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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

Advancing Humanity Through Technology

Key features

30 September 2020 (1H20) compared to 20 September 2019 (1H19)

- Revenue decreased by 20% from R308.6 m to R247.4 m

- Gross profit margin stable at 34%

- Total contracted orderbook R890 m

- Profit before tax increased by 45% from R5.4 m to R7.9 m

Commentary

Group profile

Etion Limited is a diversified digital technology investment holding company.

During the previous financial year, we repositioned Etion as a technology investment company that invests in digital technologies that advance humanity. This shift required that head office streamline its operations and that one of its business units, Etion Digitise (Digitise), be restructured.

Currently, the Group is invested in three businesses: Etion Connect (Connect), Etion Create (Create) and Etion Secure (Secure(formerly LAWTrust)). Digitise remains a division within the holding company to provide ongoing support to its previous customers.

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 comprehensive income

Explanations on divisional results follow from page 03 to 06.

Revenue decreased by 20% to R247.4 million. This was mainly attributable to the R50 million decrease in Connect due to reduced customer demand over the COVID-19 hard lockdown (end March and lasted until the end of May). Furthermore, when comparing performance of the comparable period, it should be noted that in line with the group strategy Digitise has been scaled down significantly and is no longer a core business unit. This has resulted in a decrease in revenue of R20.7 million.

Gross profit declined by R21 million but gross profit margin was maintained year-on-year at 34.6% (1H19: 34.6%).

The strategic restructures of Digitise in September 2019 and Connect in March 2020, realised cost savings of R6 million in Connect and R11.9 million in

Digitise. The cost savings in Digitise exclude the once-off restructuring cost of R3.7 million. In addition, the corporate office reduced its marketing and human resource capabilities to align with the business strategy, which reduced corporate costs by R3.1 million. Furthermore, lower USD/ZAR volatility and effective hedging contributed to lower forex losses. The net effect was an increase in operating profit of 13%.

As of January 2020, our 50% equity investment in the Electronic DNA (Proprietary) Limited joint venture is no longer in a loss-making position and is making a modest profit.

Statement of financial position

Non-current assets

The most significant movements in non-current assets relate to the 18% decline in intangible assets compared to 1H19 and the 23% increase in the deferred tax balance.

The reduction in intangibles follows the R34 million impairment of goodwill in Connect and intangible assets in Digitise at 31 March 2020. Development costs capitalised of R5 million were partially offset by amortisation recorded for the six-month period.

Tax losses were recognised in both Connect and Create compared to 1H19. Management considers it highly probable that future taxable profits will be realised against which the tax losses may be used.

Current assets

Refer to notes 2 and 3 to the Unaudited Condensed Consolidated Interim Financial Statements for detail regarding the movements recorded in inventory and trade and other receivables.

In line with Create's investment in development projects, contract assets increased by 149% to R30 million.

A refund received from the tax authority in respect to FY2019 resulted in the lower tax receivable balance as at 1H20 compared to 1H19.

Liabilities

Liabilities were significantly impacted by the reclassification of interest-bearing borrowings from current liabilities to non-current liabilities in comparison to 1H19. The result is a 65% movement in current liabilities to non-current liabilities following the condonement of the covenant breach from Nedbank in November 2019. Refer to note 4 for further information.

Cash flow statement

While we continue to focus on those factors within our control - extracting operational efficiencies and costs - managing working capital during a pandemic has reduced the cash and cash equivalents position to R59.3 million, a decrease of 17% from 1H19 and 28% from FY2020.

The net working capital movement for the period, at R40.2 million, was negatively impacted by significant payments to one of Connect's key suppliers. This was necessitated by the overdue position and revision of credit terms by the supplier in response to COVID-19. This is reflected in the decrease in creditor days to 47.1 days (FY2020: 88.9 days). The improved relationship with this key supplier has played a key role in stabilising the business outlook for Connect.

Refer to note 6 of the financial statements for further detail and commentary.

OUR OPERATIONS

ETION SECURE

	1H20	1H19	% change
Contribution to Group revenue	44%	37%	19%

Contribution to Group profit	87%	85%	2%
Segment revenue	R109.4 million	R114.2 million	(4%)
Segment profit	R20.6 million	R20.9 million	(1%)
Segment profit excluding head office recovery	R23.2 million	R24.9 million	(1%)

Drivers of change

- Revenue decreased slightly from the comparable period due to initial lockdown impacts.

