Argent Industrial Limited
Registration number 1993/002054/06
(Incorporated in the Republic of South Africa)
Share code: ART ISIN code: ZAE000019188
('Argent' or 'the group' or 'the company')

# ABRIDGED UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2019

## Financial Highlights

| | |
|---|---|
| Revenue up | 1.5% |
| Headline earnings per share | 50.1 cents |
| Gearing | 14.9% |
| Net asset value per share | 1 370.9 cents |

The abridged unaudited financial statements are presented on a consolidated basis

| Consolidated Statement of Profit or Loss for the period ended | Unaudited 6 months 30 Sept 2019 | Unaudited 6 months 30 Sept 2018 | Audited year ended 31 Mar 2019 |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| Revenue | 871,516 | 858,817 | 1,721,578 |
| Cost of sales | (643,322) | (655,015) | (1,299,966) |
| Gross profit | 228,194 | 203,802 | 421,612 |
| Net operating expenses | (168,372) | (142,775) | (301,920) |
| Operating profit before finance costs | 59,822 | 61,027 | (119,692) |
| Net interest expense | (7,618) | (2,966) | (4,498) |
| Profit before taxation | 52,204 | 58,061 | 115,194 |
| Taxation | (11,927) | (14,714) | (29,730) |
| Profit for the period | 40,277 | 43,347 | 85,464 |
| Attributable to equity holders of the | | | |
| - Parent | 37,901 | 41,795 | 83,763 |
| - Non-controlling interest | 2,376 | 1,552 | 1,701 |
| | 40,277 | 43,347 | 85,464 |
| Basic earnings per share (cents) | 49.7 | 49.9 | 101.2 |
| Diluted earnings per share (cents) | 49.7 | 49.9 | 101.2 |
| Headline earnings per share (cents) | 50.1 | 50.4 | 104.4 |
| Diluted headline earnings per share (cents) | 50.1 | 50.4 | 104.4 |
| Dividends per share (cents) | 0.0 | 10.0 | 10.0 |
| Supplementary information | | | |
| Shares in issue (000) | | | |
| - at end of period excluding treasury shares | 75,518 | 83,581 | 77,686 |
| - at end of period including treasury shares | 80,201 | 88,264 | 82,369 |
| - weighted average | 76,230 | 83,755 | 82,741 |
| - diluted weighted average | 76,230 | 83,755 | 82,741 |
| Interest paid on lease liabilities (R 000) | 6,290 | - | - |

| | | | |
|---|---|---|---|
| Depreciation on right-of-use assets (R 000) | 13,895 | - | - |
| Depreciation and amortisation (R 000) | 13,044 | 11,942 | 24,940 |
| Calculation of headline earnings (R 000) | | | |
| Earnings attributable to ordinary shareholders | 37,901 | 41,795 | 83,763 |
| Loss/(profit)on disposal of property, plant and equipment | 367 | 624 | (1,757) |
| Impairment of property, plant and equipment | - | - | 3,889 |
| Total tax effects of adjustments | (103) | (175) | 492 |
| Headline earnings attributable to ordinary shareholders | 38,165 | 42,244 | 86,387 |

| Consolidated Statement of other Comprehensive Income or Loss for the period ended | Unaudited 6 months 30 Sept 2019 | Unaudited 6 months 30 Sept 2018 | Audited year ended 31 Mar 2019 |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| Profit for the period | 40,277 | 43,347 | 85,464 |
| Other comprehensive income for the period | | | |
| Items that may be reclassified subsequently to profit and loss | | | |
| Exchange differences on translating foreign operations | 2,635 | 7,149 | 9,493 |
| Total other comprehensive income for the period | 42,912 | 50,496 | 94,957 |
| Attributable to equity holders of the | | | |
| - Parent | 40,536 | 48,944 | 93,256 |
| - Non-controlling interest | 2,376 | 1,552 | 1,701 |
| | 42,912 | 50,496 | 94,957 |

