Etion Limited
(“Etion” or “the company” or “the Group”)

(Incorporated in the Republic of South Africa)
(Registration Number: 1987/001222/06)
Share Code: ETO
ISIN: ZAE000257739

Abridged Audited Consolidated Financial Statements for the year ended 31 March 2019 and notice of annual general meeting

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(KEY FEATURES)

- **Revenue increased to R595.9 million from R572.6 million (up 4%)**
- **Gross profit margin increased from 28.3% to 30.3% (up 2%)**
- **EBITDA decreased from R60.7 million to R29.9 million (down 51%)**
- **Profit after tax decreased from R33.4 million to a loss of R2.7 million (down 108%)**
- **Headline and Basic Earnings per share decreased from 7.26 cents to a loss of 0.53 cents (down 107%)**

Abridged consolidated statement of financial position
As at 31 March 2019

	31 March 2019 (Audited) R'000	31 March 2019 (Reviewed) R'000	31 March 2018 (Audited) R'000
Assets			
Non-current assets	261 831	264 161	184 569
Property, plant and equipment	48 455	48 455	50 294
Intangible assets	191 421	191 421	118 543
Loan to related company	-	2 330	-
Deferred tax asset	20 945	20 945	14 722
Other financial asset	1 010	1 010	1 010
Current assets	330 613	327 239	285 379
Inventories	87 549	90 305	88 276
Loan to related company	2 330	-	-
Trade and other receivables	163 630	163 630	140 790
Contract assets	18 927	16 171	-
Current tax receivable	7 566	6 522	5 513
Cash and cash equivalents	50 611	50 611	50 800
Total assets	592 444	591 400	469 948
Equity and liabilities			
Equity	343 294	343 066	302 446
Share capital	259 541	259 541	212 141
Accumulated profit	83 753	83 525	90 305
Non-current liabilities	42 542	41 724	32 952
Interest bearing borrowings	32 968	32 967	27 788
Contract liabilities	274	274	-
Deferred tax liability	9 300	8 483	5 164
Current liabilities	206 608	206 610	134 550
Provisions	1 890	1 890	5 388
Interest bearing borrowings	43 522	43 523	9 461
Trade and other payables	132 175	132 176	110 155
Contract liabilities	14 918	14 918	-
Current tax payable	970	970	-
Bank overdrafts	13 133	13 133	9 546
Total equity and liabilities	592 444	591 400	469 948

Abridged consolidated statement of comprehensive income

For the year ended 31 March 2019

	Year ended 31 March 2019 (Audited)	Year ended 31 March 2019 (Reviewed)	Year ended 31 March 2018 (Audited)
	R'000	**R'000**	**R'000**
Revenue	595 939	595 939	572 562
Cost of sales	(415 326)	(415 325)	(410 379)
Gross profit	180 613	180 614	162 183
Other operating income	4 877	4 877	2 276
Administrative and operating costs	(166 360)	(165 151)	(125 787)
Other (losses)/gains	(8 956)	(8 956)	7 849
Operating profit	10 174	11 384	46 521
Finance income	1 717	1 717	1 975
Finance costs	(11 262)	(11 262)	(6 143)
Profit before taxation	629	1 839	42 353
Taxation	(3 359)	(4 743)	(8 929)
Net (loss)/profit for the period	(2 730)	(2 904)	33 424
Total comprehensive (loss)/income for the period	(2 730)	(2 904)	33 424
Attributable to:			
Equity holders of the company	(2 730)	(2 904)	33 473
Non-controlling interest			(49)
	(2 730)	(2 904)	33 424
Basic earnings per share (cents)	(0.53)	(0.56)	7.26
Diluted earnings per share (cents)	(0.53)	(0.56)	7.26

Abridged consolidated statement of cash flows
For the year ended 31 March 2019

	Year ended 31 March 2019 (Audited)	Year ended 31 March 2019 (Reviewed)	Year ended 31 March 2018 (Audited)
	R'000	**R'000**	**R'000**
Cash flows from operating activities			
Cash receipts from customers	561 283	561 283	556 150
Cash paid to suppliers and employees	(527 513)	(527 513)	(555 460)
Cash generated from operations	33 770	33 770	690
Finance costs	(4 668)	(4 668)	(6 143)
Finance income	1 717	1 717	1 975
Taxation paid	(11 277)	(11 277)	(23 110)
Net cash flow from operating activities	19 542	19 542	(26 588)
Cash flows from investing activities			
Purchase of property, plant and equipment	(2 921)	(2 921)	(4 942)
Proceeds from disposal of property, plant and equipment	435	435	1 169
Purchase of intangible assets	(10 514)	(10 514)	(7 578)
Business combinations, net of cash acquired	(63 103)	(63 103)	-
Net cash flow from investing activities	(76 103)	(76 103)	(11 351)
Cash flows from financing activities			
Proceeds on share issue	27 300	27 300	-
Proceeds from interest bearing borrowings	58 038	-	972
Repayment of interest bearing borrowings	(25 391)	32 647	(5 536)
Net cash flow from financing activities	59 947	59 947	(4 564)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	3 386	3 386	(42 503)
Cash, cash equivalents and bank overdrafts at beginning of year	41 254	41 254	79 235
Unrealised foreign exchange adjustment	(7 162)	(7 162)	4 522
Cash, cash equivalents and bank overdrafts at year end	37 478	37 478	41 254

