ETION

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

21

Advancing Humanity Through Technology

Contents

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: ZAE000097028

Key features

Revenue	Profit after tax	Headline earnings per share
↑ 20%	↑ 245%	↑ 1 171%
R692.1 million	**R52.6 million**	**9.32 cents**
(2020: R572.9 million)	(2020: R36.1 million loss)	(2020: 0.87 cents loss)

EBITDA	Gross margin	Cash and cash equivalents
↑ 1 160%	↑ 0.5%	↑ 46%
R101.8 million	**34.2%**	**R120.4 million**
(2020: R9.6 million loss)	(2020: 33.7%)	(2020: R82.7 million)

Liquidity	Solvency	Debt/Equity
1.9	**2.4**	**0.7**
(2020: 1.8)	(2020: 2.28)	(2020: 0.8)

The key features as detailed above related to both continuing and discontinued operations.

Etion Create order book	Etion Connect order book	Purchase consideration on disposal of LAWTrust
R465.3 million	**R178.2 million**	**R245 million**

The total contracted order book, as at date of publication of the results, represents the contracted customer orders that have been received but are still to be executed. This economic benefit will accrue from 2022 financial year and onwards.

Commentary

GROUP PROFILE

Etion Limited is a diversified digital technology investment holding company.

During the previous financial year, we repositioned the Group as a technology investment holding company that invests in digital technologies that advance humanity. This shift required a streamlining of the Group's operations and a restructure of its corporate head office.

Following the outcome of the strategic review by the Etion Board, Etion Digitise (Digitise) was restructured. The non-profitable lines of business were closed down and the original core rail business operationally consolidated into Etion Create (Create). This made strategic sense as Create, the Group's original design manufacturer, had taken over the core products from a manufacturing and distribution perspective.

Post the restructure, the Group now consists of three operating businesses: Etion Connect (Connect), Etion Create (Create) and Etion Secure (Secure/LAWTrust) as well as a Corporate Head Office (Corporate).

We have a proud electronic engineering heritage dating back over 30 years upon which we draw in making investment decisions and growing the underlying businesses to create and unlock value.

FINANCIAL RESULTS

Statement of profit or loss and other comprehensive income

Explanations on divisional results follow from pages 04 to 06.

FY2021 was a year of two distinct halves as the Group responded to the varying effects of the COVID-19 pandemic. At half year, the Group reported a total comprehensive income of R4.9 million; full year total comprehensive income totalled R52.6 million. All of the businesses emerged stronger during the second half of the financial year as demand for their products and services returned. The Group also restructured Corporate to align the cost base with that of an investment holding company.

The increase in profit after tax of R52.6 million (2020: R36.1 million loss) was attributable to a combination of revenue growth and cost realignment. Digitise and Connect underwent a significant restructure to align the cost base with their respective business models and related revenue. Corporate was restructured to align its cost base with that of a listed investment holding company. The volatile South Africa Rand (ZAR) resulted in realised and unrealised foreign exchange gains during the year. Connect, as an importer of product from a US supplier is vulnerable to fluctuations in ZAR/USD. Connect hedges approximately 70% of foreign supplier payments and is consequently exposed to the remaining balance. The strengthening ZAR/USD (2020: weakening ZAR/USD) resulted in foreign exchange gains of R8.9 million (2020: losses of R7.3 million) during the current financial year.

As at 29 March 2021, following the approval by the Etion Board of the proposed transaction to sell 100% of Etion's shareholding in LAWTrust to Altron TMT SA Group (Pty) Limited (Altron), and consideration of the principles and criteria related to IFRS 5 – *Non-Current Assets Classified as Held for Sale and Discontinued Operations*, the Group reclassified its investment in the underlying assets and liabilities of LAWTrust to assets/liabilities held for sale (Refer to note 7). As LAWTrust represents a separate major line of business, its results are presented as a discontinued operation in the reviewed provisional condensed consolidated Statement of Profit or Loss and Other Comprehensive Income, including the re-presentation of the comparative FY2020 financial information.

Revenue from continuing operations increased by 21% to R419.3 million as:

- Connect reversed a three-year decline in revenue and returned to profitability in a competitive market by optimising its business and securing significant growth in orders from two primary customers, including a bulk order deal to support the expansion of a key customer's integrated fibre and mobile network over the next three years.
- Create experienced a recovery in orders from existing customers and a resurgence in demand from existing and new customers in the mining and defence sectors during the second half of the financial year.

The gross profit margin of 20.4% (2020: 22.7%) was negatively impacted by the customer mix of revenue in Connect. One of the primary customers of Connect negotiated a bulk order deal which provides multiple year volumes but at lower margins.

Operating expenses declined by 38% to R88.8 million largely due the impact of exceptional restructuring costs of R40 million* recorded in 2020. The annualised effect of the strategic restructure of the fixed cost base resulted in realised cost savings of R11.4 million and R8.5 million in Digitise and Connect respectively. The corporate office reduced its marketing and human resource capabilities to align with the business strategy, which reduced corporate costs by R4.6 million. In addition, the businesses implemented austerity measures in the uncertain operating environment as a result of COVID-19. These included deferred salary increases, streamlined operational expenditure and reduced spending on marketing, travel and conferences.

* *The R40 million restructuring costs may be summarised as follows:*

Nature	Value
Impairment of intangible assets	**R33.6 million**
Write down of contract assets	**R1.1 million**
Employee costs	**R4.5 million**

LAWTrust delivered an improvement in financial performance throughout the year resulting in an increase in profit from discontinued operations of R56.3 million (2020: R38.6 million). The increase included significant growth in most lines of business as well as certain non-recurring projects that were completed during the current financial year. The sale of finished goods and licences grew by R7.3 million or 5.6% from R131.2 million to R138.5 million. Services revenue grew by R39.6 million or 42% from R94.7 million to R134.3 million. Included in services were various projects that were completed during the year as well as a re-award of a major certificate-based security solution for a South African public sector organisation. The financial effect of non-recurring opportunities amounted to R22.6 million.

The Group generated earnings per share (EPS) of 9.32 cents (2020: loss of 6.40 cents) from continued and discontinued operations.

Statement of financial position

Total assets increased by R69 million from R550 million to R619 million. Liabilities increased by R16 million from R241 million to R258 million. Equity increased by R52 million from R309 million to R361 million. The financial position improved during the year with cash generated being used to repay long outstanding trade payables in Connect and general third party borrowings.

