

AUDITED GROUP RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Revenue	123 731	126 244
Cost of sales	(77 554)	(78 296)
Gross profit	46 177	47 948
Other income	175	792
Distribution costs	(11 792)	(11 345)
Administrative expenses	(32 614)	(32 356)
Finance costs	(852)	(1 197)
Profit before tax	1 094	3 842
Taxation	1 031	(1 340)
Profit for the year	2 125	2 502
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Movement in foreign currency translation reserve	65	58
Items that will not be reclassified to profit or loss		
Revaluation on property, plant and equipment	1 119	985
Tax on revaluation on property, plant and equipment	(313)	(180)
Total comprehensive income for the year attributable to ordinary shareholders	2 996	3 365
Earnings and diluted earnings per ordinary share (cents)	26,1	30,7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Assets		
Non-current assets	34 888	33 370
Property, plant and equipment	27 940	31 047
Right-of-use assets	4 601	—
Intangibles	1 910	1 886
Goodwill	437	437
Current assets	36 548	37 160
Inventories	18 652	20 091
Trade receivables and other receivables	16 435	16 531
Cash and cash equivalents	1 461	538
Total assets	71 436	70 530
Liabilities		
Non-current liabilities	7 095	8 025
Deferred tax liabilities	4 878	5 675
Borrowings	2 217	2 350
Current liabilities	16 888	18 204
Trade and other payables	11 039	10 524
Bank overdraft	4 474	6 780
Borrowings	1 375	900
Total liabilities	23 983	26 229
Net assets	47 453	44 301
Equity		
Capital and reserves attributable to the Company's equity holders		
Ordinary shares and premium	6 871	6 871
Reserves	40 582	37 430
Total equity	47 453	44 301

DIVIDENDS

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Dividend declared per ordinary share (cents)		
— interim	—	—
— final	—	—

SUPPLEMENTARY INFORMATION

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Capital expenditure	2 709	4 250

Capital expenditure for the financial year included upgrading of computer hardware of R905 000 and computer software of R594 000 for the upgrading of the ERP system; purchase of a vehicle for R301 000; injection mouldings for the Plant of R246 000; trademark renewals of R279 000 and leasing of Buildings for R384 000.

CONSOLIDATED STATEMENT OF CASH FLOW

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Cash flows from operating activities		
Cash receipts from customers	122 989	126 214
Cash paid to suppliers and employees	(116 465)	(123 271)
Cash generated from operations	6 524	2 943
Interest paid	(852)	(1 197)
Tax received	—	—
Net cash generated from operating activities	5 672	1 746
Cash flows from investing activities		
Purchases of property, plant and equipment	(347)	(138)
Proceeds on sale of property, plant and equipment	—	7
Proceeds on sale of non-current assets held for sale	—	90
Purchases of intangible assets	(873)	(572)
Net cash used in investing activities	(1 220)	(613)
Cash flows from financing activities		
Lease liabilities repaid	(1 147)	(1 024)
Net cash used in financing activities	(1 147)	(1 024)
Net increase in cash and cash equivalents	3 305	109
Cash and cash equivalents at beginning of year	(6 242)	(6 400)
Effects of exchange rate changes on cash and cash equivalents	(76)	49
Cash and cash equivalents at end of year	(3 013)	(6 242)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Ordinary shares	407	407
Share premium	6 464	6 464
Foreign currency translation reserve	125	60
Opening balance	60	2
Net movement for the year	65	58
Revaluation reserve	8 397	7 497
Opening balance	7 497	7 621
Revaluation	806	805
Transfer to retained earnings	94	(929)
Share-based payment compensation reserve	—	—
Opening balance	—	1 906
Transfer to retained earnings	—	(1 906)
Retained earnings	32 060	29 873
Opening balance	29 873	24 536
Profit from continuing operations	2 125	2 502
Transfer from share-based payment compensation reserve	—	1 906
Revaluation	156	—
Transfer from revaluation reserve	(94)	929
Total shareholders' equity	47 453	44 301

RECONCILIATION OF HEADLINE EARNINGS

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Continuing operations		
Profit attributable to shareholders	2 125	2 502
Impairment of non current assets held for sale	—	9
Income tax effect on impairment	—	(3)
Loss on disposal of non current assets held for sale	—	27
Income tax effect on disposal	—	(8)
Loss on disposal of property, plant and equipment	154	64
Income tax effect on disposal	(43)	(18)
Headline earnings	2 236	2 573
Weighted average number of ordinary shares in issue ('000)	8 143	8 143
Headline earnings per ordinary share		
— basic and diluted (cents)	27,5	31,6

