# 2020

## UNAUDITED INTERIM RESULTS

for the six months ended
29 February 2020

TREMATON
Capital Investments Limited

# DIRECTORS' REVIEW

## COMMENTARY ON FINANCIAL RESULTS

This reporting period predated the Covid-19 lockdown. The comments in this section refer to the interim period only, and the effect of Covid-19 are discussed in a separate section below.

The group's capital allocation strategy followed the same pattern as the 2019 financial year. There were no new purchases of physical property. Mature and non-core commercial, residential and leisure property assets were sold, and the proceeds were used to retire bank debt and to invest in Generation Education ("GenEd"). The properties sold during the period realised a surplus over carrying value which illustrates that the group's property assets are carried at realistic valuations.

The primary measure of shareholder value in the group is intrinsic net asset value ("INAV"). Increases in INAV do not occur on a consistent annual basis and are dependent on the value-added cycle of the individual businesses. The INAV is the directors' best estimate of the true underlying value of the group, assuming an orderly and efficient disposal process and after taking into account any possible taxes.

INAV per share decreased to 510 cents at February 2020 from 521 cents at the August 2019 year-end because specific assets were carried at values which the directors felt were not achievable in current market conditions and which were accordingly adjusted downwards.

The most notable changes in the composition of INAV have been the reduction in Resi Investment Group ("Resi") and Aria Property Group ("Aria") due to sales of properties and the increase in GenEd due to the increased construction of school properties.

The valuation of GenEd, which is in a rapid growth phase, was not adjusted at half-year, other than for the actual cost of construction of school properties. A full valuation exercise will be conducted at year-end.

Total revenue was unchanged, but the major components of revenue changed. Rental income declined due to the sale of properties referred to above and school-related income increased in line with increased student numbers.

While operating profit increased slightly to R63.5 million (2019: R58.4 million), profit for the period declined slightly to R4.2 million (2019: R5.9 million). The main reason for this decline was the decrease in profit from equity accounted investments due to the sale of some of those investments in the prior period. Operating expenses have been maintained, however salary costs within GenEd have increased in preparation for the opening of two new school campuses in 2020. This translated to earnings of 0.4 cent per share and headline earnings of 0.01 cent per share (2019: loss and headline loss per share of 0.1 cent).

## REVIEW OF MAJOR INVESTMENTS

### Generation Education

GenEd now has six fully operational schools which embody the Generation philosophy. GenEd provides a globally competitive 21st-century education, based on Montessori principles in the early childhood phase and multiple paths to self-actualisation and employment at the middle and high school level. GenEd offers bespoke outcomes to learners which include Cambridge-based assessments and tertiary studies.

The core of GenEd's offering is based on our bricks and mortar campuses which offer programmes from the early childhood phase to tertiary education. Our rapidly maturing online offering allows us to leverage the educational expertise in our group to transcend geographic boundaries and educate learners of all ages on a global scale.

Our first major cohort of students who joined GenEd at inception, wrote 221 IGCSE papers in the 2019 Cambridge Assessment International Examination series. A 100% pass rate was achieved in these examinations and nine distinctions were earned.

Revenue grew to R45 million (2019: R34.3 million), and the number of students has increased to 1 546 (August 2019: 1 252 students). Payroll costs increased from the prior period because additional staff were hired and trained for the new schools that were opened at the beginning of the 2020 academic year. These were high schools at Generation Imhoff in Kommetjie and the Sandown Institute near Sunningdale/Parklands.

GenEd is still operating at close to break-even but is expected to be profitable from the 2020 year-end onwards. GenEd's contribution to the group's INAV grew due to the additional capital expended on new schools.

The GenEd brand has matured and has established itself as a leader and innovator in both physical campuses and online education. All of our physical campuses are currently based in the Western Cape, but the online offering and future vision are global in orientation.

## Aria Property Group

Aria used this period for further balance sheet consolidation, during which the company did not make any acquisitions and sold its last remaining Durban-based property (Glenashley Views). In line with the strategy of selling non-core and passive investments, Aria's 50% interest in a shopping centre in Vredenburg was also sold after the period-end.

97% of the portfolio is based in the Western Cape and the balance is in Johannesburg.

Aria continued to add value to its properties via focused, value-added redevelopment and revenue enhancement.

Revenue grew slightly to R117 million (2019: R114.2 million), notwithstanding the property disposals, due to effective and proactive asset management and optimisation. Aria's contribution to group INAV has decreased slightly due to disposals of properties and distributions to shareholders.