IFRS 5 resulted in the assets and liabilities of LAWTrust being disclosed as a separate line item versus being consolidated as in the previous year. It is important to note that included in the R179 million of non-current assets held for sale is cash and cash equivalents of R63 million. The sale transaction with Altron requires R25 million of working capital (maximum of R10 million in cash) to be retained in LAWTrust on the closing date (date upon which the last of the conditions precedent to the transaction will be fulfilled or waived). The excess working capital and cash will be available for distribution to the Group on the closing date.

Cash flow statement

The Group's net cash position increased to R120.4 million (2020: R82.6 million) inclusive of R63 million attributable to LAWTrust. Cash generated from operations, prior to working capital changes, increased from R51 million to R101 million. Net movement in working capital consumed R15.6 million, which was largely driven by a repayment of overdue trade payables in Connect*, slower collections in trade receivables in Create and offset by better inventory management in Connect.

Investment in property, plant and equipment of R7.4 million was made across the various business units to improve capacity. An investment in research & development (capitalised as an intangible asset) of R9.4 million was made in LAWTrust and Create.

Refer to note 10 of the financial statements for further detail and commentary.

* *This was necessitated by the overdue position and revision of credit terms by the supplier in response to COVID-19 resulting in creditor days decreasing from 88.9 days to 53.9 days.*

OUR OPERATIONS

ETION SECURE

	2021	2020	% change
Segment revenue	**R272.9 million**	R225.9 million	21%
Segment profit	**R72.7 million**	R38.1 million	91%
Segment profit excluding Corporate recovery	**R77.9 million**	R46 million	69%

Drivers of change

Secure delivered a strong performance throughout the year as it effectively implemented its strategy to build a digital business capable of delivering its solutions online and supporting customers remotely.

Secure exceeded revenue and profit expectations as its digital signing, identity verification and certificate-based security solutions grew at a faster rate driven by fast-evolving technology trends, including:

- A rapid shift to remote working due to COVID-19 restrictions.
- Rapid acceleration in the pace of service automation and digitalisation in response to changing business and consumer behaviour driven by demand for digital services.
- Increased demand for cyber security, governance and accountability in response to heightened threats to data and identity integrity.

The development of its own software for customer solutions not only improved customer service, but also enabled the business to scale its offerings and set new global standards for high-assurance digital signing. By replicating internally developed solutions across a growing customer base, Secure is achieving economies of scale in all its offerings, improving its gross profit margin in the process.

Secure is in the process of being sold to Altron following the SENS announcement on 20 April 2021. The sale of Secure was part of the Group's strategy to unlock shareholder value given that the Group's market capitalisation was trading at a significant discount to the value of the underlying business units. The transaction is subject to customary steps when a listed entity sells a major portion of the assets of the Group. A circular to shareholders outlining all the pertinent information was posted on 14 June 2021 and the general meeting to approve the transaction is scheduled for 14 July 2021.

ETION CREATE

	2021	2020	% change
Segment revenue	**R215.5 million**	R165.5 million	30%
Segment profit	**R21.8 million**	R7.7 million	187%
Segment profit excluding Corporate recovery	**R27.1 million**	R16.6 million	64%

Drivers of change

Disciplined financial and operational management, a sustainable order book and the retention of critical resources enabled Create to withstand the impact of COVID-19 on its manufacturing operations during the first half of FY2021 and deliver growth in revenue and profits for the full year.

The improvement was driven by:

- A sustained recovery in orders from customers impacted by COVID-19 restrictions during the first half of the year.
- Increasing demand from established customers as conditions in South Africa's mining industry improved, and growing demand from new geographic markets, including the international defence industry.
- Continued investment in own design and engineering capability for the development of export products.

Subsequent to year-end, a contract with an international customer was signed to deliver a tactical navigation system to be executed over three years. There are a number of contractual steps in the process, which are customary in nature for this type of contract. The timing of execution will be finalised upon the fulfilment of these steps at which time contract execution will commence. This contract is a substantial contributor to the committed order book.

Create continues to explore demand for its range of information and cyber security solutions in South Africa and the rest of Africa and remains at an early stage as a solutions provider of IoT connected devices in Latin America and Southeast Asia.

Outlook

The committed order book amounted to R465.3 million at 30 June 2021 and is supported by several growth opportunities.

- The CheetahNAV tactical navigation solution will further contribute to growth over the next three years. It has also generated interest from customers in South Africa, the rest of Africa and Brazil, and created scope for spin-off products to meet specific customer needs.
- Growth in the South African mining industry has contributed to increased investment by its mining customers and is expected to be sustained over the next five years.
- It remains positioned to respond to anticipated demand for rail expansion and maintenance services.

Create will continue to invest in its own IP and other resources necessary to secure new opportunities.

ETION DIGITISE

	2021	2020	% change
Segment revenue	**R13.5 million**	R29.6 million	(54%)
Segment profit/(loss)	**R7.3 million**	(R36.4 million)	120%
Segment profit/(loss) excluding Corporate recovery	**R7.9 million**	(R32.1 million)	124%

Drivers of change

Digitise returned to profitability on lower revenue following its restructure and cost alignment in the prior year. While we show Digitise as a reporting segment, the operational execution and management of this segment resides with Create for the reasons mentioned previously.

Demand for its products and services is likely to return in the not too distant future as its customers start to reinvest in these products and solutions following the opening up of economies in South Africa and around the world.

ETION CONNECT

	2021	2020	% change
Segment revenue	**R196.6 million**	R163 million	21%
Segment profit/(loss)	**R11.1 million**	(R32.6 million)	134%
Segment profit/(loss) excluding Corporate recovery	**R14.8 million**	(R20.6 million)	172%

Drivers of change

Management implemented extensive measures to restore its position as a profitable value-added reseller of connectivity products for telecommunications networks. These included:

- Further reductions in the fixed cost base (i.e. rent, salaries and wages, other); the annualised cost savings of R1.6 million will be realised in the forthcoming year.
- Active inventory management to identify slow moving or obsolete stock and monetisation of same where appropriate.
- Active trade receivable management to reduce days outstanding to acceptable internal targets.
- Key management appointments to improve sales and operational performance and diversify the customer base.
- Restructure of terms with a key offshore supplier.
- Pursuance of bulk deal opportunities where customers experience growth bursts, as an essential services (telecoms) provider capable of providing services even during the highest lockdown levels. This provides for certainty of revenue over longer periods of time and provides customers with planning horizons in regard to manufacturing lead times and end-to-end product delivery logistics.

The resurgence in demand for fibre connectivity initiated by remote working and other COVID-19 restrictions prompted network operators to increase investment in the infrastructure that provides fibre to the home and businesses. As an essential telecoms services provider, Connect was exempted from the total restrictions applied to other industries during lockdown levels 4 and 5 and was able to secure pipeline business which grew when the pandemic impact normalised.

