TRELLIDOR HOLDINGS LIMITED

SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

THE TRELLIDOR GROUP

The core values of the Group are built on the three pillars of **Innovation, Quality and Service.**

With these pillars as our base we have successfully built a reputation for delivering **trusted high-quality products and exceptional service.**

Salient Points

13.8c	**HEADLINE EARNINGS PER SHARE** (2019: 40.1 cents)
R55m	**CASH FROM OPERATIONS FOR THE YEAR** (2019: R71 million)
R422m	**REVENUE FOR THE YEAR** (2019: R515 million)
8.0c	**TOTAL DIVIDENDS DECLARED PER SHARE** (2019: 20.2 cents)
R22m	**BUY-BACK OF SHARES** (2019: R9 million)

Commentary

INTRODUCTION

Trellidor Holdings Limited (“the Group”) comprises the Trellidor and Taylor Group (“Taylor”) businesses.

Trellidor is the market leading manufacturer of custom-made barrier security products, distributed via a dedicated and skilled franchise network operating throughout South Africa, Africa and the UK.

The Taylor Group business incorporates Taylor, a major manufacturer and distributor of custom-made blinds, decorative and security shutters and NMC, an importer and distributor of cornicing and skirting products. The Taylor Group has a strong presence in the Western and Southern Cape.

OVERVIEW

The Group’s performance reflects the challenges of the economic conditions in South Africa during the period including; the national lockdown instituted by the South African Government in response to the Covid-19 pandemic, increasing levels of unemployment, house price deflation, GDP growth significantly below potential and correspondingly poor consumer, investor and business confidence. As a result, consumer spending was negatively impacted throughout South Africa and Africa, particularly in the middle-income market, a sector in which the Group is most focused.

Group revenue for the year decreased by 18.1% to R421.5 million (2019: R514.9 million). At half year Group revenue had decreased by 4.2% with Taylor reporting revenue growth of 1.3%. The national lockdown, which came into effect on 27 March 2020, resulted in both manufacturing facilities being closed for the entire month of April and therefore close to zero sales for the Group. Manufacturing did resume from early May when the country was moved to lockdown level 4, however this was at significantly reduced capacity to comply with social distancing regulations which remained in place for the balance of the financial period. Gradual easing of the regulations in June allowed for increased capacity. Sales through May and June, for the Group, remained subdued as the economy slowly started to rebuild following the hard lockdown of April. The lockdown resulted in revenue being R72.0 million below our internal forecast for Q4 2020.

The Group’s gross profit margin of 41.6% was lower compared to the previous year (2019: 45.0%), predominantly due to; an under recovery of fixed and semi-variable costs resulting from the National Disaster Act Regulations which meant we had one month of zero production and two months of production at reduced capacity.

Operating expenses were well managed and decreased by 8.5% year-on-year, excluding the R37.4 million impairment of goodwill in Taylor. For the 6 months to December 2019, expenses had increased 1.5% year-on-year. The significant decrease was necessitated by the lockdown as the Group instituted a cash-conservation strategy.

Accordingly, the Group is reporting a HEPS of 13.8 cents (2019: 40.1c), a decline of 65.6%. After accounting for the impairment of goodwill in Taylor, the Group is reporting a loss after tax of R24.5 million (2019: R43.0 million profit after tax). Basic earnings have declined to a loss per share of 20.8 cents from a earnings per share of 40.0 cents in 2019.

The cash conservation strategies implemented from April were very successful despite the extreme economic conditions and it is pleasing to note cash from operations of R55.0 million for the year (2019: R70.5 million). The strong cash generation abilities of the Group has continued into the new year with total cash improving from R16.1 million at year-end to R31.3 million at the end of August 2020.

In line with the resolutions passed at the 2019 AGM, the Group repurchased a further 5 561 547 Group shares during the period. These were purchased out of available cash resources at an aggregate value of R22 million and at an average price of R3.94 per share. These repurchased shares have subsequently been canceled. Remaining shares in issue are 100 203 596, and weighted average number of share for the period was 102 418 031.

During the year we generated R37.0 million net cash from operating activities (2019: R43.3 million) and in December 2020 the Group refinanced and increased existing debt facilities. The Group utilised these rescources to purchase Trellidor franchises, pay the 2019 final dividend, buy-back of shares and service debt interest. The Group has interest-bearing liabilities of R99.0 million (2019: R78.6 million) which incurred R6.8 million (2019: R7.8 million) of net interest for the year ended 30 June 2020. Gearing is at a conservative level and its financial risk is well managed.