Abridged consolidated statement of changes in equity
For the year ended 31 March 2019

	Issued share capital	**Accumulated profit/(losses)**	**Minority interest**	**Total**
	R'000	**R'000**	**R'000**	**R'000**
Balance as at 1 April 2017 (Audited)	212 141	56 652	229	269 022
Movements during the year				
Profit for the year	-	33 473	(49)	33 424
Buy back of minority interest shares in subsidiary		180	(180)	-
Balance as at 1 April 2018, as previously reported	212 141	90 305	-	302 446
Adjustment from adoption of IFRS 9, net of tax	-	(3 876)	-	(3 876)
Restated balance as at 1 April 2018	212 141	86 429	-	298 570
Movements during the year				
Shares issued as part of the business combination	20 100	-	-	20 100
Shares issued for cash	27 300			27 300
Loss for the year		(2 904)		(2 904)
Balance as at 31 March 2019 (Reviewed)	259 541	83 525	-	343 066

	Issued share capital	**Accumulated profit/(losses)**	**Minority interest**	**Total**
	R'000	**R'000**	**R'000**	**R'000**
Balance as at 1 April 2017 (Audited)	212 141	56 652	229	269 022
Movements during the year				
Profit for the year	-	33 473	(49)	33 424
Buy back of minority interest shares in subsidiary		180	(180)	-
Balance as at 1 April 2018, as previously reported	212 141	90 305	-	302 446
Adjustment from adoption of IFRS 9, net of tax	-	(3 822)	-	(3 822)
Restated balance as at 1 April 2018	212 141	86 483	-	298 624
Movements during the year				
Shares issued as part of the business combination	20 100	-	-	20 100
Shares issued for cash	27 300			27 300
Loss for the year		(2 730)		(2 730)
Balance as at 31 March 2019 (Audited)	259 541	83 753	-	343 294

Abridged consolidated segment report
For the year ended 31 March 2019

	Year ended 31 March 2019 (Audited)	Year ended 31 March 2019 (Reviewed)	Year ended 31 March 2018 (Restated*) (Audited)
	R'000	R'000	R'000
Segment revenue			
Etion Digitise: Safety and Productivity Solutions	95 819	95 819	77 035
Etion Create: Original Design Manufacturing	206 565	206 565	235 775
Etion Connect: Digital Network Solutions	246 748	246 748	277 547
Etion Secure:Cyber Security Solutions (LawTrust)	106 967	106 966	-
Eliminations	(60 160)	(60 159)	(17 795)
Total	595 939	595 939	572 562
Segment profit/(loss)			
Etion Digitise: Safety and Productivity Solutions	(834)	(834)	(8 276)
Etion Create: Original Design Manufacturing	20 188	20 189	38 375
Etion Connect: Digital Network Solutions	13 267	13 267	30 588
Etion Secure:Cyber Security Solutions (LawTrust)	5 412	5 373	-
Eliminations	20 869	22 117	6 255
Sub total	58 902	60 112	66 942
Corporate costs	(48 728)	(48 728)	(20 421)
Finance costs	(11 262)	(11 262)	(6 143)
Finance income	1 717	1 717	1 975
Profit before taxation	629	1 839	42 353
Financial position			
Assets	592 444	591 400	469 948
Etion Digitise: Safety and Productivity Solutions	93 185	95 956	91 570
Etion Create: Original Design Manufacturing	205 108	278 520	235 627
Etion Connect: Digital Network Solutions	162 904	134 740	142 645
Etion Secure:Cyber Security Solutions (LawTrust)	119 045	52 853	-
Corporate	12 202	29 331	106
Liabilities	249 150	248 334	167 502
Etion Digitise: Safety and Productivity Solutions	30 485	30 092	24 922
Etion Create: Original Design Manufacturing	80 807	80 246	97 108
Etion Connect: Digital Network Solutions	69 140	66 887	45 470
Etion Secure:Cyber Security Solutions (LawTrust)	29 987	27 845	-
Corporate	38 731	43 264	2

* Due to the material increase of R60,1 in intersegment transactions during the current financial year the Group has revised the manner in which it reports segment information for the four business segments. Intersegment transactions are now eliminated on a gross basis and not directly from the results of the business segment to which it relates. The comparative information for the 2018 financial year has been restated.

