PRELIMINARY CONDENSED CONSOLIDATED RESULTS

for the year ended 31 August 2020

2020

TREMATON
Capital Investments Limited

CHAIRMAN'S REPORT

I wrote in my chairman's report last year that the Trematon board believed that, in the prevailing political and economic climate, shareholders' interests would be best served by proactive asset management of the group's existing investment portfolio, prudent allocation of capital resources and utilisation of debt facilities, and patient planning for the long-term realisation of our investments in more favourable market conditions, rather than by trying to force shorter-term outcomes.

Little did we know at the time about the havoc that the impending Covid-19 tsunami would wreak globally on economies, societies, communities and individuals; and little did we appreciate then how following a risk-off approach, maintaining a solid balance sheet and having ready access to liquidity going into the storm would enable Trematon to withstand the crisis and emerge better prepared to resume normal business activities and take advantage of the opportunities on offer in a post-Covid-19 world.

All of our businesses have held up remarkably well through the challenges and stresses of operational disruption, societal dislocation, income destruction and value deterioration caused by the strict nationwide lockdowns imposed both in South Africa and abroad to mitigate the Covid-19 pandemic. This has been largely attributable to the strategic guidance and close oversight provided by our seasoned executive team at head office, and to the proactive and innovative steps taken by the hands-on management teams at the coalface in each of our businesses.

Like most other companies, management's immediate response to the Covid-19 crisis was firstly to ensure the safety and well-being of all staff, customers, tenants and students, which necessarily involved the curtailment of certain of our business activities in accordance with lockdown regulations; and secondly to ensure that we had adequate liquidity and available facilities to cater for the adverse impact on our businesses of curtailed operations and financially stressed tenants and customers.

As indicated in last year's report, we had commenced pre-Covid in our established property businesses of Resi Investment Group ("RESI") and Aria Property Group ("ARIA") with de-risking and de-gearing our portfolios through selective and opportunistic disposals of mature and non-core assets, which stood us in good stead in creating liquidity that was utilised to complete the construction of work in progress on Generation Education's ("GenEd") campuses.

One might have expected significant operational and financial stress in our private education business of GenEd, especially given that we opened the middle and high school campus at Imhoff and the new Sandown high school at the start of the 2020 academic year. However, GenEd has been able to respond and adapt to the disruption brought about by Covid-19 and the national lockdown through its already established online teaching platforms and other innovative measures that allowed it to continue providing a full teaching programme to its students and to improve and grow its online offerings.

This outcome has reinforced the board's confidence in the robustness of GenEd's existing education model, of the reach of its innovative online and distance learning offerings, and of the potential in its early-stage associations with Cambridge International and other institutions in the secondary and tertiary education sectors. So shareholders can expect to see a continued portfolio shift within Trematon, away from our traditional property-heavy focus towards more investment in private education, which now already comprises roughly one-third of the group's total intrinsic net asset value ("INAV").

As a result of the board's focus on value preservation, capital rationing and liquidity utilisation over the past 18 months, Trematon now sits in the fortunate position as the economy starts to normalise, following the staggered uplifting of Covid-related trading and travel restrictions, of having a strong balance sheet and available cash resources more than sufficient to cover our normal commitments and to fund expansion and acquisition opportunities.

At the same time, the board is acutely conscious of the long-running criticism levelled at listed investment holding companies for the often substantial discounts at which they trade by comparison to the sum-of-the-parts values of their underlying investments, which criticism has recently escalated in the wake of widening discounts as a result of fallen share prices and impaired asset values due to Covid-19, as has been seen in media reports on the far more illustrious likes of Remgro, PSG, Sabvest and Long4Life.

Trematon's INAV per share as at August 2020 has remained fairly flat at R5.19 (2019: R5.21) per share, mainly due to profitable property realisations in both RESI and ARIA, as well as the increase in the Rand value of our UK-based investment, ASK Partners ("ASK"), and the Trematon share price has continued to hover around R2.00, largely due to general lack of any appetite in the market for small cap stocks. But our INAV discount has persisted and the prospect of successfully unlocking or even significantly narrowing this discount in the short term seems remote in current market conditions.

While there has been pleasing recovery across all of our businesses with the lifting of restrictions and the return to "normality", the profitability of these businesses over the next two financial years will obviously be heavily dependent on the extent and trajectory of South Africa's post-Covid economic growth. While it is still too early to make predictions about this, the board does expect resumption of INAV growth again in FY2021, largely due to greater capacity utilisation in GenEd's existing campuses and additional school acquisitions.

Accordingly the board has resolved to apply that portion of its cash resources, which it deems surplus to the ongoing operational needs of the group's businesses, planned expansionary capital spend over the next year in GenEd and any likely new business acquisitions, to making share buy-backs in the market when substantial blocks of shares become available, and further to supplementing our normal annual capital distribution to shareholders this year.

