31	181	(150)	31
Furniture and fittings	7,216	(7,018)	198	7,216	(6,782)	434
Office equipment	59	(54)	5	59	(51)	8
IT equipment	2,802	(2,678)	124	2,798	(2,618)	180
<i>Capitalised leased assets</i>						
Right of use assets - Leased property	5,811	(1,491)	4,320	5,531	(4,637)	894
	16,090	(11,412)	4,678	15,806	(14,258)	1,548

The carrying amounts of property, plant and equipment can be reconciled as follows:

2024	Carrying value at beginning of year	Additions	Disposals	Disposal of subsidiaries	Depreciation	Carrying value at end of year
<i>Owned assets</i>						
Motor vehicles	31	-	-	-	-	31
Furniture and fittings	434	-	-	-	(236)	198
Office equipment	8	-	-	-	(3)	5
IT equipment	180	107	(65)	-	(98)	124
<i>Capitalised leased assets</i>						
Right of use assets - Leased property	894	4,613	-	-	(1,187)	4,320
	1,548	4,720	(65)	-	(1,525)	4,678

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## Notes to the Annual Financial Statements

Figures in R'000

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### *Property, plant and equipment continued...*

<b>2023</b>	Carrying value at beginning of year	Additions	Disposals	Disposal of subsidiaries	Depreciation	Carrying value at end of year
<i>Owned assets</i>						
Plant and equipment	4	-	-	-	(3)	1
Motor vehicles	31	-	-	-	-	31
Furniture and fittings	743	7	-	-	(316)	434
Office equipment	12	-	-	-	(4)	8
IT equipment	206	122	(24)	-	(124)	180
<i>Capitalised leased assets</i>						
Right of use assets - Leased property	2,153	-	-	-	(1,259)	894
	<b>3,149</b>	<b>129</b>	<b>(24)</b>	<b>-</b>	<b>(1,706)</b>	<b>1,548</b>
Note				33		

Lease liabilities associated with Right of use assets are reflected in note 16.

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## Notes to the Annual Financial Statements

Figures in R'000

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2023

### 7. Investment property

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment Properties	34,299	(607)	33,692	34,299	(399)	33,900
	34,299	(607)	33,692	34,299	(399)	33,900
<b>2024</b>	Carrying value at beginning of year	Additions	Disposals	Disposal of subsidiaries	Depreciation	Carrying value at end of year
Investment Properties	33,900	-	-	-	(208)	33,692
<b>2023</b>	Carrying value at beginning of year	Additions	Disposals	Disposal of subsidiaries	Depreciation	Carrying value at end of year
Investment Properties	-	34,299	-	-	(399)	33,900

The investment property was purchased by the group during the previous financial year and has been held to let to the Water Group. The property is located at 17/19 Valley View Road, Falcon Industrial Park, New Germany, 3610, Kwazulu-Natal and has been pledged as security over a mortgage bond reflected in note 16.

Given that the bond was been raised during the current financial period based on the value as determined by the lender, which is aligned to the cost of the property when it was acquired during the 2023 financial year, management has determined that the cost and fair value do not materially differ. The fair value of the investment property at year end is R33.6 million (2023: R33.6 million).

### 8. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
<i>Defined life intangible assets</i>						
Computer software, internally generated	39,474	(10,357)	29,117	36,446	(7,905)	28,541
Computer software, externally purchased	4,834	(4,194)	640	4,834	(3,714)	1,120
	44,308	(14,551)	29,757	41,280	(11,619)	29,661
<i>Indefinite life intangible assets</i>						
Goodwill	8,482	-	8,482	8,482	-	8,482
	8,482	-	8,482	8,482	-	8,482
	52,790	(14,551)	38,239	49,762	(11,619)	38,143

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### *Intangible assets continued...*

The carrying amounts of intangible assets can be reconciled as follows:

<b>2024</b>	Carrying value at beginning of year	Additions	Additions through business combinations	Transfers	Disposals of subsidiaries	Amortisation	Carrying value at end of year
<i>Defined life intangible assets</i>							
Computer software, internally generated	28,541	3,028	-	-	-	(2,452)	29,117
Computer software, externally purchased	1,120	-	-	-	-	(480)	640
	<u>29,661</u>	<u>3,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,932)</u>	<u>29,757</u>
<i>Indefinite life intangible assets</i>							
Goodwill	8,482	-	-	-	-	-	8,482
	<u>8,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,482</u>
	<u>38,143</u>	<u>3,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,932)</u>	<u>38,239</u>

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### Intangible assets continued...

2023	Carrying value at beginning of year	Additions	Additions through business combinations	Transfers	Disposal of subsidiaries	Amortisation	Carrying value at end of year
<i>Defined life intangible assets</i>							
Computer software, internally generated	26,624	3,849	-	-	-	(1,932)	28,541
Computer software, externally purchased	1,599	-	-	-	-	(479)	1,120
	28,223	3,849	-	-	-	(2,411)	29,661
<i>Indefinite life intangible assets</i>							
Goodwill	8,482	-	-	-	-	-	8,482
	8,482	-	-	-	-	-	8,482
	36,705	3,849	-	-	-	(2,411)	38,143

Goodwill and indefinite life intangible assets are allocated to the following groups of cash-generating units:

	Goodwill		Intangible assets	
	2024	2023	2024	2023
Software solutions	8,482	8,482	-	-
	8,482	8,482	-	-

### Impairment testing based on value-in use

Value-in use calculations use pre-tax cash flow projections based on financial forecasts, approved by management, and cover a five year period. The estimated growth rates applied are in line with that of the industry in which the cash-generating unit operates and are materially similar to assumptions of external market sources. The cash-generating units' recoverable amount is most sensitive to the growth and discount rate assumptions applied. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined forecasts based on past performance and its expectations of market developments. The discount rates used are pre-tax and reflect the appropriate risk associated with the industry and respective businesses.

A summary of the key assumptions used for the value-in use calculations are as follows:

	Growth rate for 5 year period	Growth rate into perpetuity	Discount rate
	%	%	%
<b>2024</b>			
Software solutions	6%	5%	19.50%
<b>2023</b>			
Software solutions	6%	5%	19.01%

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### *Intangible assets continued...*

The impairment calculations were tested for sensitivity to significant changes in the key assumptions used. The basis for the sensitivity analysis was a reduction of up to 1% of the growth rate and a 2% increase in the discount rate used. The sensitivity analysis did not result in any impairment triggers being identified, therefore sensitivity disclosure was not made as the above reasonable changes in the key assumptions on which management has based its determination of the CGU's recoverable amount, would not cause the CGUs carrying amount to exceed its recoverable amount.

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<b>9. Investments in associates</b>		
Carrying value of investment in associate	133,434	168,349
Balance at the beginning of the year	168,349	162,093
Share of (loss)/profit in investments accounted for using the equity method	(61,790)	1,218
Reversal of previous impairment of associates	26,875	5,038
	<u>133,434</u>	<u>168,349</u>
Inzalo Enterprise Management Systems (Pty) Ltd	96,028	69,098
R-data (Pty) Ltd	36,078	48,311
Micromega Accounting and Professional Services (Pty) Ltd	-	1,233
Inzalo Utility Systems (Pty) Ltd	1,290	49,669
Other	38	38
	<u>133,434</u>	<u>168,349</u>

### *Impairment of associates/ Reversal of impairment of associates*

In the 2020 financial year the majority of the group's interest in Sebata Municipal Solutions (Pty) Ltd (now Inzalo Enterprise Management Solutions (Pty) Ltd), R-Data (Pty) Ltd, MICROMega Accounting and Professional Services (Pty) Ltd, Amanzi Meters (Pty) Ltd (now Inzalo-Amanzi Meters (Pty) Ltd) and Utility Systems (Pty) Ltd (now Inzalo-Utility Systems (Pty) Ltd) were disposed to Inzalo Capital Holdings (Pty) Ltd (Inzalo). Inzalo Enterprise Management Solutions (Pty) Ltd, R-Data (Pty) Ltd and MICROMega Accounting and Professional Services (Pty) Ltd are part of the Software Group with the remaining entities forming part of the Water Group.

