MAZOR GROUP

SUMMARISED RESULTS OF THE AUDITED CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED
29 FEBRUARY 2020

STEEL ALUMINIUM GLASS

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

SALIENT FEATURES

- Deteriorating national economy
- Construction industry in crisis

Ronnie Mazor, CEO: *"The COVID-19 crisis, combined with a recession in the second half of 2019 and South Africa's widening headline fiscal deficit, has resulted in limited money for investment. We do not expect a turnaround in the near future without significant economic and political reform and successful implementation."*

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	2020 R	2019 R
Assets		
Non-current assets		
Property, plant and equipment	**72 093 709**	78 580 853
Right-of-use asset	**74 786 639**	–
Intangible asset	**14 000 000**	15 000 000
Deferred tax	**13 230 391**	9 381 120
	174 110 739	102 961 973
Current assets		
Inventories	**116 182 831**	117 603 084
Contract assets and receivables	**9 225 041**	27 503 590
Other financial assets	**274 010**	277 340
Current tax receivable	**807 309**	536 074
Trade and other receivables	**28 958 905**	33 403 052
Cash and cash equivalents	**21 730 208**	25 552 739
	177 178 304	204 875 879
Total assets	**351 289 043**	307 837 852
Equity and liabilities		
Equity		
Stated capital	**41 060 154**	41 060 154
Retained income	**169 558 077**	197 623 065
Equity attributable to shareholders of Mazor Group Limited	**210 618 231**	238 683 219
Non-controlling interests	**(144 097)**	(46 364)
	210 474 134	238 636 855
Liabilities		
Non-current liabilities		
Lease liabilities	**67 814 051**	–
Other financial liabilities	**8 242 607**	10 710 952
Deferred tax	**1 384 389**	1 069 425
	77 441 047	11 780 377
Current liabilities		
Lease liabilities	**15 333 950**	–
Other financial liabilities	**6 920 736**	5 491 206
Current tax payable	**35 550**	288 376
Trade and other payables	**35 335 529**	43 837 578
Contract liabilities	**4 422 426**	4 955 145
Bank overdraft	**1 325 671**	2 848 315
	63 373 862	57 420 620
Total liabilities	**140 814 909**	69 200 997
Total equity and liabilities	**351 289 043**	307 837 852

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020	2019
	R	R
Revenue from contracts with customers	**366 476 705**	399 037 473
Cost of sales	**(276 515 616)**	(310 689 217)
Gross profit	**89 961 089**	88 348 256
Other income	**1 869 577**	2 079 084
Operating expenses	**(114 328 065)**	(111 269 915)
Operating loss	**(22 497 399)**	(20 842 575)
Investment revenue	**1 649 412**	2 744 144
Finance costs	**(9 993 237)**	(2 491 518)
Loss before taxation	**(30 841 224)**	(20 589 948)
Taxation	**2 678 503**	4 249 587
Total comprehensive loss for the period	**(28 162 721)**	(16 340 361)
Total comprehensive loss for the period attributable to:		
Shareholders of Mazor Group Limited	**(28 064 988)**	(16 297 491)
Non-controlling interests	**(97 733)**	(42 870)
	(28 162 721)	(16 340 361)
Basic and diluted earnings per share (cents)	**(26.9)**	(15.5)

NOTES
TO THE CONDENSED RESULTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

Reconciliation between earnings and headline earnings:

	2020	2019
	R	R
Loss attributable to ordinary shareholders	**(28 064 988)**	(16 297 491)
Adjusted for:		
Impairment of property, plant and equipment	**4 328 046**	–
Tax effect thereof	**(1 211 853)**	–
Loss on disposal of property, plant and equipment	**643 191**	309 410
Tax effect thereof	**(180 093)**	(86 635)
Headline earnings	**(24 485 697)**	(16 074 716)
Basic and diluted headline earnings per share (cents)	**(23.4)**	(15.3)

