



UNAUDITED
INTERIM
RESULTS
FOR THE
SIX MONTHS ENDED
28 FEBRUARY 2023

COMMENTARY ON FINANCIAL RESULTS

The group's primary measure of shareholder value and investment performance over time is intrinsic net asset value ("INAV"). INAV represents the directors' best estimate of the true underlying value of the group.

Total INAV over the period reduced to R951 million (2022: R1.06 billion) mainly due to the capital distribution of R90.3 million paid to shareholders in December 2022 and a decrease in the valuation of Generation Education ("GenEd"). As a result INAV per share decreased to 421 cents at 28 February 2023 from 487 cents per share at the August 2022 year-end, of which a reduction of 40 cents was due to the capital distribution referred to above. The decrease in GenEd's INAV was due to the impact of higher interest rates and an adjustment to pupil numbers in GenEd to align to actual enrolments at the start of the 2023 school year. The edutech segment, comprising of GenEx, is not included in INAV as it is in the start-up phase and no value is attributed to this business yet. The intrinsic value report on page 17 of these interim results contains the INAV table and related notes with a more detailed explanation of the various components.

Total revenue compared to the six months ended 28 February 2022 ("the prior interim period") increased by 19%. Revenue from education operations increased by 13% mostly due to the increase in school fees charged with effect from January 2023 and the acquisition of a new school in Modderfontein, Gauteng. Rental income from investment properties within ARIA Property Group ("ARIA") and Club Mykonos Langebaan ("CML") also increased, while rental income from residential properties in the RESI Investment Group ("RESI") decreased due to ongoing sales of residential properties.

Profit attributable to shareholders increased by 218% to R3.2 million (2022: R1 million) mainly as a result of the increased earnings from Trematon's investment in ASK Partners ("ASK"), based in the United Kingdom. This profit was off-set by the loss realised in the edutech start-up business of R9.5 million, which was in line with our expectations. As a result, earnings per share for the 2023 interim period were 1.4 cents (2022: 0.5 cents), and headline

earnings per share were 11.2 cents (2022: 2.2 cents). The increase in headline earnings was due to the increased profit attributable to shareholders and the add-back of a fair value adjustment on the investment in ASK of R19.2 million.

The group is in a strong liquidity position. It is the current policy of the company to distribute surplus capital to shareholders unless alternative high-return investments can be sourced.

REVIEW OF MAJOR INVESTMENTS Generation Education

Revenue from education operations grew to R97.5 million (2022: R86.5 million), mainly as a result of the acquisition of a school in Modderfontein, Gauteng and increases in school fees. The number of students has grown to 2 440 (FY2022: 2 265) which represents an increase of 7.7%. Profit from education operations has, however, decreased to R4.7 million (2022: R11.5 million) due to slower-than-expected growth in student numbers and increased operating costs, including a significant increase in rental at one of the campuses following the end of a rental holiday period.

GenEx, the edutech start-up, is now disclosed as a separate segment ("Edutech") in the statement of comprehensive income and note 7: Segmental information. Expenses in GenEx have increased as the momentum in the development of the product accelerates. GenEx has secured its first third-party customers and is generating revenue, but it is too early in the life cycle of the business to make accurate estimates of potential earnings.

ARIA Property Group

Revenue for the period increased to R131.4 million (2022: R115.9 million), with ARIA contributing R13.4 million to group profits (2022: R23.9 million). This reduction in profit from the prior period is mainly due to increased interest rates and operating expenses. ARIA's contribution to group INAV has remained flat over the prior interim period.

At the interim period-end, ARIA's investment property portfolio had an occupancy rate of 98% with a weighted average lease expiry profile of 43 months.

ARIA refinanced its Nedbank loans for a further three years with a revised expiry date of October 2026, which extension has increased the weighted average

debt expiry profile at company level to 43 months. Although there was a sharp increase in interest rates during the six-month period, ARIA was able to mitigate some of this risk through interest rate hedges on 46% of its debt. Some of these hedges expire during 2023 and may be renewed depending on market conditions.

ARIA continues to focus its attention on revenue enhancement, innovative value-add opportunities and redevelopments within the existing portfolio.

RESI Investment Group

During this interim period 47 residential units were sold and transferred at a combined sales value of R32.6 million. The proceeds were used to reduce bank debt with the excess being distributed to Trematon. These sales have no impact on current earnings as the properties sold have been fair valued over time and so were disposed of at their carrying values.

