Etion Limited
(Registration number 1987/001222/06)
Separate annual financial statements
for the year ended 31 March 2022

General Information

Directors	T Daka CP Bester EC De Kock R Willis MJ Janse van Rensburg N Naidoo Z Ntsalaze
Company registration number	1987/001222/06
Registered office	85 Regency Drive Route 21 Corporate Park Irene X21 1667
Postal address	PO Box 95361 Waterkloof Gauteng 0145
Auditor	PricewaterhouseCoopers Inc. Registered Auditors 4 Lisbon Lane Waterfall City 2090
Level of assurance	These separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Bankers	Nedbank Limited Standard Bank of South Africa ABSA Bank
Country of incorporation and domicile	South Africa
Preparer	The separate annual financial statements were internally compiled by: Mikayla Relling CA (SA)
Reviewed by	N Naidoo CA (SA)
Issued	15 July 2022
Secretary	W Modisapodi

Contents

Audit and Risk Committee Report

Role and responsibility

In addition to its Companies Act 71 of 2008 statutory duties, the Audit and Risk Committee (ARC) provides oversight of the effectiveness of internal financial controls and systems of internal controls. This assists the Board of directors (Board) in monitoring the integrity of the Company's Separate Annual Financial Statements and Group's Annual Consolidated Financial Statements and related external reports.

The ARC oversees the Company's external assurance functions and services that contribute to ensuring the integrity of the Group's financial and integrated reporting. The ARC has oversight of the Company's effective risk management, reviews the expertise, resources and experience of the finance function and evaluates the suitability of the expertise and experience of the Group Chief Financial Officer.

In addition to the committee members, the Group Chief Executive Officer, Group Chief Financial Officer, the Designated Advisor and external auditor attend committee meetings by invitation.

1. Members of the Audit and Risk Committee

Name	
Martie Janse van Rensburg	Chairperson
Coen Bester	
Richard Willis *	
Elvin de Kock **	
Zuziwe Ntsalaze ***	

* Resigned on 31 May 2021 due to role as acting CEO.
** Resigned on 31 August 2021.
*** Appointed on 1 September 2021.

2. Focus areas for FY 2022

- Reviewed Etion Connect’s turnaround plan, including implementation of priority operational initiatives.
- Supported the Board with the disposals of the Group’s businesses to realise value for shareholders.
- Remediation of audit findings from FY2021, with no material matters identified.
- Assessed and was satisfied with the adequacy of internal financial controls, as envisaged in JSE regulation 3.84.
- Interrogated and recommended for Board approval the consolidated Group budget for FY2023, and the business unit and corporate office budgets for FY2023.
- Reviewed and approved the Group’s consolidated risk profile, having noted that risks contained therein have been sufficiently classified, rated and reviewed.
- Monitored the quality and effectiveness of the external audit process.
- Monitor the potential sustainability risk of COVID-19 as the virus continues to evolve
- Continuously monitor the Group’s liquidity and solvency adequacy.
- Monitor the progress in financial reporting process enhancements.
- Ensure risk management processes remain responsive to the Group’s new strategic direction.

3. Focus areas for FY 2023

- Conduct an annual review of the appropriateness and effectiveness of the Group’s enterprise risk management (ERM) framework.
- Continuously monitor the Group’s liquidity and solvency adequacy.
- Ensure risk management processes remain responsive to the Group’s new strategic direction.

4. ARC Meetings held

The ARC held six scheduled meetings during 2022 and all members attended all six meetings.

5. ARC report

During the year under review, ARC satisfied itself that:

- The Company and Group has appropriate financial reporting procedures in place and that those procedures are operating effectively.
- The external auditor was independent, as set out in section 94 (8) of the Companies Act 71 of 2008. The independence of the external auditors is regularly reviewed as prescribed by the Independent Regulatory Board of Auditors (IRBA). The requisite assurance was provided by the external auditor to support and demonstrate its claim to independence.
- It had reviewed and approved the external audit plan, including the proposed scope and audit fee and determined the nature and scope of non-audit services. All non-audit related services are governed by an appropriate approval framework; and
- In respect of assurance and non-assurance services, it considered and approved the appointment of PwC to perform the audit and review of the historical financial information related to the 2020 to 2021 financial years and the year ended 31 March 2022 for Create (assurance service) and the year ended 31 March 2022 pro-forma information (non-assurance service) for the Group, as required by JSE Category 1 disposal circulars.

Overall, the committee is satisfied with the quality of the external audit for the year. The ARC:

- Approved the appointment of Herman Eksteen as designated audit partner.
- Assessed the suitability of the re-appointment of PwC and the designated individual partner, by considering the information provided by PwC as required per paragraph 22.15 (h) of the JSE Listing Requirements.
- Evaluated the separate annual financial statements and annual consolidated financial statements, and was satisfied with the application of the accounting policies, practices, judgements and estimates adopted in their preparation.
- Will evaluate the integrated annual report to ensure that they are satisfied that the correct and appropriate information is presented therein.
- Reviewed and approved the audited annual financial statements, unaudited interim results and reviewed condensed consolidated financial statements, key accounting considerations, related SENS and results announcements, as well as the Circular to shareholders.
- After review, and in consultation with management, agreed to recommend to the Board for approval at the Annual General Meeting (AGM) the re-appointment of PwC as the external auditors for the 2023 financial year.
- The committee has assessed the appropriateness of the resources of the Group's finance function and the experience of the senior members of management responsible for the finance function, and was satisfied with it. The committee has assessed the appropriateness of the Group Chief Financial Officer's experience and expertise and is satisfied with it.
- Considered the 2021 JSE report on proactive monitoring, issued 9 November 2021, and extracts from the Combined Findings Report, issued 31 October 2021 and has taken the appropriate action to apply findings as highlighted in the JSE report when preparing the Separate Annual Financial Statements and Annual Consolidated Financial Statements for the year ended 31 March 2022.

The ARC has evaluated the Separate Annual Financial Statements and Annual Consolidated Financial Statements for the year ended 31 March 2022 and considered that it complies, in all material respects, with the requirements of the Companies Act 71 of 2008 and IFRS, and that the adoption of the going concern basis in preparing the financial statements is appropriate. The ARC is of the opinion that the audited separate annual financial statements and annual consolidated financial statements should be accepted and read together with the report of the independent external auditor.

6. IT Governance

The ARC provides oversight over the IT systems and related controls within Etion's operating environment.

7. Other governance matters

Dealing in securities

The Dealing in Securities Policy prohibits directors and senior employees from trading in securities during closed periods, or self-imposed embargo periods. Embargo and closed periods are in effect from 1 October until the publication of the interim results, and 1 April until the publication of year end results. Closed periods include any period where the Group is trading under a cautionary announcement.

Compliance with policies is monitored on an ongoing basis and any breaches are dealt with according to the provisions of the policy and the JSE Limited Listings Requirements. All directors are required to obtain clearance from the Board Chairperson to trade in securities. The Board Chairperson is required to obtain clearance from the ARC Chairperson.

Audit and Risk Committee Report

During the reporting period, the Group complied with the Listings Requirements and disclosure requirements of the JSE.

Company Secretary

The primary role of the Company Secretary is to ensure the Board is cognisant and aware of its fiduciary duties and responsibilities. The Company Secretary plays a key role in keeping the Board aware of relevant changes in legislation and governance best practice. Other key performance areas of the Company Secretary include overseeing the induction of new directors and the ongoing education of directors, and acting as secretary to the Board committees. The Board has unfettered access to the services of the Company Secretary.

The Board confirms that the Company Secretary:
- Maintained an arm's length relationship with the Board, noting that the Company Secretary is not a director of the Company and is not related to any of the directors;
- Is independent from management and does not have executive duties and responsibilities, aside from the core responsibilities of a company secretary; and
- Is not a shareholder of Etion and is not party to any major contractual relationship with Etion.

The certificate that the Company Secretary is required to issue in terms of section 88(2)(e) of the Companies Act 71 of 2008 is on page 7 of the Annual Financial Statements.

Annual compliance certificate

The annual compliance certificate confirming the Company's compliance with the JSE Listings Requirements was completed and submitted to the JSE on 28 July 2021.

Sponsor

Etion understands the role and responsibilities of the sponsor as stipulated in the JSE Listings Requirements and has cultivated a good working relationship with its sponsor, PSG Capital Limited (previously Exchange Sponsors (2008) (Pty) Ltd until 31 August 2021). The Company is satisfied that the sponsor has executed its mandate with due care and diligence during the year under review.

Martie Janse van Rensburg
Chairperson Audit and Risk Committee

Directors' Responsibilities and Approval

The Board of directors (Board) are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the separate annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditor is engaged to express an independent opinion on the separate annual financial statements.

The separate annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act 71 of 2008, 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 JSE Limited Listings Requirements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company’s cash flow forecast for the year to 31 March 2023 and, in light of this review and the current financial position, they are satisfied that the Company has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

The external auditor is responsible for independently auditing and reporting on the Company's separate annual financial statements. The separate annual financial statements have been examined by the Company's external auditor and their report is presented on pages 13 to 18.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders and board of directors. The board of directors believes that all representations made to the independent auditors during their audit are valid and appropriate.

The separate annual financial statements and additional schedules are set out on pages 8 to 12 and pages 19 to 79, which have been prepared on the going concern basis, were approved by the board of directors on 15 July 2022 and were signed on their behalf by:

N Naidoo	**R Willis**
Group Chief Financial Officer	**Acting Group Chief Executive Officer**

Certificate from the Company Secretary

I certify that, to the best of my knowledge, in accordance with the Companies Act of South Africa (“the Act”), Etion has lodged with the Registrar all returns as are required of a public Company in terms of section 88 (2) (e) of the Act, for the year ended 31 March 2022 and, furthermore, that all such returns and notices are to the best of my knowledge and belief, true, correct and up to date.

Wyna Modisapodi
Company Secretary
Pretoria

Directors' Report

The directors present the separate annual financial statements of the Company for the year ended 31 March 2022.

1. Nature of business

Etion Limited is the legal holding company (herein referred to as the Company or Etion) and Etion Limited Group comprises a group of companies (herein referred to as the Group).

Etion is a technology investment company that invests in digital technologies that advance humanity.

The Group creates value by designing and manufacturing custom-designed and generic solutions, by acting as a distributor and a systems integrator of technology-based products, by operating an internationally recognised Trust Centre and developing software solutions for the global market.

2. Review of activities

The Company operates principally in South Africa.

The Company develops, produces, distributes and integrates niche world class technology-driven engineering solutions for harsh environments within our market segments. Refer to note 34 for further information on the market segments of the Company.

The operating results and state of affairs of the Company are fully set out in the attached financial statements. The Company’s results have improved from the prior year with a net profit of R99.180 million (net profit 2021: R41.256 million), after taxation debit of R40.632 million (2021: R1.118 million credit).

On 20 April 2021, Etion announced that it had entered into an agreement with Altron TMT SA Group ("Altron") to sell 100% of Law Trusted Third Party Services (Pty) Ltd ("LAWTrust"). Following the approval of the sale by the Competition Tribunal on 20 September 2021 and fulfilment of all other conditions, the disposal was concluded, and transfer of ownership occurred with effect from 1 October 2021. A gain on disposal of subsidiary amounting to R121.473 million has been recognised in the current financial year as a result of the transition.

The Company also earned dividend income of R124.689 million during the year.

3. Share capital

The Company's authorised share capital remained unchanged at 1,725,490,496 shares (2021: 1,725,490,496 shares). There has been no changes to the issued share capital.

4. Repayment of contributed capital

During the current year the Board approved and declared a special gross dividend of 33 cents per ordinary share (2021: NIL), from a reduction of contributed capital, as a result of the successful conclusion of the disposal of Etion’s shareholding in Law Trusted Third Party Services (Pty) Ltd.

The reduction of contributed capital amounted to R186.256 million.

5. Borrowing limitations

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

Directors' Report

6. Going concern

We draw attention to the fact that at 31 March 2022, the company had accumulated profits of R 87.494 million (2021: R 12.705 million accumulated loss).

We are continually monitoring the COVID 19 outbreak and developments closely. The Company follows guidance from the World Health Organisation and abides by the requirements as activated by local governments. The Board undertakes regular rigorous assessment of whether the Company is a going concern in light of current economic conditions and available information about future risks and uncertainties.

Subsequent to the receipt of Altron's final payment, and the conclusion of the sale of Create and Connect, Etion will focus on winding up the Corporate head office and commence with the process to delist from the JSE AltX, subject to Board and shareholder approval, by distributing the cash proceeds to shareholders in the most efficient manner.

The directors have reviewed the Company's budget, projections of its expected profitability and related cash flow forecasts for the year ending March 2023 which confirm that the Company has sufficient capital, liquidity and a positive future performance outlook to continue to meet its obligations. On this basis and in light of the Company's current financial position, the directors are satisfied that the Company will continue to operate for the foreseeable future, even when considering the imminent disposal of Create and Connect and have therefore adopted the going concern basis in preparing these annual financial statements.

7. Material events after year end

Disposal of Create

On 20 May 2022, Etion entered in a sale of shares agreement to sell 100% of its shareholding in Etion Create (Pty) Ltd ("Create") to Reunert Applied Electronics Holdings Proprietary Limited ("Reunert") for a disposal consideration of approximately R197 million (limited to a maximum of R210 million).

The disposal is subject to the fulfilment or waiver of several outstanding conditions precedent by no later than 20 November 2022, including inter alia the approval from the Competition Commission and shareholders of Etion pursuant to the JSE Limited Listings Requirements. A circular to shareholders outlining all the pertinent information to the transaction will be posted on 1 August 2022 with the general meeting to approve the transaction to be held on 30 August 2022.

Disposal of Connect

On 28 June 2022, Etion entered into a sale of business agreement to sell the assets and operations of Etion Connect (Pty) Ltd ("Connect"), as a going concern, to a newly formed entity consisting of a third party equity partner as well as the executive management of Connect for a disposal consideration of R71.5 million.

The disposal is subject to the fulfilment or waiver of several outstanding conditions precedent customary to a deal of this nature by no later than 28 September 2022.

KwaZulu Natal floods

While Etion continues to monitor the potential impact of the KwaZulu Natal floods, our preliminary assessments indicate that our operating activities have been largely unaffected by these events.

Potential risks identified include:

- Delayed/non-payment from customer - The geographical locations within which we operate have not been impacted by the floods, with business continuing as usual. The Company has not received any specific communications from customers that would cause concern around their ability to meet their short-term obligations.
- Supply chain - We have not experienced any major disruptions or delays in the procurement of goods and services.

These risks and other emerging risks are monitored on an on-going basis by the Company executive management team and in line with the operation's business continuity plans. While every effort is being made to manage these risks, we are unable to quantify the future impact that this may have on the Company.

No other matter or circumstance has occurred subsequent to year-end but before the financial statements were issued that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the entity at the reporting date, other than the events disclosed above.

Directors' Report

8. Material events during the financial year

Impact of COVID 19

While every effort has been made to quantify the future impact that the virus will have on the Company, the situation remains fluid following the lifting of National State of Disaster and the termination of most of the mandatory measures put in place to curb the spread of virus. In light of the country's transition from these measures and the uncertainty regarding the pace of the recovery of social and economic activity to pre pandemic levels, management has conducted a review of all possible financial effects the virus could have on the measurement, presentation and disclosure provided. The results of this assessment are disclosed in note 40 to the financial statements.

Impact of war in Ukraine

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g., Belarus) or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation, global supply chain disruption and weakening the global post COVID 19 pandemic recovery.