Connect secured a bulk deal to provide products and services to support an anchor carrier customer to fulfil its three-year aggressive infrastructure expansion roll-out programme for an integrated fibre and mobile network. In addition, order in-take from other established customers increased. It is anticipated that the fibre roll-out will normalise and even overtake pre-COVID levels over the next two years, placing Connect in a favourable position to embed its specifications in the technical designs of all the flagship fibre network operators.

Outlook

A committed order book of R178.2 million at 30 June 2021 is indicative of the demand for Connect's products and services given the roll-out of fibre to the home and investment by network operators. The home and business fibre markets are projected to continue growing at more than 8% annually over the next five years as carrier customers invest in speedy deployment and uninterrupted supply of their telecommunications offerings. In addition, a focus on sales growth and diversification of Connect's customer base is underway to:

- Gain a foothold in the data centre market in South Africa and the rest of Africa.
- Support increasing demand by mobile network operators for infrastructure installations following the release of additional spectrum which enables them to provide to a larger segment.
- Secure an agreement with its OEM supplier to locally manufacture the GR3 rack enclosure (and other related steel products) used in fibre installations.

STRATEGIC UPDATE

Outlook

The financial year can be divided into two distinct halves. The first half was hugely impacted by COVID-19, given that this pandemic was largely unknown and caused the global economy to shut down for a period while health officials around the world worked tirelessly to understand the health implications and possible cures. In South Africa we experienced a "hard" lockdown from April to May 2020, followed by a gradual reopening of the economy. With the exception of essential services, the majority of the economy paused to digest the way forward. During this time, the Group undertook a review of all its business units to restructure the cost base, defer investment and conserve cash until a clearer path to an economic recovery became apparent. The results show that this was the right decision as the Group has emerged more focused, leaner and able to capitalise on the opportunities we see to return to growth.

Connect has seen a resurgence in demand for the roll-out of its fibre products. This is not surprising as work from home has increased the demand for stable and affordable bandwidth. Connect has built up and is continuously building a sizable order book with its key customers to roll out during the forthcoming financial year and beyond.

Create continues to benefit from a resurgence in its customer's order books, which are leveraged to a number of industries, including mining and defence that have benefited from the global reopening of economies and demand for products and services.

We have not commented on the outlook for Secure given that it is currently undergoing a sale process and the future direction will be determined by the new owner in due course. It goes without saying that Secure will continue to build on its core products and services in the immediate and foreseeable future.

Releasing shareholder value

Corporate continues to focus on executing on the strategic goals of unlocking shareholder value. These initiatives include assessing and recommending the reinvestment and return to shareholders of free cash flow, repaying and/or restructuring debt and sale of further investments.

Corporate will continue to support the remaining business units in line with the Group's strategy. This will include assessing various growth initiatives and the need for further capital investment if required.

By order of the Etion Board,

Richard Willis
Acting Chief Executive Officer

Nerishini Naidoo
Chief Financial Officer

30 June 2021

Independent auditor's review report on condensed consolidated financial statements

To the Shareholders of Etion Limited

We have reviewed the condensed consolidated financial statements of Etion Limited, set out on pages 09 to 28 of the provisional report, which comprise the condensed consolidated statement of financial position as at 31 March 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the statement of compliance and basis of preparation note to the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Etion Limited for the year ended 31 March 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the statement of compliance and basis of preparation note to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: HB Eksteen
Registered Auditor
Johannesburg, South Africa

30 June 2021

Reviewed provisional **condensed consolidated results**

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
Assets			
Non-current assets		**182 014**	263 841
Property, plant and equipment		**40 112**	43 339
Right-of-use assets		**22 695**	27 982
Intangible assets	4	**83 764**	155 304
Investment in joint venture		**–**	240
Deferred tax asset		**34 450**	36 001
Other financial asset		**993**	975
Current assets		**257 998**	286 241
Inventories	5	**47 462**	55 341
Loans to related company		**–**	2 304
Trade and other receivables	6	**128 999**	118 458
Contract assets		**20 725**	17 991
Current tax receivable		**3 008**	9 469
Cash and cash equivalents		**57 804**	82 678
Non-current assets held for sale and assets of disposal group	7	**179 080**	–
Total assets		**619 092**	550 082
Equity and liabilities			
Equity		**361 250**	308 627
Share capital		**259 541**	259 541
Retained income		**101 709**	49 086
Non-current liabilities		**74 873**	83 432
Interest-bearing borrowings	8	**46 293**	51 585
Contract liabilities		**–**	355
Deferred tax liability		**4 260**	5 794
Lease liabilities		**24 320**	25 698
Current liabilities		**136 106**	158 023
Trade and other payables	9	**98 611**	116 429
Interest-bearing borrowings	8	**13 953**	13 408
Contract liabilities		**18 550**	16 231
Current tax payable		**–**	4 761
Provisions		**2 600**	2 600
Lease liabilities		**2 341**	4 522
Bank overdraft		**51**	72
Liabilities of disposal group	7	**46 863**	–
Total liabilities		**257 842**	241 455
Total equity and liabilities		**619 092**	550 082

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	Year ended 31 March 2021 (Reviewed) R'000	Year ended 31 March 2020 (Audited) R'000
Continuing operations			
Revenue		**419 269**	346 996
Cost of sales		**(333 673)**	(268 138)
Gross profit		**85 596**	78 858
Other operating income		**1 274**	223
Other operating gains/(losses)		**8 948**	(7 269)
Movement in credit loss allowances		**(1 419)**	(12 035)
Other operating expenses		**(88 849)**	(144 054)
Operating profit/(loss)		**5 550**	(84 277)
Finance income		**373**	2 292
Finance costs		**(8 557)**	(10 735)
(Loss) before taxation		**(2 634)**	(92 720)
Income tax (expense)/income		**(1 030)**	17 951
(Loss) for the year from continuing operations		**(3 664)**	(74 769)
Discontinued operations			
Profit from discontinued operations	7	**56 287**	38 641
Profit/(Loss) for the year		**52 623**	(36 128)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**52 623**	(36 128)
Profit/(loss) attributable to:			
Owners of the parent:			
From continuing operations		**(3 664)**	(74 769)
From discontinued operations		**56 287**	38 641
		52 623	(36 128)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:			
Basic and diluted loss per share (cents)	3	**(0.65)**	(7.71)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share (cents)	3	**9.32**	(6.40)