I would like to express the board's sincere thanks and compliments to the executive team of Trematon led by CEO Arnold Shapiro, to the management teams of our various businesses, and to all our staff and business partners across the whole group for their resilience, innovation and commitment over the course of the past financial year, but especially during the last six months when the Covid-19 pandemic has demanded so much more of us all as organisations, communities and individuals.

Robin Lockhart-Ross
Independent non-executive chairman

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S JOINT REPORT

Trematon began its current life in 2005 as an investor in the small cap market and in unlisted public companies.

As the number of small cap companies listed on the JSE declined, the focus of the company shifted to founding businesses by providing capital and strategic input in partnership with capable and creative management. It is a source of great pride that Trematon is a founder investor in four out of the five major businesses in the group and that all of those businesses have achieved or come close to achieving our targeted return. It is also a source of chagrin that we have made a few costly mistakes when we have strayed from our own disciplines and invested in businesses where we could not control our own destiny. Thankfully most of these are in the past and our current portfolio is in good shape.

Investment companies are definitely not the flavour of the month and do not enjoy widespread support from the broad investment community. Before lockdown, most investment companies were already trading at discounts to their intrinsic value and the discounts widened further after lockdown, even after taking account of the reductions in asset values due to lockdown effects. This has meant that these companies have been unable to access the capital markets for funding; and the flow of funds into offshore investments and out of the JSE has caused a perfect storm in the sector from a share price perspective. It is never possible to forecast market prices but these circumstances do call to mind Warren Buffet's famous quote in the midst of the 2008 financial market meltdown that, "Price is what you pay; value is what you get."

In our opinion, the most important measure of value for investors in Trematon is the intrinsic net asset value calculation to be found on page 15 of this report. International Financial Reporting Standards ("IFRS") accounting has some excellent features, particularly in respect of disclosure requirements, but it is not well suited to the assessment of investment companies with several subsidiaries, joint ventures and associates, so we prefer to focus on INAV, which provides the best snapshot of where we stand.

In Trematon's 15-year history under current management we have not sold any investments at a value which was materially below the directors' valuation. Therefore, investors can take comfort that the INAV presents a reasonable and realisable after-tax market value for each asset. The INAV values for the commercial properties are determined by the directors with reference to market values of similar properties. The residential portfolio, which is actively traded, reflects current market conditions as it is based on recent sales of similar units in the same development and/or area. Our education assets are valued using a comprehensive discounted cash flow model which is tested for reasonability against the valuation multiples of similar listed education businesses.

Lockdown was in place for the entire second half of the financial year and all of our operations were affected, both in terms of revenues and asset values. All group companies took proactive steps within their own particular contexts and all have proven to be both resilient and flexible. None of our investments has lost appreciable value due to lockdown and the majority remained cash positive even in the midst of full lockdown.

Group management and staff across all subsidiaries showed exceptional work ethic and commitment. Trematon attracts capable management, including entrepreneurs who would not normally fit into a corporate structure, because our executives are afforded high levels of autonomy. This has been a benefit during a turbulent year when decision-making has had to be proactive and fluid.

RESULTS

All group businesses were negatively affected in some way by the lockdown that commenced in the second half of the financial year but all of them remained cash positive.

Our approach to lockdown was to first ensure that staff and customers were kept as safe as possible. Each business took its own proactive steps depending on its business model, but the common themes were to protect our commercial interests while responding in real time to each lockdown-related impact and to assist customers, tenants and staff in weathering the harsh economic environment.

Our common philosophical approach across the group was to reduce discretional spending and to continue to retain and build capacity. The group was already using online collaboration tools extensively before lockdown so the transition to a more intense online management environment was seamless and without incident.

INAV was maintained at close to last year's levels after a careful analysis of the carrying value of each asset.

Although the group made an accounting loss for the year, this was mainly due to various non-cash accounting adjustments which do not reflect the operating performance of the businesses. All operations remained cash flow positive throughout the period albeit at lower than normal levels.

The group continually makes investment disposals, acquisitions and fair value adjustments which can create once-off swings in earnings.

The group has two property focused investment companies – ARIA, which focuses on commercial property, and RESI, which invests in residential rental stock. Both of these companies have been net sellers of mature assets. The proceeds of these sales were used to settle bank debt, with excess funds being distributed to the holding company for further deployment. Some of the distributions received were used for additional funding into GenEd and are also reflected in the higher distribution paid to shareholders this year. This is evident in the increase in percentage contribution of GenEd to INAV, with both ARIA's and RESI's percentage contribution decreasing.

GenEd has been the major investment focus during the financial year. All of the funding was for capital investment and the operations of GenEd were able to generate positive cash flow. As GenEd matures, it is likely that the annuity income component of the group will increase and earnings will become more stable and predictable.

Group revenue (excluding sales of property and land) has grown slightly over the prior year, with the most notable growth contributor being a 21% increase in school fee revenue. School fee income in GenEd continues to grow as a result of the opening of two new schools and an increase in student numbers at existing schools that were not previously at full capacity. Rental income has decreased due to the sale of investment properties during the year, as well as discounts and deferrals given to tenants due to Covid-19.