Each of the transactions contained performance conditions (earn-out targets) which, if achieved within the contractual earn out periods, would result in the conclusion of the transaction and the contractual purchase consideration becoming due and payable.

Due to the performance of the Water Group and Software Group since inception of the transactions resulting in the initial earn-out targets not being met the Board took the decision to extend the earn-out periods beyond its initial period and reduce the respective earn-out targets, allowing Inzalo the opportunity to realise the intrinsic value inherent within the Water Group and Software Group.

Notwithstanding the above extensions, the adverse market conditions continued to prevail in the performance of the Water and Software Group. Furthermore, taking into consideration the historic extension granted on the transactions, the Board had determined that the probability of bringing finality to the transactions within the contract period remained at risk. In reaching this conclusion the Board gave consideration to the progress Inzalo, as acquirors of the business, have made in respect of capital raising given the time parameters set in the agreement concluded between the parties. The above factors prompted the Group to assess the investments in associates for impairment, which ultimately lead to the group impairing its equity interests held in the associates in previous financial periods to their recoverable amounts at the time. The Board made the decision to be prudent, and that the assets need to be written down to their representative fair value less cost to sell, based on the income approach (free cash flow to equity). Importantly the Board wishes to make stakeholders aware that the full value of the transactions with Inzalo is still contractually binding at 31 March 2024 and whilst the Board has adopted prudence in the results of the company, they are desirous of Inzalo indeed concluding on them.

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### *Investments in associates continued...*

During the current period the Water Group's financial performance continued to decline further. This was largely as a result of supply constraints resulting in orders not being fulfilled, coupled with technology obsolescence which resulted in the Water Group ceasing internal manufacturing of smart meters in lieu of external manufacturing and assembly. The significant change in the business nature prompted the requirement for the Water Group to assess their assets for further impairment in the current year. This assessment led to the impairment of the internally developed intellectual property attributable to the smart metering technology of R71.8 million, recognised by the Water Group, as well as the write off of obsolete stock and manufacturing losses amounting to R12.4 million. The intellectual property impairments and inventory write off's noted above as recognised by the Water Group resulted in the the group's share of losses in the associate amounting to R44.9 million during the current financial period.

During the current period the Software Group saw the continuing increase in its sustainable operating margins largely as a result of increased turnover coupled with cost containment measures. With the development of its enterprise management system having been largely completed, the Software Group anticipates continued growth in its client base following from National Treasury's enforcement of MSCoA compliance related to enterprise management systems to government institutions. The increased margins prompted a reassessment of the recoverable value of the Software Group, resulting in a reversal of previously recognised impairment in the amount of R36 million.

### *Inzalo Enterprise Management Systems Proprietary Limited (EMS)*

During 2020, the group disposed of 55% and donated 2.5% of its interest in EMS. This resulted in a loss of control of the subsidiary and the remaining investment being accounted for as an associate. During the 2021 financial year the group donated a further 2.5% of its interest in EMS to Inzalo Capital Holdings (Pty) Ltd. EMS' shares are not publicly traded.

Total non-current assets	286,837	315,806
Total current assets	37,531	60,060
Total non-current liabilities	(60,677)	(70,246)
Total current liabilities	(127,747)	(154,645)
Net assets	<u>135,944</u>	<u>150,975</u>
Revenue	161,203	152,635
Profit/(Loss) for the year	(9,730)	14,507

EMS is a leading provider of enterprise management systems, integrated technology solutions and multi-disciplinary professional services, focusing on servicing municipalities and the provincial governments. EMS' flagship product, SebataEMS was developed specifically to meet the requirements set out by National Treasury through its municipal standard chart of accounts (mSCOA) financial reporting framework and provides for full integration across the various required modules. Through its team of innovative and solutions-driven professionals, who are all specialists in their respective fields, EMS' services extend to numerous local government institutions and public utilities.

EMS' principal place of business is Southdowns Office Park, Block B, c/o John Vorster Drive and Karee Street, Centurion, 0157.

### *Micromega Accounting and Professional Services Proprietary Limited (MAPS)*

In the 2020 financial year, the group disposed of 55% and donated 2.5% of its interest in MAPS. This resulted in a loss of control of the subsidiary and the remaining investment being accounted for as an associate. During the 2021 financial year the group donated a further 2.5% of its interest in MAPS to Inzalo Capital Holdings. MAPS' shares are not publicly traded.

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<b>Investments in associates continued...</b>		
Total non-current assets	372	13,780
Total current assets	6	706
Total non-current liabilities	-	-
Total current liabilities	(51,064)	(38,817)
Net assets	(50,686)	(24,331)
Revenue	1,029	485
Loss for the year	(22,530)	(809)

MAPS is an accredited training office, focusing on the upskilling and education of prospective accounting students as they complete their studies. MAPS, through its relationship with Sebata Municipal Solutions, facilitates the provision of key experiences to its candidates through secondments to municipalities as trainee accountants. MAPS holds accreditations from the South African Institute of Professional Accountants (SAIPA), the Chartered Institute of Management Accountants (CIMA) and the South African Institute of Chartered Accountants (SAICA) with a level 1 SAICA status. MAPS is one of few companies that holds accreditations with all three of these accounting bodies.

MAPS principal place of business is 83 Henry Street, Bloemfontein, 9301.

### *R-data Proprietary Limited*

In the 2020 financial year, the group disposed of 55% and donated 2.5% of its interest in R-data. This resulted in a loss of control of the subsidiary and the remaining investment being accounted for as an associate. During the 2021 financial year the group donated a further 2.5% of its interest in R-data to Inzalo Capital Holdings. Rdata's shares are not publicly traded.

Total non-current assets	22,620	30,087
Total current assets	24,770	43,957
Total non-current liabilities	(2,579)	(4,527)
Total current liabilities	(13,859)	(21,070)
Net assets	30,952	48,447
Revenue	54,937	46,138
Profit for the year	(16,637)	4,719

R-Data specialises in providing public sector accounting system solutions throughout Southern Africa mainly through the development and subsequent enhancement of the PROMUN accounting system. This system-based solution is supplemented by system implementation, system training, system development and database design, carried out by R-Data's highly-skilled technical and support personnel. R-Data's consistent and market leading delivery on these support functions, along with the robust and comprehensive nature of the development of the PROMUN system, has ensured long-term and valued relationships with its clients.

R-data's principal place of business is M5 Business Park, Block B, Unit 22, Eastman Road, Ndabeni, Cape Town, 7405.

### *Inzalo Utility-Systems Proprietary Limited*

In the 2020 financial year, the group disposed of 55% and donated 2.5% of its interest in Inzalo Utility-Systems. This resulted in a loss of control of the subsidiary and the remaining investment being accounted for as an associate. During the 2021 financial year the group donated a further 2.5% of its interest in Inzalo Utility-Systems to Inzalo Capital Holdings. The shares of Inzalo Utility Systems are not publicly traded.

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<b><i>Investments in associates continued...</i></b>		
Total non-current assets	46,816	125,571
Total current assets	26,262	46,667
Total non-current liabilities	(41,517)	(41,538)
Total current liabilities	(122,827)	(41,939)
Net assets	(91,266)	88,761
Revenue	49,961	116,565
Profit for the year	(180,026)	(15,888)

Inzalo Utility Systems is the premier supplier of electronic water control and Standard Transfer Specification (STS) Association approved prepayment devices. They cater for a wide range of tailor-made metering solutions for water service providers and their customers through the application of next generation smart water management devices with a strong footprint in both the prepaid and bulk water metering market in South Africa. Inzalo Utility Systems provides various products and services that enable flow limitation, prepaid, postpaid billing and credit and revenue management.