- The scalability of our products and services has increased annuity income, currently representing 59% of total revenue and maintaining profitability in spite of the slight decline in revenue.

Progress on 1H20 ambitions

Secure set out to internationalise its products, retain talent, increase its annuity revenue and increase online services.

Digital sales and requests to partner with Secure have seen a sharp increase as COVID-19 emphasised the need for secure digital solutions and accelerated the work-from-home trend. Secure has received increased partnership requests from African countries as well as from the USA, while Middle East market demand continues to increase.

Secure developed methods for identity-proofing customers through web conference. This evolved into a customer lifecycle-manager tool used internally for on-boarding customers easily via the web and apps using facial biometrics. Due to the wise application of the solution to any business required to on-board their own customers, the internal solution was commercialised into a new product for the market.

Secure's focus on cyber security solutions has sharpened to specifically address the expiration of companies' cryptographic keys and digital certificates which cause system outages. Secure focused maturity assessments for customers on SSL certificates and public key infrastructure against best practice.

Secure has expanded its training solutions to support all its product offerings.

Outlook

Total contracted order book R651 million

The total contracted order book, as at date of publication of the interim results, represents the contracted customer orders that have been received but are still to be executed. This will realise over the current financial year and in future years.

COVID-19 has increased demand for Secure's digital signing and public key infrastructure solutions. Furthermore, as the pandemic drives mass digitalisation in business, management foresees an uptick in interest for Secure's cyber security product offerings in the near future.

Secure continues to focus on building its own intellectual property and operations to increase US Dollar-based revenue from export or other global services and on enabling the business unit to mitigate domestic market risk, while adapting quickly to changing markets or customer needs. We extended our sales reach without increasing headcount or opening offices in international locations by:

- Selecting channel partners that are the right fit to take digital signature solutions to market

- Increasing our focus on online services that do not require physical market presence

- Limiting on-premise solutions and services to markets in the Middle East and Africa that offer relative proximity and similar time zones

ETION CREATE

	1H20	1H19	% change
Contribution to Group revenue	34%	27%	26%

Contribution to Group profit	(12%)	20%	(160%)
Segment revenue	R84.3 million	R84.2 million	0%
Segment (loss)/profit	(R2.9) million	R4.9 million	(159%)
Segment (loss)/profit excluding head office recovery	(R0.2) million	R9.3 million	(102%)

Drivers of change

- An optimal product mix allowed for stable revenue compared to 1H19

- Profit was negatively impacted by the lower margins associated with projects executed in 1H20

Progress on 1H20 ambitions

Create set out to gain traction in the IoT market to spur growth, growth in its SOLIDguard range and geographical expansion. Retaining talent was key to deliver against these ambitions.

Due to the global impacts of COVID-19, opportunities arising from the Middle East, South America and Southeast Asia within the IoT market proved challenging to realise. As a result, project revenues have been delayed. However, development orders have been received from the Middle East and United Arab Emirates.

Customers in the defence market have welcomed the CheetaNAV tactical navigation system. The system allows jamming-free situational awareness navigation information. The product combines compass, GPS and inertial information.

Create applied its original design manufacturing capability to produce ventilators under licence, and it delivered the first units before the close of 1H20. Create has also registered with the South African Health Products Regulatory Authority.

Outlook

Total contracted order book R149 million

The total contracted order book, as at date of publication of the interim results, represents the contracted customer orders that have been received but are still to be executed. This will realise over the current financial year and in future years.

The growth in the short-term order book indicates the demand within established and new geographic markets. Current spend into product and intellectual property development is likely to convert to new orders in FY22/23.

The pandemic accelerated the Fourth Industrial Revolution, highlighting:

- Securing data against unauthorised access is critical to the safe operation of governments and businesses alike

- The increasing need for system integration and high-performance computing solutions to futureproof businesses that rely more on technology to carry operations

- The need to embrace the Internet of Things (IoT) and digitalisation

These trends cement the need and opportunity for Create to develop customised electronic subsystems and products for customers across a range of sectors including mining and industrial, defence and aerospace, IoT and sensors and cyber security. Create is sure to gain traction in the recently entered health sector.

