Financial Results

12 months ending February 2011

SILVERBRIDGE

Agenda

Overview

Operations and segments

Financial overview

Questions

SilverBridge

We do software in financial services

We rent out our own software for administration of contracts such as insurance policies and loans products

We do IT consulting

We implement and support our own software

What we said last time

Delivery problems on some implementation projects caused a delay in revenue and led to additional costs

We will focus on expenses to control costs

We want to optimise the group structure

We want to reposition Acczone

We see a decline in the demand for IT consulting services by financial service providers

What happened during H2

The complexity of some implementation projects was greater than expected

The decline in the demand for IT consulting services by financial service providers was greater than expected

What we did about it
What was the impact?

We exited loss making projects

- This increased our profitable implementation capacity

We focused on expenses to control costs

- This reduced our cost base in H2 by 16%

We optimised the group structure

- This simplified our group structure and we are experiencing significant benefits

We redesigned our operational structure

This meant that:

- We could implement the improved methodologies for developing, implementing and supporting our software that we have been developing for some time now
- We could include the important lessons learned from the problem projects
- We could implement techniques to better retain and transfer knowledge

Why these actions didn't improve H2?

We exited loss making projects

- We made a loss on the projects - it takes time to exit projects
- We lost potential revenue on resources working on these projects

Expenses were cut as far as possible, except for

- Our cost base could not accommodate the drop in activity in the consulting market
- We incurred a once off cost on our corrective actions

We optimised the group structure

- Cost benefits will only manifest in future financial periods
- Goodwill was fully impaired on subsidiary companies

We redesigned the way we operate

- Revenue benefits will only come through in future financial periods
- Cost benefits will only come through in future financial periods

We remain positive about the future

We exited loss making projects

- Resources are now utilised profitably

We cut expenses as far as possible

- Cost benefits will come through in future financial periods

We optimised the group structure

- Simplified operations will reduce future costs

We redesigned the way we operate

- Improved methodologies will improve quality and customer satisfaction and will reduce cost

In addition

We are positive about opportunities, especially in life assurance

- Companies including our clients are simplifying their operations
- We can facilitate the level of integration required to service their customers
- Our flexible solution supports our clients' product approach to gain new customers

We are making good progress with the ABSA project

- Phase 1 of the project is 85% complete
- Phase 2 is on schedule
- Successful completion will enhance our reputation

We increased rental and support revenue

- Rental revenue increased by 4% (excluding license fee) in a difficult market
- Support revenue increased by 38%

We increased quality of rental by converting clients to Exergy clients

- We are currently in projects converting 3 of the clients
- We are in the process of negotiating to convert another 2 clients
- The other 6 are either smaller clients or will remain on Life for specific reasons

Operational focus for the period ahead

Focus on SilverBridge’s new implementations to ensure that we deliver on time and budget

Look after our existing customer base

Continue to build and convert our pipeline

Cost containment

Embed operating structure

Strategic focus for the period ahead

Focus on our current market in life assurance, loans and banking

Ensure that the group’s offering meets our market’s need for solutions that make their operations more efficient

Make sure that our investments continue to build our competitive advantage

Operational model

IT solution design
Consulting
(Project based)

Deploy software
Implementation
(Project based)

Software
Rental
(Annuity based)