Inzalo Utility-System's principal place of business is 17/19 Valley View Road. Falcon Industrial Park, New Germany, 3610.

### *General*

The difference between the net assets value above for each of the associates and the carrying value at reporting date is due to the deemed cost on loss of control initially being measured at fair value, with subsequent profit/(losses) from associates being recognised, together with impairments and impairment reversals.

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<b>10. Other financial assets</b>		
<b>Non-interest bearing</b>		
Inzalo Enterprise Management Systems (Pty) Ltd	40,728	66,533
Londoloza Utility Systems (Pty) Ltd	4,045	-
Inzalo Utility Systems (Pty) Ltd	16,647	-
Inzalo UMS (Pty) Ltd	-	5,617
Inzalo Capital Holdings (Pty) Ltd	187,181	229,753
Other	-	2,042
	<u>248,601</u>	<u>303,945</u>
Credit loss allowance (Note 30)	(12,122)	-
	<u>236,479</u>	<u>303,945</u>
Current	236,479	303,945
Non-current	-	-
	<u>236,479</u>	<u>303,945</u>
Financial assets carried at amortised cost	49,298	74,192
Financial assets carried at fair value through profit and loss	187,181	229,753
	<u>236,479</u>	<u>303,945</u>

The carrying amounts of other financial assets are mainly denominated in South African Rand with amounts denominated in other currencies not deemed to give rise to a material foreign currency risk. The loans to associates are carried at their amortised cost while the financial asset receivable from Inzalo Capital Holdings is measured at fair value through profit and loss. The carrying value of other financial assets carried at amortised cost equal their fair value due to the short term nature thereof.

### *Exposure to credit risk*

The groups other financial assets carried at amortised cost are subject to credit loss assessments to determine whether they are credit impaired.

ECLs on other financial assets are recognised in terms of IFRS 9 and is based on assumptions related to the risk of default by the counterparty and expected loss rates taking into consideration the group's past history of payments from counterparties and existing market conditions, as well as forward-looking estimates at the end of each reporting period. The credit risk assessment includes consideration of historic defaults by the borrower, the payment history of the borrower, the borrowers ability to repay any outstanding debt based on prospective financial performance and the security in place over the debt. The ECL allowance is adjusted for the financial impact associated with forward looking information, such as the anticipated macro-economic factors influencing the counter-party's anticipated ability to perform.

Except for the loan to Inzalo Utility Systems (Pty) Ltd , the other financial assets carried at amortised cost have been assessed as having a low credit risk due to the continuing repayments against these loan accounts both during the current financial period and post year end by the counter parties. There has furthermore been no default from these borrowers historically which could result in a increased credit risk related to the loans. The credit loss allowance recognised historically was nil in relation to the fully performing loans to associates.

The loan to Inzalo Utility Systems (Pty) Ltd is assessed as having a significant increased credit risk as a result of the various factors detailed in note 9. Due to the significant increase in credit risk relating to the loan advanced to Inzalo Utility Systems (Pty) Ltd the group recognised a lifetime credit loss allowance on the loan advanced.

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### ***Other financial assets continued...***

#### *Loans measured at amortised cost advanced to associates (Water Group and Software Group entities)*

The loans arose during the periods in which each of these businesses were controlled and subsequently disposed of by the group. While the Water and Software Group transactions remain contingent on the achievement of performance targets, the loans remain repayable in the ordinary course of business. These loans are interest free, and are repayable in the ordinary course of business.

#### *Inzalo Capital Holdings Proprietary Ltd*

The financial asset measured at fair value through profit and loss is the result of contingent purchase consideration receivable from the disposal of interest in interests in Sebata Municipal Solutions (Pty) Ltd (now Inzalo Enterprise Management Solutions (Pty) Ltd), MICROmega Accounting and Professional Services (Pty) Ltd, Amanzi Meters (Pty) Ltd (now Inzalo-Amanzi Meters (Pty) Ltd) and Utility Systems (Pty) Ltd (now Inzalo-Utility Systems (Pty) Ltd) to Inzalo Capital Holdings (Pty) Ltd (Inzalo) in the 2020 financial year and are measured at fair value through profit and loss based on valuations performed in accordance with the income approach (free-cash flow to equity) as determined in accordance with IFRS 13. The contractual purchase consideration becomes repayable on the achievement of the performance conditions stipulated in the sale of share agreements. On termination of the sale of share transaction the group will again retain control over these entities as they will become consolidated subsidiaries. Refer to note 29 for detailed disclosures in relation to the fair value measurement disclosures related to the contingent purchase consideration receivable. The fair value re-measurements on the other financial assets have been disclosed as part of administrative expenses under note 23.

At 31 March 2024, after taking into consideration the historic extensions granted on the of transaction, the Board had 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 had made the decision to be prudent, and that the assets needed to be written down to their representative fair values in accordance with IFRS 13.

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 reporting of the groups results, they are desirous of Inzalo indeed concluding on them.

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### 11. Trade and other receivables

Trade debtors	5,239	8,470
Prepaid expenses and deposits	331	1,805
Staff Advances	2,310	-
Operating lease straight lining adjustment	1,184	-
Value Added Tax	220	-
Other	387	446
	<u>9,671</u>	<u>10,721</u>
Allowance for credit losses (Refer note 30)	(7)	(9)
	<u>9,664</u>	<u>10,712</u>

#### Items included in trade and other receivables not classified as financial instruments

Prepaid expenses and deposits	331	1,806
Value Added Tax	220	-
	<u>551</u>	<u>1,806</u>

#### Trade and other receivables net of non-financial instruments (refer note 29)

9,113      8,906

The average credit period is less than 60 days with no interest charged on late payment. The credit quality of trade and other receivables can be assessed by reference to external credit ratings, or historical information, which indicates the credit quality as high as there have been no impairments on these receivables historically. Refer to note 30 for further detail on credit risk and expected credit loss allowances.

The carrying amount of trade and other receivables approximates their fair value due to the short term nature thereof.

Trade and other receivables were not pledged as security in 2024.

The carrying amounts of trade and other receivables are mainly denominated in South African Rand with amounts denominated in other currencies not deemed to give rise to a material forex risk.

### 12. Cash and cash equivalents

#### Favourable cash balances

Cash on hand	134	147
Current accounts	11,707	4,174
Call accounts	11	1
Deposit accounts	241	409
	<u>12,093</u>	<u>4,731</u>

The carrying amounts of cash and cash equivalents are mainly denominated in South African Rand with amounts denominated in other currencies not deemed to give rise to a material forex risk. The carrying value of cash and cash equivalents approximates its fair value due to the short term nature thereof.

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### 13. Share capital

#### Authorised

200 000 000 Ordinary shares of R0.01 each	2,000	2,000
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#### Issued

114,027,757 (2023: 113 127 757) Ordinary shares of R0.01 each	1,140	1,131
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Share premium	286,083	283,932
	<u>287,223</u>	<u>285,063</u>

#### Share reconciliation

	Number of shares	
Shares outstanding - beginning of the period	113,127,757	113,127,757
Treasury shares sold during the year	-	-
Shares issued during the period	900,000	-
Shares outstanding - end of the period	<u>114,027,757</u>	<u>113,127,757</u>

The directors are authorised, until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they deem fit, subject to the provision of section 38 and 41 of the Companies Act of South Africa and Johannesburg Stock Exchange requirements.

During the year 900,000 immediately exercisable share options were issued to a director and two members of key management who were appointed directors post year end in accordance with the MICROmega Share Incentive scheme, as announced on SENS on 18 September 2023. These options were immediately exercised by the respective individuals resulting in the issue of 900,000 ordinary shares to such individuals at a exercise price of R2.40 per ordinary share on exercise date. These shares were issued by the group from the treasury shares held by the subsidiaries. As at year end, R2.1 million receivable from the Directors is included under other receivables.