ETION DIGITISE

	1H20	1H19	% change
Contribution to Group revenue	1%	7%	(86%)

Contribution to Group profit	(7%)	(56%)	(88%)
Segment revenue	R1.6 million	R22.3 million	(92.8%)
Segment loss	(R1.7) million	(R13.9) million	(88%)
Segment loss excluding head office recovery	(R1.5) million	(R12.5) million	(88%)

Drivers of change

- Digitise has been restructured to only focus on the support of past clients and will not contribute significantly to the future revenue of the group.

- Product development capabilities have been integrated in Create however the underlying intellectual property continues to reside in Digitise and may result in future royalty income being earned.

ETION CONNECT

	1H20	1H19	% change
Contribution to Group revenue	21%	33%	(36%)
Contribution to Group profit	7%	(11.2%)	163%
Segment revenue	R52.2 million	R102.2 million	(49%)
Segment profit/(loss)	R1.7 million	(R2.8) million	161%
Segment profit excluding head office recovery	R3.5 million	R3.2 million	31%

Drivers of change

- Profitability was improved following the strategic review of the business and implementation of cost savings initiatives.

- The decline in revenue has stabilised as new opportunities arise from changes in end-user consumption patterns.

Progress on 1H20 ambitions

Connect set out to change its form as necessary to ensure optimal value creation for shareholders.

Connect is completing an optimum stock level planning exercise to guard against any unnecessary inventory build-up. Progress towards monetising existing inventory will continue as this is key for preserving liquidity and managing Connect's obligations to suppliers.

Through regular customer engagement, Connect has obtained six-month stock forecasts from the majority of its anchor customers, to assist with inventory management. Connect was able to respond to a depressed market with competitive discounts to anchor customers in return for bulk sale orders, and it intends to replicate this model to increase profitability in the second half of the year.

Outlook

Total contracted order book R90 million

The total contracted order book, as at date of publication of the interim results, represents the contracted customer orders that have been received but are still to be executed. This will realise over the current financial year and in future years.

In general, Connect's growth trajectory is closely aligned with South Africa's GDP growth. This growth drives demand for bandwidth which influences network operators' infrastructure investments. South Africa's sustained economic weakness has curtailed demand for FTTx, resulting in a continuous decline in Connect's revenue since 2018. However, we are experiencing an uptick in demand as customers try to catch up with their networks build backlog created by the lockdown, underpinned by the work-from-home trend.

COVID-19 has amplified the need for more and better connectivity globally. Specifically, in South Africa, in the period under review, we have noted the following encouraging trends:

- Fibre connectivity and higher broadband Service Level Agreement levels remain in high demand

- Major telecoms have an appetite for new builds on the basis of extra spectrum being released

- FTTx operators see lower Living Standards Measure market segments as an opportunity

These positive trends cement the need and opportunity for Connect in the market, and the business is building a healthy order book going into H2.

Strategic update

Outlook

Even though the South African government has introduced various business initiatives and injected investments to reduce COVID-19's impact on the economy, in the medium to long term, we expect the South African market to remain subdued.

Etion continues to explore various initiatives to further reduce costs, increase responsiveness to market conditions and re-focus business efforts to meet these challenges. This has increased demand for Etion's digital signing and public key infrastructure solutions and increased orders for fibre to homes and businesses (FTTx) as customers seek to catch up with the networks' build backlog created by the lockdown.

There is a clear demand for Create's and Secure's products and services in the global market. This indicates a positive outlook for the Group in the medium term with the drive into the Middle East and Africa and other markets.

All businesses in the Group show healthy forward-looking order books, and we remain optimistic about the second half of the financial year.

Releasing shareholder value

The strategic repositioning of the group and the resultant restructuring activities has delivered improved performance in the current financial period. However, the current share price of Etion does not reflect the underlying intrinsic value of the businesses in the Group. The Board of Directors (Board) has initiated a process to unlock shareholder value. It is within this context that the discussions are being held between various interested parties and Etion in respect of the potential acquisition of its operating subsidiaries.