Profit before tax decreased by 97% to R2.1 million (2019: R60.9 million). This is after impairments of investment properties across the group of R7.7 million as well as a write-down of an interest rate swap in ARIA of R16.1 million. Profit from equity accounted investments also decreased due to some investments having been sold in the prior year. ASK, which is equity accounted, was not as profitable as the prior year due to once-off office relocation and expansion costs. However, due to the depreciation of the Rand against the Pound Sterling, a foreign exchange gain of R20.7 million was recognised, which is reflected in the foreign currency translation reserve. Additional expenses incurred as a result of Covid-19 and discounts to tenants and customers also had a negative effect on both earnings and headline earnings.

The above translates to a loss of 2.0 cents (2019: profit of 10.2 cents) per share and a headline loss of 3.3 cents (2019: profit of 2.0 cents) per share for the year.

Book net asset value ("NAV") has increased by 1% to 416 cents (2019: 411 cents) per share while INAV, which provides investors with a realistic and transparent evaluation of Trematon's performance and value, decreased by 0.4% to 519 cents (2019: 521 cents) per share. Book NAV reflects the book values of the various investments in terms of IFRS but does not take into account the market value of certain investments such as inventory, and investments in joint ventures and associates that are equity accounted in terms of the required accounting standards. The INAV shows these assets at their realisable market values.

At year-end the group had R160.3 million of consolidated local cash on hand. Additionally, via Trematon's UK-based investments, the group has access to R39 million of cash held in offshore accounts and R67 million of investments in short-dated syndications based on the Rand:Pound exchange rate at year-end. Total unallocated cash and near cash available for investment therefore amounts to R266.3 million.

DISTRIBUTIONS

The board has increased distributions to shareholders by 36% over the prior year. The distribution declared for 2020 is 7.50 cents (2019: 5.50 cents) per share.

SHARE BUY-BACKS

During the year Trematon has repurchased 3.8 million shares. 3.2 million of these shares have been reverted to authorised unissued share capital.

CONCLUSION

The turbulent global and local economic environment means that there are generationally cheap investments to be made in certain industries. Trematon has built its portfolio on the principles of value investing but we have also come to realise that sometimes value investing is not enough and that, in the absence of a liquidity event or some other catalyst, value can erode over time. We will be very selective in our investment approach to make sure that these criteria are met.

As is common with all listed investment companies in South Africa, Trematon shareholders understand that they own valuable assets but that this value is not reflected in the share price. The challenge facing management is not only to generate competitive returns within the company but also to ensure that shareholder value is realisable within a reasonable time frame.

Arnold Shapiro	**Arthur Winkler**
Chief Executive Officer	Chief Financial Officer

CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed At 31 August 2020 R'000	Reviewed At 31 August 2019 R'000
ASSETS			
Non-current assets		**2 067 139**	2 105 721
Property, plant and equipment	2	**315 793**	242 984
Investment properties	3	**1 548 183**	1 659 733
Investments in joint ventures	4	**5 832**	24 563
Investments in associate entities	5	**121 897**	103 072
Loans receivable		**52 695**	60 222
Deferred tax asset		**22 739**	15 147
Current assets		**230 573**	224 064
Loans receivable		**–**	9 699
Investments		**8 134**	6 773
Inventories		**42 081**	45 630
Current tax asset		**937**	598
Trade and other receivables		**19 147**	14 931
Cash and cash equivalents	6	**160 274**	146 433
Non-current assets held-for-sale	3	**91 411**	37 771
Total assets		**2 389 123**	2 367 556
EQUITY AND LIABILITIES			
Equity		**1 025 820**	1 056 744
Share capital and share premium		**272 592**	290 296
Treasury shares	11	**(1 337)**	–
Fair value reserve		**33 353**	33 353
Foreign currency translation reserve		**27 670**	6 976
Share-based payment reserve	16	**12 355**	11 770
Accumulated profit		**554 162**	558 344
Total equity attributable to equity holders of the parent		**898 795**	900 739
Non-controlling interest		**127 025**	156 005
Non-current liabilities		**1 029 421**	1 144 675
Loans payable	7	**878 679**	1 027 987
Derivatives	8	**14 954**	–
Trade and other payables	9	**24 860**	–
Deferred tax liability		**110 928**	116 688
Current liabilities		**333 882**	166 137
Loans payable	7	**265 128**	78 930
Current tax liability		**609**	291
Derivatives	8	**1 192**	–
Trade and other payables	9	**66 953**	86 916
Total liabilities		**1 363 303**	1 310 812
Total equity and liabilities		**2 389 123**	2 367 556
Net asset value per share (based on net shares in issue at year-end) (cents)		**416**	411