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Issued share capital R'000	Retained income R'000	Total R'000
Balance at 1 April 2019 as restated (Audited)	259 541	85 214	344 755
Loss for the year	–	(36 128)	(36 128)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	–	(36 128)	(36 128)
Balance as at 1 April 2020 (Audited)	259 541	49 086	308 627
Profit for the year	–	52 623	52 623
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	52 623	52 623
Balance as at 31 March 2021 (Reviewed)	**259 541**	**101 709**	**361 250**

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	Year ended 31 March 2021 (Reviewed) R'000	Year ended 31 March 2020 (Audited) R'000
Cash flow from operating activities			
Cash receipts from customers		**634 654**	622 637
Cash paid to suppliers and employees		**(549 741)**	(534 401)
Cash generated from operations	10	**84 913**	88 236
Finance income received		**860**	2 718
Finance costs paid*		**(733)**	(7 439)
Tax paid		**(16 049)**	(10 384)
Net cash flow generated from operating activities		**68 991**	73 131
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7 352)**	(2 368)
Proceeds on sale of property, plant and equipment		**–**	766
Purchase of other intangible assets		**(9 457)**	(9 659)
Net cash flow from investing activities		**(16 809)**	(11 261)
Cash flows from financing activities			
Proceeds from other financial liabilities		**83**	–
Repayment of interest-bearing borrowings		**(4 747)**	(11 497)
Finance costs paid*		**(8 670)**	(3 816)
Payment on lease liabilities		**(4 407)**	(3 963)
Net cash flow from financing activities		**(17 741)**	(19 276)
Total cash movement for the year		**34 441**	42 594
Cash at beginning of year		**82 606**	37 478
Effects of exchange rate changes on cash		**3 341**	2 534
Total cash at end of the year**		**120 388**	82 606

* *Total finance costs paid was R9 403 million (2020: R11 255 million)*
** *The statement of cash flows presents the movement in cash flows related to continuing and discontinued operations*

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED SEGMENT REPORT

For the year ended 31 March 2021

	Year ended 31 March 2021 (Reviewed) R'000	Year ended 31 March 2020 (Audited) R'000
Segment revenue		
Digitise: Safety and Productivity Solutions	**13 533**	29 558
Create: Original Design Manufacturing*	**215 450**	165 465
Connect: Digital Network Solutions	**196 584**	163 010
Secure: Cyber Security Solutions	**272 871**	225 920
Eliminations	**(6 319)**	(11 064)
	692 119	572 889
Discontinued operations	**(272 850)**	(225 893)
Total	**419 269**	346 996
Segment profit		
Digitise: Safety and Productivity Solutions	**7 325**	(36 407)
Create: Original Design Manufacturing*	**21 789**	7 758
Connect: Digital Network Solutions	**11 140**	(32 554)
Secure: Cyber Security Solutions	**72 661**	38 072
Eliminations	**(9 157)**	42 498
	103 758	19 358
Discontinued operations	**(74 008)**	(49 553)
	29 750	(30 195)
Corporate costs	**(24 200)**	(54 082)
Finance costs	**(8 557)**	(10 735)
Finance income	**373**	2 292
Loss before taxation	**(2 634)**	(92 720)
Financial position		
Assets		
Digitise: Safety and Productivity Solutions	**21 214**	49 645
Create: Original Design Manufacturing*	**226 529**	199 556
Connect: Digital Network Solutions	**140 047**	100 605
Secure: Cyber Security Solutions (Disposal group held for sale)	**179 080**	166 302
Corporate	**52 222**	33 974
Total assets	**619 092**	550 082
Liabilities		
Digitise: Safety and Productivity Solutions	**4 365**	2 108
Create: Original Design Manufacturing*	**79 550**	66 179
Connect: Digital Network Solutions	**76 058**	53 433
Secure: Cyber Security Solutions (Disposal group held for sale)	**46 863**	56 088
Corporate	**51 006**	63 647
Total liabilities	**257 842**	241 455

* *Operating segment includes results of Create, Parsec Properties and Parsec Holdings*

The table below shows the categories of revenue and the basis on which revenue is recognised:

	Digitise: Safety and Productivity Solutions R'000	Create: Original Design Manufacturing* R'000	Connect: Digital Network Solutions R'000	Secure: Cyber Security Solutions R'000	Eliminations R'000	Discontinued operation R'000	Total R'000
Year ended 31 March 2021 (Reviewed)							
Resale of finished goods	**11 291**	**–**	**193 384**	**9 722**	**–**	**(9 722)**	**204 675**
Sale of goods manufactured	**–**	**173 188**	**–**	**–**	**(5 846)**	**–**	**167 342**
Sale of design, development and project services	**–**	**42 262**	**–**	**–**	**(422)**	**–**	**41 840**
Sale of network installation services	**–**	**–**	**3 200**	**–**	**–**	**–**	**3 200**
Sale of licences	**–**	**–**	**–**	**128 832**	**–**	**(128 832)**	**–**
Support and maintenance services	**2 242**	**–**	**–**	**134 317**	**(51)**	**(134 296)**	**2 212**
At a point in time	**11 291**	**173 188**	**193 384**	**138 554**	**(5 846)**	**(138 554)**	**372 017**
Over time	**2 242**	**42 262**	**3 200**	**134 317**	**(473)**	**(134 296)**	**47 252**
Sales to external customers	**13 503**	**209 182**	**196 584**	**272 850**	**–**	**(272 850)**	**419 263**
Year ended 31 March 2020 (Audited)							
Resale of finished goods	29 558	–	160 012	18 980	(911)	(18 982)	188 658
Sale of goods manufactured	–	114 665	–	–	(10 124)	–	104 540
Sale of design, development and project services	–	50 800	–	–	–	–	50 800
Sale of network installation services	–	–	2 298	–	–	–	2 298
Sale of licences	–	–	700	112 225	–	(112 225)	700
Support and maintenance services	–	–	–	94 715	(29)	(94 686)	–
At a point in time	29 558	114 665	160 712	131 205	(11 035)	(131 207)	293 898
Over time	–	50 800	2 298	94 715	(29)	(94 686)	53 098
Sales to external customers	28 646	155 340	163 010	225 891	–	(225 891)	346 996

* *Operating segment includes results of Create, Parsec Properties and Parsec Holdings*

	Digitise: Safety and Productivity Solutions R'000	Create: Original Design Manufacturing* R'000	Connect: Digital Network Solutions R'000	Secure: Cyber Security Solutions R'000	Total R'000
Year ended 31 March 2021 (Reviewed)					
Segment profit excluding Corporate recovery	**7 871**	**27 138**	**14 832**	**77 948**	**127 789**
Year ended 31 March 2020 (Audited)					
Segment profit excluding Corporate recovery	(32 135)	16 566	(20 590)	46 016	9 857

* *Operating segment includes results of Create, Parsec Properties and Parsec Holdings*

The Executive Committee uses segment profit/(loss) excluding Corporate recovery as a measure to assess the performance of the segments. This excludes the respective Corporate recovery fee charged to the operating segment to recover costs incurred at a head office level.