By order of the Board,

Teddy Daka	Elvin de Kock
Chief Executive Officer	Chief Financial Officer

25 November 2020

Unaudited condensed consolidated interim financial statements

Unaudited Condensed consolidated interim statement of financial position
As at 30 September 2020

	Notes	30 September 2020 (Unaudited) R'000	30 September 2019 (Unaudited) Restated R'000	31 March 2020 (Audited) R'000
Assets				
Non-current assets		268 608	300 384	263 841

Property, plant and equipment		45 776	45 326	43 339
Right-of-use assets		25 428	31 238	27 982
Intangible assets		156 041	190 806	155 304
Investments in joint venture		1 020	-	240
Deferred tax asset		39 368	32 058	36 001
Other financial asset		975	956	975
Current assets		239 972	315 646	286 241
Inventories	2	42 761	66 401	55 341
Loans to related company		2 304	2 330	2 304
Trade and other receivables	3	101 516	146 877	118 458
Contract assets		31 007	12 467	17 991
Other financial assets		29		
Current tax receivable		2 996	9 150	9 469
Cash and cash equivalents		59 359	78 421	82 678
Total assets		508 580	616 030	550 082
Equity and liabilities				
Equity		313 557	350 186	308 627
Share capital		259 541	259 541	259 541
Retained income		54 016	90 645	49 086
Non-current liabilities		84 718	70 446	83 432
Interest-bearing borrowings	4	53 186	31 371	51 585
Contract liabilities		355	274	355
Deferred tax		5 822	15 026	5 794
Lease liabilities		25 355	23 775	25 698
Current liabilities		110 305	195 398	158 023
Trade and other payables	5	69 534	120 399	116 429
Interest-bearing borrowings		14 059	39 612*	13 408
Contract liabilities		19 405	16 398	16 231
Current tax payable		1 270	2 554	4 761
Lease liabilities		3 424	8 470*	4 522
Provisions		2 600	1 242	2 600
Bank overdraft		13	6 723	72
Total equity and liabilities		508 580	616 030	550 082

* Interest-bearing borrowings as at 30 September 2019 have been restated to exclude lease liabilities. This has been separately disclosed on the face of the statement of financial position

Unaudited condensed consolidated interim statement of comprehensive income
For the 6 months ended 30 September 2020

	Notes	6 months ended 30 September 2020 (Unaudited) R'000	6 months ended 30 September 2019 (Unaudited) R'000	Year ended 31 March 2020 (Audited) R'000
Revenue		247 432	308 573	572 889
Cost of sales		(161 796)	(201 891)	(379 749)
Gross profit		85 636	106 682	193 140
Other operating income		4 168	2 959	5 124
Other gains/(losses)		2 976	83	(6 269)

Movement in credit loss allowances		(2 807)	(3 123)	(10 258)
Other operating costs		(78 652)	(96 624)	(216 460)
Operating profit/(loss)		11 321	9 977	(34 723)
Finance income		411	1 126	2 718
Finance costs		(4 631)	(5 656)	(11 225)
Income from equity accounted investment		781	-	240
Profit/(loss) before taxation		7 882	5 447	(42 990)
Taxation		(2 947)	(13)	6 862
Net profit/(loss) for the period		4 935	5 434	(36 128)
Other comprehensive income		-		-
Total comprehensive income/(loss) for the period		4 935	5 434	(36 128)
Per share information				
Basic and diluted earnings/(loss) per share (cents)	1	0.87	0.97	(6.40)

Unaudited condensed consolidated interim statement of changes in equity
For the 6 months ended 30 September 2020

	Issued share capital R'000	Accumulated profit/(losses) R'000	Total R'000
Restated balance as at 1 April 2019 (Audited)	259 541	85 209	344 755
Movements during the period			
Profit for the period	-	5 434	5 434
Balance as at 30 September 2019 (Unaudited)	259 541	90 643	350 189
Movements during the period			
Loss for the period	-	(41 562)	(41 562)
Balance as at 1 April 2020 (Audited)	259 541	49 081	308 627
Movements during the period			
Profit for the period	-	4 935	4 935
Balance as at 30 September 2020 (Unaudited)	259 541	54 021	313 557

Unaudited Condensed consolidated interim statement of cash flows
For the 6 months ended 30 September 2020

	Notes	6 months ended 30 September 2020 (Unaudited) R'000	6 months ended 30 September 2019 (Unaudited) Restated R'000	Year ended 31 March 2020 (Audited) R'000
Cash flow from operating activities				
Cash receipts from customers		259 252	326 617	622 637
Cash paid to suppliers and employees		(264 025)	(268 269)	(534 401)
Cash (utilised in)/generated from operations	6	(4 773)	58 357	88 236
Interest income		411	1 126	2 718
Finance costs*		(1 742)	(3 147)	(7 439)
Tax paid		(3 303)	(5 968)	(10 384)