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Reviewed Year ended 31 August 2020 R'000**	Reviewed Year ended 31 August 2019 R'000
Revenue	14	**375 246**	386 280
Realised loss on financial assets at fair value through profit and loss		**(244)**	(2 048)
Realised profit on sale of non-current assets		**7 722**	4 321
Realised loss on sale of joint venture		**–**	(2 624)
Total realised profit/(loss)		**7 478**	(351)
Fair value adjustment on financial assets at fair value through profit and loss		**(1 295)**	–
Fair value adjustment on financial liabilities at fair value through profit and loss	10	**(16 146)**	–
Foreign exchange gains		**1 557**	–
Fair value adjustment on investment properties		**(7 712)**	35 816
Increase in loss allowance		**(5 085)**	–
Impairment of loan		**–**	(10 247)
Total (loss)/profit from fair value adjustments		**(28 681)**	25 569
Other income		**2 080**	2 430
Employee benefits		**(81 482)**	(74 574)
Cost of property and land sold		**(9 252)**	(16 170)
Other operating expenses		**(168 694)**	(179 662)
Operating profit		**96 695**	143 522
Finance costs		**(98 080)**	(108 516)
Profit from equity accounted investments (net of tax)		**3 498**	25 970
Profit before income tax		**2 113**	60 976
Income tax		**(4 746)**	(25 914)
(Loss)/profit for the year		**(2 633)**	35 062
Other comprehensive income			
Items that will not subsequently be reclassified to profit/(loss):			
Fair value gain on revaluation of property, plant and equipment		**–**	3 832
Tax effects of fair value adjustments		**–**	(858)
Items that are or may subsequently be reclassified to profit/(loss):			
Foreign currency translation differences on equity accounted investments		**20 694**	3 242
Other comprehensive income for the year		**20 694**	6 216
Total comprehensive income for the year		**18 061**	41 278
Profit attributable to:			
Equity holders of the parent		**(4 182)**	22 135
Non-controlling interests		**1 549**	12 927
		(2 633)	35 062
Total comprehensive income attributable to:			
Equity holders of the parent		**16 512**	27 657
Non-controlling interests		**1 549**	13 621
		18 061	41 278
Earnings per share			
Basic (loss)/earnings per share (cents)		**(2.0)**	10.2
Diluted (loss)/earnings per share (cents)		**(2.0)**	9.4

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Treasury shares[1] R'000
Balance at 1 September 2018	2 162	291 335	293 497	(137)
Total comprehensive income for year	–	–	–	–
Profit for the year	–	–	–	–
Foreign exchange movements on investment in associate	–	–	–	–
Fair value gain on revaluation of property, plant and equipment	–	–	–	–
Tax effects on revaluations	–	–	–	–
Share-based payment expense	–	–	–	–
Restricted shares issued in terms of share incentive scheme	28	8 258	8 286	–
Treasury shares cancelled	–	(137)	(137)	137
Capital distribution	–	(11 350)	(11 350)	–
Dividends declared to non-controlling interest	–	–	–	–
Balance at 31 August 2019	2 190	288 106	290 296	–
Balance at 1 September 2019	**2 190**	**288 106**	**290 296**	**–**
Total comprehensive income for year	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Foreign exchange movements on investment in associate	**–**	**–**	**–**	**–**
Share-based payment expense	**–**	**–**	**–**	**–**
Restricted shares issued in terms of share incentive scheme	**9**	**2 408**	**2 417**	**–**
Treasury shares cancelled	**(31)**	**(7 997)**	**(8 028)**	**8 028**
Treasury shares acquired	**–**	**–**	**–**	**(9 365)**
Capital distribution	**–**	**(12 093)**	**(12 093)**	**–**
Dividends declared to non-controlling interest	**–**	**–**	**–**	**–**
Balance at 31 August 2020	**2 168**	**270 424**	**272 592**	**(1 337)**

1 Refer to note 11.
2 Refer to note 16.

Share-based payment reserve[2] R'000	Foreign currency translation reserve R'000	Fair value reserve R'000	Accumulated profit/(loss) R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
15 681	3 733	31 073	536 210	880 057	143 402	1 023 459
–	3 243	2 280	22 134	27 657	13 621	41 278
–	–	–	22 134	22 134	12 927	35 061
–	3 243	–	–	3 243	–	3 243
–	–	2 938	–	2 938	894	3 832
–	–	(658)	–	(658)	(200)	(858)
4 375	–	–	–	4 375	–	4 375
(8 286)	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	(11 350)	–	(11 350)
–	–	–	–	–	(1 018)	(1 018)
11 770	6 976	33 353	558 344	900 739	156 005	1 056 744
11 770	**6 976**	**33 353**	**558 344**	**900 739**	**156 005**	**1 056 744**
–	**20 694**	**–**	**(4 182)**	**16 512**	**1 549**	**18 061**
–	**–**	**–**	**(4 182)**	**(4 182)**	**1 549**	**(2 633)**
–	**20 694**	**–**	**–**	**20 694**	**–**	**20 694**
3 002	**–**	**–**	**–**	**3 002**	**–**	**3 002**
(2 417)	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**(9 365)**	**–**	**(9 365)**
–	**–**	**–**	**–**	**(12 093)**	**–**	**(12 093)**
–	**–**	**–**	**–**	**–**	**(30 529)**	**(30 529)**
12 355	**27 670**	**33 353**	**554 162**	**898 795**	**127 025**	**1 025 820**