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### 14. Other reserves

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Share-based payment reserve

Sebata Holdings Limited established the Micromega Share Incentive Trust in 2001 together with a detailed share incentive scheme. The purpose of this scheme is to provide employees of the Sebata group with the opportunity to acquire an interest in equity of Sebata Holdings Limited, thereby providing such employees with a further incentive to advance the group's interests, and promoting an identity of interests between such employees and the shareholders of the group.

The scheme is equity settled and in terms of the scheme, share options may not be exercised until after the period, provided that the employee remains in the employment of the Sebata group, calculated from the acceptance date, of:

- more than three years shall have elapsed, in which event not more than one third thereof;
- more than four years shall have elapsed, in which event not more than a further one third thereof, representing two thirds thereof cumulatively; and
- more than five years shall have elapsed, in which event not more than a further one third thereof, representing 100% thereof cumulatively.

The share options lapse if employment terminates before share options have vested.

The share options expire on the expiry of the option period, being eight years from grant date.

#### Outstanding options

The following options have been granted in terms of the MICROmega Share Incentive Trust to employees and are still outstanding.

	Number of ordinary share options	
Options granted at the beginning of the year	749,638	1,426,798
Movement during the year:		
- Options lapsed during the year	(267,423)	(677,160)
	<u>482,215</u>	<u>749,638</u>

#### Comprising:

	Grant Date	Remaining contractual useful life at 31 March 2024	Number of ordinary share options	
Share options at an exercise price of R 20.00 per share	Aug 2015	0 years	-	87,423
Share options at an exercise price of R 10.00 per share	Dec 2015	0 years	-	180,000
Share options at an exercise price of R 20.00 per share	Dec 2016	0.75 years	82,215	82,215
Share options at an exercise price of R 20.00 per share	Feb 2017	1 years	400,000	400,000
			<u>482,215</u>	<u>749,638</u>

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### 15. Non-controlling interest

#### *Freshmark Systems Proprietary Limited*

Freshmark Systems' principle place of business is South Africa and is owned 55% by the group. The table below is a summary of Freshmark Systems' financial information.

Non-current assets	28,885	24,700
Current assets	7,488	11,488
Non-Current liabilities	9,078	6,269
Current liabilities	4,349	4,841
Accumulated non-controlling interest included in the statement of profit and loss	13,087	12,864
Revenue	26,477	25,231
Profit for the year	2,720	4,050
Profit for the year allocated to non-controlling interest	1,225	1,822
Dividends paid to non-controlling interest	1,002	971

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<b>16. Other financial liabilities</b>		
<i>Non-current liabilities</i>		
First National Bank Limited	26,894	-
Lease liabilities	3,682	444
	<u>30,576</u>	<u>444</u>
<i>Current liabilities</i>		
First National Bank Limited	1,777	-
Lease liabilities	927	610
Talacar Holdings (Pty) Ltd	2,922	-
Inzalo UMS (Pty) Ltd	5,003	-
Rdata (Pty) Ltd	-	351
Inzalo Utility-Systems (Pty) Ltd	-	7,883
Laird Investments (Pty) Ltd	14,920	-
Semantic Capital Ltd	1,748	-
	<u>27,297</u>	<u>8,844</u>
	<u>57,873</u>	<u>9,288</u>
Interest bearing borrowings	51,122	1,054
Non-interest bearing borrowings	6,751	8,234
	<u>57,873</u>	<u>9,288</u>

The carrying amounts of other financial liabilities are mainly denominated in South African Rand with amounts denominated in other currencies not deemed to give rise to a material foreign exchange risk.

The fair value of other financial liabilities have been assessed taking into account their respective interest rates and maturity periods. Due to the short term nature of non-interest bearing borrowings, and the variable interest rates of interest bearing borrowings, the carrying value of other financial liabilities measured at amortised cost approximates their fair value.

### *First National Bank - Mortgage Bond*

The bond was raised to recapitalise the working capital structure of the group. The investment property in note 7 has been pledged as security against the bond. The bond is repayable over 10 years (R426,088 per month) and accrues interest at the South African prime rate. The undiscounted maturity analysis related to these lease liabilities are disclosed in note 30.

### *Lease liabilities*

The lease liability is repayable over 5 years and accrues interest at the groups incremental borrowing rate. Lease liabilities presented above relate exclusively to the right of use assets for leased property disclosed in note 6.

At 31 March 2024 the group had not committed to any leases which had not commenced.

The lease liabilities are secured by the related underlying assets and the undiscounted maturity analysis related to these lease liabilities are disclosed in note 30.

### *Lease payments not recognised as a liability*

The group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. Refer to the note 23 on administrative expenses which includes payment for short term leases.

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### *Other financial liabilities continued...*

#### *Inzalo Utility-Systems and Inzalo UMS*

These loans have arisen during the current and prior financial periods and have been used to finance working capital requirements throughout the group including investee entities. These loans are interest free, unsecured and repayable in the ordinary course of business as excess funds are available for repayments. The undiscounted maturity analysis related to these lease liabilities are disclosed in note 30.

#### *Talacar Holdings and Laird Investments*

The loans were advanced by the controlling shareholder of the group and have been used to support the working capital requirements of the group and the investee entities. These loans bear interest at the South African prime interest rate, are unsecured and repayable in the ordinary course of business as excess funds are available for repayments. The undiscounted maturity analysis related to these lease liabilities are disclosed in note 30.

#### *Semantic Capital Ltd*

The loan was and utilised to settle legal fees incurred in relation to a subsidiary previously owned . These loans are interest free, unsecured and repayable in the ordinary course of business as excess funds are available for repayments. The undiscounted maturity analysis related to these lease liabilities are disclosed in note 30.

## 17. Deferred vendor payments

The amount due to vendors represents the balance of the purchase consideration owing in respect of acquisitions. The loans are settled through the issue of a variable amount of the the company's own equity instruments or cash resources on the achievement of predetermined profit warranties. As the contractual profit warranties were attained in the previous reporting periods the purchase consideration payable is unconditional and has therefore been measured at amortised cost in the current and comparative financial reporting periods.

#### *Reconciliation of deferred vendor payments:*

Balance at the beginning of the year	7,014	7,014
Balance at the end of the year	<u>7,014</u>	<u>7,014</u>

Current liabilities	<u>7,014</u>	<u>7,014</u>
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#### *The deferred vendor payments will be settled as follows:*

Through the issue of shares	-	-
Through the distribution of cash resources	7,014	7,014
	<u>7,014</u>	<u>7,014</u>

The deferred vendor payments have not been settled as yet, due to a ongoing legal dispute with the previous shareholders insofar as it relates to the settlement of the consideration due and payable.

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### 18. Deferred tax assets and liabilities

*Reconciliation of deferred tax:*

Balance at beginning of year	(39,961)	(48,578)
<i>Movements consisting of:</i>		
Temporary differences recognised in profit and loss:		
Wear and tear allowances	(115)	(283)
Tax losses	(3,671)	8,639
Accruals, contract assets and other allowances	(206)	(312)
Change in rate of tax	-	1,735
Financial assets and associates measured at fair value	10,620	(892)
Balance at end of year	<u>(33,333)</u>	<u>(39,691)</u>

*The deferred tax asset and liability arises from the following temporary differences:*

Intangible assets	(5,993)	(5,878)
Financial assets and associates	(60,488)	(71,108)
Contract assets	666	547
Accruals	(1,120)	360
Operating lease asset	(319)	-
Lease liabilities	1,244	40
Tax loss	32,677	36,348
	<u>(33,333)</u>	<u>(39,691)</u>
Deferred tax assets	254	9,600
Deferred tax liabilities	<u>(33,587)</u>	<u>(49,291)</u>
	<u>(33,333)</u>	<u>(39,691)</u>

The directors assessed that the deferred tax assets will be recovered based on profitability forecasts. Additionally the deferred tax assets originating from tax loss which include capital and operating losses have been recognised in the respective company's where a corresponding deferred tax liabilities exists relating to the remeasurement of the contingent purchase consideration receivable and investments in associates. These deferred taxation assets can therefore be utilised and offset against the corresponding deferred taxation liabilities on conclusion of the Water Group and Software Group sale of share transactions where, subsequent to year end, the Water and Software Group transactions are terminated, the group would be able to recover its remaining deferred taxation assets against future taxable profits from profitability forecasts of the underlying investees.