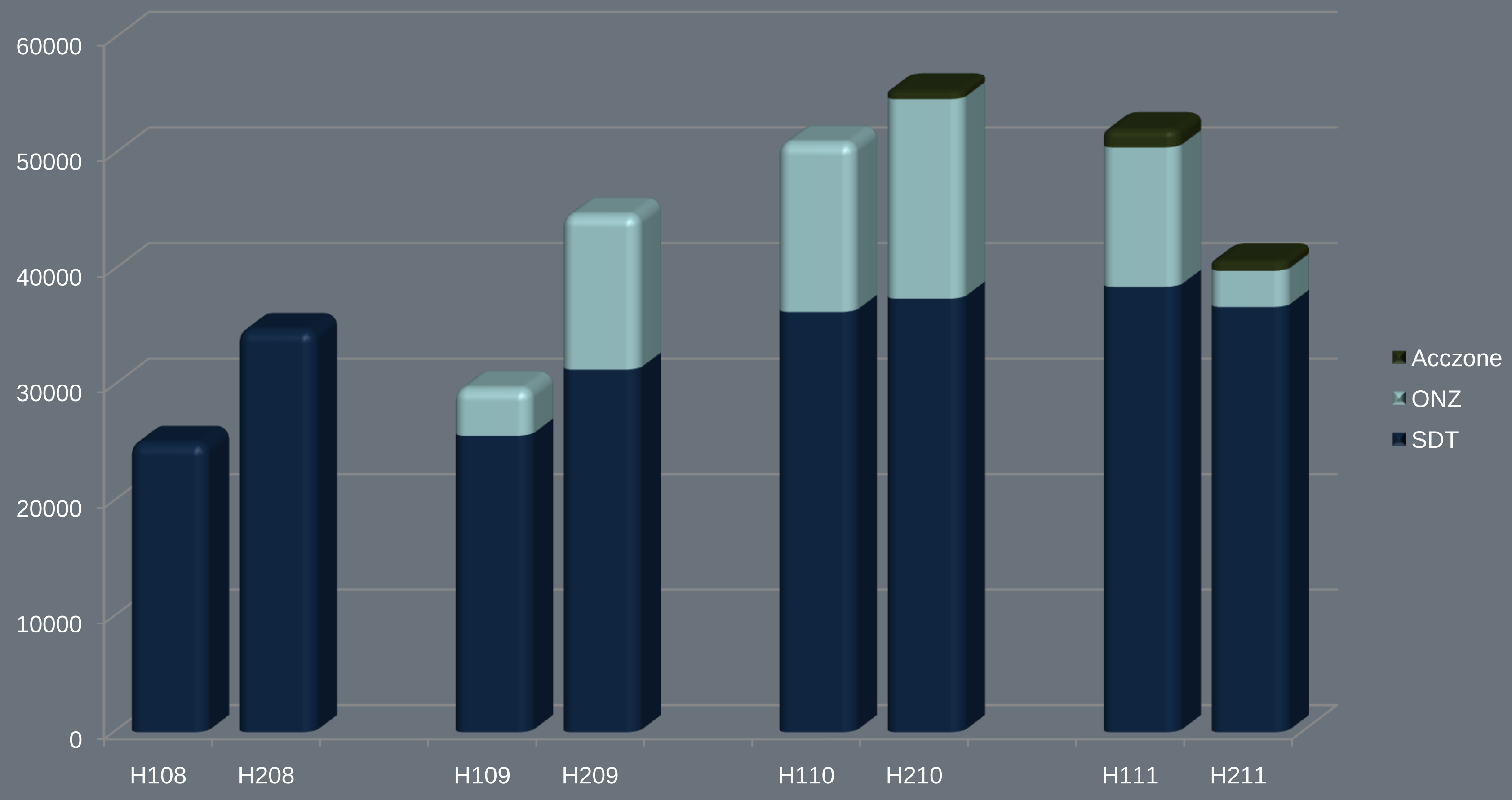
Keep the software running
Support
(Annuity based)

Consulting

- Significant reduction in consulting work from banks especially in H2
- External revenue in this segment dropped from R12 m in H1 to R3 m in H2
- Skilled consultants were redeployed in the life insurance industry
- Redesigned our operating model and integrated Ones & Zeros into SilverBridge
- Acquired 49% minority for R2.5 million

R `000	2011	% Change	2010
Consulting revenue	19 940	(38%)	31 931
Segment result	190	(97%)	7 175
Segment result %	1%		22%

Composition of revenue



Operational model

IT solution design
Consulting
(Project based)

→

Deploy software
Implementation
(Project based)

↓

Software
Rental
(Annuity based)