NOTES TO THE FINANCIAL INFORMATION

1. Restatement of reviewed results for the year ended 31 March 2019

The reviewed financial results for the year ended 31 March 2019 which was released on SENS on 25 June 2019, has been restated due to the following items:

- The reclassification of work in progress in respect to contacts with customers previously included under inventory on the Statement of Financial Position to contract assets, arising from the implementation of IFRS 15.
- The reclassification of loans to related parties from non-current assets to current assets due to the nature of the repayment terms.
- The incorrect treatment of an eliminating journal entry processed upon consolidation which has resulted in a net movement of R0.2m in the Statement of Comprehensive Income and related movements in current tax receivable and deferred tax liability in the Statement in Financial Position.
- Separate disclosure of the proceeds from interest bearing borrowing and repayments made during the year on the Statement of Cash Flows.
- Minor rounding differences on individual figures with the finalisation of the financial statements.

As a result of the aforementioned, Headline and Basic Earnings per Share has improved from a loss of 0.56 cents to a loss of 0.53 cents (107% reduction from prior year).

There were no material changes to the Statement of Cash Flows and hence there was no change to any of the key indicators that relate to this. However, while cash generated from operations remained unchanged, due to the changes in the Statement of Comprehensive Income, the movements in working capital changes has been affected. The effect on the individual line items are contained in the notes below.

1.1 Notes to cashflow statement

In the note "cash generated from operations" the changes are as follows:

	Year Ended 31 March 2019 (Audited)	Year Ended 31 March 2019 (Reviewed)	Difference
	R'000	**R'000**	**R'000**
Profit before tax	629	1 839	(1 210)
Adjustments For:			
Depreciation and amortisation	19 687	19 687	-
Interest income	(1 717)	(1 717)	-
Finance costs	11 262	11 262	-
Increase in provision for slow moving and obsolete raw materials	(1 766)	(1 766)	-
Increase/(decrease) in provision for impairment of trade receivables	3 204	3 204	-
Loss on sale of property, plant and equipment	13	13	-
Operating lease straight line adjustment	1 414	1 414	-
(Decrease)/increase in provisions	(3 498)	(3 498)	-
Unrealised foreign exchange differences - cash and bank equivalents	7 162	7 162	-
Unrealised foreign exchange differences - debtors	(66)	(66)	-
Unrealised foreign exchange differences - trade creditors	3 499	3 498	1

Changes in Working Capital			
Inventories	(6 474)	(9 230)	2 756
Contract assets	(1 131)	1 625	(2 756)
Trade and other receivables	6 455	6 680	(225)
Trade and other payables	(7 256)	(8 690)	1 434
Contract liabilities	2 353	2 353	-
Cash generated from operations	33 770	33 770	-

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the effect of the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* with effect from 1 April 2018.

AUDIT REPORT

This summarised report is extracted from audited information but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

PREPARER

These results were prepared by N Naidoo CA(SA) under the supervision of EC De Kock FCMA.

GOING CONCERN

The directors have reviewed the group's budget and cash flow forecast for the year to March 2020. On this basis and considering the group's current financial position, the directors are satisfied that the group will continue to operate for the foreseeable future and have adopted a going concern basis in preparing these reviewed provisional financial results.

ISSUE OF AUDITED ANNUAL FINANCIAL STATEMENTS AND ANNUAL GENERAL MEETING

In compliance with section 3.22 of the JSE Listing Requirements shareholders are advised that the Company's 2019 integrated annual report, which incorporates Etion's consolidated financial statements for the year ended 31 March 2019, was posted to shareholders on Wednesday, 31 July 2019. Shareholders are further advised that the integrated annual report will be made available on the Company's website (www.etion.co.za) on the same day.

Notice is hereby given that the annual general meeting of the shareholders of Etion will be held on Thursday 26 September 2019 at 10h00 at 85 Regency Drive, Route 21 Corporate Park, Irene, Pretoria to deal with the business as set out in the notice of annual general meeting forming part of the annual report.

Record date for the purpose of determining which shareholders are entitled to receive the notice of annual general meeting; Friday, 26 July 2019

Mailing of integrated annual report; Wednesday, 31 July 2019

Last day to trade for the purposes of being entitled to attend, participate in and vote at the annual general meeting; Tuesday 17 September 2019.

Record date on which members must be recorded as such in the register; Friday,20 September 2019

Proxy forms to be lodged with the transfer secretaries by 10:00 Monday, 23 September 2019*

* Any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the annual general meeting prior to the commencement of the annual general meeting.

By order of the board

Teddy Daka
Chief Executive Officer
31 July 2019

Elvin De Kock
Chief Financial Officer

Directors
CP Bester; T Daka (CEO)*; Dr. SJ Khoza; EC De Kock* (CFO); MJ Janse Van Rensburg ; RC Willis ; C Maherry*
**Executive*
Company secretary
Fusion Corporate Secretarial Services (Pty) Ltd
Telephone: +27 12 749 1800
Facsimile: +27 12 665 2767
Website: www.etion.co.za
Registered office: 85 Regency Drive, Route 21 Corporate Park, Irene, Pretoria 0157
(PO Box 95361, Waterkloof, Pretoria)
Designated adviser: Exchange Sponsors 2008 (Pty) Ltd
Transfer secretaries: Computershare Investor Services (Pty) Ltd