CONDENSED STATEMENT OF CASH FLOW

	Reviewed Year ended 31 August 2020 R'000	Reviewed Year ended 31 August 2019 R'000
Cash flows from operating activities		
Cash generated from operations	**112 625**	139 043
Finance income	**7 875**	9 397
Distributions received from joint ventures and associates	**–**	74 286
Finance costs	**(98 080)**	(108 516)
Taxation paid	**(17 887)**	(22 249)
Dividends paid to non-controlling interest	**(22 896)**	–
Net cash (outflow)/inflow from operating activities	**(18 363)**	91 961
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(81 452)**	(97 170)
Acquisition of and addition to investment properties	**(5 187)**	(27 061)
Proceeds on disposal of non-current assets	**35 113**	38 879
Loans receivable advanced	**–**	(5 830)
Loans receivable repaid	**9 699**	–
Proceeds on disposal of joint venture	**19 382**	7 989
Loans advanced to joint ventures and associates	**(5 050)**	(12 866)
Loans repaid by joint ventures and associates	**7 391**	19 601
Acquisition of investments	**(2 967)**	–
Shares repurchased by associates	**4 566**	–
Proceeds on disposal of investments	**55**	1 782
Net cash outflow from investing activities	**(18 450)**	(74 676)
Cash flows from financing activities		
Acquisition of treasury shares	**(9 365)**	–
Capital distribution	**(12 093)**	(11 350)
Decrease in borrowings	**(1 606)**	(4 425)
Increase in borrowings	**72 161**	45 881
Net cash inflow from financing activities	**49 097**	30 106
Net increase in cash and cash equivalents	**12 284**	47 391
Foreign exchange translation adjustment on cash and cash equivalents	**1 557**	–
Cash and cash equivalents at the beginning of the year	**146 433**	99 042
Total cash and cash equivalents at the end of the year	**160 274**	146 433

NOTES

1. Presentation of consolidated results

Trematon Capital Investments Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 31 August 2020 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associates and joint ventures.

The financial statements were authorised for issue by the directors on 11 November 2020.

The preliminary, condensed consolidated results ("the results") have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and contain the information required by IAS 34 – Interim Financial Reporting, the JSE Listings Requirements and the Companies Act. The accounting policies and methods of computation applied in the presentation of the results are consistent with those applied in the prior year, except for the mandatory adoption of IFRS 16. These accounting policies and methods of computation are in terms of IFRS.

The results are stated in Rands, which is the company's functional and presentation currency.

The preliminary condensed consolidated results have been independently reviewed in compliance with the requirements of the Companies Act of South Africa.

Standards and interpretations effective and adopted in the current year

Trematon adopted IFRS 16 in the current financial year for the first time from 1 September 2019. No standard, amendment or interpretation has been early adopted by Trematon. The adoption of this standard did not have a material impact on the group's financial position or results due to the group not having material lease commitments and the accounting for lessors remaining largely unchanged.

The results have been reviewed by the company's independent auditors, Mazars. Their unmodified review opinion is available for inspection at the company's registered office. Their review was conducted in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity". The auditors' report does not necessarily report on all of the information contained in these results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the auditors' report together with the accompanying financial information from the company's registered office.

Significant movements during the year

2. Property, plant and equipment

The increase is mainly due to the completion of two Generation Schools campuses, being Imhoff middle and high school and Sandown high school.

3. Investment property

In the current year ARIA disposed of a property referred to as Standard Bank George and RESI disposed of multiple residential properties.

In addition, property worth R91.4 million was transferred to non-current assets held-for-sale. This includes ARIA's 50% beneficial share in The Great White Junction shopping centre, located in Gansbaai, Western Cape and multiple residential properties within RESI.

4. Investment in joint ventures

The decrease in joint ventures was mainly a result of the disposal of ARIA's beneficial interest in The Vredenburg Property Trust for R19.4 million.

5. Investment in associate entities

ASK, Trematon's UK-based equity accounted investment, increased mainly due to the depreciation of the Rand to the Pound which resulted in a R20.7 million foreign currency gain.

6. Cash and cash equivalents

Cash increased during the year due to distributions received from both ARIA and RESI as a result of sales of investment properties.

7. Loans payable

Loans payable consist of bank loans. The movement in loans was due to the disposal of properties in ARIA and RESI and the related debt settled. Additional funding was utilised to complete the construction of school properties within GenEd. The net result was an increase in loans payable of R37 million.

8. Derivatives

The derivative relates to interest rate swap agreements entered into by ARIA in the current year. This resulted in a fair value loss of R16.1 million.

9. Trade and other payable

Included in other payables are amounts owing in terms of profit share arrangements on three properties held by ARIA, namely York Street Boulevard, Maynard Mall and Edgars Wynberg.

