ISA HOLDINGS LIMITED

ISA Holdings Limited, incorporated in the Republic of South Africa ("ISA" or "the Company" or "Group")
Registration number 1998/009608/06 Share code: ISA ISIN: ZAE000067344
Block 9, Pinewood Office Park, 33 Riley Road, Woodmead, Sandton, South Africa
PO Box 781667, Sandton, 2146, South Africa
Telephone: +27 (0) 11 032 7799
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Directors: PJG Green, CS Katz, P Mogoboya, #AJ Naidoo, #C Pillay, *N Maphothi, *DC Seaton, *O Seku
Non-executive * Independent non-executive

UNAUDITED CONDENSED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021 AND CASH DIVIDEND DECLARATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited for the six month ended 31 Aug 21 R'000	Unaudited for the six month ended 31 Aug 20 R'000	Audited for the year ended 28 Feb 21 R'000
Project derived turnover	4 821	4 766	11 634
Subscription derived turnover	26 989	24 789	55 682
Turnover	31 810	29 555	67 316
Cost of sales	(13 546)	(10 564)	(28 811)
Profit before other income and expenses	18 264	18 991	38 505
Other income	644	2 694	1 384
Selling and marketing costs	(4 985)	(6 742)	(13 086)
Administrative expenses	(5 798)	(4 953)	(11 425)
Finance income	230	387	696
Share of (loss)/profit of equity-accounted investment	603	287	1 364
Profit before taxation	8 958	10 664	17 439
Taxation	(2 265)	(2 927)	(4 493)
Profit attributable to equity shareholders for the period	6 693	7 737	12 946
Total comprehensive income attributable to equity shareholders for the period	6 693	7 737	12 946
Earnings per share (cents)	4.3	5.0	8.3
Diluted earnings per share (cents)	4.3	5.0	8.3

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 31 Aug 21 R'000	Unaudited As at 31 Aug 20 R'000	Audited As at 28 Feb 21 R'000
ASSETS			
Non-current assets	17 312	16 794	17 276
Property, plant and equipment	9 548	9 802	9 654
Loans receivable	2 378	2 392	2 406
Equity accounted investment	3 398	2 217	3 295
Deferred tax	1 988	2 383	1 922
Current assets	64 844	65 089	57 194
Cash and cash equivalents	48 819	53 277	49 261
Inventories	1 211	1 469	-
Trade and other receivables	13 426	7 835	6 544
Current tax receivable	1 388	2 508	1 389
Total assets	82 156	81 883	74 471
EQUITY AND LIABILITIES			
Equity capital and reserves	64 318	65 363	62 773
Share capital and share premium	1 560	1 560	1 560
Reserves	62 758	63 803	61 213
LIABILITIES			
Current liabilities	17 838	16 520	11 698
Trade and other payables	17 390	14 623	10 628
Current tax payable	448	1 897	1 070
Total liabilities	17 838	16 520	11 698
Total equity and liabilities	82 156	81 883	74 471

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Unaudited for the six month ended 31 Aug 21 R'000	Unaudited for the six month ended 31 Aug 20 R'000	Audited for the year ended 28 Feb 21 R'000
Cash flows from operating activities	5 161	4 780	11 281
Cash receipts from customers	17 673	34 654	75 630
Cash paid to suppliers and employees	(9 790)	(28 436)	(62 410)
Cash generated from operations	7 883	6 218	13 220
Finance income	230	387	696
Taxation paid	(2 952)	(1 825)	(2 636)
Cash flows from investing activities	550	513	997
Purchase of property, plant and equipment	(1)	(112)	(114)
Dividends received	500	500	1 000
Proceeds on loans receivable	51	125	111
Cash flows from financing activities	(5 148)	-	(7 800)
Dividends paid to ordinary shareholders	(5 148)	-	(7 800)
Net increase in cash and cash equivalents	563	5 293	4 468
Revaluation of foreign cash balances	(1 006)	2 055	(1 145)
Cash and cash equivalents at beginning of the period	49 261	45 929	45 929
Cash and cash equivalents at end of the period	48 819	53 277	49 261

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited for the six month ended 31 Aug 21 R'000	Unaudited for the six month ended 31 Aug 20 R'000	Audited for the year ended 28 Feb 21 R'000
Share capital - ordinary shares			
Balance at beginning of the period	1 560	1 560	1 560
Balance at end of the period	1 560	1 560	1 560
Reserves - retained earnings			
Balance at beginning of the period	61 213	56 067	56 067
Total comprehensive income - profit	6 693	7 737	12 946
Dividends paid during the period	(5 148)	-	(7 800)
Balance at end of the period	62 758	63 803	61 213
Total equity capital and reserves	64 318	65 363	62 773

Notes to the statements:

ORDINARY SHARES	'000s	'000s	'000s
Number of shares in issue at end of period	155 996	155 996	155 996
Weighted average number of shares in issue	155 996	155 996	155 996
Treasury shares held at end of period	14 596	14 596	14 596
	Cents	**Cents**	**Cents**
Net asset value per share at end of period	41.2	41.9	40.2
Net tangible asset value per share at end of period	41.2	41.9	40.2
Headline earnings per share*	4.3	5.0	8.3
Diluted headline earnings per share*	4.3	5.0	8.3

* There have been no reconciling items that would result in a change to the headline earnings per share and diluted headline earnings per share.

