

UNAUDITED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2024

| | Unaudited for the six months ended 31 Aug 24 R'000 | Unaudited for the six months ended 31 Aug 23 R'000 | Audited for the year ended 29 Feb 24 R'000 | | Unaudited for the six months ended 31 Aug 24 R'000 | Unaudited for the six months ended 31 Aug 23 R'000 | Audited for the year ended 29 Feb 24 R'000 |
|--|--|--|--|---|--|--|--|
| CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME | | | | CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW | | | |
| Project derived turnover | 6 480 | 5 356 | 12 060 | Cash flows from operating activities | 10 768 | 10 875 | 22 876 |
| Subscription derived turnover | 38 638 | 43 781 | 88 737 | Cash receipts from customers | 44 007 | 41 541 | 92 496 |
| Turnover | 45 118 | 49 137 | 100 797 | Cash paid to suppliers and employees | (30 909) | (30 115) | (66 358) |
| Cost of sales | (20 264) | (26 046) | (51 856) | Cash generated from operations | 13 098 | 11 426 | 26 138 |
| Profit before other income and expenses | 24 854 | 23 091 | 48 941 | Finance income | 1 004 | 1 141 | 2 313 |
| Other income | 158 | 158 | 383 | Finance costs | - | - | (16) |
| Selling and marketing costs | (8 091) | (7 969) | (15 625) | Taxation paid | (3 334) | (1 692) | (5 559) |
| Administrative expenses | (7 422) | (6 171) | (13 474) | Cash flows from investing activities | (245) | (349) | (423) |
| Finance income | 1 004 | 1 141 | 2 313 | Purchase of property, plant and equipment | (269) | (374) | (455) |
| Finance costs | - | - | (16) | Proceeds on loans receivable | 24 | 25 | 32 |
| Share of (loss)/profit of equity-accounted investment | 5 521 | 4 417 | 12 582 | Cash flows from financing activities | (17 472) | (12 480) | (24 432) |
| Profit before taxation | 16 024 | 14 667 | 35 104 | Dividends paid to ordinary shareholders | (17 472) | (12 480) | (24 432) |
| Taxation | (2 825) | (2 721) | (5 565) | Net increase in cash and cash equivalents | (6 949) | (1 954) | (1 979) |
| Profit attributable to equity shareholders for the period | 13 199 | 11 946 | 29 539 | Revaluation of foreign cash balances | (655) | (25) | 65 |
| Total comprehensive income attributable to equity shareholders for the period | 13 199 | 11 946 | 29 539 | Cash and cash equivalents at beginning of the period | 30 057 | 31 971 | 31 971 |
| Earnings per share (cents) | 8.5 | 7.7 | 18.9 | Cash and cash equivalents at end of the period | 22 453 | 29 992 | 30 057 |
| Diluted earnings per share (cents) | 8.5 | 7.7 | 18.9 | | | | |
| | Unaudited As at 31 Aug 24 R'000 | Unaudited As at 31 Aug 23 R'000 | Audited As at 29 Feb 24 R'000 | | Unaudited for the six months ended 31 Aug 24 R'000 | Unaudited for the six months ended 31 Aug 23 R'000 | Audited for the year ended 29 Feb 24 R'000 |
| CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | | | | CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY | | | |
| ASSETS | | | | Share capital - ordinary shares | | | |
| Non-current assets | 45 235 | 30 177 | 39 572 | Balance at beginning of the period | 1 560 | 1 560 | 1 560 |
| Property, plant and equipment | 14 615 | 14 511 | 14 535 | Balance at end of the period | 1 560 | 1 560 | 1 560 |
| Loans receivable | 2 301 | 2 332 | 2 326 | Reserves - retained earnings | | | |
| Equity accounted investment | 25 203 | 11 517 | 19 682 | Balance at beginning of the period | 58 483 | 53 376 | 53 376 |
| Deferred tax | 3 116 | 1 817 | 3 029 | Total comprehensive income - profit | 13 199 | 11 946 | 29 539 |
| Current assets | 37 318 | 48 147 | 46 875 | Dividends paid during the period | (17 472) | (12 480) | (24 432) |
| Cash and cash equivalents | 22 453 | 29 992 | 30 057 | Balance at end of the period | 54 210 | 52 842 | 58 483 |
| Trade and other receivables | 14 021 | 17 097 | 15 906 | Total equity capital and reserves | 55 770 | 54 402 | 60 043 |
| Current tax receivable | 844 | 1 058 | 912 | Other reserves | | | |
| Total assets | 82 553 | 78 324 | 86 447 | Revaluation reserve on PPE | 3 942 | 3 942 | 3 942 |
| | | | | Deferred tax adjustment | (1 064) | (1 064) | (1 064) |
| EQUITY AND LIABILITIES | | | | Total equity capital reserves and other revaluation reserves | 2 878 | 2 878 | 2 878 |
| Equity capital and reserves | 58 648 | 57 280 | 62 921 | Total equity capital and reserves | 58 648 | 57 280 | 62 921 |
| Share capital and share premium | 1 560 | 1 560 | 1 560 | Notes to the statements: | | | |
| Reserves | 54 210 | 52 842 | 58 483 | ORDINARY SHARES | | | |
| Other reserve | 2 878 | 2 878 | 2 878 | | '000s | '000s | '000s |
| LIABILITIES | | | | Number of shares in issue at end of period | 155 996 | 155 996 | 155 996 |
| Non Current liabilities | 1 064 | 1 064 | 1 219 | Weighted average number of shares in issue | 155 996 | 155 996 | 155 996 |
| Deferred Tax | 1 064 | 1 064 | 1 219 | Treasury shares held at end of period | 14 596 | 14 596 | 14 596 |
| Current liabilities | 22 841 | 19 980 | 22 307 | | | | |
| Trade and other payables | 22 490 | 19 980 | 21 623 | | Cents | Cents | Cents |
| Current tax payable | 351 | - | 684 | Net asset value per share at end of period | 37.6 | 36.7 | 40.3 |
| Total liabilities | 23 905 | 21 044 | 23 526 | Net tangible asset value per share at end of period | 37.6 | 36.7 | 40.3 |
| Total equity and liabilities | 82 553 | 78 324 | 86 447 | Headline earnings per share* | 8.5 | 7.7 | 18.9 |
| | | | | Diluted headline earnings per share* | 8.5 | 7.7 | 18.9 |