A reconciliation of adjusted profit to operating profit before income tax is provided as follows:

	2021	2020
Segment profit excluding Corporate recovery	**127 789**	9 857
Intersegment eliminations	**(9 157)**	46 495
Management fees	**(14 874)**	(32 988)
Corporate costs	**(24 200)**	(58 088)
Finance costs	**(8 557)**	(10 735)
Finance income	**373**	2 292
Discontinued operations	**(74 008)**	(49 553)
Loss before income tax from continuing operations	**(2 634)**	(92 720)

Notes to the reviewed provisional condensed **consolidated financial statements**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these reviewed provisional condensed consolidated financial statements are the same as those applied in the last annual consolidated financial statements as at and for the year ended 31 March 2020 ('last annual consolidated financial statements'). The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

1.1 Significant judgements and sources of estimation uncertainty

In preparing these reviewed condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for the following:

Change in corporate tax rate as announced by the Minister of Finance

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% for years of assessment commencing on or after 1 April 2022 in the Budget Speech on 24 February 2021. The changes to tax rates and tax laws are intended to be done in a tax revenue-neutral manner. Thus, any benefit derived from the reduction in the corporate tax rate is intended to be offset by limitations placed on interest deductions and the use of assessed income tax losses and other proposed changes.

The following was considered by management in determining whether the new tax rate has been substantively enacted at reporting date:

- the impact of the changes in these tax laws are not known and the effects on taxable income are unclear;
- the time between the announcement and application of the new rate is unusually long;
- a change in tax rate as well as the broadening of the tax base was mentioned in the 2020 budget speech, but not addressed further;
- the tax rate change was mentioned in the Budget Speech but not addressed in the Budget Review, whereas previous rate changes were addressed in both the Budget Speech and the Budget Review; and
- the Budget Speech referred to the changes as proposals, thereby inferring that these changes were not yet final and subject to an approval process or possibly further consideration.

Management is of the view that a significant degree of uncertainty exists as to whether the announcement of the change in tax rate from 28% to 27% can be considered substantively enacted. Based on the above, management considers the change in tax rate to be inextricably linked to other tax law changes that have not been clarified by the Minister of Finance. Therefore, the new tax rate is not considered to be substantively enacted at the reporting date.

Date of classifying investment in LAWTrust as a Non-current assets held for sale and Discontinued operations in terms of IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations

The classification for the Group's investment in LAWTrust (Etion Secure) as held for sale was considered to be a matter of significant judgement due to the considerations applied by management in determining the classification of the investment as held for sale.

As at 29 March 2021, Etion Limited transferred its investment in the underlying assets and liabilities of LAWTrust to assets/liabilities held for sale (refer note 7). As LAWTrust represents a separate major line of business, its results are presented as a discontinued operation in the reviewed provisional condensed consolidated Statement of Profit or Loss and Other Comprehensive Income, including the re-presentation of the comparative FY2020 financial information. The assets and liabilities of LAWTrust in the consolidated statement of financial position is presented as a disposal Group in assets held for sale line item as at 31 March 2021.

During the year under review the Etion Board instituted a formal process to govern the sale of LAWTrust. Numerous bids were received and considered with final binding offers received on 4 December 2021. A preferred bidder was selected, and further negotiations undertaken. The Etion Board approved the transaction and sale and purchase agreement as at 29 March 2021.

In order for LAWTrust to be classified as "held for sale", the sale is required to be highly probable. As at 31 March 2021 the transaction still requires shareholder approval by way of a special resolution. The shareholder meeting for approval is only anticipated to take place on 14 July 2021, after these financial statements have been authorised for issue.

Management applied their judgement and determined the sale of LAWTrust to be highly probably based on the following circumstances:

- The sale is in an advanced stage;
- A significant percentage of shareholding is held by management or privately by individuals or institutions (53.72%);
- Discussions with major shareholders indicate that they will not oppose the special resolution; and
- Canvassing activities undertaken demonstrate that in excess of 64.98% of shareholders are most likely to vote in favour of the special resolution.

2. IMPACT OF COVID-19

During the reporting period, there has been widespread local and global uncertainty associated with the COVID-19 pandemic. On 15 March 2020, a National State of Disaster was declared in South Africa due to the COVID-19 pandemic and subsequently, on 26 March 2020, a national lockdown became effective for all South African citizens and businesses. This national lockdown was extended until 30 April 2020. On 1 May 2020, a risk-adjusted phased-in approach of economic activity was implemented and promulgated in terms of the Disaster Management Act of South Africa, 2002 (Act 57 of 2002).

While the pandemic initially had a negative impact on the operations of the Group, the relaxation of restrictions has enabled the Group to ramp-up existing operations under the strict health and safety guidelines mandated by the government.

While every effort has been made to quantify the future impact that the virus will have on the Group, the situation remains fluid and uncertain.

Management has therefore conducted a review of the possible financial effects the pandemic could have on the measurement, presentation and disclosure of balances that are most likely to be materially impacted as at 31 March 2021:

COVID-19 consideration	Assessment	Impact
Impairment of goodwill and recoverability of investments in subsidiaries	Due to the long-term impact of the pandemic on the economy as a whole, management has adopted a conservative approach in determining the operational and valuation assumptions and inputs applied in the recoverability assessment related to the cash-generating units of the various investments in subsidiaries and related goodwill held within the Group.	Low
Inventory	Management has reviewed the inventory holdings of the businesses in the Group and has determined the proposed selling price to be in excess of the cost. Supporting factors include the classification of Connect and LAWTrust as essential service providers in combination with the continued operations of Create and Digitise, although at a reduced level during the initial restricted economic environment. This resulted in no significant impact in relation to inventories as the items will be sold during the normal course of operations of the Group in the foreseeable future.	Low