| Consolidated Statement of Financial Position for the period ended | Unaudited At 30 Sept 2019 | Unaudited At 30 Sept 2018 | Audited at 31 Mar 2019 |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| ASSETS | | | |
| Property, plant and equipment | 452,212 | 457,830 | 450,736 |
| Intangible assets | 3,784 | 3,785 | 3,798 |
| Goodwill | 150,144 | 124,041 | 150,144 |
| Right-of-use assets | 128,967 | - | - |
| Long-term receivables | 15,461 | 26,036 | 17,785 |
| Deferred taxation | 8,857 | - | 4,683 |
| Non-current assets | 759,425 | 611,692 | 627,146 |
| Inventories | 371,463 | 388,230 | 381,473 |
| Trade and other receivables | 271,371 | 302,741 | 314,814 |
| Current portion of long-term receivables | 5,003 | - | 6,128 |

| | | | |
|---|---|---|---|
| Bank balance and cash | 94,242 | 44,479 | 73,679 |
| Current assets | 742,079 | 735,450 | 776,094 |
| Non-current assets held for sale | 10,500 | 23,288 | 10,500 |
| TOTAL ASSETS | 1,512,004 | 1,370,430 | 1,413,740 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Stated capital | 380,900 | 420,120 | 392,809 |
| Reserves | 10,561 | 5,460 | 7,666 |
| Retained earnings | 643,824 | 575,119 | 613,664 |
| Attributable to owners of the parent | 1,035,285 | 1,000,699 | 1,014,139 |
| Non-controlling interest | 20,859 | 18,334 | 18,483 |
| Total shareholders' funds | 1,056,144 | 1,019,033 | 1,032,622 |
| Interest-bearing borrowings | 4,683 | 6,423 | 4,708 |
| Long-term loans | 15 | 1,663 | 2,621 |
| Lease liabilities | 121,891 | - | - |
| Other liabilities | 29,832 | - | 29,832 |
| Deferred tax | 56,628 | 46,329 | 51,883 |
| Non-current liabilities | 213,049 | 54,415 | 89,044 |
| Trade and other payables | 180,386 | 223,588 | 216,195 |
| Taxation | 1,614 | 4,908 | 9,840 |
| Bank overdraft | 30,261 | 44,811 | 53,802 |
| Current portion of lease liabilities | 22,127 | - | - |
| Current portion of interest-bearing borrowings | 8,423 | 23,675 | 12,237 |
| Current liabilities | 242,811 | 296,982 | 292,074 |
| TOTAL EQUITY AND LIABILITIES | 1,512,004 | 1,370,430 | 1,413,740 |
| Net asset value per share (cents) | 1,370.9 | 1,197.3 | 1,305.4 |

| Abridged Consolidated Statement of Cash Flows for the period ended | Unaudited 6 months 30 Sept 2019 | Unaudited 6 months 30 Sept 2018 | Audited year ended 31 Mar 2018 |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 104,555 | 113,880 | 164,387 |
| Net interest expense | (7,618) | (2,966) | (4,498) |
| Dividends paid | - | (8,471) | (8,471) |
| Normal taxation paid | (16,570) | (1,636) | (13,338) |
| Cash flows from operating activities | 80,367 | 100,807 | 138,080 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | (17,423) | (14,436) | (43,744) |
| Additions to intangible assets | (2) | (768) | (768) |
| Proceeds on disposal of property, plant and equipment | 3,326 | 2,175 | 38,062 |
| Acquisition of subsidiaries net of cash acquired | - | (81,152) | (77,423) |
| Long-term receivables repaid | 3,449 | 3,087 | 5,666 |

| | | | |
|---|---|---|---|
| Cash flows from investing activities | (10,650) | (91,094) | (78,207) |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Share buy-back | (11,909) | (1,669) | (28,980) |
| Lease liability payments | (9,596) | - | - |
| Proceeds from long-term loans | (2,606) | 4 | 962 |
| Proceeds from interest-bearing borrowings | 5,524 | 2,337 | 4,878 |
| Repayment of interest-bearing borrowings | (7,503) | (17,572) | (33,758) |
| Cash flows from financing activities | (26,090) | (16,900) | (56,898) |
| | | | |
| Net increase/(decrease)in cash and cash equivalents | 43,627 | (7,187) | 2,975 |
| Cash and cash equivalents at beginning of period | 19,877 | 6,855 | 6,855 |
| Exchange differences on cash and cash equivalents | 477 | - | 10,047 |
| Cash and cash equivalents at end of period | 63,981 | (332) | 19,877 |