In light of the broader impact on these macroeconomic conditions, and as the events arising from Russia's invasion of Ukraine occurred before the reporting date with continued impacts after the reporting date, the Company considers this to be an adjusting post balance sheet event and has thus performed an assessment as to the potential financial effects arising from the war in Ukraine. Our current assessments indicate that the Company has been largely unaffected by these events with possible emerging risks being monitored on an on going basis by the Company's executive management team and in line with the operation's business continuity plans. The Company has no operations in Ukraine, Russia or neighbouring countries, and the Company's operations do not rely on exports from these countries. While every effort is being made to manage these risks as they emerge, the situation remains volatile, and we are unable to quantify the future impact that this may have on the Company.

9. Directors' interest in stated capital and contracts

At 31 March 2022, the directors in aggregate, were directly or indirectly beneficially interested in 168,994,753 ordinary shares (2021: 168,994,753), equivalent to 29.94% (2021: 29.94%) of the issued ordinary shares of Etion Limited. The directors' interest in the ordinary issued share capital of the Company as at 31 March 2022, is set out in the following table:

Number of shares held beneficially

Directors	2022 Direct	2022 Indirect	2021 Direct	2021 Indirect
Executive				
R Willis *	-	1,549,342	-	1,549,342
Non-executive				
T Daka	45,062,745	102,674,375	45,062,745	102,674,375
CP Bester	-	19,708,291	-	19,708,291
	45,062,745	**123,932,008**	**45,062,745**	**123,932,008**

* R Willis is a director of Conexus Trustees (Pty) Ltd, the corporate trustee of Conexus Capital Growth Fund ("CCGF"). CCGF is a bewind trust meaning that the trustees have administrative powers over the management of the assets; the beneficial ownership of the assets vest directly in the beneficiaries. CCGF owns 78,000,000 shares in Etion which approximates 13.82% of the issued share capital. The Willis Family Trust is the beneficial owner of 1,549,342 shares administered by the trustees of the CCGF.

There has been no change in the directors' interest in the ordinary issued share capital between the end of the financial year and the date of approval of the separate annual financial statements.

Directors' Report

10. Directors

The directors of the Company during the period and at the date of this report are as follows:

Directors	Designation	Changes
T Daka	Non-executive	
CP Bester	Independent non-executive	
EC De Kock	Non-executive	Resigned as CEO, 31 May 2021 and moved to non-executive director with the effect from 01 June 2021
R Willis	Executive	Appointed as acting CEO, effective 01 June 2021
MJ Janse van Rensburg	Independent non-executive	
N Naidoo	Executive	
Z Ntsalaze	Independent non-executive	Appointed 01 September 2021

Etion experienced several changes to the composition of its Board and executive leadership during FY2022.

Elvin de Kock, former Group CFO, who succeeded Teddy Daka as Group CEO, resigned from this role with effect from 31 May 2021 due to personal reasons, but agreed to remain on the Board as a non-executive director from 1 June 2021. The Board appointed Richard Willis as acting Group CEO. Richard has been a non-executive director since 2018 and is suitably qualified to maintain executive management continuity and oversee the disposal process of the remaining operating entities. Zuziwe Ntsalaze was appointed as a non-executive director with effect from 1 September 2021.

Directors' remuneration

Details of directors' remuneration are set out in note 37 to the separate annual financial statements.

Directors' and prescribed officers' interests in contracts

No material contracts in which directors and prescribed officers have an interest were entered into in the current financial year (2021: none).

11. Secretary

The Company's designated Company secretary is Mrs Wyna Modisapodi, situated at 85 Regency Drive, Route 21 Corporate Park, Irene, Pretoria.

12. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa.

13. Auditor

PricewaterhouseCoopers Inc. were appointed as the auditor for the Company during the past financial year. At the Annual General Meeting, the shareholders will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditor of the Company and to confirm Herman Eksteen as the designated lead audit partner for the 2023 financial year.

14. Special resolutions

The following special resolutions were passed on 29 September 2021 at the annual general meeting:

- Remuneration of non-executive directors;
- Remuneration of non-executive directors for ad hoc board committee meetings;
- Inter-Company financial assistance;
- Financial assistance for subscription/or acquisition of shares in the Company or a related or inter-related Company;
- General authority to repurchase shares.

Directors' Report

15. Company financial statements

The separate annual financial statements of the Company, Etion Limited, are available on the Company's website: *www.etion.co.za*.

Independent auditor's report

To the Shareholders of Etion Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Etion Limited (the Company) as at 31 March 2022, and its separate financial performance and its and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Etion Limited's separate financial statements set out on pages 19 to 79 comprise:

- the separate statement of financial position as at 31 March 2022;
- the separate statement of profit or loss and comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Impairment assessment of Investment in subsidiaries Details regarding this matter have been disclosed in note 8 (Investment in subsidiaries) to the separate financial statements. Key indicators of impairment included the market capitalisation of Etion Limited being below the net asset value of the Company together with the sale of subsidiaries, Etion Create Proprietary Limited ("Create") and Etion Connect Proprietary Limited ("Connect"). Due to the business acquisitions made by the Company in the prior years, the Company's net assets include a significant amount of investment in subsidiaries of R22.9 million as at 31 March 2022, net of an R87 million impairment charge on the investment in Parsec Holdings (Parsec Holdings) Proprietary Limited during the current year, refer to note 26 (Expenses by nature) . Parsec Holdings declared its shares of in its subsidiary, Create, as a dividend in specie to Etion Limited. As a result of the decrease in value of Parsec Holdings, the Company recognised an impairment of R87.115 million on its investment in Parsec Holdings. The recoverable amounts of the investments in Create and Connect were determined based on the highest of the value-in-use and the fair value less costs to sell.	We performed the following audit procedures to test the impairment assessments on the investment in subsidiaries: • Compared the fair value of the Parsec Group consisting of Parsec Holdings Proprietary Limited and Parsec Properties Proprietary Limited ("Parsec Properties") to the carrying value of the investment property held by Parsec Properties. As this investment property is recognised at fair value, that carrying amount approximates the majority of the fair value of the Parsec Group. We noted no material exceptions; • We compared the fair value of the Parsec Group to the carrying value of the investment in Parsec Holdings, and noted an impairment. We noted no material exceptions with respect to the impairment charge as calculated by management; • Using our valuation expertise, we evaluated whether the Create and Connect "fair value less cost of disposal" methodology applied by management is an appropriate valuation methodology to be based on their classification as held for sale at year end. Based on the work performed, we accepted that the valuation methodology is consistent with market practice;

pwc

Key audit matter	How our audit addressed the key audit matter
Based on the assessment performed, the recoverable amounts (being the fair value less costs to sell) of the businesses exceed their net asset value (carrying amount) as at 31 March 2022 and therefore no impairment was considered necessary by the Company. We considered the impairment assessment of the investment in subsidiaries to be a matter of most significance to the current year audit due to: • The significant judgements made by management regarding the fair value calculation in the determination of the recoverable amount of the investment in subsidiaries; and • The magnitude of the investment in subsidiaries in relation to the Company's total assets.	• Using our valuation expertise, we independently assessed the Create and Connect transaction value in the Sales and Purchase agreement against market practise and comparable market transactions and found it to be consistent; • Using our valuation expertise, we compared the cost of disposal estimated by the Company to its prior transactions, and found it to be consistent; • We compared Connect and Create's fair value less costs of disposal to their carrying values. No impairments were noted for these investments; and • We assessed the appropriateness of the disclosure in the separate financial statements for the investments' impairment considerations.
Non-current asset held for sale in terms of IFRS 5 Refer to note 15 (Non-current assets held for sale) and note 4(g) (Critical accounting estimates and judgements - Date of classifying investments in Create and Connect as a Non-current assets held for sale in terms of IFRS 5 Non-Current Assets Classified as Held for Sale) to the separate financial statements. On 18 March 2022 and 28 March 2022 respectively, management concluded that subsidiaries, Connect and Create met the criteria to be classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5") in the financial statements for year ended 31 March 2022.	Using our accounting expertise, we assessed management's classification of the investments in Connect and Create as held for sale against the requirements of IFRS 5 and noted no matters for further consideration. We reviewed management's assessment, as well as the Etion Board approvals regarding the dates that Connect and Create were classified as held for sale respectively to ensure that all relevant criteria of IFRS 5 have been met. No exceptions were noted in this regard. We also reviewed management's assessment of whether the investments held for sale were at the lower of the carrying amount and fair value less cost to sell.

Key audit matter	***How our audit addressed the key audit matter***
The application of IFRS 5 was considered to be a matter of most significance to the current year audit because these transactions and the accounting thereof are non-routine and therefore susceptible to a higher risk of material misstatement. Management's judgements include amongst others, the likelihood of shareholder approval, the dates of classification of the non-current assets as held for sale, and the valuation of the investments at the lower of carrying amount and fair value less costs to sell.	We compared the fair value less costs to sell of the investments to the agreed sales considerations and compared the costs to sell to prior comparable transactions undertaken by the Company. No exceptions were noted. We assessed the appropriateness of the disclosures in the separate financial statements as set out in Note 15 against the requirements of IFRS 5.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Etion Annual Consolidated financial statements for the year ended 31 March 2022"*, and the document titled "*Etion Limited Separate annual financial statements for the year ended 31 March 2022*", which includes the Directors' Report, the Audit and Risk Committee's Report and the Certificate from the company secretary as required by the Companies Act of South Africa which we obtained prior to the date of the audit report, and the document titled *"Etion Limited Integrated Report 2022"* which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the separate financial statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Etion Limited for 7 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director:Herman Badenhorst Eksteen
Registered Auditor
Johannesburg, South Africa
15 July 2022

Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R '000	2021 R '000
Assets			
Non-Current Assets			
Property, plant and equipment	5	56	309
Right-of-use assets	6	17,661	20,825
Intangible assets	7	-	313
Investments in subsidiaries	8	22,964	158,798
Deferred tax	9	3,714	25,323
		44,395	**205,568**
Current Assets			
Inventories	11	-	4,103
Trade and other receivables	12	1,526	3,754
Contract assets	13	-	949
Current tax receivable		777	-
Other financial asset	10	30,000	-
Cash and cash equivalents	14	50,538	3,183
		82,841	**11,989**
Non-current assets held for sale	15	66,481	114,619
Total Assets		**193,717**	**332,176**
Equity and Liabilities			
Equity			
Share capital	16	73,285	259,541
Retained income/(Accumulated loss)		87,494	(12,705)
		160,779	**246,836**
Liabilities			
Non-Current Liabilities			
Related party loans	17	-	4,519
Interest bearing borrowings	18	-	16,046
Lease liabilities	6	20,612	22,945
		20,612	**43,510**
Current Liabilities			
Tade and other payables	20	1,184	18,303
Related party loans	17	8,809	8,809
Interest bearing borrowings	18	-	9,834
Lease liabilities	6	2,333	1,777
Provisions	21	-	2,600
Financial guarantee liabilities	19	-	507
		12,326	**41,830**
Total Liabilities		**32,938**	**85,340**
Total Equity and Liabilities		**193,717**	**332,176**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2022 R '000	2021 R '000
Revenue	22	140,830	71,014
Cost of sales	23	(2,800)	(4,147)
Gross profit		**138,030**	**66,867**
Other income	24	5,780	4,219
Other gains	25	580	1,016
Movement in credit loss allowances	12	(12,391)	(45)
Other operating expenses	26	(110,972)	(25,534)
Gains on disposal of subsidiary	8	121,473	-
Operating profit		**142,500**	**46,523**
Finance income	28	1,628	1
Finance costs incurred	29	(4,316)	(6,386)
Profit before taxation		**139,812**	**40,138**
Income tax (expense)/income	30	(40,632)	1,118
Profit for the year		**99,180**	**41,256**
Other comprehensive income		-	-
Total comprehensive income for the year		**99,180**	**41,256**

Earnings per share

	Note(s)	2022	2021
Per share information			
Basic and diluted earnings per share (cents)	32	17.57	7.31

Statement of Changes in Equity

	Share capital R '000	Retained income/ (Accumulated loss) R '000	Total equity R '000
Balance at 01 April 2020	**259,541**	**(53,961)**	**205,580**
Profit for the year	-	41,256	41,256
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**41,256**	**41,256**
Balance at 01 April 2021	**259,541**	**(12,705)**	**246,836**
Profit for the year	-	99,180	99,180
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**99,180**	**99,180**
Profit on disposal of business under common control *	-	1,019	1,019
Reduction of contributed share capital	(186,256)	-	(186,256)
	(186,256)	**1,019**	**(185,237)**
Balance at 31 March 2022	**73,285**	**87,494**	**160,779**
Note(s)	16		

The accounting policies on pages 23 to 34 and the notes on pages 35 to 79 form an integral part of the separate annual financial statements.

* On 31 March 2022, Etion Limited sold Etion Digitise ("Digitise"), which functions as a division and reportable segment (refer to note 34) within Etion Limited, to its wholly owned subsidiary Etion Create. Please refer to note 40 for further detail.

Statement of Cash Flows

	Note(s)	2022 R '000	2021 R '000
Cash flows from operating activities			
Cash receipts from customers		136,713	86,666
Cash paid to suppliers and employees		(141,471)	(88,967)
Cash generated from operations	31	(4,758)	(2,301)
Finance income received		1,628	1
Dividends received		76,405	27,327
Finance costs paid		(2,519)	(2,679)
Tax paid		(19,800)	-
Net cash generated from operating activities		**50,956**	**22,348**
Cash flows from investing activities			
Proceeds from disposal of investment in subsidiary		206,092	-
Cash outflows from common control transaction		(4,941)	-
Net cash (used in) investing activities		**201,151**	**-**
Cash flows from financing activities			
Special distribution: Reduction of contributed capital (issued share capital) paid	16	(186,256)	-
Financing repaid to related party loans	17	(4,518)	(14,565)
Financing advanced from related parties		15,000	-
Interest bearing borrowings repaid	18	(25,880)	(6,417)
Payment on lease liabilities	6	(1,777)	(1,366)
Finance costs paid *	29	(1,320)	(2,155)
Net cash utilised in financing activities		**(204,751)**	**(24,503)**
Total cash movement for the year		**47,356**	**(2,155)**
Cash and cash equivalents at the beginning of the year		3,182	5,338
Total cash and cash equivalents at end of the year	14	**50,538**	**3,183**

* The total interest paid was R 3.839 million (2021: R 4.848 million)

The cash flow statement has been prepared on the direct method. Note 31 has been included for more detail for the users of the financial statements.

Significant Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these separate annual financial statements are set out below. These accounting policies are consistent with the previous year.

1.1 Basis of preparation

The separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), SAICA and Financial Reporting Council (FRC) guidelines, the JSE Listings Requirements and the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention on a going concern basis, and presented in South African Rand (rounded to the nearest R'000), which is the Company's functional and presentation currency.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property, plant and equipment are tangible assets which the Company holds for its own use or for rental to others and which are expected to be used for more than one year.

Property, plant and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment (including directly attributable costs in bringing the asset to its location and condition necessary for it to be capable of operating in the manner that management intended) and costs incurred subsequently to add to, replace part of, or service it to the extent it is probable that future economic benefits will flow to the Company and the cost can be measured reliably. Day-to-day servicing costs are expensed. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the replaced part is derecognised.

The carrying values of property, plant and equipment are reviewed when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Land is not depreciated. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. If the expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or is derecognised.

The estimated useful lives of the major categories of property, plant and equipment are:

Plant and machinery	5 – 10 years
Furniture and fittings	6 years
Motor vehicles	5 – 7 years
Office equipment	4 – 7 years
Computer and electronic equipment	3 years
Laboratory equipment	3 – 18 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Significant Accounting Policies

1.3 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of a business is included in intangible assets. Goodwill is tested for impairment annually, as well as when there is any indication of possible impairment, and carried at cost less accumulated impairment losses. Impairment losses are not reversed. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

1.4 Decrease in inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs but excludes interest expenses. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable selling expenses. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When decrease in inventories are sold, the carrying amount of those decrease in inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.6 Revenue recognition

The Company recognises revenue as the amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services when (or as) it transfers control to the customer, as well as management fees and dividends received.

