

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Six months to 31 Aug 2019	Six months to 31 Aug 2018
Revenue	62 057	63 737
Cost of sales	(38 561)	(38 907)
Gross profit	23 496	24 830
Other income	44	76
Distribution costs	(5 948)	(5 706)
Administration expenses	(17 186)	(16 524)
Finance costs	(551)	(559)
(Loss)/profit before tax	(145)	2 117
Taxation	22	(863)
(Loss)/profit for the period	(123)	1 254
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Movement in foreign currency translation reserve	(31)	(92)
Total comprehensive (loss)/income for the period attributable to ordinary shareholders	(154)	1 162
(Loss)/profit per ordinary share		
— basic and diluted (cents)	(1,51)	15,40
Headline (loss)/profit per ordinary share		
— basic and diluted (cents)	(1,51)	15,50

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 Aug 2019	As at 28 Feb 2019
ASSETS		
Non-current assets	33 333	33 370
Property, plant and equipment	26 877	31 047
Right of use assets	4 636	—
Intangibles	1 383	1 886
Goodwill	437	437
Current assets	35 622	37 160
Inventories	16 711	20 091
Trade receivables and other receivables	17 378	16 531
Cash and cash equivalents	1 533	538
Total assets	68 955	70 530
LIABILITIES		
Non-current liabilities	8 268	8 025
Deferred tax liabilities	5 667	5 675
Borrowings	2 601	2 350
Current liabilities	16 478	18 204
Trade and other payables	13 033	10 524
Bank overdraft	2 122	6 780
Borrowings	1 323	900
Total liabilities	24 746	26 229
Net assets	44 209	44 301
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Ordinary shares	407	407
Share premium	6 464	6 464
Reserves	37 338	37 430
Total equity	44 209	44 301
Net asset value per share (cents)	542,91	544,04

DIVIDENDS

Dividend declared per ordinary share (cents)	Six months to 31 Aug 2019	Six months to 31 Aug 2018
— interim	—	—

SUPPLEMENTARY INFORMATION

R'000	Six months to 31 Aug 2019	Six months to 31 Aug 2018
Capital expenditure	(911)	(3 121)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Six months to 31 Aug 2019	Six months to 31 Aug 2018
Cash flows from operating activities		
Cash receipts from customers	60 947	56 985
Cash paid to suppliers and employees	(53 783)	(58 164)
Cash from/(used in) operations	7 164	(1 179)
Interest paid	(551)	(559)
Net cash from/(used in) operating activities	6 613	(1 738)
Cash flows from investing activities		
Purchases of property, plant and equipment	(39)	(3 019)
Purchases of intangible assets	(152)	(102)
Proceeds on sale of property, plant and equipment	—	3
Proceeds on sale of non-current assets held for sale	—	98
Net cash used in investing activities	(191)	(3 020)
Cash flows from financing activities		
Borrowings repaid	(813)	(344)
Proceeds from borrowings	—	2 956
Net cash (used in)/ from financing activities	(813)	2 612
Net increase/(decrease) in cash and cash equivalents	5 609	(2 146)
Cash and cash equivalents at beginning of period	(6 242)	(6 400)
Effect of exchange rate changes on cash and cash equivalents	44	174
Cash and cash equivalents at end of period	(589)	(8 372)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Six months to 31 Aug 2019	Six months to 31 Aug 2018
Ordinary shares	407	407
Share premium	6 464	6 464
Share-based payment compensation reserve	—	—
Opening balance	—	1 906
Transfer to retained earnings	—	(1 906)
Foreign currency translation reserve	91	94
Opening balance	60	2
Movement for the period	31	92
Revaluation reserve	7 491	7 379
Opening balance	7 497	7 621
Transfer to retained earnings	(6)	(242)
Retained earnings	29 756	27 938
Opening balance	29 873	24 536
Total (loss)/profit for the period	(123)	1 254
Transfer from share-based compensation reserve	—	1 906
Transfer from revaluation reserve	6	242
Total shareholders' equity	44 209	42 282