### 19. Trade and other payables

Trade creditors	2,791	6,362
Accrued expenses	1,436	2,183
Leave pay accrual	566	615
Contract Liabilities (Refer to note 22)	2,010	2,037
Payroll accruals	1,409	2,191
Value Added Tax	-	170
Sundry creditors	1,557	4,629
Clearing accounts	9,255	3,395
	<u>19,024</u>	<u>21,582</u>

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Figures in R'000	2024	2023
<b>Trade and other payables continued...</b>		
<b>Items included in trade and other payables not classified as financial instruments</b>		
Value Added Tax	-	170
Contract Liabilities	2,010	2,037
Leave pay accrual	566	615
Payroll accruals	1,409	2,191
	<u>3,985</u>	<u>5,013</u>
<b>Trade and other payables net of non-financial instruments (refer note 30)</b>	<b><u>15,039</u></b>	<b><u>16,569</u></b>

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. The carrying value of trade and other payables approximates their fair value due to the short term nature thereof.

The carrying amounts of trade and other payables are mainly denominated in South African Rand with amounts denominated in other currencies not deemed to give rise to a material forex risk.

### 20. Current tax receivable/(payable)

*Current tax in the Statement of Financial Position represents:*

*Current year*

Provision for tax for the year	(745)	(1,054)
Provisional tax paid	871	1,006

*Prior years*

Provision for tax relating to previous years	2,697	2,745
(Under)/over provision in prior years accounted for in current year	(6,404)	-
	<u>(3,581)</u>	<u>2,697</u>

Tax receivable	129	3,672
Tax payable	(3,710)	(975)
	<u>(3,581)</u>	<u>2,697</u>

Total tax payments	871	1,006
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### 21. Commitments and contingencies

#### Capital commitments

There were no capital expenditure contracted for at the reporting date which have not yet been incurred and recognised in the financial statements.

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### Contingencies

The company 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 contingent liabilities.

#### *Bank guarantees issued:*

	<b>Grant Date</b>	<b>Expiry Date</b>	<b>Guarantee value</b>
MICROmega Technologies Proprietary Limited - Bond	01/10/2023	30/09/2023	28,670,904
Inzalo Utility Systems Proprietary Limited - Overdraft	03/10/2022		14,000,000
Inzalo Enterprise Management Systems Proprietary Limited - Overdraft	03/10/2022		14,500,000
			<u>57,170,904</u>

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	2024	2023
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### 22. Revenue from contracts with customers

Sale of goods	3,877	2,646
Rent received	3,824	-
Services rendered	25,448	26,006
	<u>33,149</u>	<u>28,652</u>

#### Disaggregation of revenue

##### Major product lines over a period of time

Rent received	3,824	
Software license with support and maintenance	18,651	17,296
Support and professional services	6,180	7,204
	<u>28,655</u>	<u>24,500</u>

##### Major product lines at a point in time

Consulting	617	1,506
Physical goods	3,877	2,646
	<u>4,494</u>	<u>4,152</u>

#### Total Revenue from contracts with customers

	<u>33,149</u>	<u>28,652</u>
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#### Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities. Contract liabilities relate only to performance obligations linked to software licenses with support and maintenance, these performance obligations are expected to be recognised as revenue in the next financial year. A number of the groups customers pay upfront for software licenses and the associated services, generally these are paid for in arrears in accordance with the customers approved credit terms.

Opening Balance	2,037	2,073
Movement for the year	(27)	(36)
Closing Balance	<u>2,010</u>	<u>2,037</u>

At the beginning of the year, R2 million was recognised as a contract liability. The total amount was recognised as revenue during the current year, due to the short term nature of the contracts entered into. The closing balance represents new contracts entered into where the performance obligations have not yet been met at year-end. The contract liability will be recognised as revenue in the next financial year.

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<b>23. Expenditure by nature</b>		
<i>Other expenses</i>		
Employee compensation and benefit expense	23,475	28,220
Motor vehicle expenses	123	149
Repairs and maintenance	74	47
Telephone and fax	325	365
Security	32	51
Insurance	504	274
Computer expense	817	682
Advertising expense	91	128
Audit fees	135	1,094
Courier and postage	22	29
Depreciation and amortisation	4,664	4,141
Printing and stationery	58	40
Travel - Local	1,220	1,165
Travel - International	14	-
Consulting fees	9,214	6,761
Electricity	322	280
Bank charges	201	167
Legal fees	1,886	561
Administration and management fee	101	118
Movement in credit loss allowance	14,749	2,071
Cleaning	43	60
Sponsorship, enterprise development and donations	55	64
Entertainment	399	379
Fines and penalties	103	56
Fair value adjustment of other financial assets carried at FVTPL (Inzalo receivable)	42,572	908
Reversal of impairment if investment in associate	(26,875)	(5,038)
Other	1,924	4,316
	<u>76,248</u>	<u>47,088</u>

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Figures in R'000	2024	2023
<b>24. Income tax expense</b>		
<i>Current tax</i>		
Current year	745	1,054
Prior year	6,404	-
<i>Deferred taxation</i>		
Current year	(5,915)	(7,153)
Rate adjustment	-	(1,735)
	<u>1,234</u>	<u>(7,834)</u>
Reconciliation of rate of taxation	<u>%</u>	<u>%</u>
South African normal taxation rate	<u>27.00</u>	<u>27.00</u>
<i>Adjusted for:</i>		
Income not subject to tax - equity profits from associate	0.00	6.40
Expenses not deductible for tax	( 19.07)	( 5.10)
Current tax - prior year adjustment	( 5.63)	0.00
Tax rate adjustment	0.00	8.00
Carry forward deferred tax derecognised	( 4.20)	0.00
Net reduction	<u>( 28.90)</u>	<u>9.30</u>
Effective rate of taxation	<u>-1.90</u>	<u>36.30</u>

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### 25. Directors' emoluments

Name	Number of share options available - 2024	Number of share options available - 2023	Salary	Bonuses and performance related payments	Directors fees	Total 2024	Total 2023
IG Morris	-	-	2,024	-	-	2,024	1,709
CA King	100,000	100,000	-	-	-	-	-
P van Eeden*	-	-	1,775	-	-	1,775	2,150
DA Di Siena	-	-	-	-	83	83	165
PH Duvenhage	-	-	-	-	98	98	165
TW Hamill	-	-	-	-	53	53	158
D Passmore	-	-	-	-	98	98	173
S Nodwele**	-	-	-	-	30	30	180
Members of key management	-	-	4,874	-	-	4,874	5,286
	100,000	100,000	8,673	-	362	9,035	9,985

\* Resigned 19 January 2024

\*\* Resigned 28 August 2023

Name	Grant date	Strike Price	Vesting Date	Number of options granted	Opening Balance	Number of options lapsed	Closing Balance
CA King	Feb-17	R10.00	Feb-22	100,000	100,000	-	100,000

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### 26. Earnings per share

The calculation of loss per ordinary share of 100.29 cents (2023: 13.78 cents) is based on loss attributable to ordinary shareholders of R114 million (2023: R15.5 million loss) and a weighted average of 113,607,265 (2023: 113,127,757) ordinary shares in issue throughout the year.