The loan-to-value of total borrowings in Aria is currently 67% and just over 50% of its funding is at fixed rates. Aria's weighted average lease expiry is 2.2 years with no notable near-term lease expiries. The portfolio remains diversified across all commercial sectors (retail, office and industrial), with assets being underpinned by high-quality tenants.

## Resi Investment Group and other residential property investments

The Resi portfolio has been stable and has generated good returns since inception due to very good entry prices. Momentum has, however, slowed in this component of the portfolio because of a generally weak market for residential rentals, and a shortage of stock which meets our investment criteria. The market sector in which Resi operates (rentals between R5 000 and R15 000 per month) is robust but there is a big pipeline of supply currently under development and material rental growth in the next 12 months is unlikely.

Resi applies strict credit-vetting procedures and the portfolio is actively managed. Arrears and vacancies are structurally higher than they have been in recent years but have been stable for the past 12 months.

During the period 18 properties were sold for R9.2 million. These disposals were all at or above carrying value. No purchases were made during the period.

Resi contributed R2.3 million (2019: loss of R3.2 million) to group profits from its 100%-held operations. Resi's contribution to INAV has decreased due to property sales. The group owns 50% of the Woodstock Hub Proprietary Limited which holds residential and commercial properties in the Woodstock area in Cape Town. The majority of these properties have been purchased with the intention to redevelop them into mixed-use schemes. We remain committed to, and optimistic about, the Woodstock node but there has been a lot of mixed-use development in the area over the past few years and there is currently an oversupply of both residential and commercial rental stock. Consequently no major new developments are planned for 2020.

The Balwin Rentals joint venture has also lost momentum due to general weakness in the residential market and no new purchases are planned for 2020. The current portfolio of 252 units is achieving the projected yields and carrying values are market related. This is the only residential stock held outside of Cape Town.

## Club Mykonos Langebaan ("CML")

CML remains a significant investment and a stable performer, contributing regular annuity income flows from rentals and profits from land and property sales. CML contributed R2.4 million to group profits (2019: R5.8 million). The decrease over the prior period is due to a reduction in sales of development stock compared to the prior period.

The boatyard and marina at Club Mykonos continue to be fully tenanted and produce steady income flows. The refurbishment of the marina restaurants is complete and a long-term lease with Cape Town Fish Market and Kapstadt Brauhaus was signed. The new restaurants have improved the guest experience at the resort. The Club Mykonos conference centre, which was taken over from a third-party manager last year, has also started to build up its customer base and bring more visitors to the resort.

New projects include a solar electricity plant, which is almost complete, and plans are under way to activate the remaining zoned development land when market conditions improve.

## ASK Partners ("ASK")

ASK is a specialist, independent property funder that provides bespoke financing solutions to property developers in the UK.

Trematon and its UK partners provided the initial funding for the business and underwrites the lending transactions before syndication. To supplement this ASK has built a network of institutional partners, independent family offices and high net worth investors, who combine to provide a diverse and unique funding pool.

ASK contributed R2.3 million to group profits (2019: R3.0 million) before a foreign currency gain of R4 million arising from the depreciation of the Rand relative to the Pound at the reporting date. The ASK business is in a high growth phase, and the decrease in operating profits is due to once-off office set-up expenses and additional staff costs.

In the last three years ASK has successfully lent over £250 million and, having completed a thorough review of their loan book, management is confident that ASK's borrowers and security remain robust. The average loan-to-value of ASK's loan book is less than 65% and the business has minimal exposure to retail and no exposure to leisure, hotels or full-scale development.

## SHARE BUY-BACKS

During the past six months Trematon has repurchased 2.8 million shares. These shares have reverted to authorised unissued share capital.

## COVID-19

Covid-19 and the nationwide lockdown have had an impact on all group operations.

The group had already implemented remote working tools for all staff well before lockdown and the majority of staff have continued working from home other than those providing essential services as defined.

Group policy has been to continue with normal operations as far as possible and to continue paying staff, rent, interest and other commitments during this period. It is the directors' view that the costs of sudden, unplanned retrenchments would be more harmful to the group than any short-term savings and we intend to continue normal operations as long as that is practical. All unnecessary capex has been postponed and expenses will be deferred where possible.

