ISA Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1998/009608/06)
Share code: ISA
ISIN: ZAE000067344
("ISA" or "the company" or "the group")

Abridged summarised consolidated audited results for the year ended 29 February 2020 and notice of Annual General Meeting

	29 Feb 20 year ended Audited R'000	28 Feb 19 year ended Audited R'000
SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Project derived turnover	27 775	34 777
Subscription derived turnover	73 444	85 296
Revenue	101 219	120 073
Cost of sales	(54 971)	(67 980)
Profit before other income and expenses	46 248	52 093
Other income	3 293	8 188
Selling and marketing costs	(12 477)	(12 885)
Administrative expenses	(9 062)	(10 998)
Finance income	3 925	4 352
Finance costs	-	(157)
Share of profits of equity-accounted investment	259	905
Profit before taxation	32 186	41 498
Taxation	(8 761)	(11 541)
Profit attributable to equity shareholders for the year	23 425	29 957
Total comprehensive income attributable to equity shareholders	23 425	29 957
Earnings per share (cents)	15.0	19.2
Diluted earnings per share (cents)	15.0	19.2

	As at 29 Feb 20 Audited R'000	As at 28 Feb 19 Audited R'000
SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
ASSETS		
Non-current assets	17 386	37 848
Property, plant and equipment	9 874	9 980
Loans receivable	2 518	24 101
Equity accounted investment	1 930	1 671
Deferred tax	3 064	2 096
Current assets	63 224	83 863
Cash and cash equivalents	45 929	63 047

Inventories	2 036	35
Trade and other receivables	14 044	19 490
Current tax receivable	1 215	1 291
Total assets	80 610	121 711
EQUITY AND LIABILITIES		
Equity capital and reserves	57 627	95 354
Share capital and share premium	1 560	1 560
Reserves	56 067	93 794
LIABILITIES		
Current liabilities	22 983	26 357
Trade and other payables	22 802	23 868
Current tax payable	181	2 489
Total liabilities	26 357	26 357
Total equity and liabilities	80 610	121 711

	29 Feb 20 year ended Audited R'000	28 Feb 19 year ended Audited R'000
SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOW		
Cash flows from operating activities	18 775	30 330
Cash receipts from customers	106 724	126 584
Cash paid to supplier and employees	(78 314)	(86 553)
Cash generated from operations	28 410	40 031
Finance income	2 325	2 056
Finance cost	-	(157)
Taxation paid	(11 960)	(11 600)
Cash flows from investing activities	22 730	4 844
Purchase of property, plant and equipment	(144)	(149)
Dividends received	500	500
Proceeds on loans receivable	22 374	4 493
Cash flows from financing activities	(61 152)	(21 213)
Dividends paid to ordinary shareholders	(61 152)	(21 213)
Net increase in cash and cash equivalents	(19 647)	13 961
Revaluation of foreign cash balances	2 529	7 373
Cash and cash equivalents at beginning of the year	63 047	41 713
Cash and cash equivalents at end of the year	45 929	63 047

	29 Feb 20 year ended Audited R'000	28 Feb 19 year ended Audited R'000
SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY		
Share capital - ordinary shares		
Balance at beginning of the year	1 560	1 560
Balance at end of the year	1 560	1 560
Total share capital and share premium	1 560	1 560
Reserves - retained earnings		
Balance at beginning of the year	93 794	85 050
Total comprehensive income – profit	23 425	29 957
Dividends paid during the year	(61 152)	(21 213)
Balance at end of the year	56 067	93 794
Total equity capital and reserves	57 627	95 354
Notes to the statements:		
RECONCILIATION OF HEADLINE EARNINGS		
Earnings as per statement of comprehensive income	23 425	29 957
Headline earnings	23 425	29 957
Headline earnings per share (cents)	15.0	19.2
Diluted headline earnings per share (cents)	15.0	19.2
ORDINARY SHARES		
Number of shares in issue at end of year ('000s)	155 996	155 996
Weighted average number of shares in issue ('000s)	155 996	155 996
Treasury shares held at end of year ('000s)	14 596	14 596
Net asset value per share at end of year (cents)	36.9	61.1
Net tangible asset value per share at end of year (cents)	36.9	61.1

OPERATIONAL REVIEW
Operational Review

I am pleased to present our results for the full year ended 29 February 2020 ("the current reporting period"), which continued to be underpinned by a high proportion of recurring revenue, a robust financial position and strong cash flows. In the context of the exceptionally challenging trading conditions in which we operate, together with the extreme pressure on the local economy, overall performance remains satisfactory.

