Provisional Audited Condensed Annual Consolidated Results

For the year ended 31 March 2016

MICROmega

HOLDINGS LIMITED

THE **DIFFERENCE** IS IN THE **DETAIL**

Contents

Incorporated in the Republic of South Africa
JSE share code: MMG
ISIN: ZAE000034435
Registration number: 1998/003821/06
"MICRO*mega*" or "the Group"

Dividend

43 cents per share

^ **23%**

Operating profit

R214 million

^ **29%**

Earnings Per Share

129,64 cents

^ **28%**

Cash Generated From Operations

R203 million

^ **34%**

Net Asset Value

624.20 cents

^ **15%**

AUDITED CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Audited 31 March 2016 R'000	Audited 31 March 2015 R'000
Revenue	1 193 921	1 035 683
Cost of sales	(619 783)	(576 068)
Gross profit	**574 138**	**459 615**
Other net income/(expenses)	22 773	16 590
Distribution expenses	(7 384)	(4 170)
Administration expenses	**(374 779)**	**(306 093)**
Results from operations	214 748	165 942
Finance income	3 279	5 041
Finance cost	(5 245)	(1 767)
Share of profit of equity accounted associate	1 811	1 978
Profit before tax	**214 593**	**171 194**
Tax expense	(55 856)	(44 823)
Profit for the year	**158 737**	**126 371**
Profit attributable to:		
Owners of the parent	145 433	110 653
Non-controlling interest	13 304	15 718
	158 737	**126 371**
Attributable earnings per share (cents)		
Basic	129.64	101.27
Diluted	126.07	99.45
Headline	123.43	101.30

AUDITED CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 31 March 2016 R'000	Audited 31 March 2015 R'000
Profit for the year	158 737	126 371
Other comprehensive income:		
Foreign currency translation differences	3 347	1 461
Revaluation of property	-	(2 500)
Reversal of deal difference reserve	-	(1 000)
Income tax on other comprehensive income	-	465
Total comprehensive income for the year	**162 084**	**124 797**
Total comprehensive income attributable to:		
Owners of the parent	148 780	109 079
Non-controlling interest	13 304	15 718
	162 084	**124 797**
Reconciliation of headline earnings:		
Profit attributable to owners of the parent	145 433	110 653
Loss/(profit) on disposal of property, plant and equipment	116	(68)
Profit on disposal of investment in subsidiaries	(7 365)	-
Loss on disposal of investments	283	-
Impairment of intangible assets	-	95
Headline earnings	**138 467**	**110 680**
Weighted average number of shares (000s)	112 185	109 265
Diluted weighted average number of shares (000s)	115 360	111 270
Total number of shares in issue (000s)	112 833	111 504

AUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Audited 31 March 2016 R'000	Audited 31 March 2015 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	53 558	58 711
Intangible assets	581 276	432 242
Investments in associates	13 648	12 857
Other investments	-	283
Other financial assets	5 063	-
Deferred tax assets	38 332	36 486
	691 877	**540 579**
Current assets		
Inventories	41 851	28 377
Trade and other receivables	300 563	239 225
Income tax receivable	6 575	8 251
Other financial assets	2 024	15 891
Cash and cash equivalents	89 427	147 885
	440 440	**439 629**
TOTAL ASSETS	**1 132 317**	**980 208**
EQUITY AND LIABILITIES		
EQUITY		
Share capital and share premium	266 852	266 203
Other reserves	12 333	6 261
Retained earnings	411 651	330 218
Non-controlling interest	75 672	68 991
	766 508	**671 673**
LIABILITIES		
Non-current liabilities		
Other financial liabilities	4 998	11 371
Deferred vendor payments	27 343	13 333
Deferred tax liabilities	71 650	48 421
	103 991	**73 125**
Current liabilities		
Trade and other payables	161 646	166 674
Other financial liabilities	3 347	3 101
Income tax payable	11 879	9 688
Deferred vendor payments	35 409	55 947
Bank overdraft	49 537	-
	261 818	**235 410**
TOTAL LIABILITIES	**365 809**	**308 535**
TOTAL EQUITY AND LIABILITIES	**1 132 317**	**980 208**
Net asset value per share (cents)	624.20	540.50
Net tangible asset value per share (cents)	109.07	152.86

AUDITED CONDENSED GROUP STATEMENT OF CASH FLOW

	Audited 31 March 2016 R'000	Audited 31 March 2015 R'000
Cash flow from operating activities excluding working capital changes	202 450	151 541
Movement in working capital	(76 004)	(47 845)
Cash flow from investing activities	(130 294)	(70 981)
Cash flow from financing activities	(104 147)	6 324
(Decrease) \ Increase in cash and cash equivalents	**(107 995)**	**39 039**
Cash and cash equivalents at the beginning of the year	147 885	108 846
Cash and cash equivalents at the end of the year	**39 980**	**147 885**

AUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Audited 31 March 2016 R'000	Audited 31 March 2015 R'000
Balance at the beginning of the year	671 673	504 269
Profit for the year	158 737	126 371
Other comprehensive income	3 347	(1 574)
Transactions with owners, recorded directly in equity	(41 665)	42 607
Changes in ownership interest in subsidiaries	(25 584)	-
Balance at the end of the year	**766 508**	**671 673**

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These provisional audited condensed annual consolidated financial statements for the year ended 31 March 2016 are prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended. The provisional audited condensed annual consolidated financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. The provisional audited condensed annual consolidated financial results have been prepared under the supervision of Russell Dick, CA (SA), the Financial Director and have been audited by the company's auditors.