←

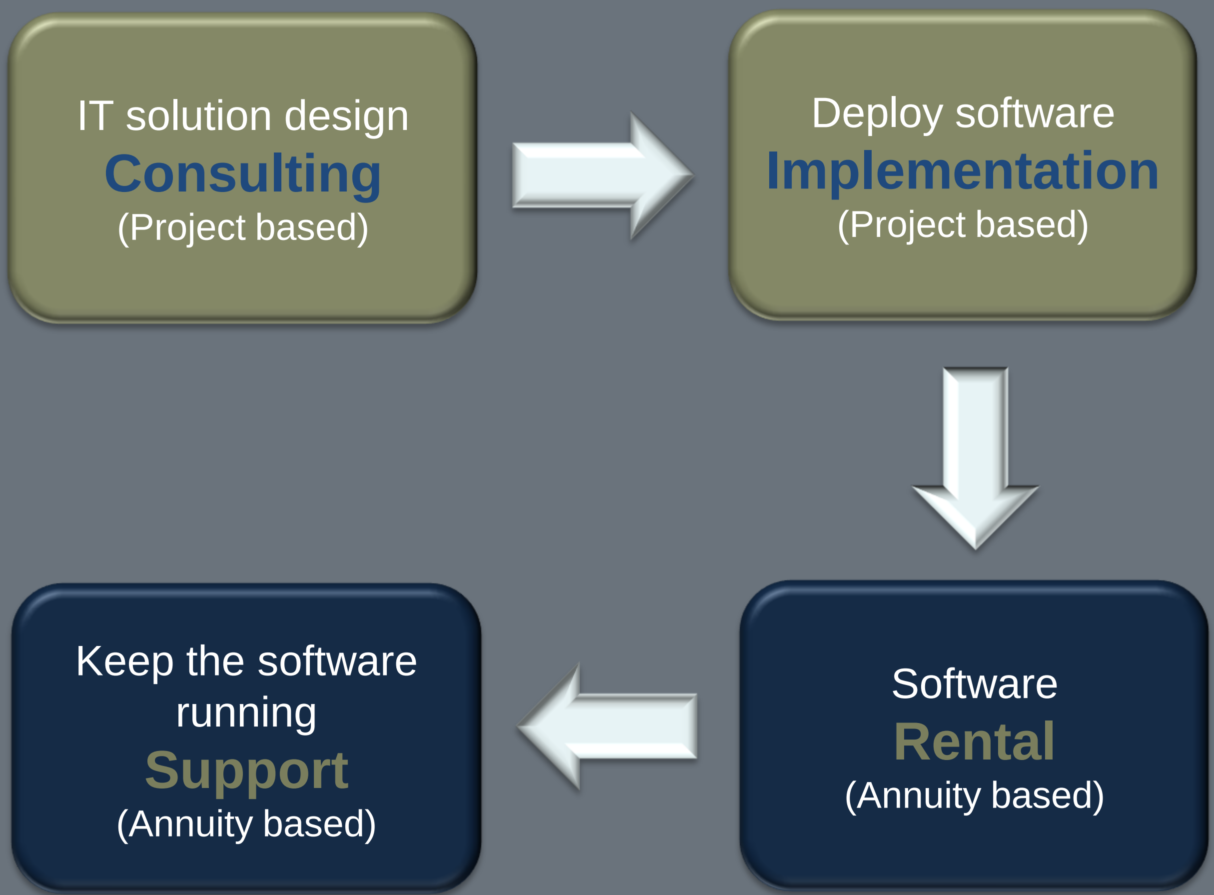
Keep the software running
Support
(Annuity based)

Implementation

- Delivery challenges on complex projects as highlighted at the interim stage
- Delivery problems were greater than anticipated on some implementation projects
- Impact on two levels
  - Actual loss in gross profit
  - Loss in potential project revenue
- Loss making projects, after joint review, terminated by mutual consent
- ABSA project managed well and delivering to the project timeline

R `000	2011	% Change	2010
Implementation revenue	32 237	(18%)	39 326
Segment result	1 008	(88%)	8 294
Segment result %	3%		21%