The present and anticipated effects on the various businesses are as follows:

### Generation Education

GenEd's bricks and mortar schools are currently closed due to the lockdown but education continues online for all age groups via our state-of-the-art digital learning platforms, so our learners will not lag behind their international peers.

Digital learning has always been a part of GenEd's philosophy and our foray into pure online education in 2019 via GenEx has enabled us to continue to innovate and adapt our existing schools to the changing environment. In addition, it has always been a core tenet of GenEd that we teach thinking and adaptive skills to equip our learners for exactly the kind of global disruption that we are witnessing now.

GenEd has made a commitment to keep all of its educators and staff employed. All of these staff are fully engaged in online schooling and are ready for a seamless return to full operations when the lockdown is over.

### Aria Property Group

Covid-19 has adversely impacted the property industry and Aria has not been immune to its effects. The Aria team has worked tirelessly to minimise the effects following a bottom-up approach, by first ensuring the health and safety of our staff, tenants and customers before moving to minimise the financial consequences. Early tenant and stakeholder engagement have allowed Aria to use Covid-19 as an opportunity to bring us closer to our tenants through bilateral negotiations. Management has taken steps to ensure liquidity is preserved while the macro and pandemic forces unfold and become clearer and more determinable.

### Resi Investment Group

The impact on the Resi portfolio is relatively muted because most residents are in occupation although arrears and vacancies are expected to increase due to the constrained economic circumstances of those tenants employed in affected industries. Residential rental escalations are also likely to be muted and negative reversions are possible.

### Club Mykonos Langebaan

The boat storage business and the yacht marina should be resilient aside from the effects of generalised economic weakness. The conference centre and the rental company are closed for lockdown and will make small losses. Resort activity has ceased, so commercial operations, such as restaurants, will be negatively affected.

### ASK Partners

ASK continues to monitor the potential effects of the economic slowdown from Covid-19 on its loan portfolio and is currently undertaking a detailed review. As a result of this review, it is management's opinion that it is likely some borrowers may require a loan extension or rescheduling due to delays caused by Covid-19 to their business plans. Planning applications are likely to take longer and property sales are also likely to be deferred whilst borrowers wait for more certainty to return to the market.

### Liquidity

The group is in a comfortable financial position and has sufficient cash on hand and unutilised bank facilities available. Management has performed detailed reviews of each investment to assess possible cash requirements for the next 12 months and is satisfied that the group will be able to weather the short to medium-term effects of Covid-19.

## CONCLUSION

It is never possible to forecast the future and this is as true today as it has ever been.

Most consumers and SMMEs find themselves in unusually challenging economic circumstances and many of these are our customers via our schools, commercial buildings, rental properties and leisure assets. For the moment we are resolutely focused on maintaining the integrity of our operations by ensuring that our basic human and physical infrastructure remains fully viable in preparation for the end of lockdown, whenever that will occur and whatever form that may take.

It has been extremely gratifying to see how all of our leaders and staff across the group's operations have remained focused, motivated and adaptive. I am immensely proud of the way that all the staff at Trematon's head office, Aria, GenEd, Resi and CML have energetically thrown themselves into the challenge of dealing with the Covid-19 disruption and I have full confidence that we will exit the crisis fully able to take advantage of a gradual return to normal trading conditions.

