

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Revenue	60 703	58 348
Cost of sales	(37 680)	(39 548)
Gross profit	23 023	18 800
Operating expenses	(19 977)	(18 974)
Depreciation and amortisation	(1 779)	(1 580)
Operating profit/(loss)	1 267	(1 754)
Finance costs	(462)	(672)
Profit/(loss) before income tax	805	(2 426)
Taxation	(311)	105
Profit/(loss) for the period from continuing operations	494	(2 321)
Other comprehensive income		
Movement in foreign currency translation reserve	87	(836)
Total comprehensive income/(loss) for the period	581	(3 157)
Profit/(loss) per ordinary share		
– basic and diluted (cents)	0,06	(28,5)
Headline profit/(loss) per ordinary share		
– basic and diluted (cents)	0,06	(28,5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 August 2016 R'000	As at 29 February 2016 R'000
Assets		
Non-current assets	30 774	32 051
Property, plant and equipment	28 394	29 412
Goodwill	437	437
Intangibles	1 943	2 202
Current assets	36 133	40 286
Inventories	16 054	17 433
Trade receivables and prepayments	18 044	20 911
Amount due by ultimate holding company	13	–
Current income tax receivable	577	346
Cash and cash equivalents	1 445	1 596
Total assets	66 907	72 337
Equity and liabilities		
Total shareholders' equity	43 272	42 866
Ordinary shares and premium	6 871	6 871
Reserves	36 401	35 995
Liabilities		
Non-current liabilities	5 417	5 599
Borrowings	587	1 143
Deferred tax liabilities	4 830	4 456
Current liabilities	18 218	23 872
Trade and other payables	10 217	13 335
Borrowings	2 169	2 717
Loans from ultimate holding company	–	1 953
Shareholders for dividends	67	1 362
Bank overdraft	5 765	4 505
Total equity and liabilities	66 907	72 337
Net asset value per share	531,4	526,4

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Cash flows from operating activities	3 482	(146)
Cash flows from investing activities	(502)	2 969
Cash flows from financing activities	(4 365)	(1 522)
Net (decrease)/increase in cash and cash equivalents	(1 385)	1 301
Cash and cash equivalents at beginning of period	(2 909)	(5 583)
Effect of exchange rate movement on cash balances	(26)	(286)
Cash and cash equivalents at end of period	(4 320)	(4 568)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Ordinary shares	407	407
Share premium	6 464	6 464
Share-based payment compensation reserve	1 906	1 906
Foreign currency translation reserve	44	106
Opening balance	131	(730)
Movement for the year	(87)	836
Revaluation reserve	6 315	10 708
Opening balance	6 457	10 868
Movement for the year	(142)	(160)
Retained earnings	28 136	22 667
Opening balance	27 500	24 988
Total profit/(loss) for the period from continuing operations	494	(2 321)
Movement in reserves	142	–
Total shareholders' equity	43 272	42 258

DIVIDENDS

Dividend declared per ordinary share (cents)	– interim	–
	–	–

SUPPLEMENTARY INFORMATION

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Capital expenditure	331	214

OPERATING SEGMENTS

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Segment revenue	58 602	55 097
Special lubricants and allied chemicals		
External customers	11 849	13 863
Local customers	46 753	41 234
Lubricant powders/metal powders	1 016	2 529
External customers	757	1 660
Local customers	259	869
Other	2 786	2 018
External customers	2 786	2 018
Reconciling items	(1 701)	(1 296)
External customers	(1 651)	(1 046)
Local customers	(50)	(250)
	60 703	58 348

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Segment result	1 063	(2 359)
Special lubricants and allied chemicals	(248)	(26)
Lubricant powders/metal powders	812	781
Other	(360)	(150)
Reconciling items	1 267	(1 754)

OPERATING SEGMENTS (continued)

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
	As at 31 August 2016 R'000	As at 29 February 2016 R'000
Segment assets		
Special lubricants and allied chemicals	46 326	60 895
Lubricant powders/metal powders	11 789	13 522
Other	24 134	26 595
Reconciling items	(15 342)	(28 675)
	66 907	72 337
Segment liabilities		
Special lubricants and allied chemicals	17 673	32 554
Lubricant powders/metal powders	2 461	4 077
Other	16 207	15 537
Reconciling items	(12 706)	(22 697)
	23 635	29 471

