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 28 February 2021, cash dividend declaration and notice of Annual General Meeting

	28 Feb 21 year ended Audited R'000	29 Feb 20 year ended Audited R'000
SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Project derived turnover	11 829	27 775
Subscription derived turnover	55 487	73 444
Revenue	67 316	101 219
Cost of sales	(28 811)	(54 974)
Profit before other income and expenses	38 505	46 248
Other income	384	3 293
Selling and marketing costs	(13 086)	(12 477)
Administrative expenses	(11 283)	(9 062)
Fair value loss	(104)	-
Expected Credit Loss	(38)	-
Finance income	696	3 925
Share of profits of equity-accounted investment	2 364	259
Profit before taxation	17 439	32 186
Taxation	(4 493)	(8 761)
Profit attributable to equity shareholders for the year	12 946	23 425
Total comprehensive income attributable to equity shareholders	12 946	23 425
Earnings per share (cents)	8.3	15.0
Diluted earnings per share (cents)	8.3	15.0

	As at 28 Feb 21 Audited R'000	As at 29 Feb 20 Audited R'000
SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
ASSETS		
Non-current assets	17 277	17 386
Property, plant and equipment	9 654	9 874
Other financial asset	2 406	2 518
Investment in joint venture	3 295	1 930
Deferred tax	1 922	3 064

Current assets	57 194	63 224
Cash and cash equivalents	49 261	45 929
Inventories	-	2 036
Trade and other receivables	6 544	14 044
Current tax receivable	1 389	1 215
Total assets	74 471	80 610
EQUITY AND LIABILITIES		
Equity capital and reserves	62 773	57 627
Share capital and share premium	1 560	1 560
Reserves	61 213	56 067
LIABILITIES		
Current liabilities	11 698	22 983
Trade and other payables	10 628	22 802
Current tax payable	1 070	181
Total equity and liabilities	74 471	80 610

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOW

	28 Feb 21 year ended Audited R'000	29 Feb 20 year ended Audited R'000
Cash flows from operating activities	11 281	18 775
Cash receipts from customers	75 630	106 724
Cash paid to supplier and employees	(62 410)	(78 314)
Cash generated from operations	13 220	28 410
Interest received	696	2 325
Taxation paid	(2 636)	(11 960)
Cash flows from investing activities	997	22 730
Purchase of property, plant and equipment	(113)	(144)
Dividends received	1 000	500
Proceeds on loans receivable	110	22 374
Cash flows from financing activities	(7 800)	(61 152)
Dividends paid to ordinary shareholders	(7 800)	(61 152)
Net increase in cash and cash equivalents	4 477	19 647
Revaluation of foreign cash balances	(1 145)	2 529
Cash and cash equivalents at beginning of the year	45 929	63 047
Cash and cash equivalents at end of the year	49 261	45 929

	28 Feb 21 year ended Audited R'000	29 Feb 20 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	56 067	93 794
Total comprehensive income – profit	12 946	23 425
Dividends paid during the year	(7 800)	(61 152)
Balance at end of the year	61 213	56 067
Total equity capital and reserves	62 773	57 627
Notes to the statements:		
RECONCILIATION OF HEADLINE EARNINGS		
Earnings as per statement of comprehensive income	12 946	23 425
Profit on sale of property, plant and equipment	(72)	-
Headline earnings	12 874	23 425
Headline earnings per share (cents)	8.3	15.0
Diluted headline earnings per share (cents)	8.3	15.0
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)	40.2	36.9
Net tangible asset value per share at end of year (cents)	40.2	36.9

OPERATIONAL REVIEW

I am pleased to present our results for the full year ended 28 February 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 having to navigate the business through one of the most difficult years in our history, I am particularly pleased with our performance, immeasurably proud of our team’s resolve and humbled by the tremendous support that we have received through this challenging time from our staff, customers, suppliers, vendor partners and shareholders.

Financial

Due largely to the fallout that we had with one of our key vendor partners a few months before entering our first COVID-19 lockdown, turnover decreased by 33% during the current reporting period to R67.3 million compared to the R101.2 million achieved in the previous corresponding reporting period (“the prior reporting period”), as we had to abandon most of our sales pipeline that included their technologies, which accounted for as much as 90% of our turnover in the financial year prior to the vendor relationship failure. Despite the range of COVID-19 lockdowns and pandemic containment restrictions that followed, as well as the economic meltdown that ensued, we remain encouraged by the support that we have received from our customers for the more advanced and competitive 'next generation' security technologies that we onboarded to help protect them from the sophisticated and ever-changing IT security threat landscape.