SEGMENTS

TRELLIDOR

Revenue declined 20.1% to R256.8 million (2019: R321.2 million) predominately driven by a decline in the South African market as result of the lockdown. The rest of Africa has shown some resilience during the year and have reported a strong performance with growth in revenue of 5.3% for the year.

In line with the Group's performance, Trellidor's gross margin has declined to 46.2% (2019: 47.8%) as result of the reduced production capacities through the fourth quarter. This is a disappointing result given that we reported a 0.1% improvement in gross margin at half-year, but understandable given the extreme impact of the national lockdown. Accordingly, operating profit before interest of R35.4 million (2019: R57.5 million) declined by 38.4%.

The Trellidor business remains highly cash generative, even during extremely negative economic conditions. Operations generated R43.0 million (2019: R57.3 million) in cash for the period.

TAYLOR

Revenue for the year declined by 14.9% to R165.1 million (2019: R194.0 million) driven by the national lockdown implemented on March 27. Half-year revenue had grown 1.3% over the prior period. Sales through the Trellidor Franchise network, which is a key growth strategy for Taylor, continues to show improvement and was 13.0% up on 2019 before the lockdown.

Despite the lockdown, these strategies have resulted in R12.1 million in net cash from operating activities (2019: R3.0 million) being generated.

Gross margins reduced to 36.5% (2019: 40.4%) as result of the lockdown and reduced production capacity. The impact of efficiency strategies implemented in the current period has been delayed due to the Covid-19 pandemic but are expected to benefit the business in the medium-term.

Given the significant decline in revenue and the uncertainty regarding the medium-term impact of the Covid-19 pandemic on the South African economy and by implication the consumer, management has taken a conservative outlook on Taylor's performance in budgeting for the next 3 years.

This outlook assumes a gradual recovery in sales revenues following the lockdown regulations. As a result of this outlook, the carrying value of the business has been reassessed and an impairment of R37.4 million has been identified which has been taken against goodwill in the current year. Accordingly, operating profit before interest decreased from R11.4 million in 2019 to a loss of R39.7 million in 2020.

DIVIDEND

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year taking into account debt convenant requirements. At its discretion, the Board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board of directors may pass on the payment of dividends. The final 2019 dividend amounting to 11.1 cents was declared and paid during the year.

On 24 March 2020 shareholders were advised that the payment of the interim dividend declared on 9 March 2020 would be postponed as result of the exceptional circumstances announced by Government in response to the Covid-19 pandemic. Trellidor continues to maintain its ability to meet its solvency and liquidity obligations and as a result the Board has resolved to pay the interim dividend from income reserves, in respect of the six months ended 31 December 2019.

In line with the dividend policy the Board has decided not to declare a final dividend in respect of the year ended 30 June 2020, which brings the total dividends declared for the year to 8.0 cents (2019: 20.20 cents) per ordinary share.

PROSPECTS

Trellidor entered the Covid-19 lockdown with a strong balance sheet, positioning it well for the uncertain and volatile business climate, which is expected to continue for the immediate future. Sales performance through July and August have exceeded expectations, which is very encouraging, but with weak economic conditions anticipated to continue in the medium term, the Group will continue with its strategy of improving the gross margins and reducing operating expenses in both Trellidor and Taylor.

During the first two months of the 2021 financial year, these strategies have resulted in the Group generating R15.2 million in cash resources. With the solid base that has been established, the Group is now firmly focused on revenue growth with the first target being pre-Covid-19 sales levels.

During the year we completed the purchase of four franchise areas, three within the greater Durban area as well as one franchise in Johannesburg West. We now have a Trellidor owned and managed franchise in three of the major cities in South Africa. These franchises will be used to develop, test and implement improved route-to-market strategies during the financial year with a view to roll them out to the wider franchise network in the short to medium term. The purchased areas all show improved results against comparative periods and neighboring franchise areas.

Product innovation remains a key strategy for both Trellidor and Taylor. Both businesses are set to introduce new products, to meet changing customer needs, in the local and international market through the course of 2021.