The Company's revenue is derived from contracts with customers. Revenue can be classified into the following categories:
- sale of goods manufactured;
- sale of finished goods;
- sale of designed, developed and project services;

The Company recognises revenue when a customer obtains control of the goods or services. Determining the timing of the transfer of control over-time or at a point in time requires judgement and is determined as detailed below. Revenue is recorded based on the price specified in the contract. No discounts or rebates are provided. No element of financing is deemed present as the sales are usually made with a credit term of 30 days, which is consistent with market practice. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. The Company does not sell extended warranties.

Sale of finished goods and sale of goods manufactured
Sale of finished goods relates to where the Company on sells finished products procured to the end customer. Sale of goods manufactured relates to products that are manufactured and sold to clients based on the customers' or the Company's own specifications.

Customers obtain control of the "goods" when the goods are delivered to the location as specified. Delivery occurs when the goods have been shipped to the specific location and the customer has accepted the goods by means of a signed delivery receipt (performance obligation is satisfied at a point in time).

1.6 Revenue recognition (continued)

Sale of designed, development and project services
Sale of designed, development and project services relates to a range of services offered to the market in which we operate. Services also include the provision of maintenance and support services for these solutions, which entails a separate performance obligation.

Revenue from providing "services" is recognised in the accounting period in which the services are rendered.
For the sale of design, development and project services, revenue is recognised over time by using the input method as reference to costs incurred to date as a percentage of total expected costs to be incurred at the end of the reporting period. Revenue from services is price based on the individual performance obligation.

The Company determined that the input method is the best method in measuring progress of the sale of design, development and project services as well as installation, maintenance and support services because there is a direct relationship between the Company's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Company recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service or with reference to costs incurred to date as a percentage of total expected costs to be incurred at the end of the reporting period, depending on the nature of the contract.

Management fees
Revenue from providing management and admin services is recognised in the accounting period in which the services are rendered.

Dividend received
Dividend income is recognised when the right to receive payment is established.

1.7 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all profits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.8 Current and deferred income tax expense

Income tax expense

The income tax expense for the year comprises current and deferred tax. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax for current and prior years is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as an asset.

Significant Accounting Policies

1.8 Current and deferred income tax expense (continued)

Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised, for the carry forward of unused tax losses, to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

1.9 Leases

The Company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Company is a lessee, except for short-term leases.

Short term leases and leases of low value assets

Short term leases are leases with a lease period of 12 months or less.

Leases of low value assets are leases of assets to the value of R350,000 which comprises of low value printers, coffee machines and water coolers.

For these leases, the Company recognises the lease payments as an operating expense (note 26) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Details of leasing arrangements where the Company is a lessee are presented in note 6 Leases (Company as lessee).

Significant Accounting Policies

1.9 Leases (continued)

Lease liability

The lease liability is presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 26).

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The interest charged on the lease liability, determined with reference to the interest rate implicit in the lease or the Company's incremental borrowing rate (note 4(d)), is included in finance costs incurred (note 29).

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the right-of-use asset comprise the following:
- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease and is presented as other operating expenses (note 26).

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy 1.2 for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

When the Company or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised. On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancellation costs in profit or loss.

1.10 Financial instruments

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below:

Broadly, the classification, which are adopted by the Company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Significant Accounting Policies

1.10 Financial instruments (continued)

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost.

Note 3 Financial instruments and risk management presents the financial instruments held by the Company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Trade and other receivables
Classification
Trade and other receivables, excluding, when applicable, VAT, employee costs paid in advance and prepayments, are classified as financial assets subsequently measured at amortised cost (note 12).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement
Trade and other receivables are recognised when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at the transaction price.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment
The Company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT, employee costs in advance and prepayments. The amount of expected credit losses (ECL) is updated at each reporting date.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL) based on the simplified approach, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses (ECL)
The Company makes use of an ECL calculation to determine expected credit losses on trade and other receivables.

The calculation is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is segmented into groups that are considered to exhibit similar credit risks and behaviour. Specific exposures are evaluated separately and where relevant given different ECLs. Methods used for these, include:
- use of published ratings adjusted as appropriate;
- calculation of PD and LDG using Moody’s Analytics’ “RiskCalc” SA Company financial statement model; and
- database and/or alternate techniques, including decision trees, that take into account specific circumstances.

Concentrated positions including material account balances or atypical customers are provided with separate ECLs where appropriate. Details of the critical judgements and assumptions applied in calculating the loss allowance is in note 4(b) and 12.

Significant Accounting Policies

1.10 Financial instruments (continued)

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is presented separately on the Statement of Profit and Loss and Other Comprehensive Income.

Write off policy
The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit Risk
Details of credit risk are included in trade and other receivables (refer to note 12) and the financial instruments and risk management (refer to note 3).

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments (subject to insignificant changes in value) with original maturities of three months or less and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently measured at amortised cost.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. If collection is expected in one year or less (or in the normal operating cycle of the business), they are classified as current liabilities. Where this is not the case, they are presented as non-current liabilities.

Financial guarantees
Financial guarantees comprise the ECL provision for group guarantees. This is based on the guarantees issued as part of facilities agreements entered into with financial institutions. The guarantees are valued based on the risk of the counter-party whose obligations have been guaranteed. The initial recognition is valued at the time of origination and subsequently reflected at the higher of the ECL based on the banking facilities being guaranteed as at year end, and the amortised cost of the ECL on the banking facility at the time of origination. The fair value of the liability on initial recognition is recognised in the Statement of Profit or Loss and Other Comprehensive Income. The annual movement in the financial guarantee value is recognised as an income or expense in the Statement of Profit or Loss and Other Comprehensive Income.

Bank overdraft and borrowings
Bank overdrafts and borrowings are recognised initially at fair value, net of transaction costs incurred. Bank overdrafts and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Bank overdrafts and borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Derivatives
Derivative financial instruments, which are not designated as hedging instruments, consisting of futures and option contracts are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss and presented as other gains/ (losses) (note 25).

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Significant Accounting Policies

1.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.13 Contract assets/ contract liabilities

1.13.1 Contract Assets

The value of contract assets comprises the selling price for services rendered up to and including reporting date, which cannot be invoiced at this date due to contractual milestones not yet reached, and the unconditional right to payment not being present. The measurement is based on the percentage of completion method for fixed price development contracts. Contract assets are presented and measured net of allowances for expected credit losses.

1.13.2 Contract liabilities

The value of contract liabilities comprises the excess of cash receipts over invoiced amounts for services rendered recognised up to and including reporting date. The measurement is based on the percentage of completion method for fixed price development contracts.

Revenue is recognised over time by using the input method as reference to costs incurred to date as a percentage of total expected costs to be incurred at the end of the reporting period.

Significant Accounting Policies

1.14 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised immediately in profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that incurred an impairment are reviewed for possible reversal of the impairment at each reporting date.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Goodwill acquired in a business combination is, from the acquisition date, attributable to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is attributable represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 "Operating segments" before aggregation.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset (other than goodwill) attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and as the employee renders the services. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

Significant Accounting Policies

1.15 Employee benefits (continued)

Bonus plans

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where past practice has created a constructive obligation.

1.16 Dividend distribution

Dividend distributions to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the directors.

1.17 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment in the Company's Separate Annual Financial Statements. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus

- any costs directly attributable to the purchase of the subsidiary.

Investments in subsidiaries are reviewed at each reporting date for any indication of impairment, should an impairment loss exist. The loss is immediately recognised in profit or loss.

1.18 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Headline earnings per ordinary share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2021 issued by the South African Institute of Chartered Accountants (SAICA).

1.19 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end. The amortisation is included in operating expenses in the profit or loss.

An intangible asset arising from internal developments (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Significant Accounting Policies

1.19 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets include the following:

Internally generated intangible assets (development of intellectual property)

Costs associated with the maintaining of internally generated intangible assets are recognised as an expense. Costs that are directly associated with the development or enhancement of identifiable and unique products or features that is under the control of the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing the products, an appropriate portion of relevant overheads as well as any hardware utilised in the development process.

Development costs on internally generated intangible assets are amortised over their useful lives.

Externally acquired computer software

Costs associated with the maintaining of externally acquired computer software are recognised as an expense.

Costs of externally acquired computer software products recognised as intangible assets are amortised over their useful lives.

Intangible assets are amortised over the following periods:

Item	Average useful life/ amortisation period
Externally acquired	
Computer software	2 years
Internally generated (developed products):	
Rail products	2 years
Redview	3 years

1.20 Segment reporting

The segment information has been prepared in accordance with IFRS 8 Operating segments, which requires disclosure of financial information of an entity's operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

A segment is a distinguishable component of the Company engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

The Company operates within one operating segment and its principle activity is:
- Etion Digitise: Safety and Productivity Solutions (SPS)

On 31 March 2022, Etion Limited sold Etion Digitise ("Digitise"), to its wholly owned subsidiary Etion Create. The profit for the year, up to and including 31 March 2022, attributable to the Digitise segment is included in the Statement of Profit or Loss and Other Comprehensive Income. Assets and liabilities attributable to the Digitise segment have been sold to Create on 31 March 2022 and therefore are not reflected in the Statement of Financial Position at 31 March 2022. Please refer to note 40 for further detail.

Significant Accounting Policies

1.21 Non-current assets (disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use, and the sale is considered highly probable. They are measured at the lower of its carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised in profit or loss.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. The results of discontinuing operations are presented separately in the Statement of Comprehensive Income.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

1.22 Common control transactions

Transactions in which combining entities are controlled by the same party or parties before and after the transaction and where control is not transitionary are referred to as common control transactions. An acquiring entity accounts for a common control transaction at book values (which represent the value per the highest level of consolidation) of the selling entity. The excess of the purchase consideration over the acquirer's proportionate share of the net asset value is recognised directly in equity. There is no re-presentation of comparative information.

Notes to the Separate Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 9 'Financial Instruments'	01 January 2021	No material impact
• IAS 39 'Financial Instruments: Recognition and Measurement'	01 January 2021	No material impact
• IFRS 7 'Financial Instruments: Disclosures'	01 January 2021	No material impact
• IFRS 16 'Leases' - interest rate benchmark (IBOR) reform (Phase 2)	01 January 2021	No material impact

2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company’s accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact

3. Financial Instruments - Fair Value and Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Notes to the Separate Annual Financial Statements

3. Financial Instruments - Fair Value and Risk Management (continued)

Risk management is carried out by the Board of Directors.

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Amortised cost	Total	Fair value
Trade receivables	12	1,155	1,155	1,155
Sundry debtors	12	20	20	20
Cash and cash equivalents	14	50,538	50,538	50,538
Other financial asset	10	30,000	30,000	30,000
		81,713	**81,713**	**81,713**

2021

	Note(s)	Amortised cost	Total	Fair value
Trade receivables	12	3,574	3,574	3,574
Retention debtors	12	180	180	180
Cash and cash equivalents	14	3,183	3,183	3,183
		6,937	**6,937**	**6,937**

Categories of financial liabilities

2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	20	1,020	-	1,020	1,020
Related party loans	17	8,809	-	8,809	8,809
Lease Liabilities	6	-	22,945	22,945	22,945
		9,829	**22,945**	**32,774**	**32,774**

2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	20	17,917	-	17,917	17,917
Related party loans	17	13,328	-	13,328	13,328
Interest bearing borrowings	18	25,880	-	25,880	25,880
Lease liabilities	6	-	24,722	24,722	24,722
Financial guarantee liabilities	19	507	-	507	507
		57,632	**24,722**	**82,354**	**82,354**

3. Financial Instruments - Fair Value and Risk Management (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 6, 17 and 18, cash and cash equivalents disclosed in note 14, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

The gearing of the Company is considered by the directors at regular meetings of the Board to ensure the gearing is sufficient for the Company at that time, taking cognisance of the funding requirements as well as the forecasted cash flow of the Company at that point in time. There is no optimal or targeted gearing ratio defined but the aim is to ensure that a healthy gearing ratio for the Company is maintained throughout. A gearing ratio higher than 50% is typically considered highly geared. A gearing ratio lower than 25% is typically considered low-risk by both investors and lenders. A gearing ratio between 25% and 50% is typically considered optimal or normal for well-established companies.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total 'borrowings' (including current and non-current 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents'. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

During the current financial year the Board approved and declared a special gross dividend of 33 cents per ordinary share (2021: NIL), from a reduction of contributed capital. The reduction of contributed capital amounted to R186.256 million. Furthermore a portion of the cash proceeds received from the disposal of the investment in LAWTrust was utilised to settle R21.4 million outstanding on the Company's medium-term Nedbank loan.

The gearing ratio at 2022 and 2021 respectively were as follows:

		2022 R '000	2021 R '000
Related party loans	17	8,809	13,328
Borrowings		-	25,880
Lease liabilities	6	22,945	24,722
Less: Cash and cash equivalents	14	(50,538)	(3,183)
Net debt		**(18,784)**	**60,747**
Equity		160,779	246,836
Total capital		**141,995**	**307,583**
Gearing ratio		(13)%	20 %

The decrease in the Company's net debt and resultant improvement in the gearing ratio is as a result of the net cash position at the end of the year and the settlement of its medium term loan with Nedbank.

3. Financial Instruments - Fair Value and Risk Management (continued)

Financial risk management

Credit risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents, financial guarantees, deposits with banks and financial institutions as well as credit exposures to large customers, including outstanding receivables and committed transactions. For banks and financial institutions, only the big four banks in South Africa are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial guarantees

The financial guarantee contract exposes the company to credit risk, being the risk that the company will incur financial losses if guaranteed parties fail to make payments when called upon by the bank. The maximum exposure to credit risk is the nominal value. During the current financial year, the facilities held by the Company were fully repaid.

Cash and cash equivalents

The Company's exposure to credit risk is limited by investing in highly liquid investments that are readily convertible to a known amount of cash. The Company holds cash and cash equivalents with reputable financial institutions.

The credit quality of cash at bank and short term deposits, excluding cash on hand, can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

	2022 R '000	2021 R '000
Credit rating		
Ba1: Nedbank, Standard Bank and ABSA	50,538	3,183

Trade receivables, cash and cash equivalents, contract assets, and other financial assets

Refer to note 10, 12, 13 and 14 for credit risk disclosures.

Expected credit losses are recognised for all debt instruments.

Overview to maximum exposure of credit risk

The maximum exposure to credit risk is presented in the table below:

		2022			2021		
		Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost / fair value R'000	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost / fair value R'000
Trade receivables	12	1,168	(13)	1,155	3,639	(65)	3,574
Sundry debtors	12	12,368	(12,348)	20	-	-	-
Retention debtors	12	-	-	-	180	-	180
Contract assets	13	-	-	-	949	-	949
Cash and cash equivalents	14	50,538	-	50,538	3,183	-	3,183
Financial guarantee liabilities	19	-	-	-	-	(507)	(507)
Other financial assets	10	30,000	-	30,000	-	-	-
		94,074	**(12,361)**	**81,713**	**7,951**	**(572)**	**7,379**

Notes to the Separate Annual Financial Statements

3. Financial Instruments - Fair Value and Risk Management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits on call of R3.306 million (2021: R3.183 million) and deposits on 7 day notice of R47.232 million (2021: Rnil) that are expected to generate cash flows for managing liquidity risk. The Company also maintains flexibility in funding through dividend income from subsidiaries to facilitate cash flow requirements when needed. A portion of cash generated from the sale of investments in subsidiaries may also be utilised for the running operating expenses of the Company as the Directors deem necessary.