During the current reporting period, two key factors marred our performance when viewed against that of our previous corresponding reporting period ("prior reporting period"), namely the reseller tier downgrade by one of our strategic vendor partners and the effects of the volatile and fluctuating exchange rate.

As explained via the Stock Exchange News Service ("SENS"), Check Point downgraded our position in their reseller program from the highest tier available to the lowest. Despite our reconciliatory efforts, it seems unlikely that we will be able to re-establish a healthy and trustworthy relationship with Check Point any time soon, given their untraditional and unreasonable demands for reinstatement. As anticipated, the downgrade has and will continue to have a negative effect on turnover, but this is expected to improve over time as our plans to transition our customers to those recently onboarded 'NextGen' security brands that have already displaced Check Point's leadership position both locally and on the global stage takes shape.

Forex fluctuation and volatility is also a major factor in our business, for two main reasons. Firstly, when the Rand price of imported goods increases rapidly due to exchange rate fluctuation or volatility, customer budgets are negatively affected and seldom have the flexibility needed to absorb the impact of the change, which then adds pressure on anticipated deal-flows and margin. Secondly, as a large portion of our cash is held in Dollars and Pounds, currently accounting for 63% of our R45.9 million cash reserve, the revaluation of this foreign currency through the statements of comprehensive income can have a material effect on our results in any one reporting cycle.

Financial

Largely due to the Check Point downgrade, revenue decreased by 16% to R101.2 million and profit before other income and expenses decreased by 11% to R46.2 million compared to the prior reporting period of R52.1 million. While this decrease in both revenue and gross profit is most unfortunate, I am satisfied that management understand the cause for this decline and is fully committed to executing the plans set in motion during the period under review, while maintaining a heightened focus on overall customer experience and service levels in order to mitigate the risk of us becoming too inwardly focused during the transition. On a more pleasing note, the revenue contribution from our Managed Security Services portfolio increased by a healthy 33% during the current reporting period, which is partially a result of the favourable response to our recently introduced range of advance threat detection and threat seeking services.

Operating expenses decreased by a pleasing 10% to R21.5 million during the current reporting period, from R23.9 million in the prior reporting period, which reflects management's continued focus on cost containment within the business. Profits derived from the revaluation of our foreign cash reserves during the current reporting period unfortunately reduced by R4.8 million compared to the profits recorded in the prior reporting period, effectively declining from R7.4 million to R2.5 million. If we were to exclude the effect of foreign currency revaluation in both reporting periods, profit before tax would have decreased by 13% in the current reporting period, as opposed to the 22% decline actually recorded, which would be palatable in context of the large decline in turnover.

During the period under review, our business partner settled their loan thereby reducing loans receivable to R2.5 million from R24.1 million. Net of the R61.1 million cash distribution to shareholders during the period under review, as detailed below, our cash reserve reduced to R45.9 million from R63.0 million in the prior reporting period. Total comprehensive income unfortunately decreased to R23.4 million during the current reporting period, from R29.9 million, which decrease represents a decline in headline and earnings per share to 15.0 cents from 19.2 cents achieved in the prior reporting period.

Distribution

As referred above, dividends amounting to R61.1 million were declared and paid to shareholders during the period under review, representing a gross distribution of 39.2 cents per share, comprising 19.2 cents per share ordinary dividend and 20.0 cents per share special dividend. After substantial reflection and consideration, the board has decided that it will not distribute further cash reserves at this time, as we believe it prudent to preserve the strength of our balance sheet through these uncertain times, as well as to provide management the headroom needed to focus on building a robust and sustainable revenue structure around the recently onboarded security brands. As such, the board has not declared a final dividend for this year.

Market and prospects

In the short to medium term, I anticipate a sharp reduction in revenue due to the aforementioned Check Point downgrade, as well as due to the severe economic damage and business disruption caused by the coronavirus lockdown legislation imposed by our government in an attempt to manage the COVID-19 pandemic. While an early reflection of our sales pipeline is encouraging, especially noting those loyal customers and new prospects that are excited at the prospect of moving over to the more robust and scalable 'NextGen' security technologies that we now have to offer, the journey to reaching and exceeding our former turnover and profitability levels is likely to be somewhat tougher and longer than initially anticipated.