The Group is in the process of negotiating the purchase of the UK Trellidor Franchise. Given the strong brand presence and customer base that has been established over the more than 15 years Trellidor has been operating in the UK, this franchise is key to our distribution growth strategy within the UK and potentially the rest of Europe.

The Group remains focused on its growth strategies of which the Board believes will position it to benefit from any improving economic conditions:

- Brand leadership;
- Diversifying its product range;
- Distribution enhancement;
- Growth in South Africa, Africa and the UK;
- Improving operational effeciencies and margins

Given the stong cash generation abilities and prospects of the Group, the Board believes the current share price continues to undervalue the business and once we are comfortable that cash generation has stabilised we may continue to apply excess cash to buy-back shares to enhance shareholder value.

AUDITOR’S REPORT

The summarised consolidated financial results have been extracted from audited consolidated annual financial statements but is itself not audited. The annual financial statements from which this report is extracted have been audited by Mazars on which they expressed an unmodified opinion. A copy of the consolidated financial statements for the year ended 30 June 2020 together with the audit report is available for inspection at the company’s registered office and are available on the company’s website: holdings.trellidor.co.za.

The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying consolidated annual financial statements. The consolidated annual financial statements were approved by the Board on 21 September 2020. Information included under the heading “Prospects” and any reference to future financial information included in the summarised financial results have not been audited or reviewed. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should obtain a copy of their report with the accompanying financial results from the company’s registered office.

WEBINAR

Shareholders are advised the Company will be hosting a webinar at 10:00 on Tuesday, 22 September 2020 to present the financial results to the market. Please refer to the webinar registration link in the short-form SENS announcement released the morning of 22 September 2020.

DETAILS OF ANNUAL GENERAL MEETING

It is anticipated that the annual general meeting of Trellidor shareholders will be held on Friday, 20 November 2020 at 13:00 ("AGM") and that it will be conducted electronically.

The notice for the AGM will be dispatched to shareholders in due course, accompanied by a summary of the company's consolidated annual financial statements for the year ended 30 June 2020, with such notice also being given on SENS.

TM Dennison
Chief Executive Officer
22 September 2020

Postponed interim cash dividend payment

Notice is hereby given that the Directors resolved to pay the postponed interim gross divident of 8.0 cents per ordinary share for the half-year ended 31 December 2019.

The dividend has been declared from income reserves. A South African dividend withholding tax of 20.0% will be applicable to all shareholders who are not exempt or entitled to a reduced rate in terms of the applicable double-tax agreement.

The interim net ordinary dividend is 6.4 cents per share for ordinary shareholders. The issued share capital at the declaration date is 100 203 569 ordinary shares. The income tax number of the company is: 941 937 8840

The salient dates for the dividend will be as follows:

- Declaration date: Tuesday, 22 September 2020
- Last day of trade to receive a dividend: Tuesday, 13 October 2020
- Shares commence trading "ex" dividend: Wednesday, 14 October 2020
- Record date: Friday, 16 October 2020
- Payment date: Monday, 19 October 2020

Share certificates may not be dematerialised or rematerialised between 14 October 2020 and 16 October 2020, both days inclusive.

Statement Of Financial Position
at 30 June 2020

	Notes	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Assets			
Non-current assets			
Property, plant and equipment		56 829	64 856
Right-of-use assets ('RoU assets')		19 618	–
Goodwill	4	39 244	74 797
Intangible assets		43 422	38 694
Loans receivable		3 281	780
Deferred tax		3 101	1 647
		165 495	180 774
Current assets			
Loans receivable		3 538	1 573
Inventories	9	93 079	107 111
Trade and other receivables		52 972	58 389
Current tax receivable		3 638	2 421
Cash and cash equivalents		23 411	12 561
		176 638	182 055
Total assets		342 133	362 829
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent			
Stated capital		12 143	34 056
Reserves		6 776	6 027
Retained income		139 845	180 820
		158 764	220 903
Non-controlling interest		2 432	5 758
Total equity		161 196	226 661
Liabilities			
Non-current liabilities			
Lease liabilities		9 247	-
Other financial liabilities	10	81 529	29 528
Deferred tax		260	1 027
		91 036	30 555
Current liabilities			
Lease liabilities		12 081	-
Bank overdraft		7 340	4 141
Other financial liabilities	10	17 453	49 054
Trade and other payables	11	42 632	52 108
Current tax payable		1 834	174
Provisions		545	136
Dividend accrual		8 016	-
		89 901	105 613
Total liabilities		180 937	136 168
Total equity and liabilities		342 133	362 829