Management monitors rolling forecasts of the Company's cash and cash equivalents on the basis of expected cash flows.

In addition, the company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these requirements. The company, as seen in the prior year, also considers receiving dividends from its subsidiaries as well as the proceeds of the Etion Create and Etion Connect disposals to facilitate cash flow requirements if need be.

The maturity profile of contractual cash flows of non-derivative financial liabilities are presented in the following table. The cash flows are the undiscounted contractual amounts:

2022

	Notes	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total contractual cash outflow**	**Carrying amount**
Non-current liabilities							
Lease liabilities	6	-	5,010	17,566	3,849	26,425	20,612
Current liabilities							
Trade and other payables	20	1,019	-	-	-	1,019	1,019
Related party loans	17	8,809	-	-	-	8,809	8,809
Lease liabilities	6	4,639	-	-	-	4,639	2,333
		14,467	**5,010**	**17,566**	**3,849**	**40,892**	**32,773**

3. Financial Instruments - Fair Value and Risk Management (continued)

2021

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash outflow	Carrying amount
Non-current liabilities							
Related party loans	17	-	4,519	-	-	4,519	4,519
Interest-bearing borrowings		-	11,254	5,627	-	16,881	16,046
Lease liabilities	6	-	4,639	16,266	10,159	31,064	22,945
Current liabilities							
Trade and other payables	20	17,917	-	-	-	17,917	17,917
Related party loans	17	8,809	-	-	-	8,809	8,809
Interest-bearing borrowings		11,321	-	-	-	11,321	9,834
Lease liabilities	6	4,296	-	-	-	4,296	1,777
Financial guarantee contracts *	19	507	-	-	-	507	507
		42,850	**20,412**	**21,893**	**10,159**	**95,314**	**82,354**

* Included in the table above, is the carrying amount. In the prior year, the maximum exposure regarding the financial guarantees was R35m. In the current year, the Nedbank medium term loan was settled in full thereby reducing the exposure regarding the financial guarantees to NIL.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risks arises from future commercial transactions as well as recognised assets and liabilities, denominated in a currency that is not the Company's functional currency.

Management uses Forward Exchange Contracts ("FEC's") and futures contracts to hedge certain foreign currency liabilities when and where applicable to manage the exchange risk on these transactions. No such hedging instruments exist at 31 March 2022 (2021: none). This is consistent with the method used in prior years.

As at 31 March 2022, any variation in the US Dollar rate would not have had an impact on the pre-tax profits as the Company did not have any foreign denominated assets or liabilities (2021: none).

Exposure in Rand

There were no foreign currency exposures at the end of the reporting period for both the current and prior years.

Interest rate risk

As the Company has interest bearing assets and liabilities, the Company's income and operating cash flows are partly dependent on changes in market rates. The Company's interest rate risk arises from long term borrowings, loans from related companies as well as cash and cash equivalents. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value risk. During the current year, interest bearing long term borrowings and loans from related companies were repaid off in full. During the prior year, the Company's borrowings at variable rates were only denominated in South African Rand.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and possible hedging. Based on the scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

3. Financial Instruments - Fair Value and Risk Management (continued)

Interest rate sensitivity analysis

	2022	2022	2021	2021
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Effect on earnings after tax - 100 basis point shift (2021: 50 basis point shift)	595	(595)	415	(415)

Price Risk

The Company is not exposed to equity securities or commodity price risk.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Refer to note 33 for the fair value disclosures.

The nominal value less loss allowance of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Financial guarantees

The financial guarantees provision is based on the risk of the counter-party whose obligations have been guaranteed. The type of credit loss model used to value these guarantees is based on ratings of the counter-party or Moody’s Analytics RiskCalc SA, financial statement PD and LGD models, adjusted for such items as implied group support.

(b) Expected credit loss allowances

The Company uses Moody's Analytics Impairment Suite (RiskCalc and ImpairmentCalc) and GCorr macro-economic factors, scenarios and forecasts in measuring expected credit losses on:

- Trade receivables
- Other receivables
- Contract assets
- Other financial assets

The trade receivables general book and contract assets use internal historical data to measure the probability of default ("PD") and loss given default ("LGD").

For all other measurements, provided there is sufficient financial information or a rating for the counter-party, RiskCalc is used. RiskCalc uses a very comprehensive multi-decade historical database of company financial information and default events to obtain PD and LGD measures.

Where there is not sufficient financial information available for a counter-party or where a judgemental method is considered more appropriate, management assess the cash flows likely to flow from the asset to arrive at an expected credit loss ("ECL").

4. Critical accounting estimates and judgements (continued)

PDs and LGDs are converted from Through-the-Cycle (“TTC”) to Point-in-Time (“PIT”) measures using Moody’s Analytics ImpairmentCalc product, which conditions these measures based on their database of validated historic macro-economic data and then calculates a forward-looking ECL using macro-economic forecasts with a probability weighted average of Moody’s Analytics’ economic forecasts and scenarios.

Multi-factor correlations of macroeconomic variables to defaults are acknowledged to be difficult to identify on this sample size and the identification process is very costly. We used the correlations provided by Moody’s Analytics’ ImpairmentCalc which are based on their study and statistical assessment of a limited number of suitable factors that have provided the highest correlation across the entire SA economy. These factors are not separately identified in their model, however the correlations to changes in GDP are provided, which is a major contributor to forward looking adjustments.

The scenarios used are as follows:

- Baseline Scenario (40% weighting) assumes GDP growth of 0.23% (2021: assumed GDP of 5.90%);
- Stronger Near-Term Rebound (30% weighting) assumes an increase in GDP of 1.5% (2021: assumed an increase in GDP to 7.19%); and
- Moderate Recession (30% weighting) assumes a contraction in GDP by 2.13% (2021: assumed a contraction in GDP to 1.45%)

Expected credit loss allowance - Trade receivables

The Company applies the IFRS 9 simplified approach in measuring ECLs on trade receivables, which requires a lifetime loss allowance.

To measure the expected credit losses, the trade receivables have been grouped based on shared credit risk characteristics and into common ageing buckets.

The impairment provision for trade receivables is measured using internal historical data over a 5 year period and provides a TTC probability of defaults and loss given defaults. These are then conditioned from TTC to forward looking rates with a credit cycle adjustment using Moody’s Analytics ImpairmentCalc tool and their forward looking macro-economic indicators and scenarios.

Material and concentrated exposures were assessed separately either using Moody's RiskCalc and the counter-party’s financial information and rating, and then conditioned using ImpairmentCalc or assessed judgementally by management.

The resultant PDs and LGDs were then converted into ECLs using the methods and assumptions described above.

At every reporting date these are re-measured using the same techniques and conditioned using the latest Moody’s Analytics credit cycle adjustment and forward looking indicators.

Additional key assumptions and inputs include the following:

- A default is classified as any amount that is not collected within 90 days of the start of the month in which it was invoiced. It is also at this point that the debtor is considered to be credit impaired; and
- The through-the-cycle LGD treats balances that are older than 6 months in default as losses.

Expected Credit Loss Allowances - Financial liability guarantees

The risk of the guarantee is measured at the date of issue and amortised to the financial period end date. This amortised cost is compared to the ECL measured on a 12 month or lifetime basis depending on the Stage. The ECL on has been calculated under the general approach.

The higher of the initial cost less amortisation and the ECL is recognised.

The risk of the guarantee was determined as the expected credit losses that will be occurred over the lifetime of the guarantee.

Guarantees were valued based on the risk of the counter-party whose obligations have been guaranteed. In this case the counter-party was Etion Limited.

Where a guarantee is for a revolving facility that does not have a fixed term, we assume the term to be 5 years. We assume the facility will be fully utilised unless there is a specific reason to expect lower utilisation even in times of financial stress by the borrower.

4. Critical accounting estimates and judgements (continued)

Where a guarantee is for a pre-settlement, contingent or similar type of facility, the facility size that is subject to ECL is not the full amount of this facility but is a portion thereof. The portion on which the ECL is calculated is the gross amount of the facility multiplied by the Credit Conversion Factor set out in Basel 2.

The PDs and LGDs were measured using Moody's Analytics RiskCalc. These are historical through-the-cycle PD and LGD measures.

The resultant PDs and LGDs were then converted into ECLs using the methods and assumptions described in note 4.6 (Measurement of expected credit losses).

Additional key assumptions and inputs include the following:

- The inputs into this were the year-end audited financial statements of the borrower for 2020 and 2021 and 2022 management accounts of the Group.
- Where the facility being guaranteed is cancelled and replaced during the year, the origination cost and amortisation of the previous facility is replaced by that of the new. The original facilities agreement was entered into on 6 March 2018 and was renegotiated on 30 September 2019.
- A 60 month behavioural term was assumed on the overdraft, general banking facilities and guarantee facility. The agreement with Nedbank does not set a renewal date and it is assumed that these will be renewed in 5 years.
- The asset based finance facility comprises a number of underlying instalment sale agreements - the term and amount outstanding on each agreement has been taken into account in calculating the ECL on the guarantee of this facility.
- For contingent and pre-settlement facilities, the Credit Conversion Factor used was 10% of the nominal amount of the facility.

(c) Incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, the lease terms, nature of the asset). The Company estimated the IBR using recent third-party financing received by Parsec Properties Proprietary Limited in respect to its property loan as a starting point. The reasonableness of using this rate as a reference is supported by the fact that other financing activities (overdraft facilities and installment sales agreements) conducted within the Etion Group have a cost of financing within a similar range. The rate (10.76%) (2021: 10.76%) was adjusted to make provision for certain entity-specific estimates such as the subsidiary's stand-alone credit rating, the lease term, nature of the asset and possible security. Refer to note 6.

(d) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings the following factors are the most relevant:

- There are significant penalties to terminate, but no penalties if Etion chooses not to extend. It is therefore reasonably certain that the company will not terminate or extend the lease.

- Leasehold improvements are not expected to have a significant remaining value, and this will not influence the company to extend (or not terminate) the lease.

- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Extension options in office building leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

As at 31 March 2022, the most significant lease being that of the office building was 4 years (2021: 3 years) into its 10 year lease term. It is reasonably certain that the Company will not consider extending the lease. Refer to note 6.

4. Critical accounting estimates and judgements (continued)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(e) Capitalisation of costs - Intangible Assets

The Company uses forecasted sales of products that are developed to determine if the costs capitalised are recoupable in the foreseeable future. Should it be determined that sales are not deemed to be enough to recoup the capitalised cost, the asset value is re-assessed and any impairment of the assets are recognised in the Statement of Profit or Loss and Other Comprehensive Income in that particular financial period.

(f) Deferred tax assets

The Company uses budgets and financial forecasts for the foreseeable future to estimate whether deferred tax assets are recoverable or not.

Management has reviewed the budget and financial plan of the Company and based on the profitability projected consider it probable that future taxable profits will be available against which the tax losses may be used, and the related deferred tax asset realised. Refer to note 9 for further detail.

(g) Date of classifying investment in Etion Create (Pty) Ltd and Etion Connect (Pty) Ltd as a Non-current assets held for sale in terms of IFRS 5 Non-Current Assets Classified as Held for Sale

The classification of the Company's investments in Etion Create (Pty) Ltd and Etion Connect (Pty) Ltd as held for sale was considered to be a matter of significant judgement due to the considerations applied by management in determining the classification of the investments as held for sale.

Investment in Etion Create

As at 28 March 2022, Etion Limited transferred its investment in Etion Create to non-current assets held for sale (refer note 15). The investment in Etion Create in the statement of financial position is presented as a non-current asset held for sale in the assets held for sale line item as at 31 March 2022. The Board approved the transaction on 11 May 2022 and the sales and purchase agreement was signed on 20 May 2022.

A programme to market and dispose of the Create business was launched in September 2021 with numerous engagements taking place between various interested parties and Etion in respect of the potential acquisition of the subsidiary. Following the receipt of a non-binding indicative expression of interest from Reunert and Etion’s acceptance thereof a confirmatory due diligence review was performed to allow for the submission of a binding undertaking from Reunert. The director’s approved the salient terms of the proposed transaction and accepted the binding undertaking to acquire a 100% of Create’s issued share capital from Etion as at 28 March 2022.

In order for Etion Create to be classified as "held for sale" the sale is required to be highly probable. As at 31 March 2022 the transaction still requires shareholder approval by way of a special resolution. The shareholder meeting for approval is only anticipated to take place in August 2022, after these financial statements have been authorised for issue.

Management applied their judgement and determined the sale of Etion Create to be highly probable based on the following circumstances:

- The sale is in an advanced stage;
- A significant percentage of shareholding is held by management or privately by individuals and institutions (53.72%);
- Discussions with major shareholders indicate that they will not oppose the special resolution; and
- Canvassing activities undertaken demonstrate that the majority of shareholders are most likely to vote in favour of the special resolution.

Investment in Etion Connect

As at 18 March 2022, Etion Limited transferred its investment in Etion Connect to non-current assets held for sale (refer note 15).The investment in Etion Connect in the statement of financial position is presented as a non-current asset held for sale in the assets held for sale line item as at 31 March 2022.

4. Critical accounting estimates and judgements (continued)

Given its strong management team, single key supplier and relationship with its anchor carrier customer, the most suitable exit strategy in respect to Etion Connect was determined to be a funded management buy-out ('MBO') alongside a minority equity partner. To this end, a number of the commercial banks, development funding institutions and private equity partners were approached during November 2021 to assess their interest in participating in a MBO of Etion Connect. Detailed discussions ensued between Etion, the Etion Connect management team and various interested parties and potential funders, resulting in the receipt of an equity term sheet from the preferred equity partner and a non-binding indicative term sheet from Standard Bank. The salient terms of the proposed MBO transaction and the acceptance of the equity term sheet from the preferred private equity partner and non-binding indicative term sheet from Standard Bank to fund the transaction was approved by the Etion Investment and Disposal Committee as at 18 March 2022.

In order for Etion Connect to be classified as "held for sale" the sale is required to be highly probable. As at 31 March 2022 the transaction still required final approval by Standard Bank's Credit Committee subject to the completion of a confirmatory due diligence review and the satisfaction of certain key conditions precedent related to the business's net working capital cycle, supplier payment terms and securing of a bulk deal from one of Etion Connect's anchor customers. The Credit Committee meeting for approval of the transaction took place on 11 May 2022 with the proposed transaction being approved by the requisite majority of the Committee members.

Management applied their judgement and determined the sale of Etion Connect (Pty) Ltd to be highly probably based on the following circumstances:

- The sale is in an advanced stage;
- The disposal is classified as a Category 2 transaction from a JSE Limited listing requirements perspective and only requires Board approval to proceed- approval has been secured from the Etion Investment and Disposal Committee;
- Key conditions precedent to the transaction have been fulfilled with the remaining conditions being customary to a deal of this nature;
  and
- Discussions with major shareholders indicate that they will not oppose the special resolution.

(h) Change in corporate tax rate as announced by the minister of Finance

On 23 February 2022 the Minister of Finance enacted an amendment to section 20 of the Income Tax Act which limits the utilization of assessed losses and aligns to National treasury's reduction in the corporate tax rate from 28% to 27% in a revenue neutral manner. The change in corporate tax rate is effective for years of assessment starting on or after 1 April 2022.