Designated Adviser:
Merchantec capital

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OPERATIONAL REVIEW

I am pleased to present our results for the six months ended 31 August 2021 ("the current reporting period"), which continue to be underpinned by a high portion of recurring revenue, a robust balance sheet and strong cash flows. Despite the challenging trading conditions in which we operate, together with the continued pressure on the local economy, overall performance remains satisfactory.

Turnover increased by 8% during the current reporting period to R31.8 million compared to the previous corresponding reporting period ("the prior reporting period"), of which 85% is subscription derived and includes both third-party product subscriptions and our Managed Security Service offerings that features MSS Pulse, our internally developed security infrastructure management and monitoring framework platform.

Profit before other income and expenses declined by 4% during the current reporting period to R18.3 million, representing a gross margin of 57% compared to the prior reporting period's gross margin of 64%. This reduction in gross margin is to be expected as our revenue mix shifts to include more product sales, as opposed to the heavy concentration of higher-margin professional and managed service revenue structures seen in the prior reporting period.

Other income and operational expenditure increased by 13% to R10.1 million compared to R9.0 million in the prior reporting period. This includes a foreign exchange revaluation cost of R1.0 million in the current reporting period compared to a foreign exchange revaluation profit of R2.0 million in the prior reporting period. If we were to exclude the effects of our foreign exchange revaluation, other income and operational expenditure would have decreased by a pleasing 17% to R9.1 million from R11.1 million in the prior reporting period. At the close of the current reporting period, 83% of our R48.8 million cash reserve was held in Dollars and Pounds, and the balance was held in Rands.

Most pleasing was the 110% increase in our share of profits from our equity-accounted investment, to R603 000. DataProof recently launched a division focusing on records management and we are most encouraged by the early successes in this division.

Total comprehensive income attributable to equity shareholders for the current reporting period decreased to R6.7 million from R7.7 million in the prior reporting period, representing a decline of 14% in headline and earnings per share to 4.3 cents from 5.0 cents.

Management notes the significant increase in both trade receivables and payables, explaining that this is largely a factor of deal-flow timing as opposed to any fundamental change in their cash management practice. Illustratively, of the trade receivables at the close of the current reporting period, 96% has been receipted by the time of writing this report; and similarly, 98% of trade payables has already been settled.

DISTRIBUTION

I am pleased to announce that the board has declared an interim dividend to shareholders for the six months ended 31 August 2021 of 4.3 cents per share, which will be subject to the dividend tax legislation.

The salient dates will be as follows:

– Declaration date	Friday, 12 November 2021
– Last day to trade	Tuesday, 7 December 2021
– Shares trade ex-dividend	Wednesday, 8 December 2021
– Record date	Friday, 10 December 2021
– Payment date	Monday, 13 December 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 December 2021 and Friday, 10 December 2021, both days inclusive.

In terms of the dividend tax legislation, effective 1 April 2012, the following additional information is disclosed:

- This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves.
- The South African dividend tax ("DT") rate is 20%.
- The DT to be withheld by the Company in respect of the ordinary dividend amounts to 0.86 cents per share.
- The net ordinary dividend payable to shareholders who are not exempt from DT is therefore 3.44 cents per share, while a gross ordinary dividend of 4.3 cents per share is payable to those shareholders who are exempt from DT.
- The issued share capital of the Company at the declaration date comprises 170 592 593 ordinary shares.
- The Company's income tax reference number is 9340/150/71/4.

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MARKET AND PROSPECTS

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, I believe that we will be able to deliver above average tangible returns over time.

BASIS OF PREPARATION

The accounting policies applied in the preparation of these unaudited condensed results for the six months ended 31 August 2021 ("Interim Results"), which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ("IFRS").

These Interim Results, as set out in this report, have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), as amended, 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 the Listings Requirements of the JSE Limited. These Interim Results have not been reviewed or audited by the Group's auditors, and have been prepared by Priscilla Mogoboya, the Financial Director of the Group.

CHANGES IN SIGNFICANT ACCOUNTING POLICIES

There have been no changes to the accounting policies in the preparation of these Interim Results, and the methods of computation are consistent with those followed in the preparation of the annual financial statements for the year ended 28 February 2021.

CHANGES TO THE BOARD AND SUBSEQUENT EVENTS

There have been no changes to the board and no subsequent events up to and including the date of this report.

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, as well as to all stakeholders, customers and vendors for their support.

For and on behalf of the board,

Clifford Katz
Chief Executive Officer
12 November 2021