# STATEMENT OF FINANCIAL POSITION

| | Note | Unaudited At 29/28 February 2020 R'000 | Unaudited At 29/28 February 2019 R'000 | Audited At 31 August 2019 R'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | **2 168 259** | 2 049 736 | 2 105 721 |
| Property, plant and equipment | | **312 037** | 206 445 | 242 984 |
| Investment properties | | **1 666 781** | 1 659 311 | 1 659 733 |
| Investments in joint ventures | | **7 268** | 28 193 | 24 563 |
| Investments in associate entities | | **104 740** | 90 781 | 103 072 |
| Loans receivable | | **60 415** | 62 873 | 60 222 |
| Deferred tax asset | | **17 018** | 2 133 | 15 147 |
| **Current assets** | | **199 668** | 238 486 | 224 064 |
| Loans receivable | | **–** | 3 904 | 9 699 |
| Trade and other receivables | | **15 968** | 21 594 | 14 931 |
| Investments | | **8 560** | 8 360 | 6 773 |
| Inventory | | **44 030** | 46 348 | 45 630 |
| Current tax assets | | **197** | – | 598 |
| Cash and cash equivalents | | **130 913** | 158 280 | 146 433 |
| Non-current assets held for sale | 7 | **14 392** | – | 37 771 |
| **Total assets** | | **2 382 319** | 2 288 222 | 2 367 556 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | **1 043 168** | 1 019 732 | 1 056 743 |
| Share capital and share premium | | **273 641** | 282 010 | 290 296 |
| Treasury shares | | **(373)** | – | – |
| Fair value reserve | | **33 353** | 31 737 | 33 353 |
| Share-based payments reserve | | **11 518** | 17 875 | 11 770 |
| Foreign currency translation reserve | | **10 930** | 2 630 | 6 976 |
| Accumulated profit | | **559 262** | 536 007 | 558 344 |
| **Total equity attributable to equity holders of the parent** | | **888 331** | 870 259 | 900 739 |
| **Non-controlling interest** | | **154 837** | 149 473 | 156 004 |
| **Non-current liabilities** | | **1 242 942** | 1 190 702 | 1 144 675 |
| Loans payable | | **1 124 825** | 1 089 761 | 1 027 988 |
| Deferred tax liability | | **118 117** | 100 941 | 116 687 |
| **Current liabilities** | | **96 209** | 77 788 | 166 138 |
| Loans payable | | **3 604** | 2 842 | 78 930 |
| Current tax payable | | **7 328** | 11 160 | 291 |
| Trade and other payables | | **85 277** | 63 786 | 86 917 |
| **Total equity and liabilities** | | **2 382 319** | 2 288 222 | 2 367 556 |
| Net asset value per share (cents) | | **411** | 403 | 411 |

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Unaudited Six months ended 29/28 February 2020 R'000 | Unaudited Six months ended 29/28 February 2019 R'000 | Audited Year ended 31 August 2019 R'000 |
|---|---|---|---|---|
| **Revenue** | 4 | **198 952** | 198 801 | 386 280 |
| Realised loss on financial assets at fair value through profit or loss | | **–** | (599) | (2 048) |
| Realised profit on sale of non-current assets | | **2 856** | 3 890 | 4 321 |
| Realised loss on sale of joint venture | | **–** | (2 624) | (2 624) |
| **Total realised profit/(loss)** | | **2 856** | 667 | (351) |
| Fair value adjustment on financial assets at fair value through profit or loss | | **(215)** | (4 893) | – |
| Fair value adjustment on investment properties | | **(3 046)** | 54 | 35 816 |
| Impairment of loan | | **–** | (5 821) | (10 247) |
| **Total (loss)/profit from fair value adjustments** | | **(3 261)** | (10 660) | 25 569 |
| Other income | | **850** | 683 | 2 430 |
| Employee benefits | | **(44 760)** | (35 509) | (74 574) |
| Cost of property and land sold | | **(6 585)** | (11 130) | (16 170) |
| Other operating expenses | | **(84 511)** | (84 500) | (179 662) |
| **Operating profit** | | **63 541** | 58 352 | 143 522 |
| Finance costs | | **(52 691)** | (53 623) | (108 516) |
| Profit from equity accounted investments (net of tax) | 5 | **889** | 15 273 | 25 971 |
| **Profit before income tax** | | **11 739** | 20 002 | 60 977 |
| Income tax | | **(7 582)** | (14 135) | (25 915) |
| **Profit for the period/year** | | **4 157** | 5 867 | 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 | | **–** | 856 | 3 832 |
| Tax effects on fair value adjustments | | **–** | (192) | (858) |
| **Items that are or may subsequently be reclassified to profit/(loss):** | | | | |
| Foreign currency translation differences on equity accounted investments | | **3 954** | (1 103) | 3 242 |
| **Other comprehensive income for the period/year** | | **3 954** | (439) | 6 216 |
| **Total comprehensive income for the period/year** | | **8 111** | 5 428 | 41 278 |
| **Profit attributable to:** | | | | |
| Equity holders of the parent | | **918** | (203) | 22 135 |
| Non-controlling interest | | **3 239** | 6 070 | 12 927 |
| | | **4 157** | 5 867 | 35 062 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent | | **4 872** | (642) | 27 657 |
| Non-controlling interest | | **3 239** | 6 070 | 13 621 |
| | | **8 111** | 5 428 | 41 278 |
| **Earnings per share** | | | | |
| Number of shares issued (thousands) | | **213 319** | 216 144 | 218 971 |
| Weighted average number of shares (thousands) | | **215 116** | 216 144 | 216 144 |
| Diluted weighted average number of shares (thousands) | | **233 191** | 236 677 | 235 063 |
| Earnings per share (cents) | | **0.4** | (0.1) | 10.2 |
| Diluted earnings per share (cents) | | **0.4** | (0.1) | 9.4 |