CONSOLIDATED STATEMENT
OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R	2019 R
Cash flows from operating activities		
Cash generated from/(utilised for) operations	**30 509 569**	(21 632 272)
Interest income	**1 649 412**	2 741 457
Finance costs	**(9 993 237)**	(2 491 518)
Tax paid	**(1 379 866)**	(2 164 159)
Net cash flow from operating activities	**20 785 878**	(23 546 492)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2 076 185)**	(1 914 853)
Proceeds from disposal of plant and equipment	**567 244**	507 469
Repayment of loan	**3 330**	–
Net cash flow from investing activities	**(1 505 611)**	(1 407 384)
Cash flows from financing activities		
Repayment of lease liabilities	**(15 629 459)**	–
Repayment of other financial liabilities	**(5 950 695)**	(4 528 752)
Purchase of treasury shares	**–**	(3 305 077)
Net cash flow from financing activities	**(21 580 154)**	(7 833 829)
Decrease in cash and cash equivalents for the year	**(2 299 887)**	(32 787 705)
Cash and cash equivalents at the beginning of the year	**22 704 424**	55 492 129
Cash and cash equivalents at the end of the year	**20 404 537**	22 704 424

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

	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 year	–	(16 297 491)	(16 297 491)	(42 870)	(16 340 361)
Treasury shares acquired	(3 305 077)	–	(3 305 077)	–	(3 305 077)
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 year	–	(28 064 988)	(28 064 988)	(97 733)	(28 162 721)
Balance at 29 February 2020	**41 060 154**	**169 558 077**	**210 618 231**	**(144 097)**	**210 474 134**

CONDENSED
SEGMENT REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R	2019 R
Segment revenue – contract revenue		
– Aluminium	**55 869 354**	50 237 169
– Steel	**60 177 560**	64 341 248
– Glass	**–**	–
– Corporate	**–**	–
	116 046 914	114 578 417
Segment revenue – sale of goods		
– Aluminium	**118 280 167**	146 967 098
– Steel	**–**	–
– Glass	**132 149 624**	137 491 958
– Corporate	**–**	–
	250 429 791	284 459 056
Segment revenue – internal		
– Aluminium	**2 847 153**	1 321 851
– Steel	**–**	–
– Glass	**23 731 479**	19 238 775
– Corporate	**5 432 883**	5 265 299
	32 011 515	25 825 925
Segment result – operating profit/(loss)		
– Aluminium	**(9 187 029)**	(8 468 967)
– Steel	**(7 255 812)**	(11 030 266)
– Glass	**(8 024 470)**	(3 791 513)
– Corporate	**1 969 912**	2 448 172
	(22 497 399)	(20 842 574)
Segment assets		
– Aluminium	**130 406 688**	127 180 609
– Steel	**32 941 577**	36 547 590
– Glass	**132 081 935**	113 623 336
– Corporate	**55 858 843**	30 486 317
	351 289 043	307 837 852
Segment liabilities		
– Aluminium	**53 991 255**	23 909 682
– Steel	**19 499 972**	5 693 290
– Glass	**56 308 604**	32 134 365
– Corporate	**11 015 078**	7 463 660
	140 814 909	69 200 997

COMMENTARY

INTRODUCTION

This past year has been a difficult year for Mazor. South Africa's economy slid into its third recession since 1994, the second recession since February 2018. Confidence has been at an all-time low, demand for building has decreased, and volumes are down dramatically.

Construction has seen its sixth consecutive quarter of economic decline; the long-suffering industry has only seen one quarter of positive growth since the beginning of 2017. Non-residential construction fell sharply in the fourth quarter of 2019, with approvals for office space construction – in square metres – falling to its lowest point in two decades.

The group has also experienced difficulty in supplying its customers as some have fallen outside of our credit terms and no longer have credit insurance in place. This resulted in a considerable bottleneck for future growth as trading on these accounts would need to be suspended.

Since returning post lockdown level 5, which lasted five weeks, revenue is down around 30-40%. We closed the Johannesburg branch of our Glass division during the lockdown. Staff have been retrenched and we are in the process of selling off equipment.

In the last 24 months Mazor has been rationalising and adjusting costs relative to demand and will continue to do this in the best interest of our stakeholders. We have been speaking to our landlords to negotiate a reduction in rent as part of our cost-cutting drive taking place in all areas of the business and at all levels. We have regrettably had to retrench some of our staff members at various group levels but capacity remains intact.

BASIS OF PREPARATION

The summarised results of the audited consolidated annual financial statements for the group for the year ("the summarised results") contain the information required by IAS 34 Interim Financial Reporting, and have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the Financial Reporting 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 summarised consolidated annual financial results are in terms of IFRS 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 year 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 year 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 financial year.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. 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.