The calculation of diluted loss per ordinary share of 100.29 cents (2023: 13.78 cents) is based on the loss attributable to ordinary shareholders of R114 million (2023: R15.5 million loss) and a weighted average of 113,607,265 (2023: 113,127,757) ordinary shares in issue throughout the year.

Reconciliation between weighted average number of ordinary shares and diluted weighted average number of ordinary shares:

Weighted average ordinary shares	113,607,265	113,127,757
Dilutionary effect of share options in issue	-	-
Weighted average diluted ordinary shares	113,607,265	113,127,757

The weighted average number of shares is the number of shares outstanding at the beginning of the period, adjusted for any additional shares issued during the period, appropriately weighted for the time the shares are outstanding. Furthermore, any treasury shares held by the group are deducted from this amount.

The calculation of headline loss per share of 102.2 cents (2023: 14.48 cents) is based on loss of R115.8 million (2023: R16.3 million) and a weighted average of 113,607,265 (2023: 113,127,757) ordinary shares in issue throughout the year.

The calculation of diluted headline loss per share of 102.2 cents (2023: 14.48 cents) is based on loss of R115.8 million (2023: R16.3 million) and a weighted average of 113,607,265 (2023: 113,127,757) ordinary shares in issue throughout the year.

*Reconciliation between earnings and headline earnings:*

	Profit before tax	Taxation	Non- controlling interest	Net Profit	Net Profit
	2024	2024	2024	2024	2023
Loss attributable to owners of the parent	(111,479)	(1,234)	(1,225)	(113,938)	(15,590)
Loss/(profit) on disposal of property, plant and equipment	6	(2)	-	4	(92)
Impairment of internally developed intangible asset of associate recognised through equity accounted loss from associate	22,081	(3,712)	-	18,369	-
(Reversal)/Impairment of investment in associates	(26,875)	6,559	-	(20,316)	(705)
	<b>(116,267)</b>	<b>1,611</b>	<b>(1,225)</b>	<b>(115,881)</b>	<b>(16,387)</b>

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### 27. Cash generated from operations

Profit before tax from continuing operations	(111,479)	(21,602)
<i>Adjusted for:</i>		
Share of loss/(profit) from equity accounted associates	61,790	(1,218)
Depreciation and amortisation	4,664	4,516
Loss/(profit) on disposal of property, plant and equipment	6	(128)
Impairment of other financial assets assets carried at amortised cost	14,749	2,071
Fair value remeasurement of other financial assets	42,572	908
Reversal of impairment of investment in associates	(26,875)	(5,038)
Finance income	(915)	(1,490)
Finance costs	3,094	985
<i>Movement in working capital</i>		
Decrease/(Increase) in trade and other receivables	1,066	295
(Increase)/Decrease in trade and other receivables	3,208	(737)
Increase in trade and other payables	3,859	1,724
	<u>(4,261)</u>	<u>(19,714)</u>

### 28. Cash flow on other financial liabilities

#### *Movement on other financial liabilities*

Other financial liabilities raised	Cash flow	40,819	8,088
Lease liability for right of use assets	Non-cash	4,163	-
Repayment of lease liabilities	Cash flow	(1,051)	(1,579)
Repayment of other financial liabilities	Cash flow	(21,960)	-
Liabilities assumed	Non-cash	25,326	-
Interest accrued	Non-cash	(902)	166
Interest accrued	Cash flow	2,192	-
		<u>48,587</u>	<u>6,675</u>

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### 29. Financial instruments

The group has classified its financial assets in the following categories:

	Financial assets at fair value through profit or loss	Financial assets held at amortised cost	Total
<b>2024</b>			
Other financial assets	187,181	49,298	236,479
Trade and other receivables	-	9,113	9,113
Cash and cash equivalents	-	12,093	12,093
	<u>187,181</u>	<u>70,504</u>	<u>257,685</u>
<b>2023</b>			
Other financial assets	229,753	74,192	303,945
Trade and other receivables	-	8,906	8,906
Cash and cash equivalents	-	4,731	4,731
	<u>229,753</u>	<u>87,829</u>	<u>317,582</u>

The group has classified its financial liabilities in the following categories:

	Financial liabilities at fair value through profit or loss	Financial liabilities payable at amortised cost	Total
<b>2024</b>			
Other financial liabilities	-	53,264	53,264
Deferred vendor payments	-	7,014	7,014
Trade and other payables	-	15,039	15,039
	<u>-</u>	<u>75,317</u>	<u>75,317</u>
<b>2023</b>			
Other financial liabilities	-	9,288	9,288
Deferred vendor payments	-	7,014	7,014
Trade and other payables	-	16,569	16,569
Bank overdraft	-	-	-
	<u>-</u>	<u>32,871</u>	<u>32,871</u>

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### Financial instruments continued...

#### Level of fair value

Description	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Key assumptions applied	Sensitivity of the input to fair value
Other financial assets and Investments in Associates - measured at fair value less cost to sell using the Income Approach.	Level 3	Fair value less cost to sell determined in accordance with the Income approach (Free Cash Flow to Equity valuation method) as prescribed by IFRS 13.	Revenue growth rate for 5 years; Terminal growth rate into perpetuity; Discount rate.	Revenue growth rate for 5 years 2024: 6% - 15% 2023: 5% - 10%  Terminal growth rate into perpetuity 2024: 5% 2023: 5%  Discount rate 2024: 19.6% - 19.80% 2023: 18.5% - 19.01%	1% increase in the discount rate would result in a R12.5million impairment of the investments in associates and a R17.2 million decrease in the fair value of the Inzalo Capital Holdingds (Pty) Ltd financial asset receivable.  2% decrease in the revenue growth rate over the 5 year period would result in a R39.4million impairment of the investments in associates and a R54.8 million decrease in the fair value of the Inzalo Capital Holdingds (Pty) Ltd financial asset receivable.  1% decrease in the terminal growth rate would result in a R8.0 million impairment of the investments in associates and a R11.0 million decrease in the fair value of the Inzalo Capital Holdingds (Pty) Ltd financial asset receivable.

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### 30. Risk management

#### Overview

The group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financials.

The directors have overall responsibility for the establishment and oversight for the group's risk management framework. The directors are responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to identify and analyse the risk faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

The Board oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

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### *Risk management continued...*

#### **30.1 Credit risk**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's trade receivables from customers and deposits with banks.

#### *Trade and other receivables*

Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on individual credit limits and historical default rates. Outstanding customer receivables are regularly monitored to ensure exposure to credit risk is maintained within the defined parameters.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Management includes in its assessment the forecast macro-economic conditions in which its clients operate and the likelihood that these would further deteriorate resulting in a future default event, and subsequent possible increase in credit losses. The forecast market conditions are based largely on macroeconomic information that is available as at the time of performing the assessment, which includes amongst others the impact associated with the decline in the local economy on the ability of the customer to pay its accounts, as well as the forward looking GDP and general unemployment figures of the country in which it operates. With the client base comprising largely local authorities the forecasted information mirrors that of the performance of the local and provincial spheres of government and the larger country as a whole, which includes amongst others forecast changes in economic stability, changes in credit worthiness of counterparties, and funding availability of counterparties. Further, given the client base, the default on contracted payment, if they were to occur, is mitigated from credit loss following from the fact that each of the clients exists out of a legislative requirement and are ultimately supported by the National Treasury, although decentralised therefore not a concentration risk. Generally, trade receivables are written-off where, all legal avenues have been exhausted to recover the receivable. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 29. The group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the group's trade receivables using a provision matrix:

2024	Carrying Value	ECL Rate	Expected Credit Loss
<b>Trade Debtors Carrying Amount:</b>			
Current	1 340	0.22%	3
30 Days	1 944	0.05%	1
60 Days	299	0.33%	1
90 Days	114	0.88%	1
+120 Days	1 549	0.06%	1
<b>Total</b>	<b>5,246</b>		<b>7</b>

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### *Risk management continued...*

2023	Carrying Value	ECL Rate	Expected Credit Loss
<b>Trade Debtors Carrying Amount:</b>			
Current	3 871	0.05%	2
30 Days	1 167	0.09%	1
60 Days	594	0.17%	1
90 Days	236	0.42%	1
+120 Days	2 611	0.15%	4
<b>Total</b>	<b>8,479</b>		<b>9</b>

*Credit quality of trade and other receivables can be analysed as follows:*

	2024	2023
Group 1	26	17
Group 2	3,558	4,056
Group 3	1,655	4,397
<b>Total</b>	<b>5,239</b>	<b>8,470</b>

Group 1 - new customers (less than six months)

Group 2 - existing customers (more than six months) with no defaults (no bad debt write-off/hand-overs) in the past

Group 3 - existing customers (more than six months) with some defaults

Management does not expect any losses from non-performance by these counterparties as the disclosure above is the maximum exposure due from credit risk.