Statement of Profit or Loss And Other Comprehensive Income
for the year ended 30 June 2020

	Notes	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Revenue	6	421 548	514 947
Cost of sales		(246 033)	(283 094)
Gross profit		175 515	231 853
Other operating income		10 005	8 522
Operating expenses	7	(193 990)	(171 135)
Operating (loss) profit		(8 470)	69 240
Investment income		1 415	957
Finance costs		(10 454)	(8 754)
(Loss) profit before taxation		(17 509)	61 443
Taxation		(7 030)	(18 401)
(Loss) profit for the year		(24 539)	43 042
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Exchange differences on translating foreign operations		(381)	(264)
Total comprehensive (loss) income for the year		(24 920)	42 778
(Loss) profit attributable to:			
Owners of the parent		(21 270)	42 870
Non-controlling interest		(3 269)	172
		(24 539)	43 042
Total comprehensive (loss) income attributable to:			
Owners of the parent		(21 594)	42 646
Non-controlling interest		(3 326)	132
		(24 920)	42 778
(Loss) earnings per share for the period attributable to the owners of the parent			
Basic and diluted earnings per share (cents)	8	(20.8)	40.0

Statement Of Changes In Equity

for the year ended 30 June 2020

	Share capital R'000	Total reserves R'000	Retained income R'000	Total attributable to owners of the parent R'000	Non-controlling interest R'000	Total equity R'000
Balance at 01 July 2018	43 188	4 253	165 107	212 548	5 626	218 174
Profit for the year	–	–	42 870	42 870	172	43 042
Other comprehensive income	–	(225)	–	(225)	(39)	(264)
Total comprehensive income for the year	–	(225)	42 870	42 645	133	42 778
Buy-back of shares	(9 132)	–	–	(9 132)	–	(9 132)
Employees share option	–	1 999	–	1 999	–	1 999
Dividends	–	–	(27 158)	(27 158)	–	(27 158)
Balance at 01 July 2019	34 056	6 027	180 819	220 902	5 759	226 661
Loss for the year	–	–	(21 270)	(21 270)	(3 269)	(24 539)
Other comprehensive loss	–	(324)	–	(324)	(57)	(381)
Total comprehensive income for the year	–	(324)	(21 270)	(21 594)	(3 326)	(24 920)
Buy-back of shares	(21 913)	–	–	(21 913)	–	(21 913)
Employees share option	–	1 073	–	1 073	–	1 073
Dividends	–	–	(19 704)	(19 704)	–	(19 704)
Balance at 30 June 2020	12 143	6 776	139 845	158 764	2 433	161 197

Statement Of Cash Flows
for the year ended 30 June 2020

	Notes	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Cash flows from operating activities			
Cash generated from operations		54 972	70 525
Interest income		1 415	956
Finance costs		(10 613)	(9 057)
Tax paid		(8 807)	(19 128)
Net cash from operating activities		36 967	43 296
Cash flows from investing activities			
Purchase of property, plant and equipment		(5 765)	(6 024)
Proceeds on sale of property, plant and equipment		687	13
Purchase of goodwill		–	(396)
Purchase of other intangible assets		(2 761)	(223)
Business combination	3	(8 285)	–
Advances of loans receivable at amortised cost		–	(750)
Receipts from loans receivable at amortised cost		342	655
Net cash (used in)/from investing activities		(15 782)	(6 725)
Cash from financing activities			
Buy-back of shares		(21 913)	(9 132)
Proceeds from other financial liabilities		40 617	2 728
Repayment of other financial liabilities		(13 756)	(21 223)
Repayment of loans from minority		(2 016)	(586)
Proceeds of loans from minority		1 822	–
Repayment of lease liabilities		(8 101)	–
Advance of lease liabilities		1 483	–
Dividends paid		(11 688)	(27 158)
Net cash (used in)/from financing activities		(13 552)	(55 370)
Total cash movement for the year		7 633	(18 799)
Cash at the beginning of the year		8 421	27 128
Effect of exchange rate movement on cash balances		17	92
Total cash at end of the year		16 071	8 421

Notes To The Financial Results

1. Basis of preparation

The summarised consolidated audited results for the year ended 30 June 2020 (results for the year) have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations, the Companies Act of Committee (IFRIC) interpretations, the Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting and are in compliance with the Listings Requirements of the JSE Limited.