The provisional audited condensed annual consolidated financial statements are extracted from the audited information and are available for inspection at the company's registered office.

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

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

2. Significant accounting policies

These provisional audited condensed annual consolidated financial statements have been prepared using accounting policies that comply with IFRS and are consistent with those used in the audited annual consolidated financial statements for the year ended 31 March 2015.

3. Audit opinion

The annual consolidated financial statements were audited by the group's auditors, Nexia SAB&T, and their unqualified audit report is available for inspection at the group's registered office.

4. Business combinations

Profit Reform Proprietary Limited Trading as "COID Support"
On 1 August 2015, the group acquired a 51% interest in COID Support for a consideration of R4.6 million. Goodwill to the value of R4.3 million was accounted for. The net assets acquired amounted to R0.7 million and a non-controlling interest of R0.4 million was recognised.

Nerdworks Proprietary Limited
On 1 September 2015, the group acquired a 51% interest in Nerdworks Proprietary Limited for a consideration of R7.4 million. Goodwill to the value of R6.2 million was accounted for. The net assets acquired amounted to R2.3 million and a non-controlling interest of R1.1 million was recognised.

Yonke Education and Training Solutions Proprietary Limited
On 1 September 2015, the group acquired a 50% interest in Yonke Education and Training Solutions Proprietary Limited for a consideration of R3.1 million. Goodwill to the value of R1.8 million was accounted for. The amount of net assets acquired amounted to R2.6 million and a non-controlling interest of R1.3 million was raised.

The group has effective control of the board of directors of Yonke Education and Training Solutions Proprietary Limited by means of an additional deciding vote.

The Training Room Online Proprietary Limited
On 1 October 2015, the group acquired a 100% interest in The Training Room Online Proprietary Limited for a consideration of R36.8 million. Goodwill to the value of R33.4 million was accounted for. The amount of net assets acquired amounted to R3.4 million.

The fair value of assets acquired and liabilities assumed relating to the above business combinations are subject to change should additional information become available within the 12 month re-measurement period from date of acquisition.

5. Disposal of subsidiaries

GIM Holdings Proprietary Limited
On 1 September 2015, the group disposed of its 100% interest in GIM Holdings Proprietary Limited for a consideration of R9.5 million, which resulted in a loss of control of GIM Holdings Proprietary Limited. This event resulted in a profit of R6.4 million recorded in profit and loss.

Go Mobile Proprietary Limited
On 2 March 2016, the group disposed of its 50% interest in Go Mobile Proprietary Limited for a consideration of R2.9 million, which resulted in a loss of control of Go Mobile Proprietary Limited. This event resulted in a profit of R1.1 million recorded in profit and loss and the re-cycling of R0.6 million to non-controlling interest in equity.

6. Segment information

	Audited 31 March 2016 R'000	Audited 31 March 2015 R'000
SEGMENT REVENUE		
Occupational health and safety	452 594	333 253
Labour supply	217 726	264 071
Information technology	494 221	399 605
Financial services	46 821	38 378
Holdings and consolidated	(17 441)	376
Total revenue	**1 193 921**	**1 035 683**
SEGMENT PROFIT / (LOSS)		
Occupational health and safety	72 582	65 545
Labour supply	4 057	2 125
Information technology	87 184	59 123
Financial services	8 176	5 672
Holdings and consolidated	(26 566)	(21 812)
Total profit	**145 433**	**110 653**
SEGMENT ASSETS		
Occupational health and safety	406 843	409 512
Labour supply	59 535	60 566
Information technology	421 999	283 969
Financial services	52 048	71 914
Holdings and consolidated	191 892	154 247
Total assets	**1 132 317**	**980 208**

7. Corporate Governance and changes to the board of directors of MICRO*mega* ("board")

MICRO*mega* has embraced the recommendations of the King III Report on governance and strives to provide reports to shareholders that are timely, accurate, consistent and informative.

Alan Barrington Swan resigned as Lead Independent Non-Executive Director with effect from 9 September 2015.

Donald Passmore was appointed as an Independent Non-Executive Director on 17 March 2016.

8. Subsequent events

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

9. Commentary on results

The group has produced reasonable growth for the year under review given that it was the most challenging in our history. Earnings per share (“EPS”) grew by 28% and headline earnings per share (“HEPS”) by 22%. In both instances this growth was negatively impacted by an unanticipated deferred tax charge of R5.5 million, which arose as a result of the recent increase in the rate of capital gains tax. Without this additional charge, EPS would have grown by 33% and HEPS by 27%.