AUDITED GROUP RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

OPERATING SEGMENTS

R'000	Automotive	Industrial	Exports	Consumer goods	Head office, manufacturing and other	Total
2020						
Segment sales	36 415	47 060	15 474	24 666	116	123 731
External foreign customers	4 764	322	15 474	—	—	20 560
External local customers	31 651	46 738	—	24 666	116	103 171
Segment cost of sales	(20 248)	(23 834)	(6 254)	(19 846)	(7 372)	(77 554)
External foreign customers	(2 534)	(163)	(6 254)	—	—	(8 951)
External local customers	(17 714)	(23 671)	—	(19 846)	(7 372)	(68 603)
Segment gross profit/(loss)	16 167	23 226	9 220	4 820	(7 256)	46 177
External foreign customers	2 230	159	9 220	—	—	11 609
External local customers	13 937	23 067	—	4 820	(7 256)	34 568
Segment other income	—	—	—	—	(339)	(339)
Segment distribution costs	(2 540)	(3 199)	(4 097)	(29)	(1 927)	(11 792)
Segment administrative expenses	(5 149)	(4 996)	(891)	—	(21 064)	(32 100)
Segment finance income/(costs)	—	—	—	—	(852)	(852)
Profit/(loss) before tax	8 478	15 031	4 232	4 791	(31 438)	1 094
Taxation	—	—	(227)	—	1 258	1 031
Profit/(loss) for the year	8 478	15 031	4 005	4 791	(30 180)	2 125
2019						
Segment sales	36 177	44 192	19 396	26 163	316	126 244
External foreign customers	4 972	464	19 396	—	—	24 832
External local customers	31 205	43 728	—	26 163	316	101 412
Segment cost of sales	(18 405)	(20 459)	(9 874)	(18 822)	(10 736)	(78 296)
External foreign customers	(2 324)	(235)	(9 874)	—	—	(12 433)
External local customers	(16 081)	(20 224)	—	(18 822)	(10 736)	(65 863)
Segment gross profit/(loss)	17 772	23 733	9 522	7 341	(10 420)	47 948
External foreign customers	2 648	229	9 522	—	—	12 399
External local customers	15 124	23 504	—	7 341	(10 420)	35 549
Segment other income	—	—	—	—	792	792
Segment distribution costs	(1 687)	(2 207)	(4 451)	(287)	(2 713)	(11 345)
Segment administrative expenses	(4 900)	(5 631)	(1 249)	—	(20 576)	(32 356)
Segment finance costs	—	—	—	—	(1 205)	(1 197)
Profit/(loss) before tax	11 185	15 903	3 822	7 054	(34 122)	3 842
Taxation	—	—	(124)	—	(1 216)	(1 340)
Profit/(loss) for the year	11 185	15 903	3 698	7 054	(35 338)	2 502

RELATED PARTY TRANSACTIONS

R'000	Year ended 29 Feb 2020	Year ended 28 Feb 2019
Transactions with subsidiaries		
Management fees charged to subsidiary	840	840
Operating lease charged from subsidiary	(2 400)	(2 400)
Purchase of vehicle from subsidiary	—	(105)
Purchases of non current assets held for sale from subsidiary	—	(14)
Purchases from subsidiary	(65)	—
Sales to subsidiary	3 384	3 192

BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements with the exception of application of IFRS 16 Leases which was adopted on 1 March 2019.

The annual financial statements, from which this report is extracted, were audited in terms of the Companies Act, 71 of 2008.

The audited summary consolidated financial statements have been prepared in accordance with IAS 34.

The audited summary consolidated financial statements were prepared by: Financial Director S Vassan Makan — CA(SA) published on 7 July 2020.

AUDIT OPINION

These summary consolidated financial statements for the year ended 29 February 2020 have been audited by Nexia SAB&T, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

NOTICE OF ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

Shareholders are advised that:

- the Annual General Meeting of the Company ("the AGM") will be held at 12:00 on Tuesday, 15 September 2020 at The Wanderers Club, 21 North Road, Illovo, Johannesburg; and
- the annual report, incorporating a notice convening the AGM, will be available at the registered office of the Company and on the Company's website at www.spanjaard.biz.

COMMENTARY

Dear Shareholder

South Africa experienced a difficult year in the current financial year as a result of numerous factors including economic circumstances such as; the economy experiencing a technical recession, high unemployment and retrenchments, and consumers adopting to spend on necessary goods. These factors hindered growth during the year.