10. Fair value measurement

Interest rate swaps (financial instruments)

The valuation of interest rate swaps uses observable market data. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces uncertainty associated with the determination of fair values. The fair value of interest rate swaps is determined by the bank using a valuation technique that maximises the use of observable market inputs. Interest rate swaps are valued by discounting future cash flows using risk-free rates and yield curves derived from quoted rates. Interest rate swaps are classified as level 2 financial instruments and the fair value of the interest rate swap liability at 31 August 2020 is equal to R16.1 million.

Profit-sharing arrangements (financial instruments)

The fair value of the amount payable in terms of the profit-sharing arrangements are determined with reference to the proportionate share (due in terms of the profit-sharing agreement) in the fair value of the underlying investment properties.

Property (non-financial instruments)

The fair value of properties are estimated using either an income approach which capitalises the estimated rental income stream, net of projected operating costs or the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets, recent sales information of similar properties in the same development, or a combination of the valuation approaches.

At the reporting date the key assumptions and unobservable inputs used by the group in determining the fair values were the following:

Description	Valuation technique	Capitalisation rate %	Vacancy rate %	Rands per sqm
2020				
Retail	Income approach	**9.0 – 9.8**	**0.0 – 2.5**	**N/A**
Commercial	Income approach and market approach	**8.6 – 10.0**	**0.0 – 5.0**	**2 500 – 8 500**
Industrial	Income approach	**9.0 – 12.8**	**0.0 – 10.0**	**N/A**
Residential	Market approach	**N/A**	**N/A**	**3 816 – 17 765**
Schools	Market approach	**N/A**	**N/A**	**8 916 – 21 572**
2019				
Retail	Income approach	8.4 – 12.0	0.0 – 5.0	N/A
Commercial	Income approach and market approach	9.0 – 10.0	0.0 – 5.0	2 500 – 10 000
Industrial	Income approach	9.3 – 10.8	0.0 – 10.0	N/A
Residential	Market approach	N/A	N/A	3 801 – 17 765
Schools	Market approach	N/A	N/A	13 089 – 16 017

Sensitivity analysis

The valuations of investment properties and buildings held at fair value are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant would have the following effects on the fair values and fair value adjustment in profit or loss:

Input	Change %	2020 R'000	2019 R'000
Increase in capitalisation rate	0.5%	**(67 549)**	(71 936)
Decrease in capitalisation rate	0.5%	**75 185**	80 161
Increase in vacancy rate	2.0%	**(27 795)**	(21 495)
Decrease in vacancy rate	2.0%	**18 518**	27 835
Increase in Rands per sqm	10.0%	**49 057**	36 368
Decrease in Rands per sqm	10.0%	**(49 057)**	(36 368)

	Reviewed Year ended 31 August 2020	Audited Year ended 31 August 2019
11. Treasury shares		
Number of shares held at year-end	**664 539**	–

The weighted average price of the treasury shares purchased during the year was R2.45 (2019: Rnil).

During the year 3 154 603 (2019: 43 871) treasury shares were cancelled and added to unissued ordinary shares.

	R'000	R'000
12. Related party transactions		
Profits from equity accounted joint ventures	**651**	9 440
Profit from equity accounted associates	**2 847**	16 531
Distributions and dividends received from joint ventures and associates	**–**	74 286
Interest received from associates	**786**	829
Interest received from joint ventures	**–**	469
Administration fees received from associates	**300**	78
Administration fees received from joint ventures	**960**	1 511
Directors' emoluments	**10 715**	13 713

	Reviewed Year ended 31 August		Audited Year ended 31 August	
	Gross 2020 R'000	Net 2020 R'000	Gross 2019 R'000	Net 2019 R'000
13. Reconciliation of headline earnings per share				
Headline earnings per share is calculated as follows:				
(Loss)/profit attributable to equity holders of the parent		**(4 182)**		22 135
Fair value adjustment on investment properties	**7 712**	**3 024**	(35 816)	(19 113)
Fair value adjustments within equity accounted profits	**(3 689)**	**(1 718)**	1 575	733
Realised loss on sale of joint venture	**–**	**–**	2 624	2 624
Realised profit on sale of non-current assets	**(7 722)**	**(4 090)**	(4 321)	(2 083)
Headline (loss)/earnings		**(6 966)**		4 296
Headline (loss)/earnings per share (cents)		**(3.3)**		2.0
Diluted headline (loss)/earnings per share (cents)		**(3.3)**		1.8

The calculation of headline earnings per share is based on the weighted average number of 214 049 863 shares in issue during the year (2019: 216 144 326).

The calculation of diluted headline earnings per share is based on the diluted weighted average number of 214 049 863 shares in issue during the year (2019: 235 063 527). The debentures and restricted shares were not taken into account in the calculation of diluted weighted average number of shares as the effect was anti-dilutive.

