

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS OF NU-WORLD FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

FINANCIAL HIGHLIGHTS

CASH GENERATED FROM OPERATIONS	R 262,8 MILLION	
NET ASSET VALUE PER SHARE	6 025,8 CENTS	+ 14.1%
HEADLINE EARNINGS PER SHARE	351,9 CENTS	- 19.1%

	% Change	Unaudited 6 Months 29 February 2020 R000	Unaudited 6 Months 28 February 2019 R000	Audited 12 Months 31 August 2019 R000
CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME				
Revenue	-11,1	1 530 987	1 721 356	3 031 951
Net operating income		109 171	136 123	226 313
Depreciation		1 410	1 325	2 821
Interest paid		11 052	9 135	15 473
Income before taxation		96 709	125 663	208 019
Taxation		20 127	29 968	46 795
Income after taxation		76 582	95 695	161 224
Share of associate company income		36	33	129
Net income for the period/year		76 618	95 728	161 353
Attributable to:				
Equity holders of the Company	-19,3	75 936	94 072	163 272
Non-controlling interest		682	1 656	(1 919)
		76 618	95 728	161 353
Other comprehensive income:				
Exchange differences on translating foreign operations		10 577	(12 552)	8 700
Comprehensive net income for the period/year	4,8	87 195	83 176	170 053
Total comprehensive income attributable to:				
Non-controlling interest		657	471	(2 501)
Equity holders of the Company		86 538	82 705	172 554
		87 195	83 176	170 053
Headline earnings reconciliation:				
Determination of attributable earnings and headline earnings:				
Basic earnings		75 936	94 072	163 272
Profit on disposal of property, plant and equipment		0	0	(171)
Total tax effects of adjustment		0	0	48
Headline earnings		75 936	94 072	163 149

		Unaudited 6 Months 29 February 2020 R000	Unaudited 6 Months 28 February 2019 R000	Audited 12 Months 31 August 2019 R000
%				
Change				

OTHER GROUP INFORMATION

Dividend proposed				65 309
Earnings per share (cents)		351,9	435,2	756,7
Headline earnings per share (cents)	-19,1	351,9	435,2	756,1
Diluted earnings per share (cents)		353,0	435,2	758,9
Dividend per share (cents)				288,4
Dividend cover (times)				2,5
Interest cover (times)				14,4
Shares in issue (total issued)		22 646 465	22 646 465	22 646 465
Shares in issue (less treasury shares)		21 513 366	21 613 366	21 513 366
Shares in issue – weighted		21 576 570	21 614 295	21 576 570
Shares in issue – diluted		21 513 366	21 613 366	21 513 366

Operating income as percentage of revenue		7,1%	7,9%	7,5%
Negative debt to equity ratio (%)		(19,1%)	(13,7%)	(0,3%)
Effective taxation rate		20,8%	23,8%	22,5%

Net asset value per share (cents)	14,1	6 025,8	5 278,9	5 695,9
Net tangible asset value per share (cents)	14,9	5 733,5	4 988,9	5 402,4

Intangible assets

Goodwill and amortisation

Balance at beginning of year		31 432	32 060	32 758
Translation of foreign operations		(35)	(1 101)	(1 326)
Balance at end of year		31 397	30 959	31 432

Patents and trademarks

Balance at beginning of year		31 706	31 706	31 706
Amount impaired during year				
Balance at end of year		31 706	31 706	31 706

Total intangible assets		63 103	62 665	63 138
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SEGMENTAL ANALYSIS

		Unaudited 6 Months 29 February 2020 R000	Unaudited 6 Months 28 February 2019 R000	Audited 12 Months 31 August 2019 R000
%				
Change				

Geographical revenue

South Africa		1 145 581	1 289 070	2 281 372
Offshore subsidiaries		385 406	432 286	750 579
	-11,1	1 530 987	1 721 356	3 031 951

Geographical income

South Africa		36 404	59 253	107 776
Offshore subsidiaries		39 532	34 819	55 496
	-19,3	75 936	94 072	163 272

Composition of operating profit

South Africa
Offshore subsidiaries

Operating Profit % 29 February 2020	Operating Profit % 28 February 2019	Operating Profit % 31 August 2019
47,9	63,0	66,0
52,1	37,0	34,0
100,0	100,0	100,0

Unaudited 6 Months 29 February 2020 R000	Unaudited 6 Months 28 February 2019 R000	Audited 12 Months 31 August 2019 R000
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CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

Property, plant and equipment
Right of use assets
Intangible assets
Investment in associates
Deferred taxation