5. Property, plant and equipment

	2022 R '000			2021 R '000		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	133	(120)	13	300	(190)	110
Furniture and fixtures	185	(148)	37	197	(138)	59
Motor vehicles	567	(567)	-	567	(529)	38
Office equipment	144	(138)	6	148	(122)	26
Computer and electronic equipment	137	(137)	-	801	(761)	40
Laboratory equipment	10	(10)	-	150	(114)	36
Total	**1,176**	**(1,120)**	**56**	**2,163**	**(1,854)**	**309**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Depreciation	Closing balance
	R'000	R'000	R'000
Plant and machinery	110	(97)	13
Furniture and fittings	59	(22)	37
Motor vehicles	38	(38)	-
Office equipment	26	(20)	6
Computer and electronic equipment	40	(40)	-
Laboratory equipment	36	(36)	-
	309	**(253)**	**56**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Depreciation	Closing balance
	R'000	R'000	R'000
Plant and machinery	137	(27)	110
Furniture and fittings	84	(25)	59
Motor vehicles	147	(109)	38
Office equipment	53	(27)	26
Computer and electronic equipment	156	(116)	40
Laboratory equipment	53	(18)	36
	630	**(322)**	**309**

Property, plant and equipment encumbered as security

In the prior year, plant and machinery and motor vehicles with a book value of R37,390 served as security for long term borrowings (note 18).

A register containing the information required by Regulation 25 (3) of the Company's Regulations, 2011 is available for inspection at the registered offices of the Company.

6. Leases (Company as lessee)

The Company leases a building. The current building lease was concluded for a period of 10 years of which the Company is now in the 4th year of rental.

The building lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in the building lease agreement. These terms are used to maximise operational flexibility in terms of managing the contract. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor. Management has not accounted for these extension and termination options in determining the lease term. Refer to note 4 (d) for further information in this regard.

	2022 R '000	2021 R '000

6. Leases (Company as lessee) (continued)

Net carrying amounts of right-of-use assets

The statement of financial position shows the following amounts relating to right-of-use assets:

	2022 R '000	2021 R '000
Buildings	17,661	20,825

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use asset, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 26).

Buildings	3,163	3,163
IT equipment	- *	59
	3,163	**3,222**

* Fully depreciated.

Other disclosures

Interest expense on lease liabilities	2,519	2,679
Leases of low value assets included in operating expenses	842	2,281
Total cash outflow from leases	4,296	4,044

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office furniture.

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	4,639	4,296
Two to five years	22,577	20,905
More than five years	3,849	10,159
	31,065	35,360
Less finance charges component	(8,120)	(10,638)
	22,945	**24,722**
Non-current liabilities	20,612	22,945
Current liabilities	2,333	1,777
	22,945	**24,722**

7. Intangible assets

	2022 R '000			2021 R '000		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	301	(301)	-	1,418	(1,418)	-
Development of intellectual property *	1,635	(1,635)	-	10,597	(10,284)	313
Total	**1,936**	**(1,936)**	**-**	**12,015**	**(11,702)**	**313**

Reconciliation of intangible assets - 2022

	Opening balance	Disposal through common control transaction	Total
Development of intellectual property *	313	(313)	-

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Development of intellectual property *	313	-	313
Computer software	2	(2)	-
	315	**(2)**	**313**

* Development of intellectual property is an internally generated intangible asset.

Refer to note 40 for further information regarding the disposal of intangible assets.

Impairment of intangibles

The recoverable amount of the intellectual property developed and ready for use is determined on fair value (level 3) less cost to sell calculations and is based on the assumption that a certain number of units will be sold over a two to seven year period. The fair value is based on management's best estimated selling price in the current market conditions, which take into consideration previous selling prices and current market conditions.

Management conducts a rigorous review (including the impact of COVID 19) of all products included under intellectual property developed at each reporting date. This involves a detailed assessment of the economic viability and prospective sales of these products based on the current information as sourced from engagement with possible customers. Following this assessment, only products where the future expected margin still exceeded the carrying value are retained as intangible assets. No impairments were noted in the current year.

8. Investment in subsidiaries

Name of company	Carrying amount 2022	Carrying amount 2021
Law Trusted Third Party Services (Pty) Ltd (0%) (2021: 100%)	-	114,619
Parsec Holdings (Pty) Ltd (100%) (2021: 100%)	101,270	101,270
Etion Connect (Pty) Ltd (100%) (2021: 100%)	18,400	18,400
Quadsoft (Pty) Ltd (100%) (2021: 100%)	8,809	8,809
Etion Create (Pty) Ltd (100%) (2021: 25%)	48,081	30,319
Redline Telecommunications SA (Pty) Ltd (0%) (2021: 20%)	-	- *
Provision for impairment of investment: Parsec Holdings (Pty) Ltd	(87,115)	-
	89,445	273,417
Less: disposal of Law Trusted Third Party Services (Pty) Ltd (refer to note 15)	-	(114,619)
Less: Disposal Etion Connect (Pty) Ltd (refer to note 15)	(18,400)	-
Less: Disposal Etion Create (Pty) Ltd (refer to note 15)	(48,081)	-
Investment in subsidiaries less asset classified as held for sale	22,964	158,798

* Denotes amounts below R1 000

Redline Telecommunications SA (Pty) Ltd

In the prior year the investment above related to the direct holding of 20% by Etion Ltd. Etion Ltd owned the remaining 80% of the share capital in this Company via their 100% shareholding in Parsec Holdings (Pty) Ltd. Activities moved over to Etion Connect (Pty) Ltd during the 2017 financial year, subsequent impairment in the investment resulted. Redline Telecommunications SA (Pty) Ltd was voluntarily liquidated and de-registered during the current financial year.

Etion Create (Pty) Ltd

In the prior year, the investment above related to the direct holding of 25% by Etion Ltd. The remaining 75% was owned by Parsec Holdings (Pty) Ltd. The Company designs, develops and manufactures a wide range of advanced electronic and digital technologies for internal and external customers.

During the current financial year, Parsec Holdings declared a dividend in specie to Etion Limited of their 75% shareholding in this Company, subsequently Etion Limited has a direct holding of 100% in this Company.

In terms of IAS 36, the recoverable amount is the higher of value-in-use and fair value less cost to sell. The recoverable amount of the investment in Etion Create (Pty) Ltd was determined based on the fair value less costs to sell, which is representative of the transaction price per the sale of Etion Create (Pty) Ltd taking into account the estimated costs of disposal.

Management's intention is to derive value from the sale of the investment rather than holding it as a long-term investment.

The fair value less costs to sell at reporting date, being the recoverable amount of the Etion Create (Pty) Ltd CGU, was compared to the NAV of Etion Create (Pty) Ltd.

Based on the assessment performed the recoverable amount of the business exceeds its NAV (carrying amount) as at 31 March 2022 and thus no impairment is required.

In the prior financial year, the recoverable amount of the investment in Etion Create (Pty) Ltd was determined based on a value in use calculation. The calculation used pre-tax cash flow projections for 5 years of which 3 years were based on financial budgets approved by the Executive Committee and 2 years were extrapolated. Cash flows beyond the initial three year period were extrapolated using the estimated growth rate disclosed below. The discount rates were a pre-tax rate taking into account the time value of money and the risks specific to the asset for which the future cash flow estimates had not been adjusted.

The key assumptions applied in the 2021 valuation of Etion Create (Pty) Ltd are as follows:

- Gross margin: 2021: 31%
- Revenue Growth rate (average): 2021: 13%
- Discount rate: 2021: 21%
- Terminal growth value: 2021: 5%

8. Investment in subsidiaries (continued)

Etion Connect (Pty) Ltd

The investment above related to the direct holding of 100% by Etion Ltd.

The Company offers connectivity and communications products, solutions and services, including fibre wireless deployment, data and digital radio communications networks and network monitoring, as well as power related infrastructure solutions, and services Data Centre environments.

In terms of IAS 36, the recoverable amount is the higher of value-in-use and fair value less cost to sell. The recoverable amount of the investment in Etion Connect (Pty) Ltd was determined based on the fair value less costs to sell, which is representative of the transaction price per the sale of Etion Connect (Pty) Ltd taking into account the estimated costs of disposal.

Management's intention is to derive value from the sale of the investment rather than holding it as a long-term investment.

The fair value less costs to sell at reporting date, being the recoverable amount of the Etion Connect (Pty) Ltd CGU, was compared to the NAV of Etion Connect (Pty) Ltd.

Based on the assessment performed the recoverable amount of the business exceeds its NAV (carrying amount) as at 31 March 2022 and thus no impairment is required.

In the prior financial year, the recoverable amount of the investment in Etion Connect (Pty) Ltd was determined based on a value in use calculation. The calculation used pre-tax cash flow projections for 5 years of which 3 years were based on financial budgets approved by the Executive Committee and 2 years were extrapolated. Cash flows beyond the initial three year period were extrapolated using the estimated growth rate disclosed below. The discount rates were a pre-tax rate taking into account the time value of money and the risks specific to the asset for which the future cash flow estimates had not been adjusted.

The key assumptions applied in the 2021 valuation of Etion Connect (Pty) Ltd are as follows:

- Gross margin:	2021: 20%
- Revenue Growth rate (average):	2021: 8%
- Discount rate:	2021: 23%
- Terminal growth value:	2021: 5%

The subsidiaries are all incorporated in South Africa and all have the same year end as the Company.

Sensitivity Analysis

In the prior year, sensitivity analysis was performed to substantiate the recoverable amount of the carrying value of the investment in the subsidiaries. Only when the discount rate applied in determining the present value of future cash flows was increased or the gross margin was dropped, as detailed below, was the investment calculated to be impaired.

Etion Create (Pty) Ltd

Discount rate increase to	2021: 33.4%
Gross margin decrease to	2021: 27.5%

Etion Connect (Pty) Ltd

Discount rate increase to	2021: 84%
Gross margin decrease to	2021: 13%

Subsidiaries disposed of during the year

Law Trusted Third Party Services (Pty) Ltd

Etion Limited previously had a direct holding of 100% in Law Trusted Third Party Services (Pty) Ltd.

The Company provides cyber security solutions that focus on establishing positive identity, ensuring authenticity and protecting privacy.

Notes to the Separate Annual Financial Statements

8. Investment in subsidiaries (continued)

On 20 April 2021, Etion Limited announced that it had entered into an agreement with Altron TMT SA Group ("Altron") to sell 100% of the issued shares in this Company. The disposal was subject to the fulfilment or waiver of several outstanding conditions precedent, including inter alia the approval from the Competition Commission and shareholders of Etion pursuant to the JSE Limited Listings Requirements. Following the fulfilment of all conditions precedent, the disposal was concluded, and transfer of ownership occurred with effect from 1 October 2021.

Total disposal consideration amounted to R236.091 million.

The disposal resulted in gains on disposal of subsidiary amounting to R121.473 million. The gain has been disclosed in Gains on disposal of subsidiary in comprehensive income.

Provision for impairment of investment in Parsec Holdings (Pty) Ltd

Parsec Holdings previously held 75% of the shares of Etion Create. The recoverable amount of the investment in Parsec Holdings was therefore calculated with reference to the value in use calculation of the Create CGU. Due to the dividend in specie declared by Parsec Holdings to Etion Limited of their 75% shareholding in Create, the recoverable amount of the investment in Parsec Holdings can no longer be determined with reference to Create CGU.

The recoverable amount of the investment in Parsec Holdings has been determined to be R14.155 million in the current year, as a result of this, a provision for impairment of R87.115 million has been raised.

9. Deferred tax assets/(liabilities)

	2022 R '000	2021 R '000
Deferred income tax liabilities		
Prepayments	(5)	-
Intangible assets	-	(57)
Right-of-use asset	(4,945)	(5,831)
Total deferred tax liability	**(4,950)**	**(5,888)**
Deferred income tax assets		
Provisions and accruals	2,314	596
Lease liability	6,424	6,922
Advanced received	64	-
Warranty provision	-	728
Tax losses available for set off against future taxable income	-	22,965
	8,802	31,211
Impact of rate change (28% to 27%)	(138)	-
Total net deferred tax asset	**3,714**	**25,323**

Management have reviewed the financial forecast of the Company and considers it probable that future taxable profits will be available against which the deferred tax asset may be utilised.

Deferred tax assets and liabilities are set off when the income taxes relate to the same fiscal authority and there is legal right of offset at settlement. The amounts disclosed in the statement of financial position are as follows:

Deferred tax liability	(4,774)	(5,888)
Deferred tax asset	8,488	31,211
Total net deferred tax asset	**3,714**	**25,323**

9. Deferred tax assets/(liabilities) (continued)

Deferred tax liabilities Deferred tax movements	Prepayments	Intangible assets	Right of use asset	Total
At 1 April 2020	60	57	6,733	6,850
Charged/(credited)				
- to profit and loss	(60)	-	(902)	(962)
At 31 March 2021	**-**	**57**	**5,831**	**5,888**
At 1 April 2021	-	57	5,831	5,888
Charged/(credited)				
- to profit and loss	5	(57)	(886)	(938)
At 31 March 2022	**5**	**-**	**4,945**	**4,950**

Deferred tax assets Deferred tax movement	Warranty and fleet defect provision	Provisions and accruals	Lease liabilities	Calculated tax loss	Deposits received	Total
At 1 April 2020	728	2,854	7,305	20,168	-	31,055
(charged)/credited						
- to profit and loss	-	(2,258)	(383)	2,797	-	156
At 31 March 2021	**728**	**596**	**6,922**	**22,965**	**-**	**31,211**
At 1 April 2021	728	596	6,922	22,965	-	31,211
(charged)/credited						
- to profit and loss	(728)	1,718	(498)	(22,965)	64	(22,409)
At 31 March 2022	**-**	**2,314**	**6,424**	**-**	**64**	**8,802**

Reconciliation of deferred tax asset/ (liability)

	2022 R '000	2021 R '000
At beginning of year	25,323	24,205
Statement of Comprehensive Income change	(21,471)	1,118
Impact of change in corporate tax rate	(138)	-
At the end of the year	**3,714**	**25,323**

On 23 February 2022 the Minister of Finance enacted an amendment to section 20 of the Income Tax Act which limits the utilization of assessed losses and aligns to National Treasury's reduction in the corporate tax rate from 28% to 27% in a revenue neutral manner. The change in corporate tax rate is substantively enacted at year end, and effective for years of assessment starting on or after 1 April 2022 (2021: tax rate remains unchanged at 28%).

Deferred tax assets and liabilities are set off when the income taxes relate to the same fiscal authority and there is a legal right of offset at settlement.

Notes to the Separate Annual Financial Statements

	2022 R '000	2021 R '000

9. Deferred tax assets/(liabilities) (continued)

The net amounts are expected to be recovered and settled as follows:

	2022 R '000	2021 R '000
Deferred tax asset		
- No more than 12 months after the reporting period	2,293	24,289
- More than 12 months after the reporting period	6,195	6,922
Deferred tax liabilities		
- No more than 12 months after the reporting period	(5)	-
- More than 12 months after the reporting period	(4,769)	(5,888)
	3,714	**25,323**

10. Other financial asset

	2022 R '000	2021 R '000
Deferred consideration receivable from Altron	30,000	-

On 20 April 2021, Etion Limited announced that it had entered into an agreement with Altron TMT SA Group to sell 100% of the issued shares in LAWTrust for a total disposal consideration of R236 million. This comprised of R185 million paid to Etion on 1 October 2021, a further R21 million (including a net debt and working capital adjustment) paid to Etion on 26 November 2021, and a final amount of R30 million to be paid on 1 October 2022 less any legitimate warranty, indemnity, and other potential claims under the sale of shares agreement.

Management have assessed the probability of the impact of any warranties, indemnities or claims under the sale of shares agreement and have determined that the full R30 million is expected to be received from Altron.

The deferred consideration receivable from Altron is subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for the receivable is calculated based on the specific risk of the counterparty (Altron) under the general model.