### *Deposits with banks*

The credit risk policy for financial institutions and service providers has the objective to minimise losses that could result from counterparty failure. All such counterparties are assessed on an annual basis to ensure credit worthiness and the evaluations will be based on the financial strength of the counterparty as published by a recognised rating agency.

### *Short term credit ratings with banks where balances are held:*

	31 March 2024	31 March 2023
	Moody's	Moody's
Bidvest Bank	N/A	N/A
First National (a division of FirstRand Bank Limited)	P - 3	P - 3

### *Moody's Rating Scale*

*P - 1: Issuers have a superior ability to repay short-term debt obligations*

*P - 2: Issuers have a strong ability to repay short-term debt obligations*

*P - 3: Issuers have an acceptable ability to repay short-term debt obligations*

Management does not expect any losses from non-performance by these counterparties.

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### *Risk management continued...*

#### *Other financial assets*

Loans to associates are provided based on the credit risk assessment of the entity. Liquidity and solvency tests are assessed as part of the loan approval process. The exposure are monitored on an ongoing basis. Management has assessed the credit quality of these assets based on historical defaults, the borrowers ability to pay the debt and the security that management has in place over these amounts. Management uses both current and forward looking information in assessing these ECL's, future forecasts the borrowers ability to meet these forecasts and macroeconomic information are taken into account in assessing this information. In assessing these forecasts management assess entity specific inputs including among others forecasted sales pipelines where available; the costs of service delivery; the cost of administrative functions and resource requirements. Management further assess the growth rates and discounts rates applied to forecasts; the market incline/decline rates anticipated in the market; unemployment rates and overall GDP forecasts.

### 30.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash/liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the group's statement of financial position remains lowly geared and thus the directors are comfortable with the ability to receive lines of credit.

The table below analyses the group's financial liabilities that will be expected to be settled on a net basis into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 3 and more	Total
<b>2024</b>				
Other financial liabilities	32,284	5,113	38,347	75,744
Lease liabilities	1,422	1,401	3,024	5,847
Deferred vendor payments	7,014	-	-	7,014
Trade and other payables	15,039	-	-	15,039
	<u>55,759</u>	<u>6,514</u>	<u>41,371</u>	<u>103,644</u>
<b>2023</b>				
Other financial liabilities	8,234	-	-	8,234
Lease liabilities	655	475	-	1,130
Deferred vendor payments	7,014	-	-	7,014
Trade and other payables	16,569	-	-	16,569
	<u>32,472</u>	<u>,475</u>	<u>-</u>	<u>32,947</u>

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### *Risk management continued...*

#### **30.3 Interest rate risk**

The group exposure on fair value interest rate risk mainly arises from its interest bearing financial assets and liabilities. It also has exposure on cash flow interest rate risk which is mainly arising from its deposits with banks and interest-bearing borrowings with the banks. It is a common practice in South Africa to have floating rate borrowings with the banks.

In order to manage the cash flow interest rate risk, the group will repay the corresponding borrowings when it has surplus funds.

#### *Sensitivity analysis based on balances at reporting date:*

Cash and cash equivalents	12,093	4,731
Other financial liabilities	(57,873)	(9,288)
Less: Non-interest bearing financial assets/(liabilities)	6,751	7,883
Net interest-bearing assets/(liabilities)	<u>(39,029)</u>	<u>3,326</u>
Interest rate change	2 %	2 %
Potential after tax impact on earnings	(562)	48

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the next annual balance sheet date.

#### **31. Capital management**

The Board's policy is to maintain a strong capital base to maintain creditor and shareholder confidence and to sustain future development of the business. The Board monitors return on capital, which the group defines as net operating income divided by total shareholders equity. The Board also monitors the level of dividends to ordinary shareholders. There were no changes in the group's approach to capital management during the year. The group is not subject to externally imposed capital requirements.

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### 32. Segment information

The operating segments are based on reports reviewed by the executive committee who makes the strategic-decisions of the group, and who is therefore the chief operating decision-making body of the group. The operating segments and reportable segments are the same.

#### Reportable segments

The executive committee assesses the performance of these operating segments based on attributable earnings to the group.

2024	Software Solutions	Holdings and Consolidated *	Total
	R'000	R'000	R'000
Revenue	26,477	6,672	33,149
Major product lines over time			
<i>Software license with support and maintenance</i>	15,803	2,847	18,650
<i>Support Services</i>	6,180	3,825	10,005
Major product lines at a point in time			
<i>Consulting</i>	617	-	617
<i>Goods</i>	3,877	-	3,877
Depreciation and amortisation	3,112	1,284	4,396
<i>Reversal of impairment of associates</i>		(26,875)	(26,875)
<i>Fair value adjustments of financial assets</i>		42,572	42,572
<i>Employee costs</i>	11,056	12,419	23,475
<i>Net finance expense</i>	243	1,935	2,178
<i>Share of loss of equity accounted associates</i>	-	(61,790)	(61,790)
<i>Tax expense</i>	913	321	1,234
<i>Earnings attributable to owners of the parent</i>	(1,496)	(96,769)	(98,265)
Assets	36,373	432,477	468,850
Liabilities	(13,427)	(107,781)	(121,208)

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### Segment information continued...

2023	Software Solutions	Holdings and consolidated *	Total
	R'000	R'000	R'000
Revenue	25,231	3,421	28,652
Major product lines over time			
<i>Software license with support and maintenance</i>	15,098	2,198	17,296
<i>Support Services</i>	5,987	1,217	7,204
<i>Major product lines at a point in time</i>			-
<i>Consulting</i>	1,500	6	1,506
<i>Support Services</i>	-	-	-
<i>Goods</i>	2,646	-	2,646
Depreciation and amortisation	2,903	1,238	4,141
<i>Reversal of impairment of associates</i>		(5,038)	(5,038)
<i>Employee costs</i>	9,945	18,275	28,220
<i>Net finance (income)/expenses</i>	130	(635)	(505)
<i>Share of profit of equity accounted associates</i>	-	1,218	1,218
<i>Tax expense</i>	1,271	7,455	8,726
<i>Earnings/ (loss) attributable to owners of the parent</i>	2,227	(17,817)	(15,590)
Assets	33,563	542,261	575,824
Liabilities	11,110	77,040	88,150

\* Holdings and Consolidated mainly comprise the corporate office, sub holding companies and reconciling items. These predominantly include elimination of intergroup sales, profits and intergroup receivables and payables and other unallocated assets and liabilities contained in the integrated group. Holdings and consolidated is not considered to be an operating segment.