The sales made during the period and continued marketing for sale of the remaining units in the portfolio have resulted in RESI's rental income decreasing and an operating loss of R1.5 million (2022: profit of R0.5 million) being realised.

The group continues to market and dispose of its residential and commercial properties in the Woodstock Hub (Pty) Limited joint venture, in which RESI owns a 50% interest. Transfer of the property disposed of in the small related party transaction announced on SENS on 19 January and 23 February 2023 has not yet occurred but is expected before the company's year-end. A loss of R1.8 million (2022: loss of R1.1 million) was realised on this investment during this interim period.

Club Mykonos Langebaan

The Club Mykonos resort continues to be a popular destination for families. Occupancies at the resort and conference centre have improved which has resulted in increased rental income commissions.

The luxury charter boat acquired in the prior period has proven to be a popular activity at the resort and is delivering a good return on investment.

CML continues to contribute regular annuity income from rentals and other resort operations. Its operating profit improved to R3 million compared to break-even in the prior interim period.

Property sales have also gained momentum at the resort with four plots sold over the past six months realising a profit of R4.8 million. A further three plots have been sold after this interim period-end and up to the date of this report.

ASK Partners

The past six-month period has seen positive cash flows for the investors in ASK, with a return of the original capital invested in syndications being settled. In addition, ASK Partners Holdco Limited, in which Trematon holds a 40% interest, disposed of 75% of its investment in ASK Partners Limited to OakNorth Bank Limited. These cash events resulted in £5.5 million (circa R112.7 million) being repatriated to South Africa. The majority of these funds was used to pay the dividend declared to Trematon shareholders in December 2022.

ASK contributed R30 million to group profits (2022: R2.7 million) before a foreign currency gain of R10 million.

CHANGE OF INDEPENDENT AUDITORS

The change in external auditor follows Trematon's adoption of the mandatory audit firm rotation policy, as issued by the Independent Regulatory Board for Auditors. Trematon appointed Moore Cape Town Inc. as the external auditor of the group, which appointment was approved by shareholders at the annual general meeting of the company held on 25 January 2023.

STATEMENT OF FINANCIAL POSITION

		Unaudited At 28 February	Audited At 31 August
	Note	2023 R'000	2022 R'000
ASSETS			
Non-current assets			
Property, plant and equipment		2 040 343	2 179 023
Right-of-use asset		357 856	346 159
Investment properties		63 359	68 296
Investments in associate entities		1 460 041	1 535 779
Goodwill	4	35 410	131 615
Loans receivable		8 175	–
Loans to joint venture		49 701	53 369
Deferred tax asset		14 805	7 795
		50 996	36 010
		302 627	245 504
Current assets			
Trade and other receivables		24 216	17 396
Financial assets at fair value through profit or loss		6 392	6 392
Inventory		32 053	41 770
Derivatives		1 642	–
Current tax assets		450	367
Cash and cash equivalents		237 874	179 579
Non-current assets held-for-sale	5	81 670	61 996
Total assets		2 424 640	2 486 523
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium		890 570	942 476
Fair value reserve		117 702	208 289
Share-based payments reserve		46 933	33 353
Foreign currency translation reserve		–	13 162
Accumulated profit		20 352	16 357
Total equity attributable to equity holders of the parent		572 338	538 670
Non-controlling interest		757 325	809 831
		133 245	136 281
Non-current liabilities			
Loans payable		1 429 487	1 458 726
Derivatives		1 201 790	1 230 746
Trade and other payables		–	2 494
Lease liability		38 346	38 981
Deferred tax liability		74 767	82 057
		114 584	104 448
Current liabilities			
Loans payable		104 583	85 321
Current tax payable		9 774	3 720
Derivatives		1 181	8 513
Lease liability		–	980
Trade and other payables		8 268	–
		85 360	72 108
Total equity and liabilities		2 424 640	2 486 523
Net asset value per share (cents)		335	359
			370