RECONCILIATION OF HEADLINE EARNINGS

	Six months to 31 August 2016 R'000	Six months to 31 August 2015 R'000
Profit/(Loss) attributable to shareholders	494	(2 321)
Headline profit/(loss)	494	(2 321)
Weighted average number of ordinary shares in issue ('000)	8 143	8 143
Headline profit/(loss) per ordinary share – basic and diluted (cents)	0,06	(28,5)

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 31 August 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, as well as the requirements of the South African Companies Act (2008) and the JSE Listings Requirements.

The condensed consolidated interim financial statements do not include all the disclosures required for a full set of financial statements prepared in accordance with International Accounting Standards (IFRS) as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements appearing in this announcement are the responsibility of the directors and the directors take full responsibility for the preparation thereof. Ian Saunders CA(SA), Financial Director, is responsible for this set of condensed consolidated interim financial statements.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the consolidated annual financial statements for the year ended 29 February 2016. The condensed consolidated interim financial statements have not been reviewed or audited by the group's auditors.

COMMENTARY

POINTS OF INTEREST

- Group Revenue is up by 4%.
- EBITDA up from (R174,000) to R3 046 000.
- Net asset value improved from 526,4 to 531,4 cents per share.

EXECUTIVE CHAIRMAN'S STATEMENT

The total comprehensive income for the first half of the year is a modest R581 000 amounting to a positive change of R3 738 000 compared to the same period last year.

We have had an interesting first six months of the 2017 financial year and continue to consolidate after the turbulent times we experienced during the same period last year. Our management team now has a firm understanding of the business and has established a strong base from which to grow.

Sales increased by 4%, much of which was a result of excellent growth of 86% in our food products manufacturing division. Our cost reduction programme has been extremely successful with our total EBITDA improving from a loss position at this stage last year to R3 046 000 for the current reporting period.

Our mining/industrial/marine division continues to cope with challenges such as shutdowns of a number of mining operations. Our Eskom business, where we supply special lubricants for critical applications, has dropped to some extent. Our international sales division is receiving additional marketing attention which should reflect in the results for the second half.

We have continued making significant ground in the area of inventory management with new inventory planning software assisting us in this regard. This in turn has resulted in more efficient purchasing of raw materials which has greatly assisted us in better cash and accounts payable management.

We look forward to the second half of the financial year which has traditionally been the better half for us.

SEGMENTAL ANALYSIS

The special lubricants and allied chemicals segment has achieved sales growth of 6,4% compared to the same period last year largely due to the increase in the food products manufacturing division. The significant weakening of the Rand has had an overall positive effect on our financials as a whole. A lot of energy is currently being spent looking for new markets to develop where our product quality and pricing are favourable factors in achieving growth.

Our metal powders segment has coped with some quality difficulties in the previous year caused by quality fluctuations in the raw material we obtained from certain suppliers. As a result certain cost-cutting measures have been put in place at Coppermet Proprietary Limited including staff reduction and a cut of overtime which will help in producing better results. We are still trying to win back lost export customers after last year's quality issues, but this is taking longer than anticipated. We are hopeful that the business will be operating at its usual capacity by the beginning of the next financial year.

Our Rotterdam-based EU distribution from the Netherlands is experiencing good growth off a low base when compared to the same period last year. We are working closely with our partners in the Netherlands to improve efficiencies in our logistics operations.

INTERIM DIVIDEND

No dividends has been declared nor are any proposed for the period reported on (2015: RNil).

By order of the Board

Levitt Kirson Business Services Proprietary Limited

Company Secretary

07 October 2016

Directors

RJW Spanjaard (Executive Chairman), K Welgemoed, I Saunders, GF Cort, CKT Palmer MSc, MBA, Mrs S Hari*, BL Montgomery*, Prof DP van der Nest*

*Independent Non-executive

Registered office

748 – 750 Fifth Street, Wynberg, Sandton, 2090

Transfer Secretaries

Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001

Sponsor

Arbor Capital Sponsors Proprietary Limited, Ground Floor, One Health Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, 2157

Email: info@spanjaard.biz

Website: www.spanjaard.biz