2. IMPACT OF COVID-19 continued

COVID-19 consideration	Assessment	Impact
Allowance for expected credit losses	The financial impact of the crisis has put an increased level of pressure on customers throughout the economic landscape in South Africa and foreign countries in which the Group operates. The overall increased risk is mitigated by the Group in relation to the continuous enforcement of the strict credit approval process, historically applied. Management has also considered the industries in which our customers operate as well as reviewed various media platforms to ascertain whether any of the Group's customers or their industries were at risk of being impacted by COVID-19. The economic consequences driven by measures to curb the outbreak of COVID-19 have negatively affected a specific debtor's ability to pay, with the Group having received a formal request from the customer for the extension of payment terms. This request was granted under specific conditions and circumstances and has in turn increased the expected credit loss recognised on this debtor. Changes to the credit risk of specific debtors based on information available, are accounted for in the judgemental overlay applied by management. The Group has monitored collections during the reporting period which on the whole have remained strong. The Group has also considered any specific communications from customers that would cause concern around their ability to meet their short-term obligations. No such communications were received except as detailed above.	Low
Non-financial asset Impairment (Property, plant and equipment and right-of-use assets)	The nature of the non-financial assets and the fact that the significant operational entities of the Group were classified as essential service providers, resulted in the overall non-financial assets having been recovered through use in the normal course of business albeit at a reduced operational level. In addition to this, the Group's revenue-generating processes are not entirely dependent on the non-financial assets of the Group. Discretionary capital expenditure was reduced for most of the financial year. Future projections used in the value-in-use calculations performed in respect to various CGUs still support the carrying value of non-financial assets of the Group.	Insignificant

3. HEADLINE EARNINGS PER SHARE

For the year ended 31 March 2021

	12 months ended 31 March 2021 (Reviewed)	12 months ended 31 March 2020 (Audited)
Profit/(Loss) attributable to ordinary shareholders (R'000)	**52 623**	(36 128)
Basic and Diluted earnings/(loss) per share (cents)	**9.32**	(6.40)
Reconciliation of headline earnings:		
Profit/(Loss) attributable to ordinary shareholders (R'000)	**52 623**	(36 128)
Loss on disposal of property, plant and equipment (R'000)	**–**	8
Impairment of goodwill (R'000)	**–**	25 171
Impairment of intangible assets (R'000)	**–**	8 415
Total tax effect of adjustments (R'000)	**–**	(2 358)
Headline and diluted profit/(loss) attributable to ordinary shareholders (R'000)	**52 623**	(4 892)
Headline and diluted headline loss from continued operations (R'000)	**(3 664)**	(43 540)
Headline and diluted headline profit from discontinued operations (R'000)	**56 287**	38 647
Weighted average number of shares in issue	**564 411 033**	564 411 033
Headline and diluted headline earnings/(loss) per share attributable to ordinary shareholders (cents)	**9.32**	(0.87)
Headline and diluted headline loss per share from continued operations (cents)	**(0.65)**	(7.71)
Headline and diluted headline earnings per share from discontinued operations (cents)	**9.97**	6.85

4. INTANGIBLE ASSETS

	Cost/ valuation R'000	Accumulated amortisation R'000	Carrying value R'000
Intangible assets – 2021			
Customer relationships and brands	**23 674**	**(23 674)**	**–**
Computer software	**3 614**	**(2 956)**	**658**
Goodwill	**93 072**	**(25 171)**	**67 901**
Development of intellectual property	**38 229**	**(23 024)**	**15 205**
Total	**158 589**	**(74 825)**	**83 764**
Intangible assets – 2020			
Customer relationships and brands	39 913	(28 089)	10 824
Computer software	6 486	(5 749)	737
Goodwill	149 272	(25 171)	124 101
Development of intellectual property	43 401	(23 759)	19 642
Total	239 072	(83 768)	155 304

	Opening balance R'000	Additions R'000	Amorti-sation R'000	Classified as held for sale R'000	Total R'000
Reconciliation of intangible assets – 2021					
Customer relationships and brands	**10 824**	**–**	**(3 957)**	**(6 867)**	**–**
Development of intellectual property	**19 642**	**8 295**	**(4 990)**	**(7 742)**	**15 205**
Computer software	**737**	**1 160**	**(692)**	**(547)**	**658**
Goodwill	**124 101**	**–**	**–**	**(56 200)**	**67 901**
Total	**155 304**	**9 455**	**(9 639)**	**(71 356)**	**83 764**
Reconciliation of intangible assets – 2020					
Customer relationships and brands	18 717	–	(7 893)	–	10 824
Development of intellectual property	21 464	9 364	(2 771)	(8 415)	19 642
Computer software	1 968	295	(1 526)	–	737
Goodwill	149 272	–	–	(25 171)	124 101
Total	191 421	9 659	(12 190)	(33 586)	155 304

The significant movement in intangible assets results from the reclassification of intangible assets attributable to the LAWTrust disposal group to assets held for sale. Refer to note 7 for further detail.

5. INVENTORIES

	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
Inventories comprise:		
– Raw materials, components	**386**	–
– Work in progress	**–**	139
– Finished goods	**49 555**	55 344
	49 941	55 483
Allowance for slow moving inventories	**(2 479)**	(142)
	47 462	55 341

Improved inventory management to guard against any unnecessary inventory build-up and the monetisation of existing stock holdings in Connect has contributed to the reduction in inventory at year-end.

6. TRADE AND OTHER RECEIVABLES

	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
Financial instruments:		
– Trade receivables	**117 330**	104 101
Gross trade receivables	**124 128**	122 534
Loss allowance	**(6 798)**	(18 433)
– Deposits	**1 133**	1 033
– Other receivables	**4**	316
– Sundry debtors	**650**	1 075
Non-financial instruments:		
– Employee costs in advance	**6 233**	16
– Receiver of Revenue – Value added tax	**25**	195
– Prepayments	**3 624**	11 722
	128 999	118 458

Gross trade receivables (excluding Secure) have increased by 78% compared to the prior year. This is in line with the improved revenue performance in Connect and Create. The provision for impairment has decreased by R11.5 million due to write off of a third party debt of R12.7m previously provided for in 2020.

Management continues to proactively monitor and manage debtors' days to improve the Group's working capital management.

7. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
Profit or loss		
Revenue	**272 850**	225 893
Cost of sales	**(122 023)**	(111 611)
Gross profit	**150 827**	114 282
Other operating income	**6 434**	4 902
Other gains	**334**	1 008
Movement in credit losses	**339**	(331)
Other operating expenses	**(83 926)**	(70 308)
Operating profit	**74 008**	49 553
Investment income	**487**	426
Finance costs	**(846)**	(490)
Income from equity accounted investments	**806**	240
Profit before taxation	**74 455**	49 729
Taxation	**(18 168)**	(11 088)
Profit for the year from discontinued operations	**56 287**	38 641
Assets and liabilities		
Non-current assets held for sale		
Property, plant and equipment	**4 317**	–
Assets of disposal groups		
Right-of-use assets	**1 486**	–
Intangible assets	**71 356**	–
Investment in joint venture	**1 046**	–
Loans to related company	**2 350**	–
Trade and other receivables	**33 913**	–
Deferred tax asset	**1 463**	–
Inventories	**514**	–
Cash and cash equivalents	**62 635**	–
	174 763	–
	179 080	–
Liabilities of disposal groups		
Trade and other payables	**26 432**	–
Other financial liability	**83**	–
Lease liabilities	**1 700**	–
Contract liabilities	**15 754**	–
Current tax payable	**2 894**	–
	46 863	–
Cash flows		
Net cash inflow from operating activities	**63 821**	24 673
Net cash inflow/(outflow) from investing activities	**9 152**	(9 429)
Net cash outflow from financing activities	**(38 821)**	(1 437)
	34 152	13 808

During the current financial year, the Etion Board embarked on a programme to market and dispose of the LAWTrust business with numerous engagements taking place between various interested parties and Etion in respect of the potential acquisition of the subsidiary. A formal process to govern the sale of LAWTrust was instituted in September with numerous bids being received and considered. Final binding offers were received in December 2020 whereafter a preferred bidder was selected, and further negotiations undertaken. The Etion Board approved the transaction and sale and purchase agreement as at 29 March 2021.

As at 29 March 2021, following the approval of the transaction, and consideration of the principles and criteria related to IFRS 5 – Non-Current Assets Classified as Held for Sale and Discontinued Operations, the Group reclassified its investment in the underlying assets and liabilities of LAWTrust to assets held for sale. As LAWTrust represents a separate major line of business, their results are presented as a discontinued operation in the reviewed provisional condensed consolidated statement of Profit or Loss and Other Comprehensive Income, including the re-presentation of the comparative FY2020 financial information. The sale is expected to take effect in the next financial year.

8. INTEREST-BEARING BORROWINGS

	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
Current		
– Property loan: Senior debt	**1 496**	1 041
– Nedbank loan	**9 770**	9 842
– Covid relief loan	**322**	–
– Instalment sale agreement	**2 364**	2 525
	13 952	13 408
Non-current		
– Property loan: Senior debt	**26 719**	28 214
– Nedbank loan	**16 046**	22 246
– Covid relief loan	**491**	–
– Instalment sale agreement	**3 038**	1 125
	46 294	51 585
Total		
– Property loan: Senior debt	**28 215**	29 255
– Nedbank loan	**25 816**	32 088
– Covid relief loan	**813**	–
– Instalment sale agreement	**5 402**	3 650
	60 246	64 993

The following financial covenants must be met in respect to the Nedbank loan at 30 September every year:

— Interest bearing debt ratio to Tangible Net Worth: not more than 1.75

— Annual cash-to-debt-service-cover breach: not less than 1.30

— Cumulative cash-to-debt service ratio: not less than 1.80

Based on the Nedbank covenant compliance review conducted by management as at 30 September 2020, the Group was compliant with its covenants under the Nedbank loan facility. This was confirmed by the bank during the annual credit review cycle.

8. INTEREST-BEARING BORROWINGS continued

The Company has continued to monitor its compliance with the covenants related to the Nedbank loan facility as part of its risk management procedures. It is Etion's intention that a portion of the net proceeds to be received from the disposal of LAWTrust be used to settle any third party debt held by the Group. Management is currently in discussions with Nedbank to facilitate this arrangement and as the medium-term loan will be settled as part of this process, the related covenants will fall away and the Group will not be subject to a covenant compliance review by Nedbank for the current year as at 30 September 2021. The process is progressing well with management awaiting formal confirmation from Nedbank in this regard.

During the current financial year, the Group received a three-month repayment holiday in respect to the property loan facility in Parsec Properties as part of the COVID-19 relief initiatives. The extension of credit over the three-month period was granted on the basis of a variable interest rate of prime less 1%. As the property loan bears interest at a fixed rate of 10.76% a new facility was initiated to facilitate the arrangement. This resulted in the institution of a COVID relief loan facility with Nedbank to be financed for a period of 3.25 years at an interest rate of prime less 1%.

9. TRADE AND OTHER PAYABLES

	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
Financial instruments:		
– Trade payables	**85 156**	80 845
– Accrued expenses	**10 039**	17 972
– Sundry creditors	**346**	201
Non-financial instruments:		
– Leave accrual	**1 099**	9 673
– Receiver of Revenue – VAT	**1 971**	7 738
	98 611	116 429

Trade and other payables (excluding Secure) have increased by 26% in line with increased procurement to support the improved revenue performance in the current year. No payables are outside contractual payment terms.

10. CASH GENERATED FROM OPERATIONS

	31 March 2021 (Reviewed) R'000	31 March 2020 (Audited) R'000
(Loss) before taxation from continued operations	**(2 634)**	(92 719)
Profit before taxation from discontinued operations	**74 455**	49 729
Adjustments for:		
Depreciation and amortisation	**22 252**	25 101
Interest income	**(860)**	(2 718)
Finance costs paid	**9 403**	11 225
Increase in allowance for slow moving and obsolete raw materials	**2 337**	(3 404)
Increase in provision for impairment of trade receivables	**1 637**	9 371
Loss on sale of property, plant and equipment	**–**	8
Income from equity accounted investments	**(806)**	(240)
Increase in provisions	**–**	710
Unrealised foreign exchange differences – cash and bank equivalents	**(3 341)**	(2 534)
Unrealised foreign exchange differences – debtors	**93**	(392)
Unrealised foreign exchange differences – trade creditors	**(1 450)**	9 500
Inventory write down (net of salvage value)	**–**	13 010
Impairment of intangible assets	**–**	33 586
(Decrease)/increase in provision for impairment of other financial assets	**(557)**	887
Changes in working capital:		
Inventories	**5 028**	22 642
Trade and other receivables	**(46 184)**	36 193
Contract assets	**(2 241)**	108
Trade and other payables	**10 063**	(23 221)
Contract liabilities	**17 718**	1 394
	84 913	88 236

Statement of **compliance** and **basis of preparation**

The reviewed provisional condensed consolidated results for the year ended 31 March 2021 have been prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the South African Companies Act, No. 71 of 2008 (as amended). The Listings Requirements require provisional 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 Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, at a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

The accounting policies applied by the Group in preparation of these reviewed provisional condensed consolidated financial statements are in terms of IFRS and are consistent with those applied by the Group in its annual consolidated financial statements for the year ended 31 March 2020.