| Consolidated Statement of Changes in Equity for the period ended 30 September 2019 | Stated capital | Treasury shares | Employee share incentive reserve |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| Balance at 1 April 2018 - unaudited | 514,835 | (93,046) | 440 |
| Share-based payments | - | - | 301 |
| Share buy-back | (28,980) | - | - |
| Transfer of reserve to retained earnings | - | - | (289) |
| Total comprehensive income for the period | - | - | - |
| Dividends | - | - | - |
| Less dividend on treasury shares | - | - | - |
| Balance at 31 March 2019 | 485,855 | (93,046) | 452 |
| Adjustment from adoption of IFRS 16 | - | - | - |
| Adjusted balance at 1 April 2019 | 485,855 | (93,046) | 452 |
| Share-based payments | - | - | 260 |
| Share buy-back | (11,909) | - | - |
| Total comprehensive income for the period | - | - | - |
| Balance at 30 September 2019 | 473,946 | (93,046) | 712 |

| Consolidated Statement of Changes in Equity for the period ended 30 September 2019 (continued) | Revaluation reserve | Foreign currency translation reserve | Retained earnings |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| Balance at 1 April 2018 - unaudited | 8,068 | (10,347) | 538,083 |
| Share-based payments | - | - | - |
| Share buy-back | - | - | - |
| Transfer of reserve to retained earnings | - | - | 289 |

| | | | |
|---|---|---|---|
| Total comprehensive income for the period | - | 9,493 | 83,763 |
| Dividends | - | - | (8,846) |
| Less dividend on treasury shares | - | - | 375 |
| Balance at 31 March 2019 | 8,068 | (854) | 613,664 |
| Adjustment from adoption of IFRS 16 | - | - | (7,741) |
| Adjusted balance at 1 April 2019 | 8,068 | (854) | 605,923 |
| Share-based payments | - | - | - |
| Share buy-back | - | - | - |
| Total comprehensive income for the period | - | 2,635 | 37,901 |
| Balance at 30 September 2019 | 8,068 | 1,781 | 643,824 |

| Consolidated Statement of Changes in Equity for the period ended 30 September 2019 (continued) | Total attributable to owners of the parent | Non-controlling interest | Total shareholders' funds |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| Balance at 1 April 2018 – unaudited | 958,033 | 16,782 | 974,815 |
| Share-based payments | 301 | - | 301 |
| Share buy-back | (28,980) | - | (28,980) |
| Transfer of reserve to retained earnings | - | - | - |
| Total comprehensive income for the period | 93,256 | 1,701 | 94,957 |
| Dividends | (8,846) | - | (8,846) |
| Less dividend on treasury shares | 375 | - | 375 |
| Balance at 31 March 2019 | 1,014,139 | 18,483 | 1,032,622 |
| Adjustment from adoption of IFRS 16 | (7,741) | - | (7,741) |
| Adjusted balance at 1 April 2019 | 1,006,398 | 18,483 | 1,024,881 |
| Share-based payments | 260 | - | 260 |
| Share buy-back | (11,909) | - | (11,909) |
| Total comprehensive income for the period | 40,536 | 2,376 | 42,912 |
| Balance at 30 September 2019 | 1,035,285 | 20,859 | 1,056,144 |

| Segmental review | Manufacturing | Steel trading | Properties | Consolidated |
|---|---|---|---|---|
| | R 000 | R 000 | R 000 | R 000 |
| Business segments for the 6 months ended 30 September 2019 - unaudited | | | | |
| Revenue from external sales | 620,820 | 250,502 | 194 | 871,516 |
| Inter-segment sales | 26,851 | 102,412 | 12,688 | |
| Total revenue | 647,671 | 352,914 | 12,882 | |
| Profit before taxation | 40,569 | 7,228 | 4,407 | 52,204 |
| Taxation | | | | (11,927) |
| Profit for the period | | | | 40,277 |

| Other information | | | | |
|---|---|---|---|---|
| Net assets | 717,392 | 210,345 | 128,407 | 1,056,144 |
| Capital expenditure | 13,357 | 3,713 | 355 | 17,425 |
| Depreciation/amortisation | 12,005 | 1,029 | 10 | 13,044 |
| Net interest expense * | 3,644 | (405) | 4,379 | 7,618 |