Management has performed an assessment of the recoverability of the deferred consideration receivable from the Altron TMT SA Group at reporting date and has determined the ECL allowance to be immaterial.

11. Inventories

	2022 R '000	2021 R '000
Finished goods	-	4,103
	-	4,103

The cost of inventories recognised as expense and included in cost of sales amounted to R2.661 million (2021: R4.147 million).

Inventories to the value of R1.445 million were sold to Etion Create in a business combination under common control. Refer to note 40 for further information regarding the disposal.

12. Trade and other receivables

	2022 R '000	2021 R '000
Financial instruments:		
Trade receivables	1,168	3,639
Sundry debtors	12,368	-
Loss allowance	(12,361)	(65)
Trade receivables at amortised cost	1,175	3,574
Retention debtors	-	180
Non-financial instruments:		
Receiver of Revenue - VAT	351	-
Total trade and other receivables	**1,526**	**3,754**

	2022 R '000	2021 R '000

12. Trade and other receivables (continued)

Split between non-current and current portions

Current assets	1,526	3,754

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	1,175	3,754
Non-financial instruments	351	-
	1,526	**3,754**

The fair values of trade and other receivables approximate the carrying amount due to the short term nature of the receivables.

Trade receivables to the value of R861,000 were sold to Etion Create in a business combination under common control. Refer to note 40 for further information regarding the disposal.

Exposure to credit risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Company applies the IFRS 9 simplified approach in measuring expected credit losses (ECL) on trade and other receivables, which requires a lifetime loss allowance. To measure the expected credit losses, the trade receivables have been grouped based on shared credit risk characteristics and into common ageing buckets.

The ECL rates are calculated based on historical default rates (default rate multiplied by loss given default rate) over a 5 year period. Default rates are calculated on the proportion of balances from each ageing bucket that age past 90 days. Loss given default rates include actual amounts written-off and all balances at year-end that have been in default for more than 6 months. The resultant rates are benchmarked to downside loss given default rate estimates in the SA economy.

The default rates per ageing bucket multiplied by the overall loss given default rate provides the through-the-cycle loss rates. These historical loss rates are converted into a forward-looking measure of an ECL using Moody’s Analytics credit models, which incorporates their macro-economic estimates and scenarios. This is added as an economic overlay. Refer to 4(b) for the critical estimates and judgements.

An ECL rate is calculated for each ageing bucket in the company. The outcome of this process results in an increase of between 0.56x and 1.04x in converting historical loss rates to ECLs (2021: between 1.2x and 1.6x; 2020: 1.7x and 2.6x).

Material exposures with different credit risk characteristics are measured separately. The likelihood of a default occurring, and resultant loss, is determined using credit risk ratings (where available) or Moody’s Analytics risk models which measure credit risk based on the customer’s credit default information. Suitable forward looking information is incorporated as an economic overlay.

Management may make further adjustments to the ECL to take into account specific event risk where there is uncertainty in respect to the model’s ability to capture conditions due to inherent limitations of modelling. This is done by way of an additional overlay via post model adjustments made. In the current year additional adjustments were made for certain debtors in which there is an increased credit risk that was not adequately catered for by the model. Changes to the credit risk of these debtors are assessed based on the industry in which the customers operate as well as reviewing various media platforms and customer communications received to ascertain whether there are any matters that may negatively impact certain debtors' ability to pay.

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12. Trade and other receivables (continued)

Management applied an overlay to fully provide (100%) for a significant customer's balance, as the economic consequences driven by measures to curb the outbreak of COVID-19 negatively affected the specific debtor's ability to pay. The Company has thus elected to raise an allowance for expected credit losses equal to the full value of the receivable owing (refer note 41 for further information in this regard).

Trade Receivables - Expected Credit Loss Result 2022	**Gross R' 000**	**Measurement approach**	**Through cycle loss**	**Conversion to forward looking ECL**	**ECL R' 000**	**Net R' 000**
Specific exposures - Trade Receivables	488	Empirical historical data with judgemental overlay	0.77 %	2.76 %	(13)	475
Specific exposures - Sundry Debtors *	12,348	Specific provision based on management judgement	- %	100.00 %	(12,348)	-
Total	**12,836**				**(12,361)**	**475**

Trade Receivables - Expected Credit Loss Result 2021	**Gross R' 000**	**Measurement approach**	**Through cycle loss**	**Conversion to forward looking ECL**	**ECL R' 000**	**Net R' 000**
Specific exposure - Intercompany debtor with Etion Connect	1,178	Empirical historical data with judgemental overlay	0.56 %	0.46 %	(5)	1,173
Specific exposure - External customer	2,081	Empirical historical data with judgemental overlay	0.77 %	2.76 %	(58)	2,023
Current	380	Empirical historical data with judgemental overlay	0.393 %	0.52 %	(2)	378
Total	**3,639**				**(65)**	**3,574**

	2022 R '000	2021 R '000

12. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for decrease in trade and other receivables:

	2022	2021
Opening balance in accordance with IFRS 9	**(65)**	**(12,665)**
Allowance for expected credit losses raised on increased risk	(43)	(50)
Allowance for expected credit losses raised on sundry debtor with specific risk *	(12,348)	-
Receivables written off	95	12,650
Closing balance	**(12,361)**	**(65)**

* The economic consequences driven by measures to curb the outbreak of COVID19 has negatively affected a specific debtor's ability to pay. Management has explored various alternatives in an effort to recover the amount due including agreeing to an extended payment plan with the customer. Unfortunately, the customer has been unable to honour this plan with its financial position worsening over the current financial year. The Company has thus elected to raise an allowance for expected credit losses equal to the full value of the receivable owing.

13. Contract assets/liabilities

Contract Assets

	2022	2021
Contract assets relating to sale of design, development and project services	-	949

(i) Significant changes in contract assets and liabilities

The contract asset related to costs incurred to fulfil a sales contract to a material customer to be matched with future sales on a specific product. As no further sales of the specific product are expected, the contract asset has been written off.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	3	3
Bank balances	50,535	3,180
	50,538	**3,183**
Current assets	50,538	3,183
	50,538	**3,183**

Limited deeds of cross-suretyship is in place in the Etion Group, in favour of Nedbank between Etion Limited, Etion Connect (Pty) Ltd and Etion Create (Pty) Ltd. This includes a security cession of all present and future debtors.

Bank deposits to the value of R4.941 million were transferred to Etion Create in a business combination under common control. Refer to note 40 for further information regarding the transfer.

The extent of the company's facilities with their bankers can be summarised as follows:

	2022	2021
Standard Bank		
- Credit agreement	Unrestricted	Unrestricted
Nedbank		
- Corporate fleet card facilities	30	30

Notes to the Separate Annual Financial Statements

	2022 R '000	2021 R '000

15. Non-current assets held for sale

Law Trusted Third Party Services (Pty) Ltd

During the prior financial year, the Board embarked on a programme to market and dispose of the Law Trusted Third Party Services (Pty) Ltd business with numerous engagements taking place between various interested parties and Etion in respect of the potential acquisition of the subsidiary. A formal process to govern the sale of Law Trusted Third Party Services (Pty) Ltd was instituted in September 2020 with numerous bids being received and considered. Final binding offers were received in December 2020 whereafter a preferred bidder was selected, and further negotiations undertaken. The Board approved the transaction and sales and purchase agreement as at 29 March 2021.

As at 29 March 2021, following the approval of the transaction, and consideration of the principles and criteria related to IFRS 5 - Non-Current Assets Classified as Held for Sale and Discontinued Operations, the Company reclassified its investment in Law Trusted Third Party Services (Pty) Ltd to non-current assets held for sale. The sale took effect on 1 October 2021.

Following the approval of the sale by the Competition Tribunal on 20 September 2021 and fulfilment of all other conditions, the disposal was concluded, and transfer of ownership occurred with effect from 1 October 2021. A gain on disposal of investment in subsidiary amounting to R121.473 million has been recognised in the current financial year as a result of the transaction.

Etion Connect (Pty) Ltd

In light of the nature of the business and its operating model and structure, the Board determined that the most suitable exit strategy in respect to Etion Connect was to conclude a funded management buy-out (‘MBO’) alongside a minority equity partner. To this end, a number of the commercial banks, development funding institutions and private equity partners were approached during November 2021 to assess their interest in participating in a MBO of Connect. The Standard Bank of South Africa was one such party who expressed an interest in funding the MBO alongside a potential equity partner. Discussions between Etion, the Connect management team, the potential equity partner and Standard Bank ensued in this regard with the approval of the salient terms of the proposed MBO transaction and the acceptance of the equity term sheet from the private equity partner and non-binding indicative term sheet as received from Standard Bank to fund the transaction approved by the Etion Investment and Disposal Committee as at 18 March 2022. The disposal is consistent with the Group’s strategy to unlock shareholder value.

As at 18 March 2022, following the approval of the transaction, and consideration of the principles and requirements related to IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations, the Company reclassified its investment in Etion Connect to non-current assets held for sale. The sale is expected to take effect in the next financial year.

Etion Create (Pty) Ltd

During the current financial year the Board embarked on a programme to market and dispose of the Create business with numerous engagements taking place between various interested parties and Etion in respect of the potential acquisition of the subsidiary. Following the receipt of a non-binding expression of interest in this regard, negotiations were undertaken with the potential Purchaser identified. The Board approved the salient terms to the proposed transaction and accepted the binding undertaking from the Purchaser as at 28 March 2022. The disposal is consistent with the Group’s strategy to unlock shareholder value.

As at 28 March 2022, following the approval of the transaction, and consideration of the principles and requirements related to IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations, the Company reclassified its investment in Etion Create to non-current assets held for sale. The sale is expected to take effect in the next financial year.

Assets and liabilities

	2022	2021
Non-current assets held for sale		
Investment in subsidiary - Law Trusted Third Party Services (Pty) Ltd	-	114,619
Investment in subsidiary - Etion Connect (Pty) Ltd	18,400	-
Investment in subsidiary - Etion Create (Pty) Ltd	48,081	-
	66,481	**114,619**

	2022 R '000	2021 R '000

16. Share capital

Authorised
1,725,490,496 authorised ordinary no par value shares

Issued:	564,411,033	564,411,033

Issued		
Ordinary no par value shares	73,285	259,541

The directors have been authorised, by way of a general authority, to allot and issue any unissued shares for cash on their discretion, subject to the provision of the memorandum of incorporation, the Companies Act and the listing requirements of the JSE.

The shares have no par value and the issued shares are fully paid. Each issued share has one voting right and there are no restrictions.

On 5 October 2020 an ordinary resolution was passed by way of general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, subject to the Memorandum of Incorporation of the Company, the requirements of the Companies Act of South Africa and the JSE Limited Listing Requirements, when applicable.

During the current year the Board approved and declared a special gross dividend of 33 cents per ordinary share, from a reduction of contributed capital (issued share capital), as a result of the successful conclusion of the disposal of Etion's shareholding in Law Trusted Third Party Services (Pty) Ltd.

The reduction of contributed capital amounted to R186.256 million.

17. Related party loans

Subsidiaries

Quadsoft (Pty) Ltd	8,809	8,809
The loan is unsecured, bears no interest and has no fixed repayment terms		
Etion Create (Pty) Ltd	-	4,519
The loan was unsecured and bore interest at prime rate and had no fixed terms of repayment. The counterparty had indicated that they would not call for repayment of the loan within the twelve months after 31 March 2021, hence the loan was classified as non-current.		
	8,809	**13,328**

Split between non-current and current portions

Non-current liabilities	-	4,519
Current liabilities	8,809	8,809
	8,809	**13,328**

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	2022 R '000	2021 R '000

18. Interest bearing borrowings

Installment sale agreement		
Minimum lease payments due		
- within one year	-	66
	-	66
less: future finance charges	-	(2)
Present value of minimum payments	**-**	**64**

Present value of minimum lease payments due		
- within one year	-	64

Terms and conditions

The installment sale agreements were repaid during the financial year under review. (2021: The loans bear interest at prime and are repayable in average monthly installments of R8,182 over an average period of 30 months).

Secured by: Plant and equipment and motor vehicles with a book value of	-	44

Interest rate exposure

The interest rate exposure of borrowings of the Company is as follows:

Installment sale agreement		
At floating rates (average %)	- %	7.50 %

Nedbank Loan		
Minimum payments due		
- no later than one year	-	11,255
- later than one year and no later than five years	-	16,881
less: future finance charges	-	(2,320)
Present value of minimum payments	**-**	**25,816**

Present value of minimum lease payments		
- no later than one year	-	9,770
- later than one year and no later than five years	-	16,046
	-	**25,816**

The loan was repaid during the financial year under review. (2021: The loan bears interest at prime plus 0.25% and is repayable in monthly installments of R937,857 over a period of 60 months).

Secured by: Limited deeds of cross-suretyship, in favour of Nedbank between Etion Limited, Etion Connect (Pty) Ltd and Etion Create (Pty) Ltd.
A security cession of all present and future debtors.

	2022 R '000	2021 R '000

18. Interest bearing borrowings (continued)

The interest rate exposure of borrowings of the Company is as follows:

Nedbank loan		
At variable rate % (Prime)	- %	7.25 %

Total liability		
Current liability	-	9,834
Non-current liability	-	16,046
	-	**25,880**

19. Financial guarantee liabilities

Financial guarantee liability	-	507

The Group has banking facilities with Nedbank. The Etion Limited Group has issued cross suretyships guaranteeing banking facilities available to the Group. During the current financial year, the facilities held by the Company were fully repaid. As a result of the repayment the Company's maximum exposure to the Group guarantees at year end is Rnil (2021: R35 million).

Basis of valuation

Guarantees were valued based on the risk of the counter-party whose obligations have been guaranteed. Financial guarantee contracts are subsequently measured at the higher of:
- The fair value on initial recognition less accumulated amortisation, if any; and
- The expected credit loss allowance.

Methodology

Details of the measurement method, techniques, assumptions and inputs used in the measurements are set out in note 4(b).

Split between non-current and current portions		
Current liabilities	-	507

Exposure to credit risk

The financial guarantee contracts expose the Company to credit risk, being the risk that the Company will incur financial loss if guaranteed parties fail to make payments when called upon by the bank.

Credit loss allowances

The credit loss allowances were fully reversed in the current financial year due to the repayment of the Nedbank facilities.

The following table sets out the gross carrying amount of the loans subject to the financial guarantee contracts, loss allowance and measurement basis of expected credit losses for financial guarantee contracts by credit rating grade in the prior year:

2021 (R '000)

Instrument	Initial Exposure	Lifetime ECL at origination date	Guarantee cost at origination	Amortisation to date	Basis of loss allowance	Carrying amount of financial guarantee contract
	35,862	2.35 %	844	337	Amortised cost	507

	2022 R '000	2021 R '000

19. Financial guarantee liabilities (continued)

Exposure to currency risk

In the prior year, the gross carrying amounts of the loans of other parties for which the Company has provided financial guarantees, were denominated in South African Rands.

20. Tade and other payables

	2022 R '000	2021 R '000
Financial instruments:		
Trade payables	791	17,917
Deposits received	228	-
Non-financial instruments:		
Accrued leave pay	165	326
Receiver of Revenue - VAT	-	60
	1,184	**18,303**

Exposure to currency risk

Refer to note 3 Financial instruments and financial risk management for details of currency risk management for trade payables.

Exposure to foreign currency risk

Trade and other payables are settled in South African Rand except where the payable is denominated in a foreign currency.