Current assets

Inventory
Stock in transit
Trade and other receivables
Cash and cash equivalents

Total assets

EQUITY AND LIABILITIES

Ordinary shareholders' funds
Non-controlling interest

Total equity

Non-current liabilities

Right of use liabilities

Current liabilities

Bank overdraft
Trade and other payables

Total equity and liabilities

178 947	104 420	109 497
23 388	22 796	22 656
65 047		
63 103	62 665	63 138
539	408	503
26 870	18 551	23 200
1 403 702	1 272 650	1 604 719
550 881	451 907	590 010
78 802	97 542	273 529
502 888	484 293	544 396
271 131	238 908	196 784
1 582 649	1 377 070	1 714 216
1 296 567	1 140 944	1 225 385
12 592	14 907	11 935
1 309 159	1 155 851	1 237 320
86 375		
86 375		
187 115	221 219	476 896
24 030	80 701	192 605
163 085	140 518	284 291
1 582 649	1 377 070	1 714 216

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 Months 29 February 2020 R000	Unaudited 6 Months 28 February 2019 R000	Audited 12 Months 31 August 2019 R000
Balance as at 1 September	1 225 385	1 131 599	1 131 599
Total attributable income for the year	75 936	94 072	163 272
Dividend paid		(74 167)	(74 167)
Movement in foreign currency translation reserve	10 602	(11 368)	9 282
Treasury share movement		(74)	(4 601)
Adoption of IFRS 16 - Leases	(15 356)		
Redemption of share-based payment awards		882	
Balance as at 29 February / 31 August	1 296 567	1 140 944	1 225 385

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 6 Months 29 February 2020 R000	Unaudited 6 Months 28 February 2019 R000	Audited 12 Months 31 August 2019 R000
Net cash flow from operating activities	232 966	179 642	7 706
Cash generated from operations	262 771	305 407	154 109
Investment income			436
Interest paid	(11 052)	(9 135)	(15 472)
Dividend paid		(74 167)	(74 167)
Normal tax on companies	(18 753)	(42 463)	(57 200)
Cash flows from investing activities	(2 143)	(1 666)	(2 860)
Purchase of tangible fixed assets	(2 143)	(1 666)	(3 247)
Proceeds on disposal of fixed assets			387
Cash flows from financing activities		(75)	(4 601)
Increase investment in treasury shares		(75)	(4 601)
Net increase in cash and cash equivalents	230 823	177 901	245
Cash and cash equivalents at the beginning of the period/year	4 179	(7 460)	(7 460)
Effect on exchange rate changes on the balance of cash held in foreign currencies	12 099	(12 234)	11 394
Cash and cash equivalents at end of the period/year	247 101	158 207	4 179

COMMENTARY

Introduction and review

Nu-World is a company incorporated and domiciled in South Africa with subsidiaries in Australia, Brazil, Dubai, Hong Kong and Lesotho. The main business of Nu-World and its subsidiaries includes the importing, assembling, marketing and distribution of branded consumer goods.

The Board presents the Nu-World summary results for the six months ended 29 February 2020. The period under review has been characterised by falling business confidence and deteriorating business-trading conditions. The combination of weaker volume growth, subdued selling price inflation and rising input costs resulted in overall profitability coming under pressure.

Accounting policies and basis of preparation

The condensed consolidated interim results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by 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 condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The condensed consolidated interim results are presented in Rand rounded to the nearest thousand ('000).

The condensed consolidated interim results have been prepared under the supervision of Graham Hindle CA (SA) in his capacity as Financial Director.

COMMENTARY

Operating review

Nu-World's interim results should be considered within the context of the exceptionally difficult trading conditions, which have persisted in South Africa for a number of years. South African consumers are experiencing an increasing squeeze on their disposable income at this time due to unprecedented global and local events.

Nu-World has made progress in internationalising the Group over the last number of years and this strategy is to continue.

The Group increased the net asset value per share by 14,1% to R 60,26 and generated cash from operations of R 262,8 million.

South Africa

Within the Group, the South African operation came under the most trading pressure for the period under review. Revenue decreased by 11,1%. The economy is in recession and consumer spend is under renewed pressure. Attributable income as a percentage of turnover at 3,2%, came under pressure due to the economic environment.

Sales

Consumer electronics

Visual Consumer Electronics came under immense pressure during this period, however Audio showed strong growth resulting from the new ranges and models. Retaining market share in this competitive environment is crucial.

Seasonal products

The summer season showed strong revenue growth resulting from the additional seasonal product line-up, together with the increased market share in the air conditioner sector.

Appliances – Small domestic appliances (SDA) and white goods

The Company continues to introduce new cost effective product ranges, with focus on overall improvement in quality and "ease of use". The refrigeration offering has been substantially increased.