* As per the group policy, finance costs and finance income derived from primary banking is netted off.

| Segmental review (continued) | Manufacturing | Steel trading | Properties | Consolidated |
|---|---|---|---|---|
| | R 000 | R 000 | R 000 | R 000 |
| Business segments for the 6 months ended 30 September 2018 - unaudited | | | | |
| Revenue from external sales | 598,587 | 259,219 | 1,011 | 858,817 |
| Inter-segment sales | 29,219 | 49,587 | 13,633 | |
| Total revenue | 627,806 | 308,806 | 14,644 | |
| Profit before taxation | 44,478 | 8,513 | 5,070 | 58,061 |
| Taxation | | | | (14,714) |
| Profit for the period | | | | 43,347 |
| Other information | | | | |
| Net assets | 633,128 | 239,859 | 146,046 | 1,019,033 |
| Capital expenditure | 12,034 | 808 | 2,362 | 15,204 |
| Depreciation/amortisation | 10,641 | 1,284 | 17 | 11,942 |
| Net interest expense * | (2,047) | (718) | 5,731 | 2,966 |

| Segmental review (continued) | Manufacturing | Steel trading | Properties | Consolidated |
|---|---|---|---|---|
| | R 000 | R 000 | R 000 | R 000 |
| Business segments for the year ended 31 March 2019 - audited | | | | |
| Revenue from external sales | 1,199,290 | 518,403 | 3,885 | 1,721,578 |
| Inter-segment sales | 67,119 | 125,375 | 26,336 | |
| Total revenue | 1,266,409 | 643,778 | 30,221 | |
| Profit before taxation | 86,691 | 18,551 | 9,952 | 115,194 |
| Taxation | | | | (29,730) |
| Profit for the year | | | | 85,464 |
| Other information | | | | |
| Net assets | 691,947 | 211,845 | 128,830 | 1,032,622 |
| Capital expenditure | 9,150 | 16,629 | 18,733 | 44,512 |
| Depreciation/amortisation | 22,519 | 2,388 | 33 | 24,940 |
| Net interest expense * | (4,923) | (1,739) | 11,160 | 4,498 |

| Segmental review (continued) | South Africa | Rest of the world | Consolidated |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| Geographical segments for the 6 months ended 30 September 2019 - unaudited | | | |
| Revenue from external sales | 678,090 | 193,426 | 871,516 |
| Profit before taxation | 16,093 | 36,111 | 52,204 |
| Taxation | | | (11,927) |
| Profit for the period | | | 40,277 |
| | | | |
| Other information | | | |
| Net assets | 843,864 | 212,280 | 1,056,144 |
| Capital expenditure | 12,177 | 5,248 | 17,425 |
| Depreciation/amortisation | 9,267 | 3,777 | 13,044 |
| Net interest expense * | 7,188 | 430 | 7,618 |
| | | | |
| for the 6 months ended 30 September 2018 - unaudited | | | |
| Revenue from external sales | 720,182 | 138,635 | 858,817 |
| Profit before taxation | 27,464 | 30,597 | 58,061 |
| Taxation | | | (14,714) |
| Profit for the period | | | 43,347 |
| | | | |
| Other information | | | |
| Net assets | 872,210 | 146,823 | 1,019,033 |
| Capital expenditure | 12,002 | 3,202 | 15,204 |
| Depreciation/amortisation | 9,098 | 2,844 | 11,942 |
| Net interest expense * | 3,142 | (176) | 2,966 |
| | | | |
| for the year ended 31 March 2019 – audited | | | |
| Revenue from external sales | 1,413,517 | 308,061 | 1,721,578 |
| Profit before taxation | 67,002 | 48,192 | 115,194 |
| Taxation | | | (29,730) |
| Profit for the year | | | 85,464 |
| | | | |
| Other information | | | |
| Net assets | 857,320 | 175,302 | 1,032,622 |
| Capital expenditure | 37,449 | 7,063 | 44,512 |
| Depreciation/amortisation | 18,200 | 6,740 | 24,940 |
| Net interest expense * | 4,782 | (284) | 4,498 |

**Financial Overview**

Argent Industrial Limited had a mixed first six months in that its South African operation were all under margin and turnover pressures, and its United Kingdom operations all exceeded expectations.

