MAZOR GROUP

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED
31 AUGUST 2019

STEEL

ALUMINIUM

GLASS

SALIENT FEATURES

- Deteriorating national economy
- Construction industry in crisis
- Reduced group losses
- Revenue gains in all divisions in tough markets

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

	Unaudited as at 31 August 2019 R	Unaudited as at 31 August 2018 R	Audited as at 28 February 2019 R
Assets			
Non-current assets			
Property, plant and equipment	**78 275 677**	82 765 033	78 580 853
Right-of-use asset	**74 422 140**	–	–
Intangible asset	**14 500 000**	15 500 000	15 000 000
Deferred tax	**11 842 424**	6 475 407	9 381 120
	179 040 241	104 740 440	102 961 973
Current assets			
Inventories	**105 494 534**	103 803 713	117 603 084
Contract assets	**19 625 550**	13 550 429	27 503 590
Other financial assets	**277 340**	276 404	277 340
Current tax receivable	**506 187**	533 032	536 074
Trade and other receivables	**35 251 328**	39 531 423	33 403 052
Cash and cash equivalents	**32 893 425**	56 265 376	25 552 739
	194 048 364	213 960 377	204 875 879
Total assets	**373 088 605**	318 700 817	307 837 852
Equity and liabilities			
Equity			
Stated capital	**41 060 154**	41 060 154	41 060 154
Retained income	**192 797 373**	199 817 376	197 623 065
Equity attributable to shareholders of Mazor Group Limited	**233 857 527**	240 877 530	238 683 219
Non-controlling interests	**(114 009)**	(25 469)	(46 364)
	233 743 518	240 852 061	238 636 855
Liabilities			
Non-current liabilities			
Lease liabilities	**64 237 166**	–	–
Other financial liabilities	**9 638 707**	13 706 502	10 710 952
Deferred tax	**1 248 742**	881 647	1 069 425
	75 124 615	14 588 149	11 780 377
Current liabilities			
Lease liabilities	**16 159 126**	–	–
Other financial liabilities	**6 196 022**	5 997 261	5 491 206
Current tax payable	**540 049**	369 809	288 376
Trade and other payables	**41 307 185**	53 367 283	43 837 578
Contract liabilities	**–**	1 901 933	4 955 145
Bank overdraft	**18 090**	1 624 321	2 848 315
	64 220 472	63 260 607	57 420 620
Total liabilities	**139 345 087**	77 848 756	69 200 997
Total equity and liabilities	**373 088 605**	318 700 817	307 837 852

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Unaudited 6 months ended 31 August 2019 R	Unaudited 6 months ended 31 August 2018 R	Audited 12 months ended 28 February 2019 R
Revenue from contracts with customers	**218 905 399**	198 914 601	399 037 473
Cost of sales	**(161 756 485)**	(157 538 615)	(310 689 217)
Gross profit	**57 148 914**	41 375 986	88 348 256
Other income	**826 866**	1 291 807	2 079 084
Operating expenses	**(59 717 105)**	(59 800 928)	(111 269 914)
Operating loss	**(1 741 325)**	(17 133 135)	(20 842 574)
Investment revenue	**885 597**	1 579 365	2 744 144
Finance costs	**(5 165 049)**	(1 387 293)	(2 491 518)
Loss before taxation	**(6 020 777)**	(16 941 063)	(20 589 948)
Taxation	**1 127 440**	2 815 908	4 249 587
Total comprehensive loss for the period	**(4 893 337)**	(14 125 155)	(16 340 361)
Total comprehensive loss for the period attributable to:			
Shareholders of Mazor Group Limited	**(4 825 692)**	(14 103 180)	(16 297 491)
Non-controlling interests	**(67 645)**	(21 975)	(42 870)
	(4 893 337)	(14 125 155)	(16 340 361)
Basic and diluted earnings per share (cents)	**(4.6)**	(13.3)	(15.5)

NOTES
TO THE CONDENSED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

Reconciliation between earnings and headline earnings:

	Unaudited 6 months ended 31 August 2019 R	Unaudited 6 months ended 31 August 2018 R	Audited 12 months ended 28 February 2019 R
Loss attributable to ordinary shareholders	**(4 825 692)**	(14 103 180)	(16 297 491)
Adjusted for:			
(Profit)/Loss on disposal of property, plant and equipment	**(30 552)**	398 829	309 410
Tax effect thereof	**8 555**	(111 672)	(86 635)
Headline earnings	**(4 847 689)**	(13 816 023)	(16 074 715)
Basic and diluted headline earnings per share (cents)	**(4.6)**	(13.0)	(15.3)