Net cash flow (utilised in)/generated from operating activities	(9 407)	50 368	73 131
Cash flows from investing activities			
Purchase of property, plant and equipment	(5 806)	(597)	(2 368)
Sale of property, plant and equipment	-	4	766
Cash paid on development of intellectual property	(4 960)	(5 258)	(9 659)
Net cash flow utilised in investing activities	(10 766)	(5 851)	(11 261)
Cash flows from financing activities			
Repayment of interest-bearing borrowings**	(3 942)	(4 207)	(11 497)
Proceeds from interest-bearing borrowings	4 620	-	-
Finance costs*	(1 315)	(2 509)	(3 816)
Payment on lease liabilities**	(2 068)	(3 238)	(3 963)
Net cash flow utilised in financing activities	(2 705)	(9 954)	(19 276)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(22 878)	34 563	42 594
Cash, cash equivalents and bank overdrafts at beginning of period	82 606	37 478	37 478
Unrealised foreign exchange adjustment	(382)	(343)	2 534
Cash, cash equivalents net of bank overdrafts at end of year	59 346	71 698	82 606

* The allocation of finance costs in 2019 has been restated as the finance costs on the fixed property were incorrectly included in financing activities and not operating activities

** Repayment of interest-bearing borrowings in 2019 has been restated to exclude payments made in lease liabilities. This is separately disclosed on the statement of cash flows

Unaudited Condensed consolidated interim segment report
For the 6 months ended 30 September 2020

	6 months ended 30 September 2020 (Unaudited) R'000	6 months ended 30 September 2019 (Unaudited) R'000	Year ended 31 March 2020 (Audited) R'000
Segment revenue			
Digitise: Safety and Productivity Solutions	1 588	22 312	29 558
Create: Original Design Manufacturing	84 288	84 210	165 465
Connect: Digital Network Solutions	52 159	102 173	163 010
Secure: Cyber Security Solutions	109 430	114 084	225 920
Eliminations	(33)	(14 206)	(11 064)
Total	247 432	308 573	572 889
Segment profit			
Digitise: Safety and Productivity Solutions	(1 672)	(13 973)	(36 407)
Create: Original Design Manufacturing	(2 984)	4 897	7 758
Connect: Digital Network Solutions	1 688	(2 783)	(32 554)
Secure: Cyber Security Solutions	20 557	20 976	38 072
Eliminations	6 129	15 718	46 496
Sub-total	23 718	24 835	23 365
Corporate costs	(12 444)	(14 858)	(58 088)
Finance costs	411	(5 656)	(11 225)
Finance income	4 631	1 126	2 718
Income from equity accounted investment	781	-	240
Profit/(Loss) before taxation	7 882	5 447	(42 990)
Financial position			
Assets	508 580	616 030	550 082

Digitise: Safety and Productivity Solutions	45 560	67 537	49 645
Create: Original Design Manufacturing	209 195	214 789	199 556
Connect: Digital Network Solutions	84 139	146 101	100 605
Secure: Cyber Security Solutions	134 516	149 684	166 302
Corporate	35 170	37 919	33 974
Liabilities	195 023	265 844	241 455
Digitise: Safety and Productivity Solutions	6 020	9 438	2 108
Create: Original Design Manufacturing	70 331	71 985	66 179
Connect: Digital Network Solutions	27 222	54 647	53 433
Secure: Cyber Security Solutions	32 785	53 488	56 088
Corporate	58 665	76 286	63 647

The table below shows 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	Total R'000
6 months ended 30 September 2020 (Unaudited)					
At a point in time	1 588	67 044	52 159	61 219	182 010
Over time	-	17 225	-	48 197	65 422
	1 588	84 269	52 159	109 416	247 432
6 months ended 30 September 2019 (Unaudited)					
At a point in time	20 323	44 228	98 915	56 464	219 930
Over time	1 101	26 739	3 199	57 604	88 643
	21 424	70 967	102 114	114 068	308 573
Year ended 31 March 2020 (Audited)					
At a point in time	28 648	104 540	160 712	131 205	425 105
Over time	-	50 800	2 298	94 686	147 784
	28 648	155 340	163 010	225 891	572 889