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 30 June 2020 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year 30 June 2019 except for the adoption of new standards. The Group has adopted IFRS 16: Leases with effect from 1 July 2019. The company's directors are responsible for the preparation and fair presentation of the summarised provisional consolidated results. These results have been compiled under the supervision of the Chief Financial Officer, DJR Judge CA(SA).

2. Adoption of new accounting standard - IFRS 16: Leases

The Group has adopted IFRS 16 from 1 July 2019 using the modified retrospective transition method and therefore comparative figures have not been restated. The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the Group recognised an additional R18.5 million of right-of-use assets and lease liabilities. When measuring lease liabilities, Group discounted lease payments using its incremental borrowing rate at 01 July 2019. The weighted average rate applied was between 9.0% to 20.0%. The accounting for lessors did not significantly change.

2. Adoption of new accounting standard - IFRS 16: Leases (continued)

The impact of the adoption of IFRS 16: Leases on the consolidated financial statements of the Group is as follows:

	Audited 30 June 2020 R'000
THE CHANGE IN ACCOUNTING POLICY AFFECTED THE FOLLOWING ITEMS IN THE STATEMENT OF FINANCIAL POSITION ON 01 JULY 2019:	
(Decrease) in property, plant and equipment	(6 501)
Increase in RoU assets	25 036
(Decrease) in other financial liability	(6 108)
Increase in lease liabilities	24 643
THE IMPACT IN THE REPORTING PERIOD OF THE ADOPTION OF IFRS 16 OF THE ABOVE HAS BEEN SUMMARISED BELOW:	
Increase in finance costs	1 710
Increase in depreciation	7 977
(Decrease) in lease rental expense	(8 332)
(Decrease) in net profit	(1 355)
(Decrease) in earnings and diluted earnings per share (cents)	(0.9)
RECONCILIATION OF PREVIOUS OPERATING LEASE COMMITMENTS TO LEASE LIABILITIES UNDER IFRS 16:	
Operating lease commitment at 30 June 2019 as previously disclosed	18 653
Discounted using the incremental borrowing rate at 01 July 2019	16 722
Less: Short term leases recognised as expense	(260)
Add: Adjustments as a result of different treatment of extension and termination options	2 073
LEASE LIABILITIES RECOGNISED AT 01 JULY 2019	18 535

The Group's leasing activities and how these are accounted for

The Group leases various production facilities, office buildings and motor vehicles. Rental contracts are entered into for fixed periods but may have extension options as described below. Leases are negotiated on an individual basis and contain different terms and conditions.

At 1 July 2019, leases are recognised as a RoU asset and corresponding liability at the application date or at the date at which the leased asset is available for use by the Group. Each lease payment is allocated to the liability. Finance cost is charged to profit or loss over the lease period on the remaining balance of the liability. The RoU asset is depreciated over the lease term on a straight-line basis.

In assessing the lease period of the various production and office facilities, management considers the nature of the production and office equipment to be movable and adaptable to variety of facilities and as a result the likelihood of extending the lease term or terminating are both possible. The agreed lease period is therefore used in determining the lease payment until such time as the likelihood of extending or terminating the lease becomes probable.

2. Adoption of new accounting standard - IFRS 16: Leases (continued)

Lease payments

The Group takes into consideration the following factors when reviewing the existing and potential lease contracts in measuring the lease liability:

- Fixed payments less any lease incentives received/receivable;
- Residual value amounts expected to be payable;
- The exercise price of a purchase option if reasonably certain the option will be exercised;
- Payments of penalties for terminating the lease, if reasonably certain that the option to terminate will be exercised.

3. Business combinations

During the year, Trellidor Projects Proprietary Limited, acquired four Trellidor Franchises. The franchises, three in the greater Durban area and one in Johannesburg, form an integral part of the Trellidor network in these cities. The franchises, in conjunction with the Durbanville franchise, will be managed as owned Trellidor branches, one in each city, with the expectation of improving service delivery in these regions and improve efficiency to the end user. Goodwill of R1.9 million arising from the acquisition consist largely of market awareness of the brand that has been created by the previous franchise owners. Goodwill is not deductible for Income tax purposes. Intangible assets of R7.3 million arising from the acquisition consists of the fair value of the franchise operations based on historical performance.