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 28 February	Audited Year ended 31 August
	Note	2023 R'000	2022 R'000
Revenue	3	282 254	489 459
Profit from property operations		75 161	120 970
Revenue – property		178 673	304 043
Cost of property and land sold		(10 198)	–
Employee benefits – property		(16 755)	(30 025)
Operating expenses – property		(76 559)	(153 048)
Profit from education operations		4 670	9 522
Revenue – education		97 536	177 832
Employee benefits – education		(57 378)	(99 405)
Operating expenses – education		(35 488)	(68 905)
Loss from edutech operations		(9 549)	(8 971)
Revenue – edutech		1 536	1 175
Employee benefits – edutech		(8 808)	(7 015)
Operating expenses – edutech		(2 277)	(3 131)
Loss from other operations		(3 289)	(7 856)
Revenue – other		4 509	6 409
Employee benefits – other		(6 057)	(11 578)
Operating expenses – other		(1 741)	(2 687)
Profit from equity accounted investments		29 961	9 969
Loss from equity accounted joint ventures (net of tax) – property		–	(1 125)
Profit from equity accounted associates (net of tax) – property		–	569
Profit from equity accounted associates (net of tax) – other		29 961	9 050
Total operating profit		96 954	123 634
Total realised profit		–	1 305
Realised profit on sale of non-current assets		–	774
Total (loss)/profit from fair value adjustments		(26 070)	8 033
Fair value adjustment on investment properties		(4 158)	(2 464)
Fair value adjustment on financial assets at fair value through profit and loss		(88)	–
Fair value adjustment on financial liabilities at fair value through profit and loss		–	7 492
Fair value adjustment on investment in associate		(19 219)	–
Impairment of loan		(2 823)	(1 579)
Foreign exchange (loss)/gain		(420)	191
Decrease/(increase) in loss allowance		638	(811)
Other income		88	5 052
Profit before finance costs		70 972	138 024
Total finance costs		(58 275)	(94 863)
Finance costs – property		(47 706)	(76 417)
Finance costs – education		(10 569)	(18 446)
Profit before income tax		12 697	43 161
Income tax		(6 525)	(8 642)
Profit for the period/year		6 172	34 519

	Unaudited Six months ended 28 February	2022 R'000	Audited Year ended 31 August 2022 R'000
Other comprehensive income			
Items that will not subsequently be reclassified to profit/(loss):			
Fair value (loss)/gain on revaluation of property, plant and equipment	(178)	–	17 499
Tax effects of fair value adjustments	39	–	(3 780)
Items that are or may subsequently be reclassified to profit/(loss):			
Foreign currency translation differences on equity accounted investments	10 072	3 034	(3 043)
Other comprehensive income for the period/year	9 933	3 034	10 676
Total comprehensive income for the period/year	16 105	12 194	45 195
Profit attributable to:			
Equity holders of the parent	3 208	1 008	18 306
Non-controlling interests	2 964	8 152	16 213
	6 172	9 160	34 519
Total comprehensive income attributable to:			
Equity holders of the parent	13 141	4 042	28 982
Non-controlling interests	2 964	8 152	16 213
	16 105	12 194	45 195
Earnings per share			
Number of shares issued (thousands)	225 829	225 802	225 829
Weighted average number of shares (thousands)	225 829	214 700	221 050
Diluted weighted average number of shares (thousands)	225 829	222 278	225 854
Earnings per share (cents)	1.4	0.5	8.3
Diluted earnings per share (cents)	1.4	0.5	8.1

Education operations in this statement of comprehensive income has been split between education operations and edutech to provide more useful information to the users of the financial statements. Edutech is considered a separate segment of the group and is therefore disclosed separately in the segment information (see note 7). The prior period and year have been amended accordingly. The changes have no effect on the earnings of the group and are purely for disclosure purposes.

STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Treasury shares R'000
Balance at 1 September 2021	2 085	236 380	238 465	–
Total comprehensive income for the period	–	–	–	–
Profit for the period	–	–	–	–
Foreign exchange movements on investment in associate	–	–	–	–
Treasury shares cancelled	(9)	(2 373)	(2 382)	2 382
Treasury shares acquired	–	–	–	(2 382)
Ordinary shares issued	181	39 774	39 955	–
Capital distribution	–	(67 749)	(67 749)	–
Dividends declared to non-controlling interest	–	–	–	–
Balance at 28 February 2022	2 257	206 032	208 289	–
Balance at 1 March 2022	2 257	206 032	208 289	–
Total comprehensive income for the period	–	–	–	–
Profit for the period	–	–	–	–
Foreign exchange movements on investment in associate	–	–	–	–
Fair value gain on revaluation of property, plant and equipment	–	–	–	–
Tax effects on revaluations	–	–	–	–
Restrictive shares issued in terms of share incentive scheme	–	–	–	–
Capital distribution	–	(255)	(255)	–
Dividends declared to non-controlling interest	–	–	–	–
Balance at 31 August 2022	2 257	205 777	208 034	–
Balance at 1 September 2022	2 257	205 777	208 034	–
Total comprehensive income for the period	–	–	–	–
Profit for the period	–	–	–	–
Foreign exchange movements on investment in associate	–	–	–	–
Fair value loss on property, plant and equipment	–	–	–	–
Tax effects on revaluations	–	–	–	–
Capital distribution	–	(90 332)	(90 332)	–
Dividends declared to non-controlling interest	–	–	–	–
Balance at 28 February 2023	2 257	115 445	117 702	–