CONSOLIDATED STATEMENT
OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Unaudited 6 months ended 31 August 2019 R	Unaudited 6 months ended 31 August 2018 R	Audited 12 months ended 28 February 2019 R
Cash flows from operating activities			
Cash generated from/(utilised for) operations	**27 253 198**	5 211 643	(21 632 272)
Interest income	**885 597**	1 542 194	2 741 457
Finance costs	**(5 165 049)**	(1 387 293)	(2 491 518)
Tax paid	**(872 988)**	(795 427)	(2 164 159)
Net cash flow from operating activities	**22 100 758**	4 571 117	(23 546 492)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(914 671)**	(1 374 044)	(1 914 853)
Proceeds from disposal of plant and equipment	**224 974**	286 079	507 469
Net cash flow from investing activities	**(689 697)**	(1 087 965)	(1 407 384)
Cash flows from financing activities			
Repayment of lease liabilities	**(7 839 289)**	–	–
Repayment of other financial liabilities	**(3 400 861)**	(1 029 149)	(4 528 752)
Purchase of treasury shares	**–**	(3 305 077)	(3 305 077)
Net cash flow from financing activities	**(11 240 150)**	(4 334 226)	(7 833 829)
Increase/(decrease) in cash and cash equivalents for the period	**10 170 911**	(851 074)	(32 787 705)
Cash and cash equivalents at the beginning of the period	**22 704 424**	55 492 129	55 492 129
Cash and cash equivalents at the end of the period	**32 875 335**	54 641 055	22 704 424

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Stated capital	Retained income	Total	Non-controlling interests	Total equity
	R	R	R	R	R
Balance at 1 March 2018	44 365 231	213 920 556	258 285 787	(3 494)	258 282 293
Changes in equity					
Loss for the period	–	(14 103 180)	(14 103 180)	(21 975)	(14 125 155)
Treasury shares acquired	(3 305 077)	–	(3 305 077)	–	(3 305 077)
Balance at 31 August 2018	41 060 154	199 817 376	240 877 530	(25 469)	240 852 061
Changes in equity					
Loss for the period	–	(2 194 311)	(2 194 311)	(20 895)	(2 215 206)
Balance at 28 February 2019	41 060 154	197 623 065	238 683 219	(46 364)	238 636 855
Changes in equity					
Loss for the period	**–**	**(4 825 692)**	**(4 825 692)**	**(67 645)**	**(4 893 337)**
Balance at 31 August 2019	**41 060 154**	**192 797 373**	**233 857 527**	**(114 009)**	**233 743 518**

CONDENSED
SEGMENT REPORT

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Unaudited 6 months ended 31 August 2019 R	Unaudited 6 months ended 31 August 2018 R	Audited 12 months ended 28 February 2019 R
Segment revenue – contract revenue			
– Aluminium	**36 432 109**	26 889 623	50 237 169
– Steel	**38 848 943**	27 382 312	64 341 248
– Glass	**–**	–	–
– Corporate	**–**	–	–
	75 281 052	54 271 935	114 578 417
Segment revenue – sale of goods			
– Aluminium	**70 458 184**	77 604 554	146 967 098
– Steel	**–**	–	–
– Glass	**73 166 163**	67 038 112	137 491 958
– Corporate	**–**	–	–
	143 624 347	144 642 666	284 459 056
Segment revenue – internal			
– Aluminium	**210 625**	116 153	1 321 851
– Steel	**–**	–	–
– Glass	**12 209 898**	9 164 456	19 238 775
– Corporate	**2 776 441**	2 563 857	5 265 299
	15 196 964	11 844 466	25 825 925
Segment result – operating profit/(loss)			
– Aluminium	**139 454**	(4 522 015)	(8 468 967)
– Steel	**(1 860 076)**	(7 664 676)	(11 030 266)
– Glass	**(1 025 851)**	(5 781 066)	(3 791 513)
– Corporate	**1 005 148**	834 622	2 448 172
	(1 741 325)	(17 133 135)	(20 842 574)
Segment assets			
– Aluminium	**163 163 275**	147 409 509	127 180 609
– Steel	**50 288 497**	28 722 161	36 547 590
– Glass	**129 345 469**	111 864 390	113 623 336
– Corporate	**30 291 364**	30 704 757	30 486 317
	373 088 605	318 700 817	307 837 852
Segment liabilities			
– Aluminium	**59 746 783**	19 781 869	23 909 682
– Steel	**23 610 940**	12 142 735	5 693 290
– Glass	**48 841 570**	33 896 528	32 134 365
– Corporate	**7 145 794**	12 027 624	7 463 660
	139 345 087	77 848 756	69 200 997

COMMENTARY

INTRODUCTION

In the face of unprecedented headwinds, Mazor continued to sustain as one of the construction industry's few survivors. In the period, the group managed to innovate successfully for revenue and market share gains, maintain its strong hold on costs and effectively sweat efficiencies, while continuing to invest in technology and development.

