

## UNAUDITED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023 AND CASH DIVIDEND DECLARATION

	Unaudited for the six months ended 31 Aug 23 R'000	Unaudited for the six months ended 31 Aug 22 R'000	Audited for the year ended 28 Feb 23 R'000
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>			
Project derived turnover	5 356	2 769	6 409
Subscription derived turnover	43 781	31 946	69 172
Turnover	49 137	34 715	75 581
Cost of sales	(26 046)	(15 742)	(35 772)
Profit before other income and expenses	23 091	18 973	39 809
Other income	158	1 146	3 322
Selling and marketing costs	(7 969)	(6 754)	(14 035)
Administrative expenses	(6 171)	(5 886)	(11 847)
Finance income	1 141	702	1 455
Share of profit of equity-accounted investment	4 417	3 535	7 707
<b>Profit before taxation</b>	<b>14 667</b>	<b>11 716</b>	<b>26 411</b>
Taxation	(2 721)	(2 327)	(4 539)
<b>Profit attributable to equity shareholders for the period</b>	<b>11 946</b>	<b>9 389</b>	<b>21 872</b>
<b>Total comprehensive income attributable to equity shareholders for the period</b>	<b>11 946</b>	<b>9 389</b>	<b>21 872</b>
Earnings per share (cents)	7.7	6.0	14.0
Diluted earnings per share (cents)	7.7	6.0	14.0
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>30 177</b>	<b>22 066</b>	<b>26 433</b>
Property, plant and equipment	14 511	13 377	14 489
Loans receivable	2 332	2 364	2 357
Equity accounted investment	11 517	4 927	7 100
Deferred tax	1 817	1 398	2 487
<b>Current assets</b>	<b>48 147</b>	<b>42 929</b>	<b>49 738</b>
Cash and cash equivalents	29 992	33 736	31 971
Trade and other receivables	17 097	8 636	17 352
Current tax receivable	1 058	557	415
<b>Total assets</b>	<b>78 324</b>	<b>64 995</b>	<b>76 171</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity capital and reserves</b>	<b>57 280</b>	<b>54 466</b>	<b>57 814</b>
Share capital and share premium	1 560	1 560	1 560
Reserves	52 842	50 028	53 376
Other reserve	2 878	2 878	2 878
<b>LIABILITIES</b>			
<b>Current liabilities</b>	<b>19 980</b>	<b>9 467</b>	<b>17 293</b>
Trade and other payables	19 980	9 435	16 757
Current tax payable	-	32	536
<b>Non Current liabilities</b>	<b>1 064</b>	<b>1 064</b>	<b>1 064</b>
Deferred Tax	1 064	1 064	1 064
<b>Total liabilities</b>	<b>21 044</b>	<b>10 531</b>	<b>18 357</b>
<b>Total equity and liabilities</b>	<b>78 324</b>	<b>64 995</b>	<b>76 171</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW</b>			
<b>Cash flows from operating activities</b>	<b>10 875</b>	<b>8 778</b>	<b>13 514</b>
Cash receipts from customers	41 541	36 614	74 820
Cash paid to suppliers and employees	(30 115)	(25 373)	(57 004)
Cash generated from operations	11 426	11 241	17 816
Finance income	1 141	702	1 455
Taxation paid	(1 692)	(3 165)	(5 757)
<b>Cash flows from investing activities</b>	<b>(349)</b>	<b>1 897</b>	<b>2 502</b>
Purchase of property, plant and equipment	(374)	(110)	(1 511)
Dividends received	-	2 000	4 000
Proceeds on loans receivable	25	7	14
<b>Cash flows from financing activities</b>	<b>(12 480)</b>	<b>(25 271)</b>	<b>(34 406)</b>
Dividends paid to ordinary shareholders	(12 480)	(25 271)	(34 406)
<b>Net increase in cash and cash equivalents</b>	<b>(1 954)</b>	<b>(14 597)</b>	<b>(18 390)</b>
Revaluation of foreign cash balances	(25)	988	3 005
Cash and cash equivalents at beginning of the period	31 971	47 345	47 345
<b>Cash and cash equivalents at end of the period</b>	<b>29 992</b>	<b>33 736</b>	<b>31 971</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>			
<b>Share capital - ordinary shares</b>	<b>1 560</b>	<b>1 560</b>	<b>1 560</b>
Balance at beginning of the period	1 560	1 560	1 560
Balance at end of the period	1 560	1 560	1 560
<b>Reserves - retained earnings</b>	<b>53 376</b>	<b>65 910</b>	<b>65 910</b>
Balance at beginning of the period	11 946	9 389	21 872
Total comprehensive income - profit	(12 480)	(25 271)	(34 406)
Dividends paid during the period	52 842	50 028	53 376
Balance at end of the period	54 402	51 588	54 936
<b>Other reserves</b>	<b>3 942</b>	<b>3 942</b>	<b>2 878</b>
Revaluation reserve on PPE	(1 064)	(1 064)	-
Deferred tax adjustment	2 878	2 878	2 878
Total equity capital reserves and other revaluation reserves	57 280	54 466	57 814
Total equity capital and reserves	57 280	54 466	57 814
<b>Notes to the statements:</b>			
<b>ORDINARY SHARES</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>
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
<b>Cents</b>			
Net asset value per share at end of period	36.7	34.9	37.1
Net tangible asset value per share at end of period	36.7	34.9	37.1
Headline earnings per share*	7.7	6.0	14.0
Diluted headline earnings per share*	7.7	6.0	14.0
* There have been no reconciling items that would result in a change to the headline earnings per share and diluted headline earnings per share.			