Fair value reserve R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Accumulated profit R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
33 353	13 162	13 323	537 662	835 965	128 493	964 458
-	-	3 034	1 008	4 042	8 152	12 194
-	-	-	1 008	1 008	8 152	9 160
-	-	3 034	-	3 034	-	3 034
-	-	-	-	-	-	-
-	-	-	-	(2 382)	-	(2 382)
-	-	-	-	39 955	-	39 955
-	-	-	-	(67 749)	-	(67 749)
-	-	-	-	-	(4 000)	(4 000)
33 353	13 162	16 357	538 670	809 831	132 645	942 476
33 353	13 162	16 357	538 670	809 831	132 645	942 476
13 719	-	(6 077)	17 298	24 940	8 061	33 001
-	-	-	17 298	17 298	8 061	25 359
-	-	(6 077)	-	(6 077)	-	(6 077)
17 499	-	-	-	17 499	-	17 499
(3 780)	-	-	-	(3 780)	-	(3 780)
-	(13 162)	-	13 162	-	-	-
-	-	-	-	(255)	-	(255)
-	-	-	-	-	(4 425)	(4 425)
47 072	-	10 280	569 130	834 516	136 281	970 797
47 072	-	10 280	569 130	834 516	136 281	970 797
(139)	-	10 072	3 208	13 141	2 964	16 105
-	-	-	3 208	3 208	2 964	6 172
-	-	10 072	-	10 072	-	10 072
(178)	-	-	-	(178)	-	(178)
39	-	-	-	39	-	39
-	-	-	-	(90 332)	-	(90 332)
-	-	-	-	-	(6 000)	(6 000)
46 933	-	20 352	572 338	757 325	133 245	890 570

STATEMENT OF CASH FLOW

		Unaudited Six months ended 28 February	Audited Year ended 31 August
	Note	2023 R'000	Restated* 2022 R'000
			Restated* 2022 R'000
Cash flows from operating activities			
Cash generated from operations		79 233	141 386
Finance income		8 382	6 955
Dividends received		54 856	7 559
Finance costs		(54 293)	(90 798)
Tax paid		(12 897)	(21 413)
Dividends paid to non-controlling interest		(6 000)	(7 285)
Net cash from operating activities		69 281	36 404
Cash flows from investing activities			
Acquisition of and addition to property, plant and equipment	10	(6 620)	(15 025)
Acquisition of and addition to investment property	10	(344)	(128 173)
Acquisition of business		(8 175)	–
Proceeds on disposal of non-current assets	10	32 594	51 351
Proceeds from share repurchase of associate		58 020	–
Loans receivable advanced		–	(250)
Loans receivable repaid		6 971	6 892
Loan advanced to joint venture		(8 788)	(3 629)
Loan repaid by associate		–	299
Net cash from investing activities		73 658	12 376
Cash flows from financing activities			
Acquisition of treasury shares		–	(2 381)
Capital distribution		(90 332)	(68 004)
Decrease in borrowings	10	(17 110)	(25 761)
Increase in borrowings	10	–	147 388
Net cash from financing activities		(107 442)	(49 669)
Net increase/(decrease) in cash and cash equivalents			
		35 497	(889)
Foreign exchange translation adjustment on cash and cash equivalents		(420)	191
Cash and cash equivalents at the beginning of the period/year		202 797	203 495
Total cash and cash equivalents at the end of the period/year		237 874	202 797

* Refer to note 10 for the restatement.