	Audited 30 June 2020 R'000
FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED:	
Property, plant and equipment	557
Intangible assets - Franchise rights	7 253
Loans	(574)
Trade and other payables	(711)
Onerous contract	(108)
Goodwill	1 869
	8 286
ACQUISITION DATE FAIR VALUE OF CONSIDERATION PAID	
Cash	(8 286)

3. Business combinations (continued)

The acquisition of the additional franchises during the year increased the revenue of the entity by R3.5 million and a loss before tax of R1.0 million This was for the period 01 February 2020 to 30 June 2020 and was significantly impacted by the Covid-19 pandemic. On acquisition, the franchises within the same geographical area were consolidated into one “branch” and a number of the administrative operations of the all the acquired franchises were centralised at the group’s head office. Revenue that was derived by the acquired franchises from the sale of products outside the group’s direct product offerings were also discontinued on acquisition. Given that the entity has increased the number of owned franchises from 1 to 5 during the year, the impact on performance during 2021 is expected to show significant growth. Uncertainty still remains in terms of the forecasted performance given the impact of the Covid-19 pandemic.

The Group has not disclosed annualized pro forma financial information in respect of revenue and profit for the acquisitions as it does not have access to the relevant information with respect to the acquired franchises for the group’s full reporting period up to the date of the acquisition. The preparation and presentation of this information is therefore deemed impracticable.

4. Goodwill

With regards to the Taylor and NMC acquisition goodwill, which has a recoverable carrying value of R34.2 million (2019: R71.2 million), management has tested for impairment during the year due to the possible indicators of impairment being present, and based on the results of the test performed, an impairment of R37.4 million was identified. In assessing future income, management has considered the assumptions relating to the sustainable growth. In assessing sustainable growth, management has taken into consideration the significant impact of the national lockdown, as a result of the Covid-19 pandemic, has had on the current year performance of the CGU and the probable impact it will have on performance over the next 24 months.

	Opening balance R’000	Additions through business combinations R’000	Impairment loss R’000	Total R’000
AS AT 30 JUNE 2020				
Goodwill	74 797	1 869	(37 422)	39 244
AS AT 30 JUNE 2019				
Goodwill	74 401	396	-	74 797

5. Segment information

The Group has three reportable segments, previously two, that are used by the Chief Executive Officer to assess for resource allocation and to make key operating decisions and assess performance. These operating segments are differentiated and identified by the products they manufacture, the services they provide and the markets they operate in.

5. Segment information (continued)

The Group identified a new segment with the objective of the management of the Group treasury function and restated its comparative segment report. Due to the change, the Holding company has had to reclassify the prior period's investment income figure to revenue. These reportable segments as well as the products and services from which each of them derives revenue are set out below:

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Trellidor	Manufacture and distribution of custom-made barrier security products
Taylor	Manufacture and distribution of custom-made blinds, decorative and security shutters and distribute cornicing/skirting products
Holdings	Management of the Group treasury function and receives management fee income

	Trellidor R'000	Taylor R'000	Holdings R'000	Internal R'000	Consolidated R'000
AS AT 30 JUNE 2020					
South Africa	194 028	161 172	47 627	(47 906)	354 921
Rest of Africa	53 621	3 887	-	-	57 508
Rest of World	9 119	-	-	-	9 119
REVENUE BY LOCATION	256 768	165 059	47 627	(47 906)	421 548
Security products	254 780	-	-	(59)	254 721
Decorative products	757	165 059	-	(220)	165 596
Management fee	-	-	11 750	(11 750)	-
Royalty income	1 231	-	-	-	1 231
Dividends	-	-	31 476	(31 476)	-
Interest income	-	-	4 401	(4 401)	-
REVENUE BY SOURCE	256 768	165 059	47 627	(47 906)	421 548
EBITDA	42 194	(26 442)	35 812	(39 991)	11 573
PROFIT (LOSS) BEFORE TAX	32 177	(46 585)	32 489	(35 590)	(17 509)
Net finance cost	(3 259)	(6 869)	(3 313)	4 401	(9 040)
Depreciation	(4 287)	(1 642)	(10)	-	(5 939)
Depreciation of RoU assets	(2 075)	(6 741)	-	-	(8 816)
Amortisation	(396)	(4 891)	-	-	(5 287)
Impairment	(1 332)	(37 422)	-	-	(38 754)
Movement in ECL allowance	(1 944)	(216)	861	(861)	(2 160)
Employee costs	(69 911)	(41 081)	(7 776)	-	(118 768)
Advertising	(11 607)	(8 404)	-	-	(20 011)
SEGMENT ASSETS	178 358	155 130	140 337	(131 693)	342 132
Cash and cash equivalents	14 911	1 630	6 870	-	23 411
Capital expenditure – assets	4 893	2 320	323	-	7 536
Capital expenditure – RoU assets	4 029	230	-	-	4 259
SEGMENT LIABILITIES	(86 900)	(112 571)	(62 191)	80 718	(180 944)
Bank overdraft	-	(7 340)	-	-	(7 340)