It is a testament to the strength and quality of our products and services that earnings for the second half of the year (despite the seasonally poor Christmas and Easter vacation periods both falling into the second six months) were above that achieved in the first six months. This was mainly as a result of increased customer focus as all operations within the group were forced to work harder to secure business. The previous few years had provided us with fairly easily achieved high levels of growth. However, over the course of this year we witnessed cost cutting measures across virtually our entire customer base in both the private and public sector. There were also a number of substantial orders within the public sector that could not be completed at year-end due to a combination of funding issues and delays associated with the impending local government elections. This will mostly result in timing differences as the orders shouldl be fulfilled in the present financial year.

We witnessed another year of growth - albeit at more modest levels - from NOSA, our health and safety business, as our improved technology platforms generated good levels of business to offset the cutbacks that we experienced from some of our major international customers. Sebata, our software and related services business, once again had another year of very strong earnings growth with an increase of 83% over the prior year as it continued to make strong inroads with our proprietary technology solutions. Despite this, the information technology division only improved profitability overall by a little less than 50%. This was mainly due to a decline in earnings at our water technology business which, despite a growing order book, was unable to fully deliver the technology to our clients due to cash flow problems on the client's side. This resulted in abnormally high stock levels at year end but, this will reverse in the present year as funds are made available to our customers as part of the new budget cycle. It remains key to this division that we continue to invest significantly in our own fully South African developed IP which has proved popular in the local market and is gaining good traction internationally. Our financial services business improved profitability by 44% in difficult trading conditions. This was again directly as a result of better customer focus with our improved service delivery earning a larger share of what was a relatively flat market. The labour supply business continues to be challenging and we are looking at options to improve the poor return on capital that is being achieved in this business.

We are confident that we will achieve further growth in profitability in the present financial year despite continued difficult market conditions. The conclusion of the local government elections will certainly assist in that regard. The outlook for acquisitions remains constrained as values have not sufficiently dropped in line with the poorer market prospects. We will continue however to pursue acquisitions where we believe that they can give some earnings benefit in the short term while bolstering our market position over the longer term.

The operating cash flow was again strong - increasing by 34% to R202.5 million. This is expected to continue albeit in this financial year there will be a greatly reduced need to reinvest cash in our proprietary IP as the significant investment required to meet the needs of local government's mSCOA project was largely completed during the year under review and we have commenced reaping the benefit of that investment.

The board has elected to increase the cash dividend from 35 cents per share to 43 cents per share in line with our growth in HEPS.

10. Cash dividend

Notice is hereby given that the directors have declared a final gross cash dividend of 43 cents per share for the financial year ended 31 March 2016, which is adjusted for withholding tax. The final dividend has not been included as a liability in these provisional condensed annual consolidated financial statements as it was declared subsequent to year end.

The final dividend for the year ended 31 March 2016 is payable to all shareholders on the Register of Members on Friday, 17 June 2016. In terms of the dividends tax, effective 1 April 2012, the following additional information is disclosed:

- This is a dividend as defined in the Income Tax Act, 1962;
- the local dividend tax rate is 15%;
- the dividends will be payable from income reserves;
- the dividend tax to be withheld by the company amounts to 6.45 cents per share;
- therefore the net dividend payable to shareholders who are not exempt from dividends tax amounts to 36.55 cents per share, while the gross dividend payable to shareholders who are exempt from dividends tax amounts to 43 cents per share; and
- the issued share capital of the company at the declaration date comprises 114 915 089 ordinary shares; and the group´s income tax reference number is 9457/323/84/9.

The salient dates will be as follows:

Declaration date:	Thursday, 26 May 2016
Last day to trade:	Thursday, 9 June 2016
Shares trade ex-dividend:	Friday, 10 June 2016
Record date:	Friday, 17 June 2016
Payment date:	Monday, 20 June 2016

Share certificates may not be dematerialised or rematerialised between Friday, 10 June 2016 and Friday, 17 June 2016, both days inclusive.
By order of the board

26 May 2016

Directors: DC King (Executive Chairman); IG Morris (Chief Executive Officer); RB Dick (Financial Director); DSE Carlisle (Executive Director); DA Di Siena (Independent Non–Executive Director); PH Duvenhage (Non-Executive Director); TW Hamill (Non–Executive Director); GE Jacobs (Independent Non–Executive Director); RC Lewin (Non–Executive Director); and D Passmore (Independent Non-Executive Director)

Company Secretary: RJ Viljoen

Auditors: Nexia SAB&T

Transfer Secretaries: Singular Systems Proprietary Limited

Sponsor: Merchantec Capital

Attorneys: Di Siena Attorneys
Note: No forward looking statements in this announcement have been reviewed or reported on by MICRO*mega*'s auditors.