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 28 February 2023 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 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 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. Headline earnings per share reconciliation

	Unaudited Six months ended 28 February		Audited Year ended 31 August			
	Gross 2023 R'000	Net 2023 R'000	Gross 2022 R'000	Net 2022 R'000	Gross 2022 R'000	Net 2022 R'000
Profit attributable to equity holders of the parent		3 208		1 008		18 306
Fair value adjustment on investment properties	4 158	2 952	6 573	4 337	2 464	2 165
Fair value adjustment of investment in associate	19 219	19 219	–	–	–	–
Fair value adjustments within equity accounted profits	–	–	–	–	(263)	(207)
Realised profit on sale of non-current assets	–	–	(774)	(600)	(1 305)	(1 012)
Headline earnings		25 379		4 745		19 252
Headline earnings per share (cents)		11.2		2.2		8.7
Diluted headline earnings per share (cents)		11.2		2.1		8.5

NOTES continued

	Unaudited	Audited	
	Six months ended 28 February	2022 R'000	Year ended 31 August 2022 R'000
3. Revenue	2023 R'000		
Rental income	140 318	133 728	270 978
Sale of property and land	15 009	–	–
Administration fee income	915	716	1 331
Education and registration fee income	94 678	82 175	164 588
Other education income	2 513	1 564	3 379
Services and other revenue	11 449	10 215	21 939
Management fees	3 288	–	7 855
Commission received	4 424	4 205	6 944
	272 594	232 603	477 014
Investment revenue			
Dividend income	1 278	327	–
Other investment income	–	–	2 984
Interest income	8 382	4 335	9 461
	9 660	4 662	12 445
	282 254	237 265	489 459
<i>Timing of revenue recognition</i>			
At a point in time	36 683	15 984	32 263
Over time	95 593	82 891	173 773
Straight-line basis	140 318	133 728	270 978
	272 594	232 603	477 014

	Unaudited Six months ended 28 February	2022 R'000	Audited Year ended 31 August 2022 R'000
	2023 R'000		
Reconciliation of revenue per segment			
Property			
Rental income	140 318	133 728	270 978
Sale of property and land	15 009	–	–
Administration fee income	748	716	1 331
Services and other revenue	9 895	7 521	11 025
Management fees	3 288	–	7 855
Commission received	4 424	4 205	6 944
Other investment income	–	–	2 984
Interest income	4 991	2 450	2 926
	178 673	148 620	304 043
Education			
Education and registration fee income	94 696	84 761	164 588
Other education income	2 513	1 564	3 379
Services and other revenue	–	–	9 739
Administration fee income	167	–	–
Interest income	160	127	126
	97 536	86 452	177 832
Edutech			
Education and registration fee income	1 536	108	1 175
	1 536	108	1 175
Other			
Dividend income	1 278	327	–
Interest income	3 231	1 758	6 409
	4 509	2 085	6 409
	282 254	237 265	489 459

NOTES continued

	Unaudited Six months ended 28 February	2022 R'000	Audited Year ended 31 August 2022 R'000
	2023 R'000		
4. Goodwill			
Opening balance	–	–	–
Acquisition of business	8 175	–	–
Closing balance	8 175	–	–
<p>Goodwill arose from the acquisition of a school situated in Modderfontein, Gauteng. The school was purchased as a going concern by GenEd effective 1 January 2023.</p>			
5. Non-current assets held-for-sale			
Carrying value	81 670	61 996	114 426

Non-current assets held-for-sale at the interim period relate to properties owned by RESI where sale agreements have been entered into before the reporting period-end, as well as other investment properties being actively marketed for sale which therefore meet the definition of non-current assets held-for-sale. The movement from August 2022 year-end is a result of properties sold and transferred during the interim period. The cash received from the disposals is included in the statement of cash flows as proceeds on disposal of non-current assets.

	Unaudited Six months ended 28 February	2022 R'000	Audited Year ended 31 August 2022 R'000
	2023 R'000		
6. Related parties			
Related party transactions			
Loss from equity accounted joint venture	–	(1 125)	–
Profit from equity accounted associates	29 961	3 303	9 967
Distributions and dividends received from associates	54 856	327	7 559
Interest received on directors and company secretary loans	1 030	381	1 147
Administration fees received from associate	–	150	225
Administration fees received from joint venture	480	480	960
Impairment of loan to equity accounted joint venture	(2 823)	–	(1 579)
Directors' emoluments	(5 217)	(5 086)	(9 849)
Related party balances			
Loans to joint venture	14 805	7 795	8 840
Loans to directors and company secretary	28 268	33 443	34 209