## OPERATIONAL REVIEW

I am pleased to present our results for the six months ended 31 August 2023 ("the current reporting period"), which continue to be underpinned by a high proportion 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 42% during the current reporting period to R49.1 million compared to R34.7 million in the previous corresponding reporting period ("the prior reporting period"), of which 89% is subscription derived and includes a healthy mix of products, subscriptions and our Managed Security Service offerings that feature MSS Pulse, our internally developed security infrastructure management and monitoring platform. The high proportion of subscription derived turnover in the current reporting period is indicative of the trend in terms of which customers are showing a preference for subscribing to consumption-based security solutions which offer a heightened level of flexibility and scalability that is difficult to achieve in the traditional procurement model where companies would purchase hardware and software assets complemented with an array of value-added services offered by the local reseller community. This trend is likely to continue for the foreseeable future and we anticipate maintaining a strong proportion of subscription derived turnover in our revenue mix.

Profit before other income and expenses increased by 22% during the current reporting period to R23.1 million, representing a gross margin of 47% compared to 55% in the prior reporting period. This reduction in gross margin is largely due to the recognition of a couple of low margin 'product sales' during the current reporting period that excluded any higher margin services.

Operating expenditure increased by 12% to R14.1 million compared to R12.6 million in the prior reporting period, which increase is largely attributed to recruitment, additional headcount and payroll related expenses.

Our share of profits from DataProof, our equity-accounted investment, increased by a pleasing 25% to R4.4 million from R3.5 million in the prior reporting period, with notable successes coming from their cybersecurity business unit. While their records management business unit has been struggling to maintain momentum of late, in part due to a few critical system failures and staffing challenges which are in the process of being addressed, they are certainly building a formidable business and reputation around their cybersecurity service offerings, notably those related to their 24/7 SOC incident and event monitoring.

Total comprehensive income attributable to equity shareholders for the current reporting period increased to R11.9 million from R9.4 million in the prior reporting period, representing a pleasing 27% increase in headline and earnings per share to 7.7 cents, from 6.0 cents in the prior reporting period.

Management has taken note of the higher trade receivable and trade payable balances recorded at the close of the current reporting period, but are not overly concerned with these high levels as they are largely as a factor of customer deal and supplier settlement timing and product mix structuring, as opposed to any fundamental change in cash management practices of the business.

Cash and cash equivalents decreased by 11% to R30.0 million in the current reporting period, from R33.7 million in the prior reporting period, this after the final dividend of R12.5 million that was paid to shareholders during the current reporting period. The reason for the decrease is largely attributable to the higher trade receivables, as well as not having received an interim dividend from DataProof during the current reporting period, as was the case in the prior reporting period. DataProof are currently preserving their cash reserves while considering several capital allocation options available to them at this time.

## DISTRIBUTION

I am pleased to announce that the board of directors of ISA ("the board") has declared an interim dividend to shareholders for the six months ended 31 August 2023 of 7.7 cents per share, which will be subject to the dividend tax legislation.

The salient dates will be as follows:

– Declaration date	Friday, 10 November 2023
– Last day to trade	Tuesday, 5 December 2023
– Shares trade ex-dividend	Wednesday, 6 December 2023
– Record date	Friday, 8 December 2023
– Payment date	Monday, 11 December 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 December 2023 and Friday, 8 December 2023, 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 1.54 cents per share.
- The net ordinary dividend payable to shareholders who are not exempt from DT is therefore 6.16 cents per share, while a gross ordinary dividend of 7.7 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

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 2023 ("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, 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 SIGNIFICANT 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 2023.

## CHANGES TO THE BOARD AND SUBSEQUENT EVENTS

There have been no changes to the board, save for the resignation of Clarissa Pillay as a non-executive director on 6 July 2023, as announced on SENS on the same day, 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  
10 November 2023