Despite the challenging conditions, the Group managed to achieve revenue of R123,73 million which was 2% lower than the previous year's revenue of R126,24 million. Revenue generation was affected during the year, due to a major gas supplier of the entity declaring a Force Majeure in July 2019. The reduced gas supply impacted the production of goods and subsequently resulted in the fulfilling of orders received from customers being delayed.

AUDITED GROUP RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

The gross profit and operating expenses were maintained albeit the incurring of unexpected expenses, relating to increased once-off administrative costs and distribution costs, of R2 million for the year. Other income was negatively affected due to lower profit on foreign exchange. Finance costs decreased in line with the reduction in the Bank overdraft balance year on year.

Our Export segment experienced a drop in sales of 20,23% to R15,47 million (2019: R19,39 million). The exports were severely affected by delays caused due to the lack of gas supply. However, sales in the Exports segment diversified our revenue streams and the Group views this area of the business as a growth opportunity going forward. Effort is being spent to extend our presence into more territories.

Consumer goods sales reduced by 5,7% to R24,67 million (2019: R26,16 million), as a result of the reduced gas supply.

Automotive segment sales were flat year-on-year at R36,42 million. Sales were maintained despite the decrease in new motor vehicle purchases year on year due to tough economic conditions.

Industrial segment sales increased by 6,5% at R47,06 million (2019: R44,19 million), despite the closures and lay-offs within the mining and manufacturing sectors of the economy. We note improved prospects in selected mining markets in Africa, which could stimulate the Industrial segment sales in the year ahead.

Our cash generated from operations improved meaningfully during the year, resulting in a significant improvement in our cash position at year end, despite incurring the unplanned once off expenses.

We continued our strict cost management during the year, maintaining our good cash collections and keeping bad debts at low levels. This positive financial performance was aided by our stringent customer vetting process and supported by the services of Credit Guarantee.

Due to the need to retain working capital the Board has resolved not to declare a dividend.

COVID-19 IMPACT

On 30 January 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a Public Health Emergency. The global response had led to travel and import and export restrictions which started to impact the Company in the weeks to follow.

When the Government of South Africa declared a National Disaster in response to COVID-19 followed by a national lockdown, the Company responded swiftly by identifying risks and developing a continuity plan which allowed the Company to operate, although at a significantly reduced capacity.

Furthermore, in response to health risks presented by COVID-19, Spanjaard developed a hand and surface sanitiser for its staff members. Soon thereafter the product was made available to essential service providers in order to meet some of the critical demand. The development of this product played a significant role in business continuity along with Spanjaard's food manufacturing division.

As an essential service provider, materials utilised in producing the essential service products were available which allowed the business to continue to trade during the lockdown. Spanjaard EU BV also continued trading during the lockdown period as trading between European countries were still permitted during the lockdown period.

The Directors have assessed the impact of COVID-19 on the business, including the Solvency and Liquidity tests, and concluded that the business has performed according to plan post-year end and will continue as a going concern in the foreseeable future.

ACKNOWLEDGEMENT

For their hard work throughout a busy and challenging year, we give our sincere thanks to our employees and to management. We also extend our heartfelt gratitude to our loyal customers, for building a future together by supporting our business.

We sincerely appreciate the support of our shareholders and thank them for facilitating the efforts of our management as we guide Spanjaard forward. For helping us reach greater heights, we give thanks to our financiers and bankers, suppliers and surrounding communities. We look forward to another year of growing the business together.

Finally, we are grateful to our Chairman and Board of Directors for providing their invaluable oversight, wisdom and guidance.

By order of the Board



HF Kocks
Non-executive Director



Ms TN Spanjaard
Acting Chief Executive Officer



S Vassan Makan
Financial Director

7 July 2020

COMPANY INFORMATION

Registration number

1960/004393/06

Directors

M Ntrica (Independent Non-executive Acting Chairman)*, Ms TN Spanjaard (Acting Chief Executive Officer), S Vassan Makan CA(SA) (Financial Director), GF Cort, CKT Palmer, HF Kocks* and S Zikalala CA(SA)*

* Independent Non-executive.

Registered office

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Company Secretary

Levitt Kirson Business Services (Pty) Ltd, 4th Floor, Aloe Grove, Houghton Estate Office Park, 2 Osborn Road, Houghton, 2198

Transfer Secretaries

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Sponsor

Arbor Capital Sponsors, 20 Stirrup Lane, Woodmead Office Park, Corner Woodmead Drive and Van Reenens Avenue, Woodmead, 2191

Auditors

Nexia SAB&T, 119 Witch-Hazel Avenue, Highveld Technopark, Centurion, 0046

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