7. Segmental information

	Property investments R'000	Education R'000	Edutech* R'000	UK investments R'000	Corporate and other R'000	Total R'000
Unaudited six months ended 28 February 2023						
Revenue	178 673	97 536	1 536	–	4 509	282 254
Revenue – at a point in time	34 170	2 513	–	–	–	36 683
– over time	915	93 142	1 536	–	–	95 593
– straight-line basis	140 318	–	–	–	–	140 318
(Loss)/profit before tax	(3 738)	(7 111)	(9 548)	29 961	3 133	12 697
Total assets	1 764 434	477 601	5 571	35 410	141 624	2 424 640
Total liabilities	1 243 466	289 344	1 260	–	–	1 534 070
Unaudited six months ended 28 February 2022						
Revenue	148 620	86 452	108	–	2 085	237 265
Revenue – at a point in time	14 420	1 564	–	–	–	15 984
– over time	716	82 067	108	–	–	82 891
– straight-line basis	133 728	–	–	–	–	133 728
Profit/(loss) before tax	26 145	(2 208)	(3 394)	2 734	(4 336)	18 941
Total assets	1 871 007	434 064	3 025	125 957	52 470	2 486 523
Total liabilities	1 379 715	161 227	1 656	–	1 449	1 544 047
Audited year ended 31 August 2022						
Revenue	304 043	177 832	1 175	–	6 409	489 459
Revenue – at a point in time	20 034	12 228	–	–	–	32 262
– over time	9 185	163 413	1 175	–	–	173 773
– straight-line basis	269 838	1 140	–	–	–	270 978
Profit/(loss) before tax	48 794	(543)	(8 971)	9 050	(5 169)	43 161
Total assets	1 795 552	453 187	6 297	126 196	120 085	2 501 317
Total liabilities	1 261 808	266 376	1 173	–	1 163	1 530 520

* Edutech, which was previously included in the Education segment, is now disclosed as a separate segment. Comparatives have been restated.

NOTES continued

8. Fair value measurement

Interest rate swaps (financial instruments)

The valuation of interest rate swaps uses observable market data and requires management judgement and estimation. 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 asset at 28 February 2023 is equal to R1.6 million (2022: liability of R3.5 million).

Profit-sharing arrangements (financial instruments)

The fair value of the amount payable in terms of the profit-sharing arrangements is 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 is 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. Fair value measurement is classified as level 3 non-financial instruments.

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
February 2023				
Retail	Income approach	8.2 – 9.25	0.0 – 7.2	N/A
Commercial	Income approach and market approach	8.0 – 11.0	0.0 – 4.5	R12 593
Industrial	Income approach	9.6 – 13.5	0.0	N/A
Residential	Market approach	N/A	N/A	R4 790 – R15 479
Schools	Market approach	N/A	N/A	R5 402 – R37 664*
February 2022				
Retail	Income approach	9.0 – 10.0	0.0 – 5.1	N/A
Commercial	Income approach and market approach	8.2 – 10.0	1.1 – 4.3	R12 587
Industrial	Income approach	9.6 – 13.2	0.0 – 8.9	N/A
Residential	Market approach	N/A	N/A	R4 136 – R19 098
Schools	Market approach	N/A	N/A	R3 920 – R28 844*
August 2022				
Retail	Income approach	8.2 – 9.25	0.0 – 7.2	N/A
Commercial	Income approach and market approach	8.0 – 11.0	0.0 – 4.5	R12 593
Industrial	Income approach	9.6 – 13.5	0.0	N/A
Residential	Market approach	N/A	N/A	R4 790 – R15 479
Schools	Market approach	N/A	N/A	R5 402 – R37 664*

* School properties are classified as land and buildings within property, plant and equipment, and are measured at the revalued amount.