21. Provisions

Reconciliation of provisions - 2022

	Opening balance	Provision reversed	Total
Product fleet defect	2,600	(2,600)	-
	2,600	**(2,600)**	**-**

Reconciliation of provisions - 2021

	Opening balance	Provision raised	Total
Product fleet defect	2,600	-	2,600

Provision for product fleet defect
The Company's performance in the prior years was negatively impacted by a fleet defect at one of the Company's rail clients. After further investigation and discussion with the affected customer, it was determined that the products were not defective and there is no obligation for the Company to replace the products. The provision was therefore reversed in the current year.

22. Revenue

	2022 R '000	2021 R '000
Revenue from contracts with customers		
Sale of finished goods	5,963	11,291
Support and maintenance services	2,377	2,242
	8,340	**13,533**
Revenue other than from contracts with customers		
Management fees	7,801	14,328
Dividends received	124,689	43,153
	132,490	**57,481**
	140,830	**71,014**

Timing of revenue recognition

	2022 R '000	2021 R '000
At a point in time		
Sale of finished goods	5,963	11,291
Dividends received	124,689	43,153
	130,652	**54,444**
Over time		
Support and maintenance services	2,377	2,242
Management fees	7,801	14,328
	10,178	**16,570**
Total revenue from contracts with customers	**140,830**	**71,014**

23. Cost of sales

	2022 R '000	2021 R '000
Cost of sale - sale of finished goods	2,661	4,147
Reversal of product fleet defect provision	(2,600)	-
Write off of contract asset	948	-
Write down of inventories to net realisable value *	1,791	-
	2,800	**4,147**

* Inventory on hand was critically assessed at 31 March 2022, the inventory write down comprised of slow moving stock, and items which are no longer sold by the Company.

24. Other income

	2022 R '000	2021 R '000
Rental income	3,923	3,175
Sundry income	1,857	1,044
	5,780	**4,219**

25. Other gains

	2022 R '000	2021 R '000
Foreign exchange gains (losses)		
Foreign exchange gains: realised	95	190
Foreign exchange losses: realised	(22)	(188)
	73	**2**

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	2022 R '000	2021 R '000

25. Other gains (continued)

Fair value gains (losses)		
Adjustment to financial guarantees	507	1,014
Total other operating gains (losses)	**580**	**1,016**

26. Expenses by nature

Advertising	60	126
Amortisation & impairment loss	-	2
Consulting fees	5,986	3,963
Depreciation	3,416	3,544
Employee costs	7,669	10,371
Entertainment	20	83
Provision for impairment of investment in subsidiary	87,115	-
Insurance	732	580
Legal fees	4	1
Other expenses	1,612	1,420
Travel and Accommodation - local	-	31
Travel and Accommodation - international	-	237
Professional services	2,081	1,701
Reversal of product fleet defect provision	(2,600)	-
Write down of inventory to NRV	1,791	-
Write off of contract asset	949	-
Raw materials and consumables used - project related	2,661	4,147
Building operating expenses	1,467	2,755
Subscriptions	420	626
Vehicle leases & motor vehicle related costs	390	94
	113,773	**29,681**

27. Employee costs

Employee costs		
Salary and wages	1,539	2,022
Retirement benefit: defined contribution plan	84	555
Directors' remuneration	6,046	7,794
Total employee benefit expense included in other operating expenses	**7,669**	**10,371**
Number of employees		
Administration and executive management	4	5

28. Finance income

Bank	1,628	1

29. Finance costs incurred

Intercompany	594	1,535
Lease liabilities	2,519	2,679
Interest-bearing borrowings	1,203	2,172
Total finance costs	**4,316**	**6,386**

	2022 R '000	2021 R '000

29. Finance costs incurred (continued)

The Company has chosen to present interest paid on the Nedbank loan as financing cash flows, and all other interest in interest bearing borrowings as operating cash flows. This distinction is based on the underlying nature and purpose of the borrowing. This is applied consistently on an annual basis

30. Taxation

Major components of the tax expense/(income)

	2022 R '000	2021 R '000
Current		
Local income tax - current period	19,024	-
Deferred		
Originating and reversing temporary differences - current year	20,166	(1,118)
Deferred tax income resulting from reduction in tax rate	138	-
Originating and reversing temporary differences - prior year	1,304	-
	21,608	**(1,118)**
	40,632	**(1,118)**

Reconciliation of the tax expense

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:

	2022 R '000	2021 R '000
Accounting profit	139,812	40,138
Tax at the applicable tax rate of 28% (2021: 28%)	39,147	11,238
Tax effect of adjustments on taxable income		
Dividend received	(34,913)	(12,083)
Gains on disposal of subsidiary	(34,012)	-
Fines and donations not deductible	-	11
Prior year overprovision of deferred tax	1,304	-
Capital gain on disposal of investment in subsidiary	44,719	-
Permanent differences on ECL for guarantees movement	(142)	(284)
Impact of difference in tax rate	138	-
Provision for impairment of investment in subsidiaries	24,391	-
	40,632	**(1,118)**

The estimated tax loss available for set off against future taxable income is R nil (2021: R 82.8 million).

On 23 February 2022 the Minister of Finance enacted an amendment to section 20 of the Income Tax Act which limits the utilization of assessed losses and aligns to National Treasury's reduction in the corporate tax rate from 28% to 27% in a revenue neutral manner. The change in corporate tax rate is substantively enacted at year end, and effective for years of assessment starting on or after 1 April 2022 (2021: tax rate remains unchanged at 28%).

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31. Cash (utilised in)/generated from operations

	2022 R '000	2021 R '000
Profit before taxation	139,812	40,138
Adjustments for:		
Depreciation, amortisation and impairment	3,416	3,544
Finance income	(1,628)	(1)
Finance costs paid	4,316	6,386
Increase/(decrease) in provision for impairment of trade receivables	12,391	(12,600)
Gains on disposal of subsidiary	(121,473)	-
Dividend income	(124,689)	(43,153)
Decrease in provisions	(2,600)	-
Gains (losses) on foreign exchange	(73)	(2)
Provision for impairment of investment in subsidiary	87,115	-
Movement in financial guarantee liabilities	(507)	(1,015)
Changes in working capital:		
Decrease in inventories	2,661	486
Decrease in trade and other receivables	1,328	11,833
Decrease in contract assets	949	-
Decrease in trade and other payables	(5,776)	(7,917)
	(4,758)	**(2,301)**

The cash flow statement has been prepared on the direct method. This note has been included for more detail for the users of the financial statements.

Notes to the Separate Annual Financial Statements

32. Earnings per share

Total and weighted shares	Total shares 2022 number	Weighted shares 2022 number	Total shares 2021 number	Weighted shares 2021 number
Number of shares in issue				
Opening balance	564,411,033	564,411,033	564,411,033	564,411,033
Closing balance	**564,411,033**	**564,411,033**	**564,411,033**	**564,411,033**

	2022 R '000	2021 R '000
Basic and diluted profit per share attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders (R'000)	99,180	41,256
Weighted average number of shares in issue	564,411,033	564,411,033
Basic and diluted earnings per share attributable to ordinary shareholders (cents)	**17.57**	**7.31**
Headline and diluted headline profit per share attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders (R'000)	99,180	41,256
Non-headline items after tax:		
Provision for impairment of subsidiary (R'000)	87,115	-
Gains on disposal of subsidiary (R'000)	(121,473)	-
Total tax effect of adjustments (R'000)	44,719	-
Headline and diluted headline earnings per share attributable to ordinary shareholders (R'000)	**109,541**	**41,256**
Weighted average number of shares in issue	564,411,033	564,411,033
Headline and diluted headline earnings per share attributable to ordinary shareholders (cents)	**19.41**	**7.31**

33. Fair value hierarchy

The following summarises the valuation methods and assumptions used in estimating the fair values of financial instruments reflected in the tables below.

Financial assets at amortised cost
The carrying value of financial assets at amortised cost with a remaining life of less than 12 months reasonably approximates fair value due to the short-term period to maturity.

Financial liabilities at amortised cost
The carrying value of financial liabilities at amortised cost with a maturity of less than 12 months reasonably approximates fair value due to the short-term period to maturity.

Assets and liabilities measured or disclosed at fair value in the statement of financial position are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2: fair value measured using inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data.

33. Fair value hierarchy (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial year end date. The quoted market price for financial assets held by the Company is the current bid price. The fair value of forward exchange contracts is determined using the quoted forward exchange rates at the financial year end date, with the resulting value discounted back to present value.

The carrying value of non-current financial assets and liabilities at market related floating rates approximate fair value and are classified as level 3.

Where the effects of discounting are immaterial, short term receivables and short term payables are measured at the original invoice amount. Due to the short-term nature of trade receivables and trade payables their carrying amounts approximate their fair value.

34. Segmental information

The segmental information has been prepared in accordance with IFRS 8 Operating Segments, which defines the requirements of the disclosure of financial information of an entity's operating segments.

Identification of reportable segments and description of principal activities

The Company discloses its reportable segments according to the Company's components that the executive management team (CODM), consisting of the Group chief executive officer, the chief financial officer and managing directors and executives from the subsidiaries, monitor regularly in making decisions about the operating matters.

The Company consists of one reportable segment (SPS), with the remaining costs and income included under the Corporate heading, to reconcile the total income and costs to the Statement of Profit and Loss and Other Comprehensive Income:

- Etion Digitise: Safety and Productivity Solutions (SPS)- specialises in digital systems that help improve the safety and productivity of rail transport customers. Digitise designs and implements digital systems that incorporate IoT devices and custom software to provide condition monitoring systems aimed at helping its customers derive value from efficient asset management.

On 31 March 2022, Etion Limited sold Etion Digitise ("Digitise"), to its wholly owned subsidiary Etion Create. The profit for the year, up to and including 31 March 2022, attributable to the SPS segment is included in the Statement of Profit or Loss and Other Comprehensive Income. Assets and liabilities attributable to the SPS segment have been sold to Create on 31 March 2022 and therefore are not reflected in the Statement of Financial Position at 31 March 2022. On a consolidated level, due to the business combination under common control, the CODM will consider the SPS segment together with the Original Design Manufacturing ("ODM") segment which includes Etion Create. Please refer to note 40 for further details on the business combination under common control.

The operating segment has been aggregated based on the nature of the operational activities of the Company.

Measurement of operating segment profit or loss, assets and liabilities
Segment information is prepared in conformity with the basis that is reported to the CODM in assessing segment performance and allocating resources to segments. These values have been reconciled to the separate annual financial statements. The basis reported by the Company is in accordance with the accounting policies adopted for preparing and presenting the separate annual financial statements and are consistent with the prior year.

Segment assets and liabilities have been allocated using the same principles in allocating the segment profit and loss. This entails assets and liabilities being allocated, as far as possible directly to the segments they relate and the remaining assets and liabilities in the entities apportioned to segments based on the gross profit contribution of each segment.

Intersegment transactions are eliminated on a gross basis. Segment expenses include direct and allocated expenses.

Reportable segments
Etion Digitise: Safety and Productivity Solutions segment resides in the Company and has been disclosed as a segment in these financial statements.

34. Segmental information (continued)

Information about geographical areas
The Company operates primarily in South Africa. The Company revenue earned in South Africa is R8.340 million (2021: R13.533 million). All of the Company's assets and liabilities are located in South Africa. Revenue in the region of 92% (2021: 97%) of total revenue for the Company was derived from a single external customer. This customer comprised 77% (2021: 57%) of the trade and other receivables balance (net of ECL provisions) at year end.

	SPS	Corporate	Total
2022			
Sale of finished goods	5,963	-	5,963
Support and maintenance services	2,377	-	2,377
Management fees	-	7,801	7,801
Dividends received	-	124,689	124,689
Segment expenses	(4,627)	(121,029)	(125,656)
Segment other operating losses	73	-	73
Segment other income	114	127,139	127,253
Segment profit	3,900	138,600	142,500
Finance income	1	1,627	1,628
Finance costs	(118)	(4,198)	(4,316)
Profit before tax			**139,812**
Taxation			(40,632)
Profit for the year			**99,180**
Revenue from external customers	**8,340**	**-**	**8,340**
Segment revenue			
At a point in time	5,963	-	5,963
Over time	2,377	-	2,377
Total assets	-	193,717	193,717
Total liabilities	-	(32,938)	(32,938)

	SPS	Corporate	Total
2021			
Sale of finished goods	11,291	-	11,291
Support and maintenance services	2,242	-	2,242
Segment expenses	(6,212)	(22,500)	(28,712)
Segment other operating losses	2	-	2
Segment other income	2	61,698	61,700
Segment profit	7,325	39,198	46,523
Finance income	1	-	1
Finance costs	(580)	(5,806)	(6,386)
Profit before tax			**40,138**
Taxation			1,118
Profit for the year			**41,256**
Revenue from external customers	13,503	**-**	13,503
Segment revenue			
At a point in time	11,291	43,153	54,444
Over time	2,242	14,328	16,570
Total assets	7,332	324,844	332,176
Total liabilities	25,405	59,935	85,340

Notes to the Separate Annual Financial Statements

	2022 R '000	2021 R '000

35. Net debt reconciliation

	2022	2021
Net Debt		
Cash and cash equivalents	50,538	3,183
Interest bearing borrowings - including related parties	(8,809)	(39,208)
Leases	(22,945)	(24,722)
Net debt	**18,784**	**(60,747)**

	Cash & cash equivalents	Leases	Interest bearing borrowings	Total
Net debt as at 1 April 2021	3,183	(24,722)	(39,208)	(60,747)
Cash flows	47,355	-	-	47,355
Interest bearing borrowings repaid (non-cash)	-	-	15,477	15,477
New interest bearing borrowings raised	-	-	(15,000)	(15,000)
Interest capitalised	-	(2,519)	(1,797)	(4,316)
Cash flow interest repayments	-	2,519	1,320	3,839
Cash flow capital repayments	-	1,777	30,399	32,176
Net debt as at 31 March 2022	**50,538**	**(22,945)**	**(8,809)**	**18,784**

	Cash & cash equivalents	Leases	Interest bearing borrowings (including related party loans)	Total
Net debt as at 1 April 2020	5,338	(26,088)	(74,480)	(95,230)
Cash flows	(2,155)	-	20,982	18,827
Interest bearing borrowings repaid (non-cash)	-	-	15,825	15,825
Interest capitalised	-	(2,679)	(1,535)	(4,214)
Cash flow interest repayments	-	2,679	-	2,679
Cash flow capital repayments	-	1,366	-	1,366
Net debt as at 31 March 2021	**3,183**	**(24,722)**	**(39,208)**	**(60,747)**

	2022 R '000	2021 R '000

36. Related parties

Relationships

Subsidiaries	Etion Connect (Pty) Ltd Etion Create (Pty) Ltd Law Trusted Third Party Services (Pty) Ltd * Optelix (Pty) Ltd ** Parsec Holdings (Pty) Ltd Parsec Properties (Pty) Ltd Quadsoft (Pty) Ltd Redline Telecommunications SA (Pty) Ltd **
Members of key management	PC Pelser: Chief Executive Digitise BC Lamprecht: Chief Finance Officer Digitise
Directors	Refer to note 37 for details of the directors.

* Law Trusted Third Party Services (Pty) Ltd was disposed of on 1 October 2021.
** Redline Telecommunications SA (Pty) Ltd and Optelix (Pty) Ltd were voluntarily liquidated and de-registered during the current financial year.

Related party balances

	2022	2021
Loan accounts - Owing (to) by related parties		
Quadsoft (Pty) Ltd	(8,809)	(8,809)
Etion Create (Pty) Ltd	-	(4,519)
Outstanding balances to related parties arising from purchase of goods/services		
Etion Connect (Pty) Ltd	-	(11,269)
Etion Create (Pty) Ltd	-	(4,745)
Number of shares held directly by related parties		
T Daka	45,062,745	45,062,745
CF Maherry	16,686,356	16,686,356
Number of shares held indirectly by related parties		
T Daka	102,674,375	102,674,375
CP Bester	19,708,291	19,708,291
R Willis ***	1,549,342	1,549,342
Outstanding balances to related parties arising from sale of goods/services		
Etion Connect (Pty) Ltd	-	1,178

*** R Willis serves as the appointed representative of Conexus Capital Growth Fund, a 13.82% shareholder in Etion Limited.