The group is organised into two reportable segments:

1. Software Solutions: Consists of the development of bespoke software solutions
2. Holdings and Consolidated: Corporate office, sub holding companies and reconciling items

Intersegment transactions are entered into under the normal commercial terms and conditions. The revenue from external parties is measured in a manner consistent with that of the statement of profit and loss.

Segment assets consist primarily of property, plant and equipment, intangible assets, investments in associates, deferred tax assets, inventories, trade and other receivables and cash and cash equivalents.

Segment liabilities comprise primarily of other financial liabilities, deferred tax liabilities, trade and other payables, bank overdrafts and income tax liabilities.

The majority of the group companies are domiciled in South Africa and mainly serve the South African market. No single customer comprises more than 10% of the groups revenue.

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### 33. Related party transactions and balances

The group entered into transactions and had balances with related parties as listed below. These include associates, directors and members of key management. The transactions that are eliminated on consolidation are not included. Transactions with related parties are effected on a commercial basis and related party debts are repayable on a commercial basis.

A listing of the group's principal and fellow subsidiaries, joint ventures and associates is set out in note 34.

*The following transactions were carried out with related parties:*

#### **Semantic Capital Ltd (Associate of significant shareholder)**

<i>Other financial liabilities - loan from related party</i>	1,748	-
Legal Fees	1,428	-

#### **Laird Investments Proprietary Limited (Significant shareholder)**

<i>Shareholder</i>		
<i>Other financial liabilities - loan from related party</i>	14,920	-
Interest paid	819	-
Consulting fees	300	-

#### **Talacar Holdings Proprietary Limited (Associate of significant shareholder)**

<i>Other financial liabilities - loan from related party</i>	2,921	-
Interest paid	3	-
Consulting fees	2,538	3,477
Capital raising fee	1,635	

\* CA King and TW Hamil are both indirect beneficiaries of Talacar Holdings Proprietary Limited and Laird Investments Proprietary Limited. The consulting fees are not paid in relation to their services as directors.

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### 34. List of subsidiaries, associates

Name	Interest held	Interest held	Issued capital	Country
	2024	2023	2024	
<i>Subsidiaries - direct and indirect interest</i>				
Arbez Advanced Solutions Proprietary Limited	100%	100%	1,000	RSA
Cloudware Proprietary Limited	100%	100%	100	RSA
MICROmega Printing Services Proprietary Limited	100%	100%	100	RSA
Freshmark Systems Proprietary Limited	55%	55%	100	RSA
MICROmega Financial Services Proprietary Limited	100%	100%	100	RSA
MICROmega H2O Proprietary Limited	100%	100%	100	RSA
MICROmega Services and Support DRC	100%	100%	69,282	DRC
MICROmega Technologies Proprietary Limited	100%	100%	100	RSA
MICROmega Treasury Solutions Proprietary Limited	100%	100%	8,404,751	RSA
MIS Consulting Proprietary Limited	100%	100%	100	RSA
NOSA Investment Holdings Proprietary Limited (Hong Kong)	100%	100%	1	Hong Kong
NOSA Mozambique Proprietary Limited	100%	100%	7,418	Mozambique
NOSA Technologies Proprietary Limited	84%	84%	100	RSA
NOSA Travel Agency Proprietary Limited	100%	100%	1	RSA
NOSA Zambia Proprietary Limited	100%	100%	6,955	Zambia
Ocnelok Proprietary Limited	100%	100%	200	RSA
Stable-Net Proprietary Limited	100%	100%	120	RSA
Symphony Trade and Invest Proprietary Limited	83%	83%	120	RSA
Utilipay Proprietary Limited	100%	100%	100	RSA
<i>Associates - direct and indirect interest</i>				
Micromega Accounting and Professional Services Proprietary Limited	40%	40%	16	RSA
Inzalo Amanzi Proprietary Limited	40%	40%	200	RSA
Inzalo R-Data Proprietary Limited	40%	40%	1,000	RSA
Inzalo Enterprise Management Systems Proprietary Limited	40%	40%	7,931,095	RSA
Inzalo Utility Systems Proprietary Limited	40%	40%	120	RSA
Inzalo Utility Management Services Proprietary Limited	40%	40%	100	RSA
Londoloza Utility Solutions Proprietary Limited	43%	43%	100	

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### 35. Events after reporting date

#### *Termination of Water Group and Software Group transactions*

With effect from 1 July 2024 the Sale of Share agreements originally concluded during the 2020 financial period relating to the Water group and Software group transactions were terminated. The company gained ownership of the equity interests originally disposed off to Inzalo Capital Holdings (Pty) Ltd. With effect from 1 July 2024 the company effectively regained control over the entities within the Water group and Software group.

As the Sale of Share agreements continued to remain in effect and in force as at 31 March 2024 the termination of the Sale of Share agreements are considered to be a non-adjusting event after reporting date requiring disclosure thereof as noted above.

#### *Appointment of Directors*

With effect from 6 May 2024, Dylan Strydom and Ruan Viljoen were appointed as executive directors of the company.

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

### 36. Going Concern

The annual consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The group incurred a loss for the year of R112.7 million (2023: R13.8 million) largely attributable to fair value adjustments and losses from equity accounted investments. The events or conditions which lead to the loss for the year is non-recurring and largely attributable to the restructuring of the investees operations. The necessary plans such as cost containment measures are being implemented in order to strengthen the financial position and performance of the group.

The directors believe that the group has adequate financial resources, or has access to adequate financial resources, to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The group has obtained a commitment from its controlling shareholder to continue providing financial support in the form of interest bearing loans should additional funding be required by the group for the foreseeable future.

Following from the considerations noted above, the directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

There is currently no outstanding litigation that the directors believe has not been adequately accounted for that could affect the group's ability to meet its obligations.

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### 37. Shareholders' Information

Analysis of Share Register at 31 March 2024

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of share capital
<i>Portfolio size</i>				
1 to 50 000	2,649	98.3	4,019,268	3.50
50 001 to 250 000	32	1.2	3,525,332	3.06
Over 250 000	14	0.5	107,370,489	93.44
	2,695	100	114,915,089	100.00

Non-public and public shareholders

	Number of shareholders	Number of shares	Percentage of share capital
<i>Non-public shareholders</i>			
Laird Investments (Pty) Ltd	1	82,885,909	72.13
Kamberg Investment Holdings (Pty) Ltd	1	10,733,180	9.34
Semantic Capital Ltd	1	3,945,309	3.43
Subsidiary Companies	1	887,332	0.77
Directors (direct beneficial interest)	4	412,696	0.36
Directors (Subsidiary companies - direct and indirect beneficial interest)	1	100,063	0.09
	9	98,964,489	86.12
Total public shareholders	2,688	15,950,600	13.88
	2,697	114,915,089	100.00

Major shareholders

	Number of shares	Percentage of share capital
Laird Investments (Pty) Ltd	82,885,909	72.13
Kamberg Investment Holdings (Pty) Ltd	10,733,180	9.34
Semantic Capital Ltd	3,945,309	3.43
Seratrix (Pty) Ltd	3,375,200	2.94
Mr Leon van Heerden	1,434,710	1.25
MICROmega Financial Services (Pty) Ltd	887,332	0.77

Directors interest in securities

	2024		2023	
	Direct	Indirect	Direct	Indirect
IG Morris	-	10,733,180	-	10,733,180
CA King*	111,196	86,831,218	111,196	86,283,309
DL Strydom	300,000	-	-	-
DA di Siena	-	-	-	-
PH Duvenhage	-	-	-	-
D Passmore	-	-	-	-
TW Hamill*	1,500	86,831,218	1,500	86,283,309
RJ Viljoen	-	667,020	-	-
	412,696	97,564,398	112,696	97,016,489

\* Indirect shareholding is ultimately held by a Trust of which the directors are beneficiaries.

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### *Shareholders' Information continued...*

There were no changes in these shareholdings from the date of the financial year end to the date of approval of the annual consolidated financial statements.