Profit before other income and expenses ("gross profit") during the current reporting period declined by 17% to R38.5 million representing a gross margin of 57% compared to the prior reporting period's gross margin of 46%. This seemingly dramatic increase in gross margin is due to the strong concentration of and continued growth in our Managed Security Service and Managed Security Solution offerings, which feature our internally developed security infrastructure management and monitoring framework platform, MSS Pulse.

Foreign exchange fluctuation and volatility continues to be 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 77% of the R49.3 million cash reserves are held in Dollars and Pounds, the revaluation of this foreign currency through the statement of comprehensive income can have a material effect on our results, as was the case during the current reporting period where we recorded a loss from the revaluation of our foreign cash balances of R1.1 million compared to a profit of R2.5 million achieved during the prior reporting period, representing a negative change of R3.6 million between the current and previous reporting periods.

Finance income reduced to R696 000 during the current reporting period compared to R3.9 million during the prior reporting period, largely as a result of our business partner no longer having to pay interest on the loan that they settled during the prior reporting period, as well as the reduction in Rands held and the low rate of interest earned by our foreign cash reserves.

Most welcomed was the substantial increase in our share of profits of R2.4 million realised from our equity-accounted investment ("DataProof") during this reporting period, compared to the R259 000 recognised in the prior reporting period. DataProof continues to execute their growth strategy and has performed well in both their records management and cyber security divisions during this reporting period.

Total comprehensive income decreased to R12.9 million during the current reporting period, from R23.4 million, which represents a decline of 45% in headline and earnings per share to 8.3 cents from 15.0 cents achieved in the prior reporting period.

Dividend Declaration

During the current reporting period an interim dividend of R7.8 million for the half year ended 31 August 2020 was declared and paid to shareholders, representing a cash distribution of 5.0 cents per share. With the realisation of earnings of 8.3 cents per share in the current reporting period, we are now pleased to declare a final ordinary dividend to shareholders for the year ended 28 February 2021 of 3.3 cents per share, which will be subject to the dividend tax legislation.

The board of directors of ISA ("board") has reasonably concluded that the company will satisfy the solvency and liquidity requirements immediately after distribution thereof and for the next 12 months.

The salient dates will be as follows:

Declaration date	Friday, 28 May 2021
Last day to trade	Tuesday, 20 July 2021
Shares trade ex-dividend	Wednesday, 21 July 2021
Record date	Friday, 23 July 2021
Payment date	Monday, 26 July 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 21 July 2021 and Friday, 23 July 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 0.66 cents per share.
- The net ordinary dividend payable to shareholders who are not exempt from DT is therefore 2.64 cents per share, while a gross ordinary dividend of 3.3 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.

Market and prospects

While our journey to reaching and exceeding our former turnover and profitability levels is likely to be somewhat tougher and longer than initially anticipated, I am particularly encouraged by the depth and complexity of security solutions making their way into our growing sales pipeline, especially noting a sense of excitement within our customer base and prospects of our recently onboarded 'next generation' security technologies and evolving Managed Security Services that now include more advanced threat detection and incident response type of service deliverables.

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 annual financial statements as at 28 February 2021 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 company's website.

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

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 29 February 2020. The preparation of the group financial statements for the financial year ended 28 February 2021 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 28 February 2021. 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 relate to the going concern of the group. 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 are not aware of any reportable matters arising after the financial year end and up to the date of this report

CHANGES IN DIRECTORATE

There were no changes to the board of directors during the 2021 financial year.

INTEGRATED ANNUAL REPORT

Shareholders are advised that the integrated annual report is in the process of being 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 Thursday, 1 July 2021 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, 25 June 2021. Accordingly, the last day to trade ISA shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 22 June 2021.

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, JSE Investor Services Proprietary Limited ("JSE Investor Services"), shall host the Annual General Meeting on an interactive electronic platform, to facilitate remote participation by shareholders. JSE Investor Services will also act as meeting scrutineer.

Shareholders who wish to participate electronically at the Annual General Meeting are required to contact the JSE Investor Services at meetfax@jseinvestorservices.co.za; or alternatively contact JSE Investor Services' offices on +27 86 154 6572 as soon as possible, but in any event, for administrative purposes only, by no later than 10:00 on Monday, 28 June 2021.

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
31 May 2021

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