RECONCILIATION OF HEADLINE EARNINGS

R'000	Six months to 31 Aug 2019	Six months to 31 Aug 2018
(Loss)/profit attributable to shareholders	(123)	1 254
Loss on disposal of property, plant and equipment	—	12
Income tax effect on disposal	—	(3)
Headline (loss)/earnings	(123)	1 263
Weighted average number of ordinary shares in issue ('000)	8 143	8 143
Headline (loss)/earnings per ordinary share		
— basic and diluted (cents)	(1,51)	15,50

OPERATING SEGMENTS

R'000	Automotive	Industrial	Exports	Consumer goods	Head office, manufacturing and other	Total
SIX MONTHS TO 31 AUG 2019						
Segment sales	17 995	24 570	8 376	10 930	186	62 057
External foreign customers	2 263	342	8 376	—	—	10 981
External local customers	15 732	24 228	—	10 930	186	51 076
Segment cost of sales	(9 107)	(11 414)	(4 172)	(8 390)	(5 478)	(38 561)
External foreign customers	(1 006)	(152)	(4 172)	—	—	(5 330)
External local customers	(8 101)	(11 262)	—	(8 390)	(5 478)	(33 231)
Segment gross profit/(loss)	8 888	13 156	4 204	2 540	(5 292)	23 496
External foreign customers	1 257	190	4 204	—	—	5 651
External local customers	7 631	12 966	—	2 540	(5 292)	17 845
Segment other income	—	—	—	—	44	44
Segment distribution costs	(1 247)	(1 732)	(2 021)	(28)	(920)	(5 948)
Segment administrative expenses	(2 665)	(2 881)	(680)	—	(10 960)	(17 186)
Segment finance costs	—	—	—	—	(551)	(551)
Profit/(loss) before tax	4 976	8 543	1 503	2 512	(17 679)	(145)
Taxation	—	—	(94)	—	116	22
Profit/(loss) for the period	4 976	8 543	1 409	2 512	(17 563)	(123)
SIX MONTHS TO 31 AUG 2018 — RESTATED						
Segment sales	17 631	24 345	10 646	10 977	138	63 737
External foreign customers	2 668	178	10 646	—	—	13 492
External local customers	14 963	24 167	—	10 977	138	50 245
Segment cost of sales	(8 929)	(11 226)	(5 381)	(8 001)	(5 370)	(38 907)
External foreign customers	(1 248)	(85)	(5 381)	—	—	(6 714)
External local customers	(7 681)	(11 141)	—	(8 001)	(5 370)	(32 193)
Segment gross profit/(loss)	8 702	13 119	5 265	2 976	(5 232)	24 830
External foreign customers	1 420	93	5 265	—	—	6 778
External local customers	7 282	13 026	—	2 976	(5 232)	18 052
Segment other income	—	—	6	—	70	76
Segment distribution costs	(739)	(1 072)	(2 283)	(117)	(1 495)	(5 706)
Segment administrative expenses	(2 480)	(3 023)	(580)	—	(10 441)	(16 524)
Segment finance costs	—	—	—	—	(559)	(559)
Profit/(loss) before tax	5 483	9 024	2 408	2 859	(17 657)	2 117
Taxation	—	—	(89)	—	(774)	(863)
Profit/(Loss) for the period	5 483	9 024	2 319	2 859	(18 431)	1 254

BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 31 August 2019 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 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 Financial Reporting 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.

A new or amended standard became effective for the current reporting period being IFRS 16: Leases. The Group has adopted the new standard, which is relevant to the Group, for the first time for the six-month period commencing on 1 March 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 March 2019. Accordingly, the comparative information for the previous financial year has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations. There has been no adjustment made to retained earnings to take into account the new policy being adopted.

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 28 February 2019 other than the introduction of the new standard mentioned above. The condensed consolidated interim financial statements have not been reviewed or audited by the group's auditors.