Operational model

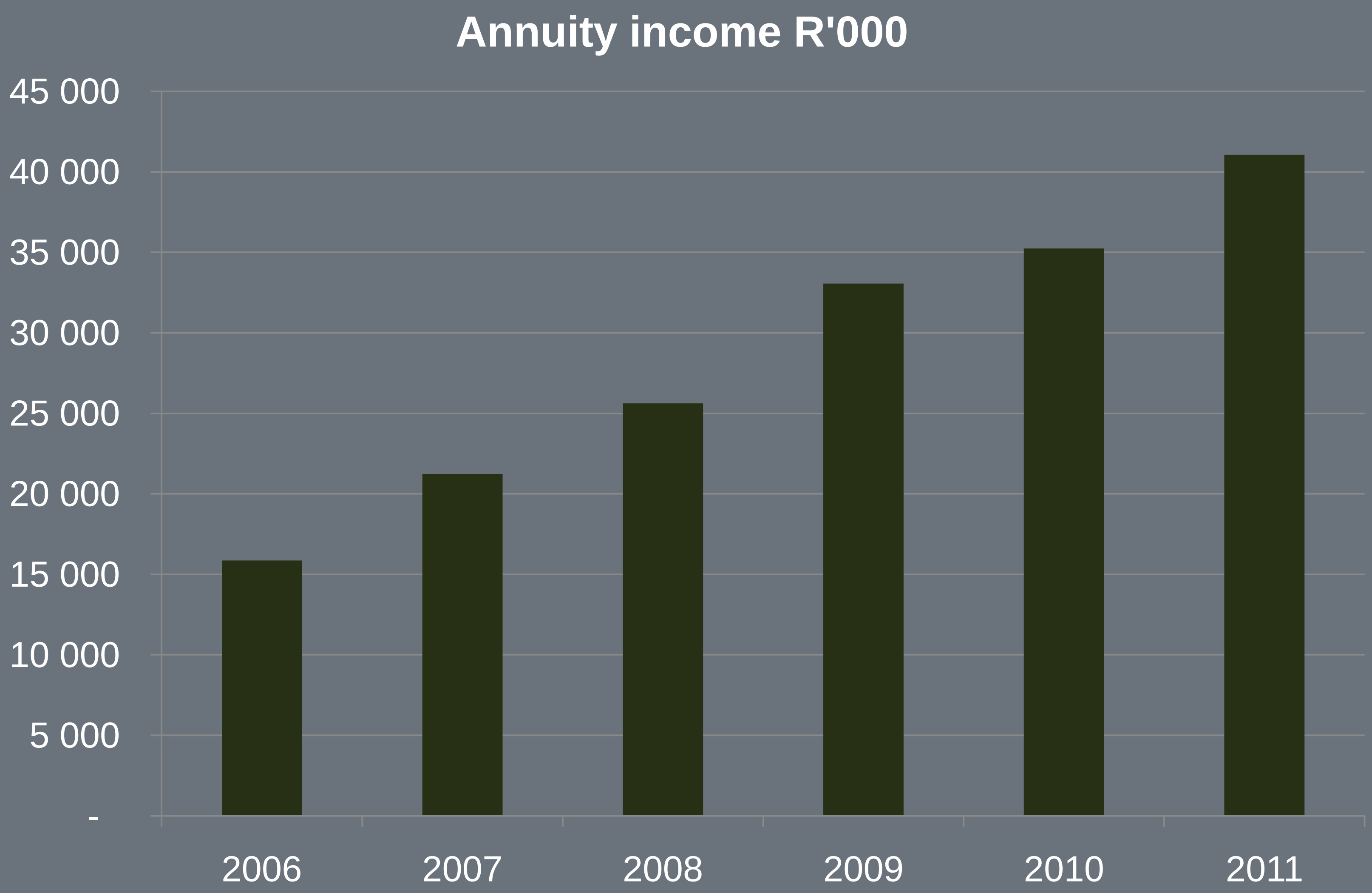


Software rental and R&D

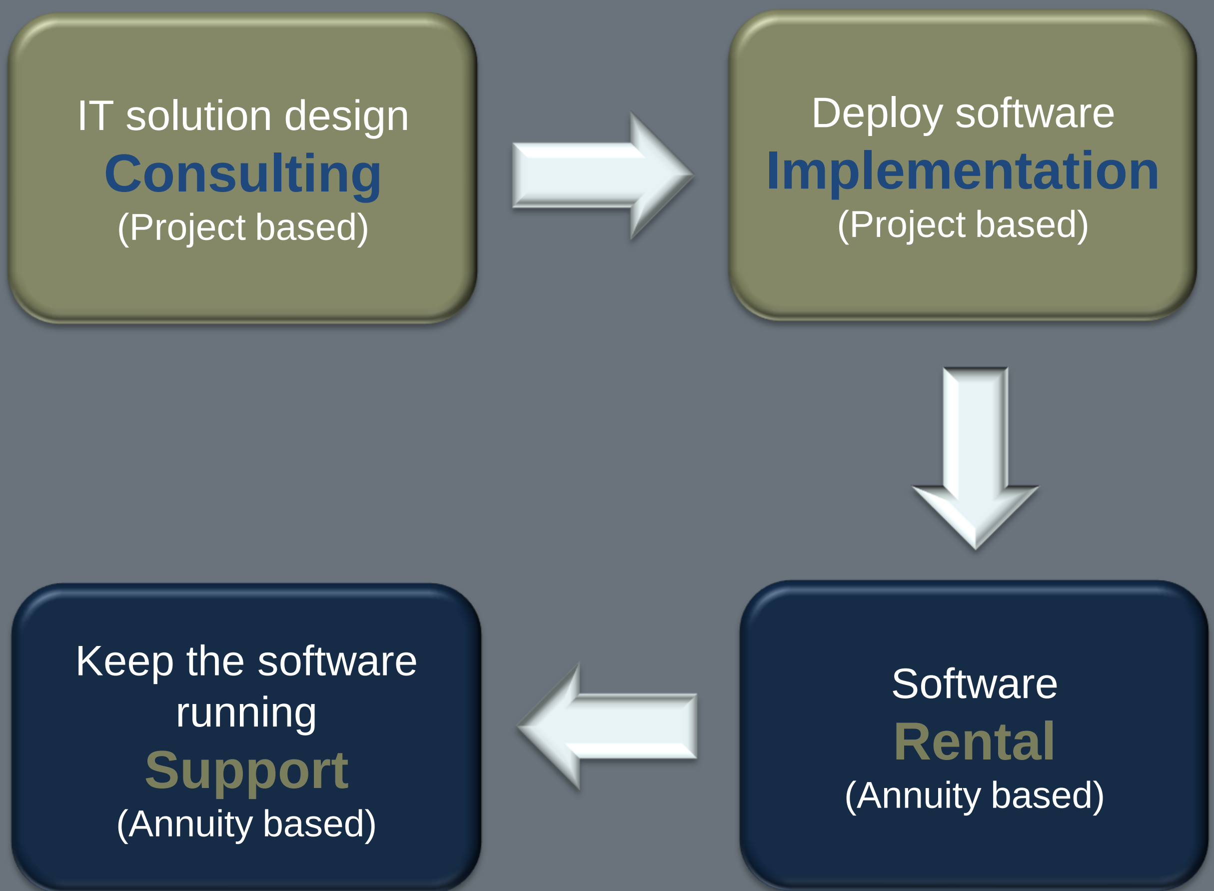
- Rental income grew by 4% (excluding license fee) from the current client base
- Rental includes license fee of R4.9 m
- Rental from “Life system” clients is R12.7 m of which we are converting R6 m to Exergy with plans for another R3.3 m. The remaining R3.4 m will remain on Life for specific reasons
- R&D direct costs in Acczone were R3.5 m in 2011 and R660k in 2010