**Operations Review**

Manufacturing

Our overseas operations, Fuel Proof Limited, OSA Door Parts Limited, Cannock Gates Limited and New Joules Engineering North America Inc. performed well. The South African Companies were all under pressure. Two of these companies being Xpanda Security and Megamix, will have a much better second six months due to several new and re-engineered products as well as the start of the Wind Farm project.

Tricks Wrought Iron Services is in the process of being downsized and will be relocated into a portion of our Phoenix Steel Natal operations.

Steel Trading
The groups two mild steel operations did very well showing a combined R7.3 million profit before tax. Both Gammid operations are however very much linked into the construction sector and as a result only made a combined R0.504 million profit. Given the sectors outlook, we have decided to close Gammid Jhb. We expect the process to be completed by the end of November and have provided an additional R2 million for the disposal of our potential excess stock.

Properties
The group has one property for sale:
15 Vulcan Street, Klerksdorp Industrial, Klerksdorp – vacant.

The following property was sold for R10.5 million and is awaiting transfer:
127-131 Terrace Road, Sebenza, Edenvale.

Argent Industrial Investments is in the process of raising a R120 million loan against its South African properties. The loan is repayable over a period of 5 years. The proceeds will be used to repay its loan to Argent Industrial Limited and should be in place by 31 December 2019.

**Share buy-back programme**
Argent repurchased and cancelled 2 167 464 shares in the period under review and will be aiming to repurchase an additional 15 634 854 shares over the next 4 months.

**IFRS 16 Leases**
The group implemented IFRS 16, the revised accounting standard for leases on 1 April 2019.
IFRS 16 requires the lessee to record an asset with a corresponding lease liability. Practically, operating leases and rental cost expenses will be replaced by an interest expense and a depreciation charge.

Profit before tax was reduced by R4.3 million. This accounting adjustment is a non-cash flow item and is explained in more detail below under changes in significant accounting policies.

Earnings were negatively impacted by 4 cents per share for the 6 months to 30 September 2019 as a result of the adoption of IFRS 16.

**Outlook**
The group is on track with its net asset realisation and offshore investment philosophy.

To this end we have a certain number of our South African operations for sale and will be buying back R20 million worth of shares in the short term.

Argent Industrial Limited will be utilizing the R120 million loan proceeds mentioned above to increase the share buy-back to the maximum number of shares as per the authority received at our 2019 AGM.

The group will continue to look for acquisitions in both the United Kingdom and America, in line with its current offshore business parameters.

**Basis of preparation**

The abridged unaudited and unreviewed, consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Companies Act of South Africa (Act No. 71 of 2008) and the Listings Requirements of the JSE Limited.

The results have been prepared in terms of IFRS on the historical cost basis, except for the revaluation of land and buildings and certain financial instruments which are carried at either fair value or amortised cost.

The accounting policies are consistent with those of the previous annual financial statements, except for the adoption of IFRS 16 Leases, which was effective from 1 April 2019. The adoption of improved, revised or new standards and interpretations, besides IFRS 16 Leases, did not have any significant impact on the financial statements.

The abridged unaudited and unreviewed, consolidated interim financial statements were prepared under the supervision of the Financial Director, Ms SJ Cox CA (SA). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's auditors.

**Changes in significant accounting policies**

The group applied IFRS 16 Leases, the revised accounting standards for leases from 1 April 2019.  This introduces a single lessee accounting model, where a right-of-use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

As permitted by IFRS 16 Leases, the group elected not to restate comparative information and has recorded the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at the date of initial application. Therefore, the comparative information has not been restated and is reported under the previous standard.

*Definition of a lease*

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

Short term leases are defined as leases that, at commencement date, have a lease term of 12 months or less.

A low-value lease is defined as a lease where the underlying asset is less than R150 000. The value is determined for a new asset, regardless of the age of the underlying asset being leased.

On transition to IFRS 16, the group elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

*Lessees*
As a lessee, the group leases properties. Under IFRS 16, the group recognises ROU assets and lease liabilities for most leases.