36. Related parties (continued)

Related party transactions

	2022 R '000	2021 R '000
Interest accrued/paid to related parties		
Etion Connect (Pty) Ltd	477	275
Law Trusted Third Party Services (Pty) Ltd	-	976
Etion Create (Pty) Ltd	128	284
Purchases from (sales to) related parties		
Etion Connect (Pty) Ltd	-	(30)
Law Trusted Third Party Services (Pty) Ltd	-	20
Intergroup expense recoveries		
Etion Connect (Pty) Ltd - Operating expense recovered	229	947
Etion Connect (Pty) Ltd - Rental	67	-
Etion Create (Pty) Ltd - Operating expense recovered	236	282
Law Trusted Third Party Services (Pty) Ltd - Operating expense recovered	521	872
Law Trusted Third Party Services (Pty) Ltd - Rental	1,373	2,598
Management fees received from related parties		
Etion Connect (Pty) Ltd	1,812	3,692
Etion Create (Pty) Ltd	3,180	5,349
Law Trusted Third Party Services (Pty) Ltd	2,809	5,287
Compensation to directors and other key management		
Emoluments - Executive Directors	5,232	6,137
Emoluments - Non-Executive Directors	2,570	1,656
Emoluments - Other Key Management	4,022	3,450
Dividends received		
Law Trusted Third Party Services (Pty) Ltd	76,407	37,172
Parsec Holdings (Pty) Ltd	9,189	3,998
Etion Create (Pty) Ltd	12,348	1,333
Etion Connect (Pty) Ltd	26,746	650

Management Incentive Plan

During the current financial year, a Management Incentive Plan (“MIP”) was established as a mechanism to incentivise and retain key executives to facilitate the implementation of Etion’s strategy to unlock shareholder value and sell the underlying operating entities. R Willis, N Naidoo, S Mafu and P Pelser in their capacities as Acting Group Chief Executive Officer, Group Chief Financial Officer, Managing Director of Etion Connect and Managing Director of Etion Create, respectively, will be qualifying employees and participate in the MIP.

In terms of the MIP, the remuneration of the key executives will be varied as a result of the disposal of Etion Create and Etion Connect by an amount equal to 20% of the amount by which the purchase consideration of the respective businesses exceeds the hurdle rate values as approved by the Board. The incentive plan is capped at R7.5 million in aggregate for the sale of both Etion Create and Etion Connect, with the allocation between the key executives subject to the discretion of the Board (to be determined upon closing). The incentive is payable to the key executives upon the successful implementation and close of the disposal transactions and the receipt of the related proceeds. This is expected to be completed within 12 months from reporting date and therefore the MIP is regarded as a short-term incentive scheme. The key executives are also required to be in the employment of Etion Group (either full time or part time) until the finalisation of the disposal transactions.

As at year-end, an assessment has been performed to determine the accrual to be recognised in relation to the services delivered by the key executives under the terms of the MIP. The result thereof, has been determined to be immaterial and therefore no accrual has been recognised. Considerable effort has been invested by the key executives subsequent to year-end to enable the execution of legal agreements and ensure successful implementation of these disposal transactions (refer to note 38). As a result, the financial impact of the MIP, amounting to R7.5 million, will be accounted for during the 2023 financial year.

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37. Directors' emoluments

For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee (prescribed officers) and includes entities controlled or jointly controlled by these individuals.

Executive directors are entitled to a monthly salary. The executive directors of Etion are involved in the Company's activities on a day–to–day basis.

Non–executive directors are not involved in the day–to–day activities of the Company; neither are they full–time, salaried employees of the Company. The Non–executive directors enjoy no benefits from the Company for their services as directors, other than their monthly director's fees and potential capital gains and dividends gained from interests in ordinary shares.

Prescribed officers include the managing directors and chief executives of the subsidiaries within the Group.

Executive directors - paid by Etion Ltd

2022

	Basic salary	Medical aid	Retirement contribution	Bonus and performance related payments	Other (leave pay/ commission)	Total
R Willis (appointed 1 June 2021)	1,012	-	-	-	-	1,012
N Naidoo	1,659	45	172	455	-	2,331
EC de Kock (resigned 31 May 2021)	253	-	48	1,364	224	1,889
Total paid by Etion	**2,924**	**45**	**220**	**1,819**	**224**	**5,232**

2021

	Basic salary	Medical aid	Retirement contribution	Total
T Daka (resigned 31 January 2021)	2,089	134	66	2,289
EC De Kock	1,995	-	341	2,336
N Naidoo (appointed 1 February 2021)	1,352	43	117	1,512
Total paid by Etion	**5,436**	**177**	**524**	**6,137**

Executive directors - paid by subsidiary

2021	Basic salary	Other (leave pay/ commission)	Retirement contribution	Bonus and performance related payments	Total
C Maherry (resigned 31 August 2020)	936	396	70	101	1,503

37. Directors' emoluments (continued)

Non-executive directors

2022

	Fees paid to directors for services
R Willis (resigned 31 May 2021)	41
CP Bester	300
EC de Kock (appointed 1 June 2021)	236
MJ Janse van Rensburg	338
T Daka *	1,270
Z Ntsalaze (appointed 1 September 2021)	145
Total paid by Etion	**2,330**
Etion Independent Board	
S Naude	120
S Garrine	120
	240

Etion constituted an independent board which consisted of M Janse van Rensburg, S Naude and S Garrine (“the Independent Board”) to oversee the LAWTrust transaction in terms of the Companies regulations and the Companies Act 71 of 2008. Directors' emoluments were paid to this board in 2022 and 2021.

* Includes ex-gratia bonus payment of R804,345 for Mr Daka’s contributions to the achievement of the improved FY2021 financial performance and LAWTrust disposal transaction during Mr Daka tenure as GCEO.

2021

	Fees paid to directors for services
T Daka (appointed 1 February 2021)	76
CP Bester	293
Dr SJ Khoza (resigned 31 December 2020)	364
R Willis	249
MJ Janse van Rensburg	314
Total paid by Etion	**1,296**
Etion Independent Board	
S Naude	180
S Garrine	180
	360

38. Material events

Subsequent events

Disposal of Create

On 20 May 2022, Etion entered in a sale of shares agreement to sell 100% of its shareholding in Etion Create (Pty) Ltd ("Create") to Reunert Applied Electronics Holdings Proprietary Limited (“Reunert") for a disposal consideration of approximately R197 million (limited to a maximum of R210 million).

38. Material events (continued)

The disposal is subject to the fulfilment or waiver of several outstanding conditions precedent by no later than 20 November 2022, including inter alia the approval from the Competition Commission and shareholders of Etion pursuant to the JSE Limited Listings Requirements. A circular to shareholders outlining all the pertinent information to the transaction will be posted on 1 August 2022 with the general meeting to approve the transaction to be held on 30 August 2022.

Disposal of Connect

On 28 June 2022, Etion entered into a sale of business agreement to sell the assets and operations of Etion Connect (Pty) Ltd (“Connect”), as a going concern, to a newly formed entity consisting of a third party equity partner as well as the executive management of Connect for a disposal consideration of R71.5 million.

The disposal is subject to the fulfilment or waiver of several outstanding conditions precedent customary to a deal of this nature by no later than 28 September 2022.

KwaZulu Natal floods

While Etion continues to monitor the potential impact of the KwaZulu Natal floods, our preliminary assessments indicate that our operating activities have been largely unaffected by these events.

Potential risks identified include:

- Delayed/non-payment from customer - The geographical locations within which we operate have not been impacted by the floods, with business continuing as usual. The Company has not received any specific communications from customers that would cause concern around their ability to meet their short-term obligations.
- Supply chain - We have not experienced any major disruptions or delays in the procurement of goods and services.

These risks and other emerging risks are monitored on an on-going basis by the Company executive management team and in line with the operation's business continuity plans. While every effort is being made to manage these risks, we are unable to quantify the future impact that this may have on the Company.

No other matter or circumstance has occurred subsequent to year-end but before the financial statements were issued that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the entity at the reporting date, other than the events disclosed above.

Events during the year

Impact of COVID 19

While every effort has been made to quantify the future impact that the virus will have on the Company, the situation remains fluid following the lifting of National State of Disaster and the termination of most of the mandatory measures put in place to curb the spread of virus. In light of the country’s transition from these measures and the uncertainty regarding the pace of the recovery of social and economic activity to pre pandemic levels, management has conducted a review of all possible financial effects the virus could have on the measurement, presentation and disclosure provided. The results of this assessment are disclosed in note 40 to the financial statements.

Impact of war in Ukraine

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with Russia’s invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g., Belarus) or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation, global supply chain disruption and weakening the global post COVID 19 pandemic recovery.

38. Material events (continued)

In light of the broader impact on these macroeconomic conditions, and as the events arising from Russia's invasion of Ukraine occurred before the reporting date with continued impacts after the reporting date, the Company considers this to be an adjusting post balance sheet event and has thus performed an assessment as to the potential financial effects arising from the war in Ukraine. Our current assessments indicate that the Company has been largely unaffected by these events with possible emerging risks being monitored on an on going basis by the Company's executive management team and in line with the operation's business continuity plans. The Company has no operations in Ukraine, Russia or neighbouring countries, and the Company's operations do not rely on exports from these countries. While every effort is being made to manage these risks as they emerge, the situation remains volatile, and we are unable to quantify the future impact that this may have on the Company.

39. Going concern

We draw attention to the fact that at 31 March 2022, the company had accumulated profits of R 87.494 million (2021: R 12.705 million accumulated loss).

We are continually monitoring the COVID 19 outbreak and developments closely. The Company follows guidance from the World Health Organisation and abides by the requirements as activated by local governments. The Board undertakes regular rigorous assessment of whether the Company is a going concern in light of current economic conditions and available information about future risks and uncertainties.

Subsequent to the receipt of Altron's final payment, and the conclusion of the sale of Create and Connect, Etion will focus on winding up the Corporate head office and commence with the process to delist from the JSE AltX, subject to Board and shareholder approval, by distributing the cash proceeds to shareholders in the most efficient manner.

The directors have reviewed the Company's budget, projections of its expected profitability and related cash flow forecasts for the year ending March 2023 which confirm that the Company has sufficient capital, liquidity and a positive future performance outlook to continue to meet its obligations. On this basis and in light of the Company's current financial position, the directors are satisfied that the Company will continue to operate for the foreseeable future, even when considering the imminent disposal of Create and Connect and have therefore adopted the going concern basis in preparing these annual financial statements.

Notes to the Separate Annual Financial Statements

40. Transfer of Etion Digitise business to Etion Create

On 31 March 2022, Etion Limited sold Etion Digitise ("Digitise"), which functions as a division and reportable segment (refer note 34) within Etion Limited, to its wholly owned subsidiary Etion Create for a purchase consideration of R8.573 million.

The transaction formed part of a larger restructuring activity undertaken by Etion Group which commenced within the financial year ending 31 March 2020.

Digitise, also referred to Safety and Productivity Solutions ("SPS") reportable segment specialises in digital systems that help improve the safety and productivity of rail transport customers. Digitise designs and implements digital systems that incorporate Internet of Things ("IoT") devices and custom software to provide condition monitoring systems aimed at helping its customers derive value from efficient asset management.

As part of the restructure, employees with critical engineering capabilities as well as the relevant assets and liabilities specific to the Digitise division were transferred to Create. Through the absorbing of critical engineering capability into Create, Create has been positioned to effectively respond to customer's requests as well as to redesign and/or modify the existing suite of Digitise products and solutions offered to the Create customer base.

The transaction was classified as a business combination under common control and the purchase consideration was settled through an issue of ordinary equity shares in Etion Create.

The book values, (which represents the value per the highest level of consolidation) of the identifiable assets and liabilities transferred to Create on 31 March 2022 were as follows:

	Book value of identifiable assets and liabilities R '000
Intangible assets	308
Inventory	1,445
Trade and other receivables	861
Cash and cash equivalents	4,941
Total assets	**7,555**
Trade and other payables	-
Total liabilities	**-**
Identifiable net assets	**7,555**
Purchase consideration (Shares in Etion Create)	(8,574)
Excess purchase consideration recognised in equity	**(1,019)**

The excess purchase consideration of R1.019 million was recognised within a retained income within equity, in line with the company's accounting policy.

41. Impact of COVID 19

After emerging from a third wave of Covid19 infections in the first half of the financial year and a fourth wave in the second half, the effects of Covid19 are felt in varying degrees across the Company's operations. The Covid19 pandemic has changed working practices globally, driving an increase in home and hybrid working models. Despite the challenges brought on by Covid19 and the weak and uncertain economic environment, the Company remains focussed on maintaining a healthy liquidity position and debt levels as well as improving working capital management.

While every effort has been made to quantify the future impact that the virus will have on the Company, the situation remains fluid and uncertain.

Management has therefore conducted a review of the possible financial effects the pandemic could have on the measurement, presentation and disclosure of balances that are most likely to be materially impacted as at 31 March 2022:

Notes to the Separate Annual Financial Statements

COVID 19 Consideration	Assessment	Impact	Related Note
Allowance for expected credit losses	The financial impact of the crisis has put an increased level of pressure on customers throughout the economic landscape in South Africa and foreign countries in which the Company operates. The overall increased risk is mitigated by the Company in relation to the continuous enforcement of the strict credit approval process, historically applied. Refer to notes 4(b), and 11 for details of the Company's methodology and critical accounting estimates and judgements applied in determining the allowance for expected credit losses on trade receivables and other assets. A consistent methodology is applied to most debtors however specific provision has been made for those debtors identified as having a higher risk of default. In these instances, management has applied a judgemental overlay to account for the increased credit risk. Furthermore, since the commencement of COVID19 there is no evidence of significance to suggest a change of credit risk and hence no adjustments have been made to the definition of default as applied by the Company. The debtor's book was assessed based on shared credit risk characteristics and into common ageing buckets. Management has also considered the industries in which our customers operate as well as reviewed various media platforms to ascertain whether any of the Company's customers or their industries were at risk of being impacted by COVID19. The economic consequences driven by measures to curb the outbreak of COVID19 has negatively affected a specific debtor's ability to pay. Management has explored various alternatives in an effort to recover the amount due including agreeing to an extended payment plan with the customer. Unfortunately, the customer has been unable to honour this plan with its financial position worsening over the current financial year. The Company has thus elected to raise an allowance for expected credit losses equal to the full value of the receivable owing. The Company has monitored collections during the reporting period which on the whole have remained strong except as detailed above. The Company has also considered any specific communications from customers that would cause concern around their ability to meet their short term obligations. No such communications were received.	Low	12 - Trade and other receivables

Notes to the Separate Annual Financial Statements

COVID 19 Consideration	Assessment	Impact	Related Note
Non-financial asset impairment (Property, plant and equipment and Right-of-use assets)	The nature of the non-financial assets and the fact that the Company has performed well in the current financial year, resulted in the overall nonfinancial assets having been recovered through use in the normal course of business. In addition to this, the Company's revenue generating processes are not entirely dependent on the nonfinancial assets of the Company. Discretionary capital expenditure was reduced for most of the financial year. The recoverable amount calculations performed in respect to various CGUs still support the carrying value of nonfinancial assets of the Company.	Insignificant	5 - Property, plant and equipment 6 - Leases

42. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.