R `000	2011	% Change	2010
Software rental and maintenance	28 425	26%	22 584
R&D direct costs expensed	9 479		6 349
R&D capitalised	5 174		2 759

Annuity income growth



Operational model



Support

- New support contracts concluded at lower margins
- Pressure on implementation environment also affected support
- Operational restructuring of implementation will facilitate support efficiency

R `000	2011	% Change	2010
Support revenue	17 542	38%	12 667
Segment result	(3 095)	(386%)	1 081
Segment result %	(18%)		9%

Consolidated statement of comprehensive income

- Revenue generating capability reduced by resources “locked “ into projects under pressure
- Potential additional revenue postponed as a result of limited capacity
- Potential revenue capacity increased by exiting projects
- Significant impact in H2 from reduction in consulting revenue

Period ended 28 February 2011

R `000	2011	% change	2010
Revenue	92 933	(13%)	106 508

Consolidated statement of comprehensive income

- Projects under pressure not generating required gross profit
- Reduction in cost base of 16% in H2 compared to H1
- Once off cost of retrenchments and other actions included in full year expenses
- Cost base to decrease further by R5 m

Period ended 28 February 2011

R `000	2011	% change	2010
Revenue	92 933	(13%)	106 508
EBITDA	2 938	(88%)	25 071
Operating profit	(30)	(100%)	21 688
Operating profit margin (%)	0%		20%

Consolidated statement of comprehensive income

- HEPS of -4 cps resulting from decrease in revenue, gross profit margins under pressure and lost capacity

Period ended 28 February 2011

R `000	2011	% change	2010
Revenue	92 933	(13%)	106 508
EBITDA	2 938	(88%)	25 071
Operating (loss)/ profit	(30)	(100%)	21 688
Operating profit margin (%)	0%		20%
Impairment of intangible assets	(11 233)		0
Net interest	323		484
Taxation	(1 054)		(6 012)
Minorities	(626)		(2 620)
Attributable (loss)/ earnings	(12 620)	(193%)	13 540
Weighted average shares in issue	34 675		34 034
HEPS (cps)	(4.0)	(110%)	39.7

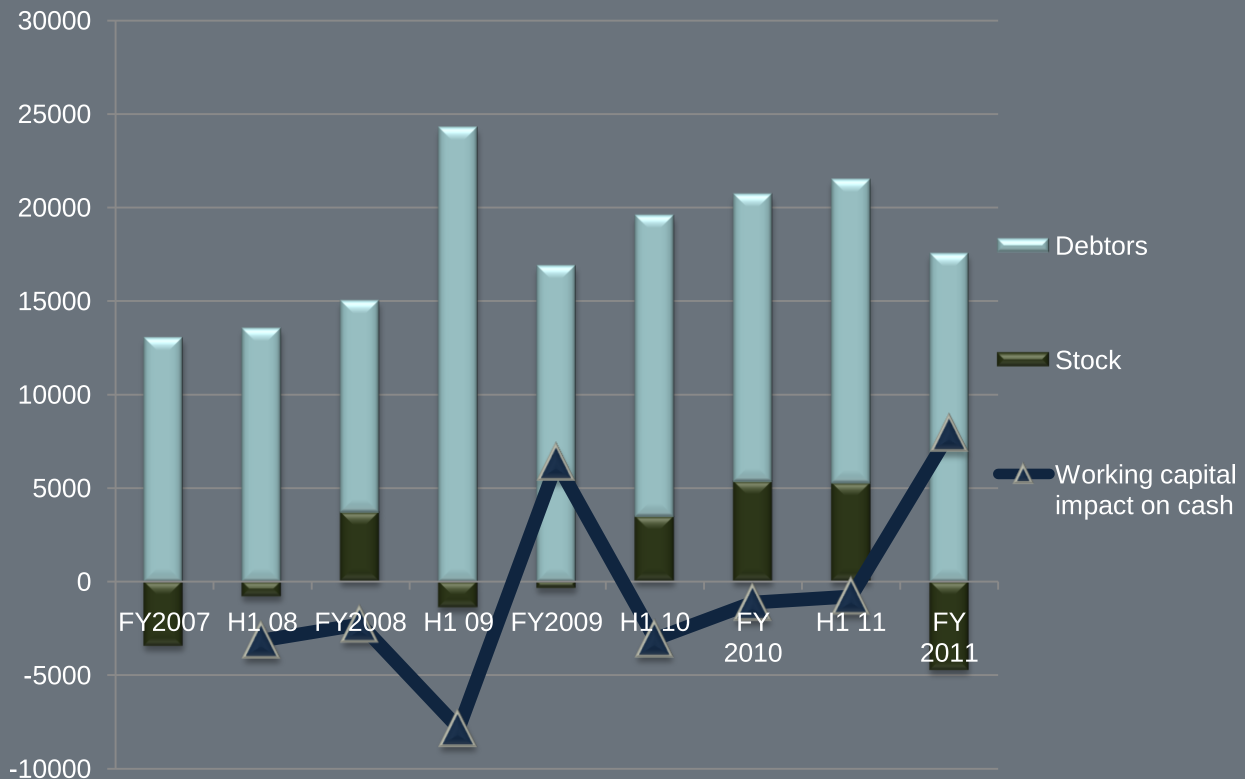
Statement of financial position - assets