As cautioned at annual results in May this year, business activity continued to wane in the embattled local construction sector in line with a deteriorating national economy. This is reflecting clearly in the final (fourth) quarter of 2019, which in contrast to the historic trend of strong business activity is currently reflecting a year-on-year drop of approximately 30%. An alarming number of peers, including long-established industry stalwarts, continue to fall victim to business rescue proceedings.

Poor systemic execution lies at the root of the construction crisis in South Africa. Government project awards remain slow, if not altogether depleted, commencement of new projects is delayed, and payment bottlenecks continue. The failure of state-owned enterprises (SOEs) is incrementally filtering into the private sector, compounding the matter.

We remain committed to our strategic objective of sustainable profitability over the long-term irrespective of the immediate- to mid-term challenges prevailing.

BASIS OF PREPARATION

The unaudited condensed consolidated interim financial results for the group for the period have been prepared in accordance with and contain the information required by IAS 34 Interim Financial Reporting, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act, No 71 of 2008, and the JSE Listings Requirements.

The accounting policies and methods of computation applied in the preparation of these unaudited condensed consolidated interim financial results are in terms of International Financial Reporting Standards and consistent with those applied in the most recently issued audited annual financial statements except for the adoption of IFRS 16 as discussed below.

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The group adopted IFRS 16 Leases in the current financial period for the first time on the mandatory adoption date. No standard, amendment or interpretation has been early adopted by the group. The comparative information has not been restated and complies with the requirements of IAS 17 Leases.

Other than the changes set out below, the accounting policies are consistent with those applied in the prior financial period and did not result in any prior-year restatements.

IFRS 16 LEASES

IFRS 16 provides the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single accounting model for lessees building on the principle that all leases result in the lessee being entitled to use an asset and, if lease payments are made over time, obtaining financing. The standard eliminates the distinction of operating and financing leases for lessees resulting in a more faithful representation of the lessee's assets and liabilities and improved transparency regarding the lessee's financial leverage and capital employed. Lessor accounting is left largely unchanged from its predecessor (IAS 17 Leases).

The group has adopted the standard using the modified retrospective approach, and has not restated comparatives for the 2019 reporting period. The group has recognised all right-of-use assets at 1 March 2019 at amounts equal to the related lease liabilities, adjusted by the amount of operating lease payables relating to those leases recognised in the statement of financial position immediately before the date of initial application.

For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and/or where the lease is for a low-value item as defined in IFRS 16 Leases, the group applied the exemptions in the standard not to recognise right-of-use assets, but to account for these leases as expenses on a straight-line basis over the remaining lease term.

Amounts paid by the group during the year pertaining to lease liabilities under IFRS 16 Leases have been disclosed in the statement of cash flows under financing activities amounting to R7 839 289 and operating activities of R4 144 169.

The group applied a weighted average incremental borrowing rate to lease liabilities recognised during the period of 9.75%.

IMPAIRMENT REVIEW ON THE RIGHT-OF-USE ASSETS

Instead of performing an impairment review on the right-of-use assets at the date of initial application, Mazor has made use of the practical expedient in IFRS 16, by doing an assessment of its existing lease agreements, prior to adopting IFRS 16, and where leases were onerous, the right-of-use assets for those agreements were adjusted by the onerous contract provision (if any) on initial application. Going forward the impairment testing on the right-of-use assets will be done as part of the review of property, plant and equipment.

The impact in the six months to 31 August 2019 of the above has been summarised below:

- Increase in right-of-use asset – R74 422 140;
- Increase in lease obligation – R80 396 292;
- Decrease in operating lease payables – R3 812 310;
- Increase in finance costs – R4 144 169;
- Increase in depreciation and amortisation – R10 001 131;
- Decrease in operating lease expense – R11 983 459;
- Decrease in net profit – R489 079; and
- Decrease in earnings and diluted earnings per share – 0.47 cents per share.