* 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:

OPERATIONAL REVIEW

I am pleased to present our results for the six months ended 31 August 2024 ("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, overall performance remains satisfactory.

Turnover unfortunately decreased by 8% during the current reporting period to R45.1 million compared to R49.1 million in the previous corresponding reporting period ("the prior reporting period"). 86% 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, monitoring and reporting platform. This decrease in turnover can largely be attributed to the timing differences on a few larger contracts, when viewed against the prior reporting period. However, management continued to focus on developing their offerings with a view of attracting new customers and uncovering additional revenue generating opportunities within their existing customer base. These product development initiatives are expected to yield more pleasing and predictable revenue growth rates over time.

Despite the decline in turnover, profit before other income and expenses increased by a pleasing 8% during the current reporting period to R24.8 million, representing a gross margin of 55% compared to 47% in the prior reporting period. This increase in gross margin is largely attributed to a subtle shift in our revenue composition, including an increased proportion of higher margin services compared to the prior reporting period. Operating expenditure increased by 10% to R15.5 million compared to R14.1 million in the prior reporting period, which increase is largely due to payroll inflation rather than any fundamental changes in the business itself.

On another positive note, our share of profits from our equity-accounted investment ("DataProof") increased by 25% to R5.5 million from R4.4 million in the prior reporting period. DataProof continues to deliver strong results and is beginning to be recognised as a strong contender in security information and event management within the cybersecurity industry, especially in the public sector.

Total comprehensive income attributable to equity shareholders for the current reporting period increased to R13.2 million from R11.9 million in the prior reporting period, representing a 10% increase in headline and earnings per share to 8.5 cents, from 7.7 cents in the prior reporting period.

Trade and other receivables decreased by 18% to R14.0 million from R17.1 million, while trade and other payables increased by 13% to R22.5 million from R20.0 million in the prior reporting period. Management is not overly concerned with these changes, as they are largely a factor of 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 25% to R22.5 million in the current reporting period, from R30.0 million in the prior reporting period, this after the final dividend of R17.5 million that was paid to shareholders during the current reporting period. Management points out that DataProof continues to accumulate their cash while considering several capital allocation options available to them at this time, and as such has not declared a dividend to ISA, which would have bolstered our cash position.

DISTRIBUTION

A final dividend totalling R17.5 million was declared and paid to shareholders during the period under review, representing a gross distribution of 11.2 cents per share. The board has not declared an interim dividend, as their current cash reserves are needed to fund our operations and anticipated short-term growth trajectory.

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 2024 ("Interim Results"), which are based on reasonable judgements and estimates, are in accordance with IFRS[®] Accounting Standards.

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 29 February 2024.

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
8 November 2024