- Non-current assets reduced by goodwill impairments of R 11.2 m
- Reduction in estimated purchase price from Acczone acquisition of R11.4 m
- Cash affected by drop in financial performance
- R1.2 m overpayment in tax

Period ended 28 February 2011	2011	2010
Non Current Assets	25 962	42 582
Current Assets	32 319	42 153
Trade and other receivables	17 543	15 364
Cash and cash equivalents	7 623	14 432
Income tax receivable	6 744	5 700
Revenue recognised not yet invoiced	409	6 657
Total Assets	58 281	84 735

Working capital

- Cash generated from working capital in H2 2011
- WIP moved to a net “deferred revenue” from a net “revenue recognised in advanced” position



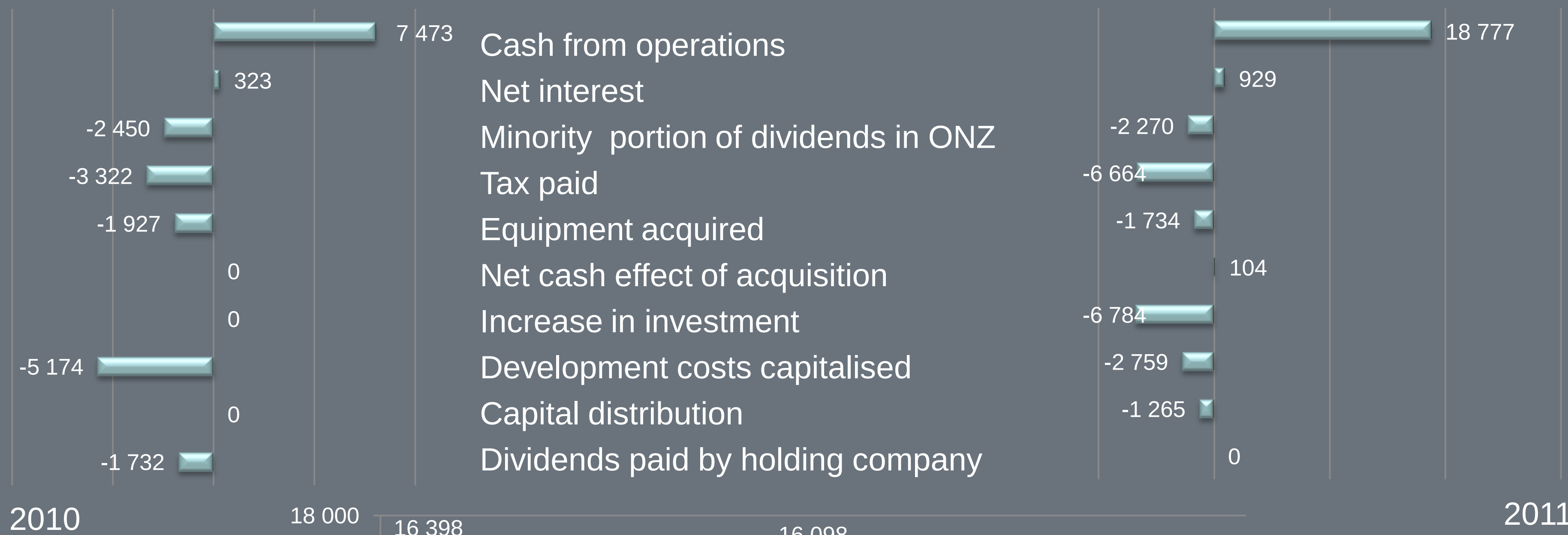
Statement of financial position – Equity and liabilities