In the longer term however, I continue to be optimistic about our long-term prospects, as the key drivers of the information security market remain robust. With the continued evolution and persistence of threats and attack vectors against corporate information and IT resources, together with the increased regulatory and legislative compliance requirements, stakeholders continue to elevate the importance of IT security within their organisations. By leveraging this positive sentiment towards the information and infrastructure security market, as well as our positioning as a thought leader in this niche market segment, we are likely to continue delivering above average tangible returns over time.

REPORTING

These abridged summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects with the group financial statements. This abridged report is extracted from audited financial information but is not itself audited. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying financial statements. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors. The auditor's report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company or on the company's website.

The abridged financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act") and the Listings Requirements of the JSE Limited ("JSE").

This abridged report has been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the financial statements for the year ended 28 February 2019 save for the newly adopted standards IFRS 16 Leases. The preparation of the group financial statements for the financial year ended 29 February 2020 was supervised by the Financial Director, Priscilla Mogoboya, and has been audited in terms of all the applicable requirements of Section 29(1) of the Companies Act.

The auditors, Mazars, have issued their opinion on the underlying group annual financial statements for the year ended 29 February 2020. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. The key audit matters addressed in the auditor's report are the impact of the COVID-19 lockdown legislation on the financial statements and the impact of the loss of a significant supplier. A copy of their audit report and the group annual financial statements are available for inspection at the company's registered office and on the company's website at www.isa.co.za.

SUBSEQUENT EVENTS

The directors have noted the nationwide lockdown from 26 March 2020 and subsequent alert levels as government's response to the COVID-19 pandemic as declared by the WHO. The group is committed to ensuring compliance with regulations as set out by the government in order to flatten the curve of the COVID-19 spread.

CHANGES IN DIRECTORATE

During the 2020 financial year, Denzil Perreira resigned as an independent non-executive director, Chairperson of the board and member of the Audit and Risk committee with effect from 30 May 2019. The board thanks Mr Perreira for his contribution to the group and wishes him well in his future endeavours.

Furthermore, the board welcomed Mrs Clarissa Pillay as a non-executive director and member of the board. The board also welcomed Mrs Onica Seku as an independent non-executive director, member of the Audit and Risk Committee and member of the Remuneration, Nomination Transformation, Social and Ethics committee. Both of these appointments are effective from 19 September 2019. Furthermore, Mrs Onica Seku was appointed as Chairperson of the board effective 14 November 2019. These appointments will be submitted to the shareholders for confirmation at the 2020 Annual General Meeting. The board has considered the gender, race, culture, age, field of knowledge, skills and experience and applied the board diversity policy in the appointment of these directors.

INTEGRATED ANNUAL REPORT

Shareholders are advised that the integrated annual report has been distributed to shareholders and will be available on the company's website at www.isa.co.za.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of ISA ("Annual General Meeting") will be held at 10:00 on Wednesday, 1 July 2020 for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The board has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the Annual General Meeting is Friday, 26 June 2020. Accordingly, the last day to trade ISA shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 23 June 2020.

As a result of the COVID-19 pandemic and the resultant lockdown restrictions on travel and the holding of public gatherings, it is no longer permissible nor possible to hold a shareholder meeting in person. Consequently, the Annual General Meeting will only be accessible through electronic participation, as permitted by the JSE, the provisions of the Companies Act and the company's Memorandum of Incorporation.

To this end, the company together with its share transfer secretaries, Link Market Services South Africa Proprietary Limited ("Link"), shall host the Annual General Meeting on an interactive electronic platform, to facilitate remote participation by shareholders. Link will also act as meeting scrutineer.

Shareholders who wish to participate electronically at the Annual General Meeting are required to contact Link at meetfax@linkmarketservices.co.za; or alternatively contact Link's offices on +27 86 154 6572 as soon as possible, but in any event, for administrative purposes only, by no later than 10h00 on Monday, 29 June 2020.

Special Thanks

On behalf of the board, I would like to take this opportunity to thank the ISA team for their continued dedication and hard work. My appreciation is also extended to my colleagues on the board for their wise counsel and valuable input. Finally, I thank all stakeholders, customers and vendors for their support, and I look forward to meeting shareholders at the Annual General Meeting to be held on Wednesday, 1 July 2020.

For and on behalf of the board.

Clifford Katz
Chief Executive Officer
Johannesburg
29 May 2020

Directors: CS Katz (Chief Executive Officer), PJG Green (Chief Technical Officer), P Mogoboya (Financial Director), AJ Naidoo#, C Pillay, DS Seaton*, N Maphothi*, Onica Seku (Chairman)*

Non-executive
* Independent non-executive

Designated Adviser: Merchantec Capital

www.isaholdings.co.za