*Significant accounting policies*
The ROU asset is initially measured at cost and is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in the future lease payments arising from a change in index or rate.

*Critical accounting estimates and judgements in applying IFRS 16*

Extension and termination options
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). Factors such as the importance of the underlying asset to our operations, undertaking of significant leasehold improvements and our past practice were considered to determine reasonable certainty.

The assessment is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the lessee.

Discount rate
The lease liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as at 1 April 2019. This incremental borrowing rate was derived from rates applicable to the group's external borrowing facilities in issue.

Transition
The group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
- Applied the exemption not to recognise ROA assets and liabilities for leases with less than a 12-month lease term;
- Low-value assets – all leases that meet the criteria of a lease of a low-value asset are accounted for on a straight-line basis over the lease term;
- Reliance on previous assessment of onerous leases;
- Use a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs for measurement of the ROU asset at the date of initial application.

*Impact on the financial statements on transition*
On transition to IFRS 16, the group recognised ROU assets together with additional lease liabilities. The impact on transition is recognised below as at 1 April 2019.

| | R 000 |
|---|---|
| Right-of-use assets | 142,863 |
| Retained earnings | 10,751 |
| Deferred tax asset | 3,010 |
| Lease liabilities | 153,614 |

The total undiscounted operating lease commitments as at 31 March 2019 amount to R48.8 million, the lease liability as at 1 April 2019 amounted to R153.6 million. The differences relate to extension periods previously not included in the lease commitments to the value of R181.2 million, which increased the undiscounted operating lease commitments. The undiscounted operating lease commitments balance was discounted using the group's incremental borrowing rate curve which ranges from 3% to 10.5%.

| | R 000 |
|---|---|
| Operating lease commitments as at 31 March 2019 | 48,847 |
| Add: Adjustments as a result of a different treatment of extension and termination options | 181,214 |
| Operating lease commitments as at 1 April 2019 | 230,061 |
| Less: Short-term lease commitments | - |
| Less: Low-value lease commitments | - |
| Total commitments to be discounted using incremental borrowing rate at date of initial application | 230,061 |

| | |
|---|---|
| Lease liabilities recognised as at 1 April 2019 | 168,301 |
| Representing: | 230,061 |
| Current lease liabilities | 28,438 |
| Non-current lease liabilities | 139,863 |
| | 168,301 |

As a result of initially applying IFRS 16 in relation to the leases that were previously classified as operating leases, the group recognised R128.9 million of right-of-use assets and R144 million of lease liabilities as at 30 September 2019.

Also, in relation to those leases under IFRS 16, the group recognised depreciation and interest costs, instead of operating lease expenses. During the 6 months ended 30 September 2019, the group recognised R13.9 million of depreciation in cost of sales, R6.3 million of interest costs in net interest expense and operating lease reversals of R15.9 million for these leases.

Earnings were negatively impacted by 4 cents per share for the 6 months to 30 September 2019 as a result of the adoption of IFRS 16.

**Going concern**

Shareholders are advised that the abridged unaudited results for the six-month period ended 30 September 2019 have been prepared on the going concern concept. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**Dividend**
No dividends were declared by the Board of Directors for the six-month period ending 30 September 2019. Excess funds will be utilised for the share buy-back programme.

**On behalf of the board**

| | |
|---|---|
| TR Hendry CA (SA)<br>Chief Executive Officer | Umhlanga Rocks<br>13 November 2019 |
| Registered Office: | First floor,Ridge 63,8 Sinembe Crescent,<br>La Lucia Ridge Office Estate,4019<br>Tel: +27 (0) 31 791 0061 |
| Auditors: | SNG Grant Thornton (EY Lakhi as designated auditor) |
| Sponsors: | PSG Capital |
| Transfer Secretaries: | Link Market Services South Africa |
| Company Secretary: | Jaco Dauth |

Directors: CD Angus (Independent Non-executive), PA Christofides (Independent Non-executive), Ms SJ Cox (Financial Director), TR Hendry (Chief Executive Officer), AF Litschka, K Mapasa (Independent Non-executive), T Scharrighuisen (Non-executive Chairman).