Notes To The Financial Results

	Trellidor R'000	Taylor R'000	Holdings R'000	Internal R'000	Consolidated R'000
AS AT 30 JUNE 2019					
South Africa	253 759	191 102	54 573	(54 798)	444 636
Rest of Africa	50 914	2 918	-	-	53 832
Rest of World	16 479	-	-	-	16 479
REVENUE BY LOCATION	321 152	194 020	54 573	(54 798)	514 947
Security products	320 140	-	-	(102)	320 038
Decorative products	-	194 020	-	(123)	193 897
Management fee	-	-	10 354	(10 354)	-
Royalty income	1 012	-	-	-	1 012
Dividends	-	-	39 750	(39 750)	-
Interest income	-	-	4 469	(4 469)	-
REVENUE BY SOURCE	321 152	194 020	54 573	(54 798)	514 947
EBITDA	62 749	18 127	45 774	(45 412)	81 238
PROFIT (LOSS) BEFORE TAX	55 170	5 259	41 939	(40 925)	61 443
Net finance cost	(2 355)	(6 098)	(3 833)	4 469	(7 817)
Depreciation	(5 028)	(1 879)	(2)	-	(6 909)
Depreciation of RoU assets	-	-	-	-	-
Amortisation	(196)	(4 891)	-	-	(5 087)
Impairment	-	-	-	-	-
Movement in ECL allowance	10	(316)	1 174	(1 174)	(306)
Employee costs	(78 900)	(44 079)	(6 325)	-	(129 304)
Advertising	(17 841)	(8 754)	-	-	(26 595)
SEGMENT ASSETS	154 504	205 895	121 936	(119 505)	362 830
Cash and cash equivalents	9 678	799	2 084	-	12 561
Capital expenditure – assets	10 830	1 315	219	-	12 364
Capital expenditure – RoU assets	-	-	-	-	-
SEGMENT LIABILITIES	(54 637)	(119 387)	(34 732)	72 587	136 169
Bank overdraft	-	(4 140)	-	-	(4 140)

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
6. Disaggregation of revenue from customers		
Revenue from source type	421 548	514 947
Sale of security products	254 721	320 038
Sale of decorative products	165 596	193 897
Royalty income	1 231	1 012
Revenue by geographical location	421 548	514 947
South Africa	354 921	443 624
Rest of Africa	57 508	54 844
Rest of World	9 119	16 479
Revenue recognised by timing of transfer		
Point in time – delivery date	421 548	514 947

7. Operating (loss) / profit

Operating (loss) / profit before interest for the year is stated after accounting for the following, amongst others :

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Advertising	20 011	26 595
Amortisation on intangible assets	5 287	5 087
Auditor's remuneration	3 019	2 631
Cartage	8 499	6 671
Commission	5 767	5 735
Consulting fees	2 695	4 443
Movement on ECL allowance	2 160	307
Depreciation on RoU asset	8 816	-
Depreciation on property, plant and equipment	5 939	6 910
Gas, electricity and water	5 824	6 925
Impairment of goodwill	37 422	-
Loss on exchange differences	1 529	2 620
(Profit) on exchange differences	(3 455)	-
Operating lease - premises	-	8 302
Post-employment benefits	5 454	6 218
Share-based payment expense	1 073	1 999
Short-term leases	152	-
Short-term employee benefits	119 266	121 087