# STATEMENT OF CHANGES IN EQUITY

| | Share capital R'000 | Share premium R'000 | Treasury shares R'000 | Total share capital R'000 |
|---|---|---|---|---|
| **Balance at 1 September 2018** | 2 161 | 291 335 | (136) | 293 360 |
| Total comprehensive income for the period | – | – | – | – |
| (Loss)/profit for the period | – | – | – | – |
| Fair value gain on property, plant and equipment | – | – | – | – |
| Tax effects on revaluations | – | – | – | – |
| Share-based payment | – | – | – | – |
| Treasury shares cancelled | – | (136) | 136 | – |
| Foreign exchange movements on investment in associate | – | – | – | – |
| Capital distribution | – | (11 350) | – | (11 350) |
| **Balance at 28 February 2019** | 2 161 | 279 849 | – | 282 010 |
| **Balance at 1 March 2019** | 2 161 | 279 849 | – | 282 010 |
| Total comprehensive income for the period | – | – | – | – |
| Profit for the period | – | – | – | – |
| Fair value gain on property, plant and equipment | – | – | – | – |
| Tax effects on revaluations | – | – | – | – |
| Share-based payment | – | – | – | – |
| Restricted shares issued in terms of share incentive scheme | 28 | 8 258 | – | 8 286 |
| Foreign exchange movements on investment in associate | – | – | – | – |
| Dividends declared to non-controllling interest | – | – | – | – |
| **Balance at 31 August 2019** | 2 189 | 288 107 | – | 290 296 |
| **Balance at 1 September 2019** | **2 189** | **288 107** | **–** | **290 296** |
| Total comprehensive income for the period | **–** | **–** | **–** | **–** |
| Profit for the period | **–** | **–** | **–** | **–** |
| Share-based payment | **–** | **–** | **–** | **–** |
| Restricted shares issued in terms of share incentive scheme | **9** | **2 408** | **–** | **2 417** |
| Treasury shares cancelled | **(26)** | **(6 953)** | **6 979** | **–** |
| Treasury shares acquired | **–** | **–** | **(7 352)** | **(7 352)** |
| Foreign exchange movements on investment in associate | **–** | **–** | **–** | **–** |
| Capital distribution | **–** | **(12 093)** | **–** | **(12 093)** |
| Dividends declared to non-controllling interest | **–** | **–** | **–** | **–** |
| **Balance at 29 February 2020** | **2 172** | **271 469** | **(373)** | **273 268** |

| Fair value reserve R'000 | Share-based payment reserve R'000 | Foreign currency translation reserve R'000 | Accumulated profit/(loss) R'000 | Total R'000 | Non-controlling interest R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|
| 31 073 | 15 681 | 3 733 | 536 210 | 880 057 | 143 403 | 1 023 460 |
| 664 | – | – | (203) | 461 | 6 070 | 6 531 |
| – | – | – | (203) | (203) | 6 070 | 5 867 |
| 856 | – | – | – | 856 | – | 856 |
| (192) | – | – | – | (192) | – | (192) |
| – | 2 194 | – | – | 2 194 | – | 2 194 |
| – | – | – | – | – | – | – |
| – | – | (1 103) | – | (1 103) | – | (1 103) |
| – | – | – | – | (11 350) | – | (11 350) |
| 31 737 | 17 875 | 2 630 | 536 007 | 870 259 | 149 473 | 1 019 732 |
| 31 737 | 17 875 | 2 630 | 536 007 | 870 259 | 149 473 | 1 019 732 |
| 1 616 | – | – | 22 337 | 23 953 | 7 551 | 31 504 |
| – | – | – | 22 337 | 22 337 | 6 857 | 29 194 |
| 2 082 | – | – | – | 2 082 | 894 | 2 976 |
| (466) | – | – | – | (466) | (200) | (666) |
| – | 2 181 | – | – | 2 181 | – | 2 181 |
| – | (8 286) | – | – | – | – | – |
| – | – | 4 346 | – | 4 346 | – | 4 346 |
| – | – | – | – | – | (1 019) | (1 019) |
| 33 353 | 11 770 | 6 976 | 558 344 | 900 739 | 156 005 | 1 056 744 |
| **33 353** | **11 770** | **6 976** | **558 344** | **900 739** | **156 005** | **1 056 744** |
| **–** | **–** | **–** | **918** | **918** | **3 239** | **4 157** |
| **–** | **–** | **–** | **918** | **918** | **3 239** | **4 157** |
| **–** | **2 165** | **–** | **–** | **2 165** | **–** | **2 165** |
| **–** | **(2 417)** | **–** | **–** | **–** | **–** | **–** |
| **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **–** | **–** | **–** | **–** | **(7 352)** | **–** | **(7 352)** |
| **–** | **–** | **3 954** | **–** | **3 954** | **–** | **3 954** |
| **–** | **–** | **–** | **–** | **(12 093)** | **–** | **(12 093)** |
| **–** | **–** | **–** | **–** | **–** | **(4 407)** | **(4 407)** |
| **33 353** | **11 518** | **10 930** | **559 262** | **888 331** | **154 837** | **1 043 168** |