The group adopted IFRS 16 Leases under the mandatory effective date, being the 2020 financial period for the group.

The unaudited condensed consolidated interim financial results have been prepared under the supervision of the financial director, Ms L Mazor CA(SA), and the directors take full responsibility for the preparation of the unaudited condensed consolidated interim financial results.

GROUP PROFILE

The ***Steel*** division comprises *Mazor Steel,* which designs, supplies and erects structural steel frames. The ***Aluminium*** division comprises *Mazor Aluminium,* which designs, manufactures and installs aluminium structures such as doors, windows, shop fronts, facades and balustrades and includes HBS Aluminium Systems' range of fenestration systems and accessories. The ***Glass*** division comprises the Compass Glass businesses, which manufacture and distribute laminated and toughened safety glass and double-glazed units.

The group has a strong national presence across Gauteng and KwaZulu-Natal in addition to its historical base in the Western Cape.

FINANCIAL RESULTS AND REVIEW OF OPERATIONS

Despite the severe macro environment, Mazor grew revenue year-on-year by 10.1% to R218.9 million (August 2018: R198.9 million). The group maintained operating expenses on a par with the comparative period.

Revenue increased in all three business segments, resulting in a reduction in operating losses across all business segments.

Mazor significantly reduced the headline loss to R4.8 million or 4.6 cents per share (August 2018: headline loss of R13.8 million or 13 cents per share).

The increase in the deferred tax asset is as a result of losses incurred in the Aluminium and Steel divisions. A deferred tax asset was raised in respect of these losses as they are considered recoverable.

RELATED PARTY TRANSACTIONS

Directors' remuneration for the period amounted to R4.4 million (August 2018: R4.3 million).

DIRECTORATE

As announced on SENS on 21 August 2019, the following changes were made to the Mazor Board with effect from 20 August 2019:

- Mr Monty Kaplan stepped down as chairperson of the Mazor board ("board") and resigned as a member of the audit and risk committee, but continues to serve as an independent non-executive director on the board and a member of the nomination and remuneration committee. He was furthermore elected as chairperson of the remuneration committee in place of Mr Frank Boner who will take over as chairperson of the nomination committee from Mr Kaplan.
- Mr Frank Boner was elected as chairperson of the board. Although Mr Boner resigned as chairperson of the audit and risk committee to facilitate this appointment, he will continue to serve as a member given his vast experience and expertise in this field.
- Mr Abubaker Varachhia, was elected as a member of the audit and risk committee in place of Mr Monty Kaplan and was elected chairperson in place of Mr Frank Boner.

DIVIDEND DECLARATION

In line with group policy, no interim dividend was declared for the period.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the interim reporting date and up to the date of the release of the unaudited condensed consolidated interim results for the six months ended 31 August 2019.

PROSPECTS

As previously stated, the outlook continues to be concerning and visibility remains obscured.

The severity of the current headwinds is necessitating Mazor's ongoing focus on survival rather than growth. Headway is not possible at this juncture and there are no foreseeable signs of relief ahead. The continued corrosion of the macro outlook does not allow for the ability to predict a future uptick with optimism or accuracy.

We will continue to concentrate on doing everything necessary to protect our margins and maintain a strong operating position throughout the downcycle in order to position the group for an uptick as and when it will arise, focusing on strict cost discipline and ongoing out-the-box thinking in order to sustain over the long term.

FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the economy, financial condition and results of the operations of Mazor that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. These may relate to future prospects, opportunities and strategies. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may differ from those anticipated. By consequence, none of the forward-looking statements have been reviewed or reported on by the group's auditors.

On behalf of the board

F Boner
Chairperson

R Mazor
Chief executive officer

Cape Town
15 November 2019

Mazor Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2007/017221/06)
JSE share code: MZR
ISIN: ZAE000109823
("**Mazor**" or "**the company**" or "**the group**")

Registered office: 8 Monza Road, Killarney Gardens, 7441
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Directors: F Boner (chairperson)*^, R Mazor (CEO), L Mazor (financial director), M Kaplan*^, S Mazor, A Groll*^, A Varachhia*^

** Non-executive director ^Independent*

Company secretary: Ivor Mark Bloom

Sponsor: Bridge Capital Advisors (Pty) Limited, 50 Smuts Road, Dunkeld, 2196
(PO Box 651010, Benmore, 2010)

Transfer secretaries: Computershare Investor Services (Pty) Limited, Rosebank Towers
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MAZOR GROUP

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