The practical expedients applied in adopting the standard are as follows:

- relying on previous assessment on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 March 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- accounting for low value leases (printers and copiers) as short-term leases.

On the adoption date, the weighted average lessee incremental borrowing rate for the different classes of assets was as follows:

- property – 9.75%.

The change in accounting policy affected the following items in the statement of financial position on 1 March 2019:

- right-of-use asset increased by R84 423 271;
- lease liability increased by R88 235 581; and
- other liabilities decreased by R3 812 310.

The impact in the reporting period of the adoption of IFRS16 of the above has been summarised below:

- increase in finance costs – R8 157 163;
- increase in depreciation and amortisation – R20 178 512;
- decrease in operating lease expense – R23 786 622;
- decrease in net profit – R4 549 052; and
- decrease in earnings and diluted earnings per share – 4.35 cents per share.

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

The summarised results have been prepared under the supervision of the financial director, Ms. L Mazor CA(SA). This summarised report is extracted from audited information, but is not itself audited. The directors take full responsibility for the preparation of the summarised results and that the financial information has been correctly extracted from the underlying annual financial statements.

The consolidated annual financial statements, from which the summarised results have been derived, were audited in accordance with International Standards on Auditing by the group's external auditor, Mazars, who expressed an unqualified audit opinion which includes communication of key audit matters. This is available for inspection at the company's registered office. That report does not necessarily cover all the information contained in this announcement.

Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should refer to the report together with the annual consolidated financial statements contained in the integrated annual report. A copy of the full consolidated annual financial statements is available for inspection from the company secretary at the registered office of the group. In order to request a copy, please contact Mr I Bloom on 082 990 3725 or e-mail the request to ivor@altotrust.com.

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

Revenue decreased across all business segments with total revenue decreasing year-on-year by 8.2% to R366.48 million (February 2019: R399.03 million).

Operating losses came from our Aluminium, Glass and Steel segments. Aluminium losses increased by 8.5% to R9.19 million (2019: R8.47 million), while Steel losses decreased by 34.2% to R7.26 million (2019: R11.03 million). In the Glass division, excluding the impairment of property, plant and equipment of R4.3 million, losses decreased by 2.51% to R3.70 million (2019: R3.79 million). Our Corporate segment made an operating profit of R1.97 million (2019: R2.45 million).

Mazor's headline loss increased year-on-year by 52.4% to R24.49 million or 23.4 cents per share (2019: headline loss of R16.07 million or 15.3 cents per share).

The group adopted IFRS 16 in the reporting period, which increased the total loss for the period by R4.5 million. Excluding the effects of IFRS 16, the headline loss increased year-on-year by 24% to R19.94 million (2019: R16.07 million).

Contract assets and receivables decreased to R9.2 million from R27.5 million in the prior year due to a reduced number of new building starts prior to February 2020.

The increase in the deferred tax asset is due to deferred tax on assessed losses in Compass Glass being raised this year as management expects to utilise these assessed losses in future. Based on forecast information for a 10-year period after year-end, Compass Glass is expected to make taxable profits by 2021. If the assumptions used in the forecast are proven to be correct, the assessed losses can be utilised in full by 2029. No deferred tax asset was raised on the assessed losses in the Aluminium and Steel divisions and Compass Glass SA.

RELATED PARTY TRANSACTIONS

Directors' remuneration for the year amounted to R8.9 million (2019: R9.2 million).

DIRECTORATE

As previously announced, with effect from 20 August 2019:

- Mr. Monty Kaplan stepped down as group chairperson and resigned from the audit and risk committee, but continues to serve as an independent non-executive director on the Mazor board and a member of the nomination and remuneration committee;
- Mr. Frank Boner was elected as group chairperson. Although Mr. Boner resigned as chair 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; and
- Mr. Abubaker Varachhia, whose independence as a non-executive director was confirmed and approved by the Mazor board, was elected as a member of the audit and risk committee in place of Mr. Kaplan and then as chair in place of Mr. Boner.

DIVIDEND DECLARATION

No dividend was declared for the year in light of the losses incurred by the group.

EVENTS AFTER THE REPORTING PERIOD

COVID-19

The global spread of the COVID-19 pandemic, which originated in late 2019 and was declared a pandemic by the World Health Organisation in March 2020, has negatively impacted the global and national economy, disrupted supply chains and created significant volatility in financial markets.