COMMENTARY

POINTS OF INTEREST

- Revenue down 2,6% to R62 057 000
- Profit after tax down 109,8% to a loss of R123 000
- NAV down 0,2% to 542,91 cents per share

STATEMENT BY THE ACTING CEO: TRACY SPANJAARD

Spanjaard has seen a 2,6 percent drop in revenue to R62 057 million. Profit after tax for the period is down 109,81 percent to a loss of R123 thousand, while Headline Earnings Per Share (HEPS) dropped by 109,7 percent to a loss of 1,51 cents per share. The Company's Net Asset Value (NAV) decreased by 0,2 percent to 542,91 cents per share.

Contributing factors of this set of underperforming financial results include expenses incurred over this interim trading period particularly with respect to administrative expenses and distribution issues and costs. The increase in our distribution costs are attributable to further teething problems experienced as a result of our warehousing and distribution operation having been outsourced.

Further to the disappointing results as compared to the same period last year, export sales are significantly down as a result of a drop in sales in the Asia Pacific region while our other export markets (particularly in Europe and Africa) are performing well. Our key focus is to appoint new distributors in the Asia Pacific region and to address the underperformance of former and existing distributors. We anticipate growth in this area as new distributor appointments have already taken place and we are working closely with them to establish them and grow the business together.

The interim results for our automotive, industrial and consumer goods segments sales are relatively flat as compared to the same period last year while the distribution and administrative costs have impacted the profit for the period.

Our cash flow position has improved substantially due largely to reduced inventory levels as spend on raw materials was controlled. We anticipate an increase in spend on raw materials in the second half of the financial year as management continues to review and optimise our inventory levels depending on the requirements of the market.

The Company is looking forward in its goal to deliver new growth through Spanjaard. Areas within which we will explore opportunities for such growth is with respect to our food business and exports. There has also been a focus on new product development and Spanjaard recently introduced its NSF certified range of Food Grade products in response to the market's demand for chemicals and lubricants that are used in food and beverage processing facilities, as well as pharmaceutical production facilities and other cleanroom environments.

Spanjaard welcomes the appointment of three new Board members, namely Sifiso Zikalala, Masly Notrica and John Siddall, who now serve on the Spanjaard Board as Independent Non-executive Directors and members of the Audit Committee. Furthermore Mr Siddall was appointed as Independent Non-executive Chairman. The changes to the Board were aimed at ensuring that the independence of the Board is strengthened and improved on. With a diverse set of skills and significant experience in business and industry, I have confidence that the Board forms a solid leadership foundation on which the Company can continue to grow.

I (Tracy Spanjaard) was appointed by the Board as Acting CEO of the Company (effective as of 6 September 2019) until the precautionary suspension of Mr Welgemoed has been resolved. Formalisation surrounding the positions of CEO and Financial Director will be communicated by the Board in due course.

We remain focused while exercising vigilance in our approach to the business and look to opportunities for future growth. The leadership at Spanjaard is committed to serving customers, shareholders and the industry with excellence, and to ensuring that we continue the strong work inspired by our Founder. As a Board we will remain deeply committed to actively responding to the voice of our shareholders.

INTERIM DIVIDEND

The Board has resolved that no interim dividend will be declared for the six months ended 31 August 2019 (31 August 2018: RNil).

By order of the Board

MJ Siddall
Independent Non-executive Chairman

TN Spanjaard
Acting CEO

S Zikalala
Audit Committee Chairman

28 November 2019

COMPANY INFORMATION

REGISTRATION NUMBER

1960/004393/06

DIRECTORS

MJ Siddall* (Independent Non-executive Chairman), TN Spanjaard (Acting Chief Executive Officer), GF Cort, CKT Palmer, M Notrica*, S Zikalala*

*Independent Non-executive

REGISTERED OFFICE

748 – 750 5th Street, Wynberg, Sandton, 2090

COMPANY SECRETARY

Levitt Kirson Business Services Proprietary Limited, 4th Floor, Aloe Grove, Houghton Estate Office Park, 2 Osborn Road, Houghton, 2198

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

SPONSORS

Arbor Capital Sponsors Proprietary Limited, 20 Stirrup Lane, Woodmead Office Park, Corner Woodmead Drive and Van Reenens Avenue, Woodmead 2191

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