Offshore operations

Australia

Tough economic conditions persist in the Australian market. The decrease in returns resulted mainly from the decline in revenue and margins compounded by the devaluation of the AUD against the USD.

Other Offshore Markets

The other countries in which we operate in all performed well showing strong growth in both revenue and profit. Operating margins as a percentage of turnover exceeded 10%.

The Group is working towards increasing market share and opportunities in these markets.

Additional brands and product categories are being offered to the various distributors.

Nu-World, however, remains positive for future growth.

FINANCIAL PERFORMANCE

STATEMENT OF COMPREHENSIVE INCOME

Group revenue decreased by 11,1% to R 1 530,9 million (February 2019 – R 1 721,4 million).
Attributable income to equity holders of the company decreased by 19,3% to R 75,9 million (February 2019 – R 94,1 million)

STATEMENT OF FINANCIAL POSITION

The balance sheet strengthened considerably during the year under review, mainly due to the increase in trade and other payables and the resultant generation of cash from operations of R 262,8 million.

Inventory levels (including stock in transit) of R 629,7 million decreased by 27,1% from August 2019 (R 863,5 million). Directors and management remain focused on maintaining and improving working capital management and stock turn rates further.

The increase in fixed assets to R 88,4 million (August 2019 – R 22,7 million) arose due to capitalization of the leased assets in terms of IFRS 16.

Net asset value per share has increased by 14,1% to 6 025,8 cents (February 2019 – 5 278,9 cents).

SEGMENT REPORTING

The South African business operations contributed 74,8% of the Group's revenue and 47,9% of the Group's attributable income. Offshore operations account for 25,2% of turnover and 52,1% of income.

BOARD OF DIRECTORS

There were no changes during the period under review.

CORPORATE ACTIVITIES

There were no corporate activities during the period under review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASPECTS

The Group complies with the Code on Corporate Governance Practices and Conduct as contained in the King IV Report on Corporate Governance. Nu-World is committed to transparent and integrated reporting in the spirit of King IV and the Global Reporting Initiative (GRI).

Nu-World continues its community support and corporate social investment.

PROSPECTS

The World Health Organization declared the outbreak of the Coronavirus – COVID-19, a global pandemic on 11 March 2020. Since then, in a worldwide response to curb the spread of the virus, South Africa and almost all countries across the world have imposed travel restrictions and implemented social distancing and self-quarantining until further notice. Furthermore, in line with many other countries, President Ramaphosa implemented a total lockdown from Friday, 27 March for 3 weeks, which total lockdown was extended for a further two weeks on 9 April 2020. South Africa, in line with the global economy, will be severely negatively impacted in these unprecedented times.

Consumer demand will probably remain constrained and trading conditions challenging, in the immediate future. The focus of management is to grow offshore market share in the consumer electronics and branded consumer durables sectors. This, coupled with the expanded offshore territories that the Group trades in, should increase the contribution from these businesses in future years. The Groups local project's division continues to explore business opportunities that could increase profitability. The Group is exploring new markets for their products as well as introducing new lines into their existing markets, including a range of Corona Covid-19 preventative products under the brand of NW PPE.

The Group continues to focus its target market on recognized International brands for consumer electronics and consumer durables, both locally and offshore.

SUBSEQUENT EVENTS

No events material to the understanding of this report have occurred during the period between 29 February 2020 and the date of this report.

NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP**IFRS 16 – Leases**

The Group has adopted IFRS 16 from 01 September 2019 and has elected the modified retrospective approach.

IFRS 9 – Financial Instruments

The Group has applied IFRS 9 from 01 September 2018.

IFRS 15 – Revenue from contracts with customers

The application of IFRS 15 did not have a significant impact on the Group's results.

Changes to the Group's accounting policies

IFRS 15 did not have any impact on the amounts recognised in the prior periods and does not affect the current period in terms of revenue recognition.

On behalf of the Board

J.A. Goldberg
Chief Executive Officer
22 April 2020

G.R. Hindle
Financial Director

COMPANY INFORMATION

Nu-World Holdings Limited

Registration number 1968/002490/06

(Incorporated in the Republic of South Africa)

JSE share code: NWL

ISIN code: ZAE000005070

("Nu-World" or "the Company" or "the Group")

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Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue,

Rosebank, 2196

Company secretary

B.H. Haikney

Sponsor

Sasfin Capital (a member of the Sasfin Group)

Auditors

RSM South Africa Inc.

Directors

M.S. Goldberg (Executive Chairman),

J.A. Goldberg (Chief Executive),

G.R. Hindle (Financial Director)

Independent Non-executive directors

J.M. Judin (Lead)

D. Piaray

R. Kinross

F.J. Davidson

www.nuworld.co.za

22 April 2020