	Reviewed Year ended 31 August 2020 R'000	Audited Year ended 31 August 2019 R'000
14. Revenue		
Rental income	**259 808**	262 340
Sale of property and land	**6 670**	21 395
Administration fee income	**1 493**	2 326
School and registration fees	**79 981**	64 746
Other school income	**6 539**	6 193
Commission received	**4 426**	7 333
Services and other revenue	**5 938**	9 343
	364 855	373 676
Investment revenue		
Interest received – joint ventures	**–**	469
Interest received – associates	**787**	829
Interest received – bank	**7 875**	8 536
Interest – other	**1 729**	2 770
	10 391	12 604
	375 246	386 280
Timing of revenue recognition		
At a point in time	**23 573**	46 590
Over time	**81 474**	64 746
Straight-line basis	**259 808**	262 340
	364 855	373 676

	Property investments R'000	Education R'000	UK investments R'000	Corporate and other R'000	Total R'000
15. Segmental information					
2020					
Revenue	**287 011**	**86 520**	**–**	**1 715**	**375 246**
Revenue – at a point in time	**17 034**	**6 539**	**–**	**–**	**23 573**
Revenue – over time	**1 493**	**79 981**	**–**	**–**	**81 474**
Revenue – straight-line basis	**259 808**	**–**	**–**	**–**	**259 808**
Net income/(loss) before tax	**14 382**	**(3 055)**	**1 750**	**(10 964)**	**2 113**
Total assets	**1 856 082**	**324 820**	**119 891**	**88 330**	**2 389 123**
Total liabilities	**1 239 899**	**122 067**	**–**	**1 337**	**1 363 303**
Net asset value	**488 412**	**203 499**	**119 891**	**86 993**	**898 795**
Intrinsic net asset value	**483 228**	**378 079**	**117 329**	**142 913**	**1 121 549**
2019					
Revenue	311 902	71 778	–	2 600	386 280
Revenue – at a point in time	40 397	6 193	–	–	46 590
Revenue – over time	–	64 746	–	–	64 746
Revenue – straight-line basis	262 340	–	–	–	262 340
Net income/(loss) before tax	56 655	(250)	14 777	(10 206)	60 976
Total assets	1 950 653	251 857	102 874	62 172	2 367 556
Total liabilities	1 290 245	17 125	–	3 443	1 310 813
Net asset value	504 299	234 836	102 874	58 729	900 738
Intrinsic net asset value	552 671	338 695	111 762	136 735	1 139 863

16. Share-based payment reserve

During the current financial year R2.4 million (2019: R8.3 million) worth of restricted shares were issued to executive directors and selected employees in terms of the share incentive scheme.

These shares were deducted from the share-based payment reserve.

17. Capital distribution

On 11 November 2020, subsequent to year-end, the board of directors declared a capital distribution of 7.50 cents (2019: 5.50 cents) per share as a return of contributed tax capital to shareholders recorded in the share register of the company at the close of business on Friday, 18 December 2020.

In compliance with IAS 10 – Events After the Balance Sheet Date, the capital distribution will only be accounted for in the financial statements in the year ending 31 August 2021.

The directors have reasonably concluded that the company will satisfy the solvency and liquidity requirements of sections 4 and 46 of the Companies Act, 2008, immediately after the capital distribution.

Future distributions will be decided on a year-to-year basis.

The amount payable to shareholders is R16.3 million, being 7.50 cents per share, based on the current number of 216 711 029 shares in issue.

The income tax reference number of Trematon Capital investments Limited is 9340/323/84/0.

Last date to trade:	Monday, 14 December 2020
Ex-date:	Tuesday, 15 December 2020
Record date:	Friday, 18 December 2020
Payment date:	Monday, 21 December 2020

Share certificates may not be dematerialised or rematerialised between Tuesday, 15 December 2020 and Friday, 18 December 2020, both days inclusive.

18. Subsequent events

The impact of Covid-19 has been considered after year-end and there has been no further material impact on the group's profit and loss and statement of financial position after year-end. The group continues to monitor the impact of the pandemic and on date of signing the impact is not considered to be material.

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report, other than those noted above.

19. Going concern

The preliminary, condensed consolidated financial statements have been prepared on a going concern basis as the directors have every reason to believe that the company and the group have adequate resources to continue in operation for the year ahead, including specific consideration of the risk associated with Covid-19.

Covid-19 impact

The outbreak of the Covid-19 pandemic which resulted in a nationwide lockdown in March 2020 has had a significant impact on the world and South African economy. The group was not an essential service provider, however they continued operating during the lockdown with staff working from home. The group had the financial resources available to provide relief, however the possibility of future relief and the financial impact is uncertain and cannot be quantified at this stage as the country is still in level 1 lockdown. There were no staff retrenchments as a result of Covid-19.

The group has treated the impact of the Covid-19 pandemic as an adjusting event and other than as summarised below, there were no significant adjustments to the group's preliminary condensed consolidated financial statements for the year ended 31 August 2020. The group is continuing to monitor the impact of the pandemic and there are no material adjustments to the results post year-end.