Notes to the unaudited condensed consolidated interim financial statements

1. Headline earnings per share
   for the 6 months ended 30 September 2020

	6 months ended 30 September 2020 (Unaudited) R'000	6 months ended 30 September 2019 (Unaudited) R'000	12 months ended 31 March 2020 (Audited) R'000
Profit/(Loss) attributable to ordinary shareholders	4 935	5 434	(36 128)
Basic earnings per share (cents)	0.87	0.97	(6.40)

Diluted basic earnings per share (cents)	0.87	0.97	(6.40)
Reconciliation of headline earnings:			
Profit/(Loss) attributable to ordinary shareholders	4 935	5 434	(36 128)
Profit on disposal of property, plant and equipment	-	10	8
Impairment of goodwill	-	-	25 171
Write off of intangible assets	-	-	8 415
Total tax effect of adjustments	-	(3)	(2 358)
Headline earnings/(loss) attributable to ordinary shareholders	4 935	5 441	(4 892)
Headline earnings/(loss) per share (cents)	0.87	0.97	(0.87)
Diluted headline earnings/(loss) per share (cents)	0.87	0.97	(0.87)
Weighted average number of shares in issue	564 411 033	558 082 266	564 411 033

2. Inventories

	30 September 2020 (Unaudited) R'000	30 September 2019 (Unaudited) R'000	31 March 2020 (Audited) R'000
Inventories comprise:			
Finished goods	44 641	69 306	55 344
Work in progress	969	1 584	139
	45 610	70 890	55 483
Provision for slow moving inventories	(2 849)	(4 489)	(142)
	42 761	66 401	55 341

The improvements made by Connect in its inventory management (refer page 5) resulted in a 36% decrease in inventories on hand at 1H20.

3. Trade and other receivables

	30 September 2020 (Unaudited) R'000	30 September 2019 (Unaudited) R'000	31 March 2020 (Audited) R'000
Trade receivables	93 024	139 275	104 101
Gross trade receivables	114 264	148 943	122 534
Loss allowance	(21 240)	(9 668)	(18 433)
Deposits	1 033	1 034	1 033
Retention debtors	-	51	-
Sundry debtors	918	1 090	1 075
Prepayments	6 068	4 574	11 722
Employee costs in advance	207	-	195
Value added tax	97	389	16
Other receivables	169	464	316
	101 516	146 877	118 458

Gross trade receivables have decreased by 23% compared to the prior interim period. This is in line with the lower revenue performance in Connect and Digitise. The provision for impairment has increased by R11.6 million due to a R9 million impairment of third-party debt at year-end. Etion continues to pursue recovery of the debt through an external claims' management advisor.

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

4. Interest-bearing borrowings

	30 September 2020 (Unaudited) R'000	30 September 2019 (Unaudited) Restated* R'000	31 March 2020 (Audited) R'000
Non-current	53 186	31 371	51 585
Properties loan	28 220	28 822	28 214
Medium term loan for Secure transaction	21 021	-	22 246
Instalment sale agreements	3 945	2 549	1 125
Current	14 059	39 612	13 408
Properties loan	1 571	826	1 041
Medium term loan for Secure transaction	9 424	36 164	9 842
Instalment sale agreements	3 064	2 622	2 525
Total	67 245	70 983	64 993
Nedbank Properties loan	29 791	29 648	29 255
Nedbank medium term loan for Secure transaction	30 445	36 164	32 088
Instalment sale agreements	7 009	5 171	3 650

* Interest-bearing borrowings as at 30 September 2019 have been restated to exclude lease liabilities. This has been disclosed on the face of the statement of financial position

Following the covenant breach, announced in the 31 March 2019 results, Nedbank advised that it had condoned the breach and elected not to exercise its rights in terms of the breach but reserved all rights to still do so. This took effect from 25 November 2019 and, accordingly, the loan was classified under current liabilities at 1H19.

Based on the financial year covenant compliance review conducted by management at year-end (31 March 2020) the Group is compliant with its covenants under the Nedbank loan facility. This was confirmed by the bank during the credit review cycle concluded in September 2020. As a result, the facility has been classified as non-current at interim reporting date.