8. Fair value measurement (continued)

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 %	Unaudited	Audited
		Six months ended 28 February 2023 R'000	Year ended 31 August 2022 R'000
Increase in capitalisation rate	0.5%	(60 383)	(75 659)
Decrease in capitalisation rate	0.5%	84 396	84 750
Increase in vacancy rate	2.0%	(23 556)	(30 848)
Decrease in vacancy rate	2.0%	28 236	13 397
Increase in Rands per sqm	10.0%	41 683	43 492
Decrease in Rands per sqm	10.0%	(41 683)	(43 492)

9. Financial covenants

There are externally imposed covenant requirements on the bank debt in GenEd and ARIA. The following covenants apply to the borrowings:

GenEd:

- The ratio of EBITDA to interest payable shall be not less than 4 times
- The EBITDA to gross debt ratio shall not be less than 2.5 times cover
- The total interest cover shall be not less than 4.0 times cover
- Trematon INAV to exceed R800 million

ARIA:

- The ratio of EBITDA to interest payable ranges between a minimum of not less than 1.25 and 1.6 times
- The minimum loan to value ratio ranges between 62% and 65%

None of the financial covenants were breached during the prior financial year and all indications are that these covenants will be comfortably met in future.

NOTES continued

10. Restatement of prior-period cash flows

In the previous reporting periods, cash flows were reported on a net basis. Assets acquired with bank debt resulted in the net amount being disclosed as the acquisition cash flow amount. The disposal of assets that were secured against bank debt resulted in the net amount after the settlement of the bank debt being disclosed as the cash proceeds from the disposal.

In the current reporting period, the amounts have been reported on a gross basis.

The following prior-period comparative figures have been restated as follows and have no effect on the net cash flow:

	Six months ended 28 February 2022		Year ended 31 August 2022	
	As originally presented	As currently presented	As originally presented	As currently presented
Acquisition of and addition to property, plant and equipment	–	–	(14 617)	(15 025)
Acquisition of and addition to investment property	(4 363)	(130 935)	(7 532)	(128 173)
Proceeds on disposal of non-current assets	11 723	14 691	31 213	51 351
Decrease in borrowings	(1 929)	(4 897)	–	(25 761)
Increase in borrowings	8 958	135 530	20 716	147 388
	14 389	14 389	29 780	29 780

11. Subsequent events

The directors are not aware of any material events which occurred after the reporting date and up to the date of this report.

12. Going concern

The unaudited interim results 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.

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 28 February 2023. 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.

	Notes	Intrinsic value		
		February 2023 R'000	February 2022 R'000	August 2022 R'000
Generation Education	1	383 183	417 451	419 192
ARIA Property Group	2	206 177	202 573	207 131
Club Mykonos Langebaan	3	115 999	142 828	126 373
ASK Partners	4	32 529	126 646	139 348
RESI Investment Group	5	67 259	86 478	84 908
Cash	6	90 021	51 640	61 743
Other	7	55 345	31 578	60 237
Total		950 513	1 059 194	1 098 932
Number of net shares in issue		225 829	225 829	225 829
Diluted number of shares		225 829	225 829	225 829
INAV per share (cents)		421	469	487
INAV per share – diluted (cents)		421	469	487

Notes

- GenEd's school operations have been valued using a discounted cash flows method. The model is updated annually at Trematon's financial year-end. At interim results, adjustments are only made to the discount rate, if required, and the number of enrolled students is updated to reflect the actual number of students at the beginning of the current school year. This has resulted in a decrease in GenEd's INAV at 28 February 2023. The edutech business "GenEx" is not included in INAV as it is still in the start-up phase.
- ARIA has been valued using directors' valuations. ARIA's value has remained flat since the prior reporting period.
- CML has been valued using directors' valuations. The decrease in INAV since August 2022 was due to the sale of serviced plots and the net cash proceeds being distributed to Trematon. The cash received by Trematon is included in Cash in this INAV report.
- The investment in ASK is carried at cost plus equity accounted profits, foreign currency movements and valuation adjustments. ASK's value decreased since August 2022 due to the settlement of loan underwrites in the UK, the sale of 75% of the shares held in ASK Partners' operating entity and the repatriation of these funds to South Africa.
- 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 since the prior year-end was due to the sale of properties and the net cash proceeds being distributed to Trematon. The cash received by Trematon is included in Cash in this INAV report.
- Cash includes cash held in all subsidiaries, other than ARIA and GenEd, which is included in their respective INAV. In December 2022 the distribution declared at the August 2022 year-end of R90.3 million was paid to shareholders. This outflow was off-set by cash inflows from RESI property sales and ASK cash returned to South Africa.
- Other includes shares held-for-trading, loans due from directors' trusts and other minor assets.

TREMATON CAPITAL INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/008691/06)

JSE share code: TMT

ISIN: ZAE000013991

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* Non-executive # Independent

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Published date

24 May 2023

Prepared by

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

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