# STATEMENT OF CASH FLOW

| | Unaudited Six months ended 29/28 February 2020 R'000 | Unaudited Six months ended 29/28 February 2019 R'000 | Audited Year ended 31 August 2019 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | **82 494** | 62 089 | 139 043 |
| Finance income | **5 805** | 4 902 | 9 398 |
| Dividends and distributions received from joint ventures and associates | **–** | 63 805 | 74 285 |
| Finance costs | **(52 691)** | (52 647) | (108 516) |
| Tax paid | **(940)** | (525) | (22 249) |
| **Net cash from operating activities** | **34 668** | 77 624 | 91 961 |
| **Cash flows from investing activities** | | | |
| Acquisition of and addition to property, plant and equipment | **(71 369)** | (61 047) | (97 170) |
| Acquisition of and addition to investment properties | **(16 588)** | (5 413) | (27 061) |
| Proceeds on disposal of non-current assets | **9 272** | 48 505 | 38 879 |
| Proceeds on disposal of joint venture | **–** | 7 989 | 7 989 |
| Loans receivable repaid/(advanced) | **3 052** | (3 954) | (5 830) |
| Loan advanced to joint ventures and associates | **(2 250)** | (8 345) | (12 866) |
| Loans repaid by joint ventures and associates | **4 000** | 20 924 | 19 601 |
| Redemption of preference shares in associate | **5 086** | – | – |
| Acquisition of held-for-trading and available-for-sale investments | **(2 000)** | – | – |
| Proceeds from disposal of investments | **1 000** | – | 1 782 |
| **Net cash from investing activities** | **(69 798)** | (1 341) | (74 676) |
| **Cash flows from financing activities** | | | |
| Acquisition of treasury shares | **(7 352)** | – | – |
| Capital distribution | **(12 093)** | (11 350) | (11 350) |
| Dividends paid to non-controlling interest | **(4 407)** | – | – |
| Decrease in borrowings | **(7 937)** | (31 447) | (4 425) |
| Increase in borrowings | **51 399** | 25 752 | 45 881 |
| **Net cash from financing activities** | **19 610** | (17 045) | 30 106 |
| **Net (decrease)/increase in cash and cash equivalents** | **(15 520)** | 59 238 | 47 391 |
| Cash and cash equivalents at the beginning of the period/year | **146 433** | 99 042 | 99 042 |
| **Total cash and cash equivalents at the end of the period/year** | **130 913** | 158 280 | 146 433 |

# NOTES

## 1. Presentation of consolidated results

Trematon Capital Investments Limited (the "company") is a company domiciled in South Africa. The unaudited interim consolidated results of the company for the period ended 29 February 2020 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in joint ventures and associates.

The unaudited interim consolidated results have been prepared in accordance with and containing information required by IAS 34 – *Interim Financial Reporting*, as well as the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the companies Act, 2008 (Act No. 71 of 2008) of South Africa ("Companies Act"). The unaudited interim consolidated results have been prepared using accounting policies and methods of computation that are in terms of International Financial Reporting Standards ("IFRS") and which are consistent with those of the previous annual financial statements. The unaudited interim consolidated results have not been audited or reviewed by the company's auditors.

The unaudited interim consolidated results have been prepared on the going concern basis using a combination of the historical cost and fair value bases of accounting.