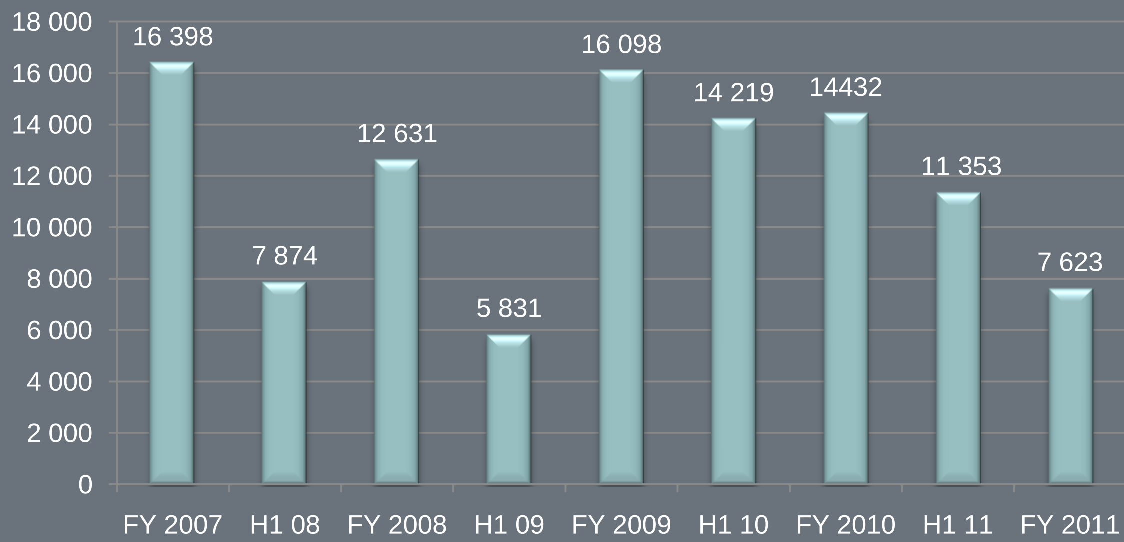
- Reduction in liability from Acczone acquisition of R11.4 m as a change in estimate

Period ended 28 February 2011

R `000	2011	2010
Equity	42 260	57 792
Non-current liabilities	0	0
Current Liabilities	16 021	26 943
Total equity and liabilities	58 281	84 735

Summarised cash flow statement





Cash position

Financial Summary

- Positive growth in annuity revenue
- Revenue under pressure from loss making projects and "locked in" resources
- Level and impact of problems on projects underestimated
- Consulting revenue dropped in H2
- Once off cost impact of corrective actions
- Efficiencies expected from change in implementation approach and consolidated group
- Impairment of goodwill from uncertain market conditions and operational integration of the group
- Remainder of the financial year still under pressure but outlook positive beyond that

We are positive about the future

We exited loss making projects

We cut expenses

We optimised the way we work

We are positive about opportunities

We are making good progress with all our current projects

We increased rental and support revenue

Questions