The financial impact of Covid-19 is summarised below:

- increase in loss allowance, mainly in the subsidiary ARIA amounting to R5.1 million. As a percentage of total debtors in the subsidiary the allowance is 49% at year-end vs no allowance in the prior year. Other loss allowances are insignificant;
- no material bad debts or provision for expected credit losses in the current year, other than as mentioned above;
- increase in capitalisation rates used for the valuation of investment properties;
- reduction in rental income due to concessions given to tenants in the form of rental discounts amounting to R2.1 million and rental deferrals amounting to R0.7 million;
- reduction in education income due to relief given to parents in the form of discounts on school fees for a limited period amounting to R0.4 million;
- commission and conference rental income decreased as a result of Club Mykonos Rental Services being closed for five months of the financial year due to lockdown (R6.8 million total decrease in revenue from 2019 to 2020). The costs decreased by R6.5 million from 2019 to 2020 therefore the operating loss was not significant. Operations commenced again on 4 September 2020;
- there was no impairment of investments and loans receivable as a result of Covid-19;
- the fair values of investment properties decreased by R7.7 million during the year. The fair value decreases are mainly as a result of Covid-19 which has resulted in vacancies and reductions in market rentals as well as changes in capitalisation rates used in valuing the properties; and
- the decrease in the prime overdraft rate resulted in fair value losses on interest rate swaps amounting to R16.1 million within ARIA.

20. Capital commitments

The group has entered into capital commitments amounting to R13 million (2019: R57 million). The expenditure will be financed from cash generated from normal business operations and loan finance.

INTRINSIC VALUE REPORT

Trematon is an investment holding company and uses the intrinsic value model to provide management and investors with a realistic and transparent way of evaluating Trematon's performance and value.

The intrinsic net asset value report below illustrates the INAV of all investment categories of the group for the period ended 31 August 2020. The preparation of the INAV is the responsibility of the directors of Trematon. The INAV has been prepared to assist investors in analysing future prospects of the group.

The financial information below has been compiled by using a combination of listed market values, external professional valuations, or directors' valuations, where applicable.

The INAV is also presented as part of the group's segment information in the audited annual financial statements and, for comparative purposes, the prior year's information is also presented.

		Intrinsic value	
	Notes	**August 2020 R'000**	August 2019 R'000
Club Mykonos Langebaan	1	**157 597**	145 887
Aria Property Group	2	**184 366**	237 666
Resi Investment Group	3	**141 265**	169 118
Generation Education	4	**378 079**	338 695
ASK Partners	5	**117 329**	111 762
Other	6	**33 649**	54 195
Cash	7	**109 264**	82 540
Total		**1 121 549**	1 139 863
Number of net shares in issue	8	**216 046 490**	218 970 557
INAV per share (cents)		**519**	521

Notes

1. Club Mykonos Langebaan ("CML") has been valued using directors' valuations. The increase in INAV over the prior year was due to the installation of a solar plant at the Club Mykonos Boatyard.

2. ARIA has been valued using directors' valuations. The decrease in INAV over the prior year was mostly due to the sale of properties and the net cash proceeds distributed to shareholders. The cash received by Trematon is included in cash in this INAV report.

3. RESI has been valued using directors' valuations. The portfolio is actively traded and the valuations are based on actual selling prices of similar units in the area after taking into account sales commissions and other sales expenses. The decrease in INAV over the prior year was mostly due to the sale of properties and the net cash proceeds distributed to Trematon. The cash received by Trematon is included in cash in this INAV report.

4. The school operations has been valued using a discounted cash flow method. School properties under development were carried at cost. The increase in INAV is mainly due to the construction of school properties and increased student numbers.

5. The investment in ASK is carried at cost plus equity accounted profits, foreign currency movements and valuation adjustments. ASK's value increase over the prior year is mainly due to the devaluation of the Rand against the Pound. The investment in the operating entity was written down slightly due to a decrease in profits compared to the prior year.

6. Other includes listed shares, held directly and indirectly, and other minor assets less related debt. Included in "other" in the prior year was Trematon's investment in Cloudberry Investments and Buffshelf Co, which were disposed of during the year. The investment in Stalagmite was written down in the current year.

7. Cash includes cash and cash equivalents from all investments, other than ARIA and ASK, which is included in their respective INAV. The increase over the prior year is due to distributions received from ARIA and RESI, net of capital invested in GenEd. Consolidated group cash on hand is R160.3 million.

8. During the year 3.8 million treasury shares were purchased by the company at an average price of R2.45 per share, and 0.9 million ordinary shares were issued in terms of the share incentive plan that were awarded in respect of the 2019 financial year.

TREMATON CAPITAL INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1997/008691/06)
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ISIN: ZAE000013991

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Mazars
Engagement partner – Y Ferreira

Published date
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Prepared by
The group financial results have been prepared under the supervision of the chief financial officer, Mr AL Winkler CA (SA)

The preliminary condensed consolidated results have been independently reviewed in compliance with the requirements of the Companies Act of South Africa.

TREMATON
Capital Investments Limited