These reviewed provisional condensed consolidated financial statements were prepared under the supervision of the Chief Financial Officer, Nerishini Naidoo CA(SA) and have been independently reviewed by the Group's auditors.

The directors take full responsibility for the preparation of the reviewed provisional condensed consolidated financial statements.

PREPARER

These reviewed provisional Condensed Consolidated Financial Statements results were prepared by Nerishini Naidoo CA(SA), the Chief Financial Officer.

GOING CONCERN

We are continually and closely monitoring the COVID-19 pandemic and developments. The Group follows guidance from the World Health Organisation and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations. The Board undertakes regular rigorous assessment of whether the Group is a going concern in light of current economic conditions and available information about future risks and uncertainties.

The Group implemented work-from-home policies and travel restrictions for its employees to help protect the health of its employees and those around them. For those employees directly serving customers, the company has implemented measures designed to safeguard both employees and its customers. The company continues to respond to the developing situation, adhering to official guidance and applicable law and regulation to limit the potential spread of COVID-19.

The directors have reviewed the Group's budget projections of its expected medium-term profitability, sensitivity analyses and related cash flow forecasts for the year ending March 2022 which confirm that the Group has sufficient capital, liquidity and a positive future performance outlook to continue to meet its short-term obligations. On this basis and in light of the Group's current financial position, the directors are satisfied that the Group will continue to operate for the foreseeable future, even when considering the imminent disposal of Secure, and have therefore adopted the going concern basis in preparing these reviewed provisional condensed consolidated financial statements.

DIRECTORATE

The following changes were made to the Board:

- T Daka resigned on 2 November 2020 as Group Chief Executive Officer and executive director of the Board with effect from 01 February 2021. T Daka will remain on the Board as a non-executive director and Chairman.
- EC de Kock was appointed as Group Chief Executive Officer with effect from 1 February 2021. EC de Kock resigned as Chief Executive Officer and executive director of the Board with effect from 31 May 2021. EC de Kock will remain on the Board as a non-executive director.
- CF Maherry resigned as executive director of the Board effective 31 August 2020.
- Dr SJ Khoza resigned on 2 November 2020 as non-executive director and chairperson of the Board with effect from 31 December 2020.
- R Willis was appointed as Acting Chief Executive Officer effective from 1 June 2021.
- N Naidoo was appointed as Chief Financial Officer with effect from 1 February 2021.

EVENTS SUBSEQUENT TO YEAR-END

Disposal of Secure (LAWTrust)

On 20 April 2021, Etion entered into a sale of shares agreement to sell 100% of its shareholding in LAWTust to Altron TMT SA Group (Pty) Limited ("Altron") for a disposal consideration of R245 million. The disposal is subject to the fulfilment or waiver of several outstanding conditions precedent by no later than 15 July 2021, including inter alia the approval from the Competition Commission and shareholders of Etion pursuant to the JSE Limited Listings Requirements. A circular to shareholders outlining all the pertinent information was posted on 14 June 2021 and the general meeting to approve the transaction is scheduled for 14 July 2021.

Impact of COVID-19

While every effort has been made to quantify the future impact that the virus will have on the Group, the situation remains fluid and uncertain particularly in light of the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic and the potential impact of a third wave.

No other matter or circumstance has occurred subsequent to year-end but before the financial statements were issued that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the entity at the reporting date.

FINANCIAL INSTRUMENTS – FAIR VALUES

The company has a number of financial instruments which are not measured at fair value in the balance sheet. However, for all of these financial assets and financial liabilities, their carrying amount is a reasonable approximation of fair value.

Categories of financial assets

	Amortised cost R'000	Total R'000	Fair value R'000
As at 31 March 2021 (Reviewed)			
– Trade and other receivables	**119 117**	**119 117**	**119 117**
– Cash and cash equivalents	**57 804**	**57 804**	**57 804**
– Other financial asset	**993**	**993**	**993**
	177 914	**177 914**	**177 914**
As at 31 March 2020 (Audited)			
– Loan to related company	2 304	2 304	2 304
– Trade and other receivables	106 525	106 525	106 525
– Cash and cash equivalents	82 678	82 678	82 678
– Other financial asset	975	975	975
	192 482	192 482	192 482

Categories of financial liabilities

	Amortised cost R'000	Leases R'000	Total R'000	Fair value R'000
As at 31 March 2021 (Reviewed)				
– Trade and other payables	**95 541**	**–**	**95 541**	**95 541**
– Interest-bearing borrowings	**60 246**	**–**	**60 246**	**60 246**
– Bank overdraft	**51**	**–**	**51**	**51**
– Lease liabilities	**–**	**26 661**	**26 661**	**26 661**
	155 838	**26 661**	**182 499**	**182 499**
As at 31 March 2020 (Audited)				
– Trade and other payables	99 018	–	99 018	99 018
– Interest-bearing borrowings	64 993	–	64 993	64 993
– Bank overdraft	72	–	72	72
– Lease liabilities	–	30 220	30 220	30 220
	164 083	30 220	194 303	194 303

FAIR VALUE HIERARCHY

Assets and liabilities measured or disclosed at fair value in the statement of financial position are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2: fair value measured using inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data.

For fair value of financial instruments traded in active markets is based on quoted market prices at the financial year-end date. The quoted market price for financial assets held by the Group is the current bid price.

The fair value of forward exchange contracts is determined using the quoted forward exchange rates at the financial year-end date, with the resulting value discounted back to present value.

The fair value of derivative financial assets (e.g. forward exchange contracts) is based on a level 2 in the fair value measurement hierarchy.

The carrying value of non-current financial assets and liabilities at market related floating rates approximate fair value and are classified as level 3.

Where the effects of discounting are immaterial, short-term receivables and short-term payables are measured at the original invoice amount. Due to the short-term nature of trade receivables and trade payables their carrying amounts approximate their fair value.

IAS 24 RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's 2020 annual consolidated financial statements took place during the current year and will be disclosed in the Group's annual consolidated financial statements for the year ended 31 March 2021.

Additional **information**

Any investment decision should be based on the announcement accessible from Wednesday, 30 June 2021, via the JSE Link and also available on the Company's website at http://www.etion.co.za/investor-relations/

Copies of the announcement may also be requested by contacting Nerishini Naidoo by email at nerishini.naidoo@etion.co.za and are available for inspection at the Company's registered office at no charge, weekdays during office hours.

Directors

CP Bester
M Janse Van Rensburg
T Daka
EC De Kock
R Willis (Acting CEO)*
N Naidoo (CFO)*

* *Executive*

Company Secretary

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