The unaudited interim consolidated results are stated in Rands, which is the group's functional and presentation currency.

In preparing the unaudited interim consolidated results management is required to make estimates and assumptions that affect the amounts represented in the unaudited interim consolidated results and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited interim consolidated results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## 2. International reporting standards adopted during the year

IFRS 16 – Leases

The adoption of IFRS 16 has not resulted in any material impact on the group's financial position or results due to the group not having material lease commitments and the accounting treatment for lessors having remained largely unchanged.

## 3. Headline earnings per share reconciliation

| | Unaudited Six months ended 29/28 February | | | | Audited Year ended 31 August | |
|---|---|---|---|---|---|---|
| | **Gross 2020 R'000** | **Net 2020 R'000** | Gross 2019 R'000 | Net 2019 R'000 | Gross 2019 R'000 | Net 2019 R'000 |
| Profit/(loss) attributable to equity holders of the parent | | **918** | | (203) | | 22 135 |
| Fair value adjustment on investment properties | **3 046** | **1 146** | (54) | (25) | (35 816) | (19 113) |
| Fair value adjustments within equity accounted profits | **365** | **170** | (1 848) | (860) | 1 575 | 733 |
| Realised loss on sale joint venture | **–** | **–** | 2 624 | 2 624 | 2 624 | 2 624 |
| Realised profit on sale of non-current assets | **(2 856)** | **(2 216)** | (3 890) | (1 749) | (4 321) | (2 083) |
| Headline earnings | | **18** | | (213) | | 4 296 |
| Headline earnings per share (cents) | | **0.01** | | (0.1) | | 2.0 |
| Diluted headline earnings per share (cents) | | **0.01** | | (0.1) | | 1.8 |

# NOTES (CONTINUED)

| | Unaudited Six months ended 29/28 February 2020 R'000 | Unaudited Six months ended 29/28 February 2019 R'000 | Audited Year ended 31 August 2019 R'000 |
|---|---|---|---|
| **4. Revenue** | | | |
| Rental income | **134 362** | 139 341 | 262 340 |
| Sale of property and land | **4 619** | 19 730 | 21 395 |
| School fees and other school income | **43 138** | 31 691 | 70 940 |
| Services and other revenue | **7 400** | 3 229 | 11 668 |
| Commission received | **3 628** | – | 7 333 |
| | **193 147** | 193 991 | 373 676 |
| **Investment revenue** | | | |
| Dividend income | **–** | 2 | – |
| Interest income | **5 805** | 4 808 | 12 604 |
| | **5 805** | 4 810 | 12 604 |
| | **198 952** | 198 801 | 386 280 |
| *Timing of revenue recognition* | | | |
| At a point in time | **15 647** | 22 959 | 46 590 |
| Over time | **43 138** | 31 691 | 64 746 |
| Straight-line basis | **134 362** | 139 341 | 262 340 |
| | **193 147** | 193 991 | 373 676 |
| **5. Related parties** | | | |
| **Related party transactions** | | | |
| (Loss)/profit from equity accounted joint ventures | **(1 510)** | 11 525 | 9 440 |
| Profit from equity accounted associates | **2 399** | 3 748 | 16 531 |
| Distributions and dividends received from joint ventures and associates | **–** | 63 805 | 74 286 |
| Directors' emoluments | **4 191** | 3 808 | 13 713 |
| **Related party balances** | | | |
| Loans to joint ventures | **26 202** | 28 119 | 25 259 |
| Loans to associates | **8 782** | 1 551 | 16 143 |