Notes To The Financial Results

8. Earnings per share

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
(Loss) profit attributable to ordinary shareholders	(21 270)	42 870
Adjusted for:		
(Profit) loss on disposal of property, plant and equipment	(125)	166
Gross amount	(179)	250
Non-controlling interest	4	(70)
Tax effect	50	(14)
Impairment of goodwill	34 615	–
Gross amount	37 422	–
Non-controlling interest	(2 807)	–
Impairment of property, plant and equipment	959	–
Gross amount	1 332	–
Non-controlling interest	(373)	–
HEADLINE EARNINGS	14 179	43 036

		Audited 30 June 2020	Audited 30 June 2019
Number of shares in issue		100 204	105 765
Weighted and diluted weighted average number of ordinary shares in issue during the period		102 418	107 218
Earnings and diluted earnings per share	(cents)	(20.8)	40.0
Headline and diluted headline earnings per share	(cents)	13.8	40.1

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
9. Inventories		
Raw materials	91 448	100 507
Work in progress	2 245	2 302
Finished goods	2 116	3 096
Goods in transit	2 877	3 745
	98 686	109 650
Provision for obsolescence	(5 607)	(2 539)
	93 079	107 111
10. Other financial liabilities		
Nedbank	–	23 808
FNB – Holdings Facility	52 794	–
FNB – Innovations Facility	6 046	43 193
Wesbank Corporate	–	6 108
FNB – Holdings Facility	34 863	–
Novaspectacular Investments Proprietary Limited	5 279	5 473
	98 982	78 582
11. Trade and other payables		
Financial instruments		
Trade payables	14 801	26 575
FEC contract	32	831
Non-financial instruments		
Amounts received in advance	10 981	7 217
Accrued leave pay and bonus	5 059	7 807
Accrued expenses	6 719	5 035
VAT	1 608	1 322
Other payroll accruals	3 432	3 322
	42 632	52 109

12. Contingencies

A dispute, which has previously been disclosed, is in process relating to former employees who were dismissed by a subsidiary of the company during the 2013 financial period. The employees are claiming employment reinstatement. The matter has been heard in the Labour Court over seven years.

During the year under review the Labour Court delivered its judgement in respect of the dismissal dispute and found that the dismissal of certain employees was substantively fair but the dismissal of certain 'night shift employees' was substantively unfair. The judgement ordered reinstatement of the 42 night shift employees and limited back-pay from 1 January 2017.

Based on expert legal opinion we were advised that the judgement was flawed and that the prospect that another court would come to a different conclusion was highly probable. We filed for Leave to Appeal the judgement to the Judge concerned. The Judge has, subsequent to year end, denied Leave to Appeal.

Further legal opinion, including that of senior counsel, maintains that the judgement was flawed. We have now petitioned the Judge President for leave to appeal. The application was submitted on 7 September 2020 and the timing of when the ruling, on whether or not the appeal has been granted, is uncertain. Senior counsel is of the opinion that the prospects of success of the application being granted and the appeal succeeding are probable. In the event of unfavorable ruling, the reinstatement order would stand however we are advised that we would have legal grounds to challenge the back-pay order which has been estimated at R20.0 million.

Corporate Information

Trellidor Holdings Limited

(Registration number 1970/015401/06)
20 Aberdare Drive, Phoenix Industrial Park,
Durban
(PO Box 20173, Durban North 4016)
Share Code: TRL
ISIN: ZAE000209342
("the Company" or "Group")

Directors of Trellidor

MC Olivier (Chairman) #
TM Dennison (Chief Executive Officer)
DJR Judge (Chief Financial Officer)
JB Winship #
RB Patmore #

 # Independent non-executive

Company Secretary

P Nel
(BComm ACIS)
71 Cotswold Drive
Westville, 3629

Registered office

20 Aberdare Drive Phoenix Industrial Park,
Durban, 4001
(PO Box 20173, Durban North, 4016)

Date of incorporation

23 November 1970

Place of incorporation

South Africa

Auditors and Independent Reporting Accountants

Mazars
Ridgeside Office Park,
21 Richefond Circle,
Umhlanga Ridge,
Durban, 4319
(PO Box 70584, Overport, 4067)

Corporate sponsor

PSG Capital (Pty) Ltd
(Registration Number 2006/015817/07)
1st Floor, Ou Kollege,
35 Kerk Street,
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and

2nd Floor, Building 3
11 Alice Lane,
Sandhurst,
Sandton, 2196
(PO Box 650957, Benmore, 2010)

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
(Registration Number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
(Private Bag X9000, Saxonworld, 2132)

Announcement date

22 September 2019

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