In South Africa, a National State of Disaster was declared in response to the pandemic. On 23 March 2020, the president enacted a national lockdown effective from 27 March 2020. All businesses within the group are considered non-essential and as such were forced to close for two months from 27 March 2020.

As the events arising as a result of the government interventions in response to the pandemic only occurred after the reporting date the group considers this to be a non-adjusting post balance sheet event and accordingly the financial effects resulting from the impact of COVID-19 have not been reflected in the group's financial statements as at 29 February 2020.

Group revenue is down 62.5% for the four months to June 2020 relative to the same period in the prior year. This is predominantly due to the fact that all businesses within the group generated negligible turnover during the two months of lockdown. Mazor is mitigating some of this loss through negotiated rental concessions with landlords and other cost-cutting initiatives.

Very difficult trading conditions, impacted by the COVID-19 pandemic, subsequent lockdown and resultant closure of the businesses, are expected to continue over the short to medium term, with the effects of COVID-19 changing rapidly and constantly evolving.

CLOSURE OF THE GAUTENG BRANCH OF COMPASS GLASS SA (PTY) LTD

In light of the continued losses incurred by the branch coupled with the recession experienced by the South African economy since the second half of 2019, which is exacerbated by COVID-19, the directors resolved to close the branch subsequent to the reporting date. Sale agreements were entered into in respect of the sale of property, plant and equipment ("PPE") after year-end for R5.5 million. The PPE was sold in June 2020. There is a loss on the sale of the PPE of R4.3 million. This has been provided for in the current year as an impairment of PPE.

Negotiations were entered into post year-end to sell the building in which the branch operated. The sales agreement was concluded in June 2020 for R12 million. At the date of this report, transfer had not yet been effected but all conditions precedent have been met.

R4.2 million of the proceeds will be used to settle the mortgage bond over the property.

SALE OF PROPERTY IN BELLVILLE

The company holds a plot of land held for future development in Bellville. An offer to purchase was received and accepted by the directors with a sales price of R9.5 million. Transfer was effected through the Deeds Office on 20 July 2020.

To mitigate the effects of COVID-19 and the anticipated reduction in revenue, the group is focusing on reducing rental and employment costs to match revenue demand as well as stringent working capital management. The directors, having considered these measures coupled with the increased liquidity generated by the above transactions, believe that the group has adequate financial resources to continue in operation for the foreseeable future, including specific consideration of the risk associated with COVID-19.

The directors are not aware of any other material matter or circumstance arising since the end of the financial year to the date of the approval of the annual financial statements.

PROSPECTS

Looking ahead, the economy might bounce back from some of the country's lows, however, we believe the position will not improve until there has been significant reform relating to currency fluctuations, government policies and geopolitical risk.

To date Moody's has downgraded South Africa's long-term foreign-currency and local-currency issuer ratings to Ba1 from Baa3, Fitch Ratings has downgraded South Africa to BB, and S&P Global Ratings has lowered South Africa's sovereign credit rating into "non-investment grade", or "junk status". All three rating agencies presented a negative outlook as a result of the lack of a clear path towards government debt stabilisation as well as the expected impact of the COVID-19 shock on public finances and growth.

Mazor does not anticipate any building starts in the next year. There have been significant liquidations within the industry from professional engineers to developers and construction companies. Property developers and various REITS are wary of the prevailing trading conditions. As much as we are hopeful that in future demand and supply will meet, we remain cautious as a real turnaround might only be realised in the long term. As a group we have prepared for the worst.

APPRECIATION

We thank our employees for their continued involvement, dedication and hard work under challenging trading conditions. Our appreciation also to our board for their continued guidance and wise counsel. We thank our customers, suppliers, advisers and shareholders for their continued loyal support.

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 auditor.

On behalf of the board

F Boner
Chairperson

R Mazor
Chief executive officer

Cape Town
27 July 2020

Directors: F Boner (chairperson)*^, R Mazor (chief executive officer), L Mazor (financial director), M Kaplan*^, S Mazor, A Groll *^, A Varachhia*^

** Non-executive director ^Independent*

Company secretary: Ivor Mark Bloom

Registered office: 8 Monza Road, Killarney Gardens, 7441, (PO Box 60635, Table View, 7439)

Sponsor: Bridge Capital Advisors (Pty) Limited, 2nd Floor, 50 Smits Road, Dunkeld, 2196
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Transfer Secretaries: Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132)

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