## 6. Segmental information

| | Property investments R'000 | Education R'000 | UK investments R'000 | Corporate and other R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Unaudited six months ended 29 February 2020** | | | | | |
| Revenue | **153 926** | **45 026** | **–** | **–** | **198 952** |
| Revenue – at a point in time | **15 647** | **–** | **–** | **–** | **15 647** |
| – over time | **–** | **43 138** | **–** | **–** | **43 138** |
| – straight-line basis | **134 362** | **–** | **–** | **–** | **134 362** |
| Profit before tax | **8 790** | **(1 054)** | **2 247** | **1 756** | **11 739** |
| Total assets | **1 924 142** | **331 986** | **103 648** | **22 543** | **2 382 319** |
| Total liabilities | **1 318 076** | **20 070** | **–** | **1 005** | **1 339 151** |
| **Unaudited six months ended 28 February 2019** | | | | | |
| Revenue | 164 465 | 34 336 | – | – | 198 801 |
| Revenue – at a point in time | 22 959 | – | – | – | 22 959 |
| – over time | – | 31 691 | – | – | 31 691 |
| – straight-line basis | 139 341 | – | – | – | 139 341 |
| Profit before tax | 28 704 | 156 | 2 965 | (11 823) | 20 002 |
| Total assets | 1 907 803 | 220 031 | 86 717 | 73 671 | 2 288 222 |
| Total liabilities | 1 262 139 | 5 225 | – | 1 126 | 1 268 490 |
| **Audited year ended 31 August 2019** | | | | | |
| Revenue | 311 902 | 71 778 | – | 2 600 | 386 280 |
| Revenue – at a point in time | 40 397 | 6 193 | – | – | 46 590 |
| – over time | – | 64 746 | – | – | 64 746 |
| – straight-line basis | 262 340 | – | – | – | 262 340 |
| Profit before tax | 56 656 | (250) | 14 777 | (10 206) | 60 977 |
| 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 |

## 7. Subsequent events

Subsequent to period-end Aria Property Group Proprietary Limited, a 60%-held subsidiary of Trematon, has entered into an agreement in terms of which it has disposed of its 50% interest in The Vredenburg Propery Trust joint venture. The selling price amounts to R22 million. The value of the investment in joint venture as at 29 February 2020 was R14.4 million with a loan due from the joint venture of R3.4 million.

## 8. Changes to composition of board committees

Trematon has made the following changes to the various board committees of the company as follows:

### Social and ethics committee

Messrs K Getz and AJ Shapiro have been appointed to the social and ethics committee and Messrs R Lockhart-Ross and AM Louw have resigned from this committee.

### Remuneration committee

Mr K Getz has resigned from the remuneration committee.

### Investment committee

Mr JP Fisher has resigned from the investment committee.

# 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 intrinsic net asset value of all investment categories of the group for the period ended 29 February 2020. The preparation of the intrinsic net asset value is the responsibility of the directors of Trematon. The intrinsic net asset value 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.

| | | Intrinsic value | | |
|---|---|---|---|---|
| | Notes | **February 2020 R'000** | February 2019 R'000 | August 2019 R'000 |
| Club Mykonos Langebaan | 1 | **153 565** | 130 465 | 145 887 |
| Aria Property Group | 1 | **226 969** | 224 791 | 237 666 |
| Resi Investment Group | 1 | **148 341** | 183 252 | 169 118 |
| Generation Education | 2 | **359 461** | 286 571 | 338 695 |
| ASK Partners | 3 | **109 148** | 86 717 | 111 762 |
| Other | 4 | **43 487** | 32 373 | 54 195 |
| Cash | 5 | **46 306** | 98 486 | 82 540 |
| Total | | **1 087 277** | 1 042 655 | 1 139 863 |
| Number of shares in issue (thousands) | | **213 319** | 216 144 | 218 971 |
| INAV per share (cents) | | **510** | 482 | 521 |
| Share price (cents) | | **264** | 300 | 255 |
| Discount (%) | | **48** | 38 | 51 |

**Notes**

1. The assets have been valued by using a combination of directors' valuation and/or external professional valuers, where applicable.
2. The school operations have been valued using a combination of discounted cash flows and price-earnings models. The school properties are carried at market value using directors' valuations for completed schools and build costs incurred to date on school properties under construction.
3. The investment is carried at cost plus equity accounted profits, foreign currency movements and valuation adjustments.
4. "Other" includes listed shares, held directly and indirectly, and other minor assets less related debt.
5. The current period's cash includes cash from all investments, other than Aria Property Group, which is included in its respective INAV.

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

**Domicile and registered office**
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**Contact details**
Tel: 021 421 5550

**Directors**
R Lockhart-Ross (Chairman)*#, AJ Shapiro (Chief Executive Officer), AL Winkler (Chief Financial Officer), JP Fisher*#, K Getz*, A Groll, AM Louw*#, R Stumpf*

* Non-executive   # Independent

**Secretary**
JJ Vos

**Transfer secretaries**
Link Market Services South Africa (Pty) Limited
19 Ameshoff Street, Braamfontein, 2001

**Sponsor**
Sasfin Capital, a division of Sasfin Bank Limited

**Auditor**
Mazars

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

www.trematon.co.za

TREMATON
Capital Investments Limited