5. Trade and other payables

	30 September 2020 (Unaudited) R'000	30 September 2019 (Unaudited) R'000	31 March 2020 (Audited) R'000
Trade creditors	41 793	88 032	80 845
Accrued leave	6 690	5 339	9 673
Sundry creditors	143	1 786	201
Value added tax	2 205	1 226	7 738
Advance payments	-	3 311	-
Accruals	18 703	20 702	17 972
	69 534	120 399	116 429

Over and above the Connect inventory planning resulting in lower stock purchases from suppliers, the business also repaid a significant outstanding balance owing to a key supplier, resulting in an overall 42% decline in trade payables. This decrease, on the back of reduced revenues for the current period, has directly influenced our cash balance at the end of the current interim period.

6. Cash generated from operations

	30 September 2020 (Unaudited) R'000	30 September 2019 (Unaudited) R'000	31 March 2020 (Audited) R'000
Profit/(loss) before taxation	7 882	5 447	(42 990)
Adjustments for:			
Depreciation and amortisation	10 773	12 529	25 101
Interest income	(411)	(1 126)	(2 718)
Finance costs	4 631	5 656	11 225
Increase in provision for slow moving and obsolete raw materials	2 707	943	(3 404)
Increase in provision for impairment of trade receivables	2 807	606	9 371
Loss on sale of property, plant and equipment	-	10	8
Income from equity accounted investments	(781)	-	(240)
(Decrease)/increase in provisions	-	(648)	710
Increase in provision for impairment of other financial assets	-	54	887
Unrealised foreign exchange differences - cash and bank equivalents	382	343	(2 534)
Unrealised foreign exchange differences - debtors	634	(2 829)	(392)
Unrealised foreign exchange differences - trade creditors	6 820	1 851	9 500
Inventory write down (net of salvage value)	-	-	13 010
Impairment of intangible assets	-	-	33 586
Changes in working capital:			
Inventories	9 873	20 205	22 642
Contract assets	(6 149)	6 460	108
Trade and other receivables	6 634	18 976	36 193
Trade and other payables	(53 749)	(11 601)	(23 221)
Contract liabilities	3 174	1 480	1 394
	(4 773)	58 357	88 236

Statement of compliance and basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 are prepared in accordance with the JSE Limited Listings Requirements for interim financial statements and the Companies Act, where applicable to interim financial statements. The interim financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting (IAS 34), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and to also, as a minimum, contain the information required by IAS 34.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with IFRS.

Preparer

These unaudited Condensed Consolidated Interim Financial Statements results were prepared by Nerishini Naidoo CA (SA) under the supervision of Elvin de Kock FCMA, the Chief Financial Officer.

Going concern

The directors have reviewed the Group's budget and cash flow forecast for the year to September 2021. 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 and have adopted the going concern basis in preparing these reviewed provisional financial results.

Directorate

The following changes were made to the Board:

- T Daka resigned on 2 November as Group Chief Executive Officer and executive director of the Board with effect from 31 January 2021. T Daka will remain on the Board as a non-executive director.

- Dr SJ Khoza resigned on 2 November as non-executive director and chairperson of the Board with effect from 31 December 2020.

- EC de Kock was appointed as Group Chief Executive Officer with effect from 1 February 2021.

Events subsequent to period-end

Other than the changes to the directorate, there are no events which are material to the financial affairs of the Group.

Any investment decision should be based on the announcement accessible from Wednesday, 25 November 2020, 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 Elvin de Kock by email at elvin.dekock@etion.co.za and are available for inspection at the Company's
registered office at no charge, weekdays during office hours.

The JSE link is as follows:
https://senspdf.jse.co.za/documents/2020/jse/isse/etoe/INTER20.pdf

Additional information

Directors
CP Bester
M Janse Van Rensburg
RC Willis
SJ Khoza
T Daka (CEO)*
EC De Kock (CFO)*
* Executive

Company Secretary
W Modisapodi
Telephone: +27 12 749 1810
Email: wyna.modisapodi@etion.co.za

Registered office
85 Regency Drive
Route 21 Corporate Park
Irene
0157

Postal address
PO Box 95361
Waterkloof
Pretoria
0145
Tel: +27 12 749 1800
Email: IR@Etion.co.za
Website: www.Etion.co.za

Transfer secretaries

Designated Sponsor

Computershare Investor Services (Proprietary) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Exchange Sponsors (2008) (Propriety) Limited
44A Boundary Road
Illovo
Sandton
2196
011 880 2113