TRELLIDOR HOLDINGS LIMITED

ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2020

TRELLIDOR THE ULTIMATE CRIME BARRIER

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nmc DESIGN ELEMENTS

THE TRELLIDOR GROUP

Trellidor Holdings Limited

(Registration number 1970/015401/06)
Annual Financial Statements for the year ended 30 June 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company whose subsidiaries are engaged in manufacturing activities.
Directors	TM Dennison MC Olivier JB Winship RB Patmore DJR Judge
Registered office	20 Aberdare Drive Phoenix Industrial Park Durban 4001
Business address	20 Aberdare Drive Phoenix Industrial Park Durban 4001
Postal address	PO Box 20173 Durban North 4016
Bankers	First National Bank, a division of FirstRand Bank Limited ('FNB').
Auditor	Mazars Registered Auditor
Secretary	P Nel
Company registration number	1970/015401/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were independently compiled by Nexia Levitt Kirson under the supervision of: JA Hotz CA(SA)

Trellidor Holdings Limited
(Registration number 1970/015401/06)
Annual Financial Statements for the year ended 30 June 2020

Contents

The reports and statements set out below comprise the consolidated and separate annual financial statements ('annual financial statements') presented to the shareholders:

Trellidor Holdings Limited

(Registration number 1970/015401/06)
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Audit, Risk and Compliance Committee Report

The information below constitutes the report of the Audit, Risk and Compliance Committee ('committee') in respect of the year under review, as required by the Companies Act of South Africa, for the Trellidor Holdings Limited group.

The committee is an independent statutory committee and, in addition to having specific statutory responsibilities to the shareholders in terms of the Companies Act, also assists the board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, the external and internal audit functions, information and technology governance, as well as the statutory and regulatory compliance of the company.

Terms of reference/charter

The committee has adopted a formal charter which has been approved by the board and has been incorporated in the Board charter.

The charter sets out the committee’s responsibilities and it is reviewed annually to confirm compliance with King IV™ and the Companies Act and to ensure the incorporation of further best practice developments.

**King IV™ (Copyright and trade marks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved).*

1. Membership

The committee comprises three independent non-executive directors who have served on the committee throughout the period. The CEO, CFO and representatives from the external and internal auditors attend the committee meetings by invitation only. The external and internal auditors have unrestricted access to the committee.
At the date of this report, the committee comprised the following directors:

Name	Period served
RB Patmore (Chairman)	28 October 2015 - current
JB Winship	28 October 2015 - current
MC Olivier	28 October 2015 - current

The nomination committee and the board are satisfied that these members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulations, 2011. They have also considered and are comfortable with the committee composition. The re-appointment of committee members will be a matter for consideration by shareholders at the forthcoming Annual General Meeting. The company secretary is the secretary of this committee.

Ralph Patmore, representing the committee, attends the Annual General Meeting to answer any questions relating to matters within the committee’s ambit.

2. Meetings

The committee performs the duties required of it by Section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

Four scheduled meetings of the committee were held during the financial year, this being in accordance with its charter, King IV and the Companies Act.

The committee meets with external audit and the Chairman with internal audit and external audit without the presence of management at least once per annum.

The effectiveness of the committee is assessed every second year by the board. The assessment was completed this year and the committee was found to be effective and to have duly completed and discharged all its responsibilities in accordance with its written terms of reference.

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Audit, Risk and Compliance Committee Report

3. Responsibilities

In the execution of its statutory duties relating to the financial year under review, the committee:
- Reviewed the principles, policies and practices adopted in the preparation of the financial statements of the group to ensure that the financial statements of the group and any other formal announcements relating to the financial performance complied with all statutory and regulatory requirements as was required;
- Ensured that both the consolidated interim and consolidated final financial statements of the group, in respect of the first six-month period and the full financial period respectively, complied with all statutory and regulatory requirements;
- Nominated and recommended the appointment of the external auditors Mazars to the shareholders at the Annual General Meeting;
- Determined the auditor's terms of engagement, confirmed their independence, and approved their fees;
- Reviewed the group's compliance with applicable legislation and requirements of regulatory authorities;
- Reviewed the reports of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating compliance and risk management controls;
- Determined the nature and extent of any non-audit services performed by the external auditors and ensured that these were kept to a minimum;
- Pre-approved any proposed agreement with the auditors for the provision of non-audit services to the company or group;
- Received and dealt appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, in relation to the matters as set out in the Companies Act;
- Performed duties that are attributed to it by its mandate from the board, the Companies Act, the JSE Limited and regulatory requirements;
- Considered the JSE's proactive monitoring report as issued in February 2020 and the possible impact on the annual financial statements;
- Reviewed the first-time adoption of IFRS 16 and assessed the impact on the group;
- Approved materiality for the group consolidated financial statements in terms of IFRS Practice Statement 2 - Making Materiality Judgements;
- Considered proposed changes to the Companies Act, JSE Listings Requirements and King IV.

In addition to its statutory duties, the committee also performed the following duties:
- Reviewed and approved the group's Internal Audit Charter;
- Reviewed the scope and report provided by the internal auditors;
- Reviewed the effectiveness of the internal financial controls;
- Reviewed the expertise and experience of the CFO, and the finance function;
- Reviewed the group's going concern status.

The committee is satisfied that the internal controls are effective.

4. Risk management

The committee, is responsible for monitoring that management's processes and procedures are adequate to identify, assess, manage and monitor group-wide risks.

The committee has performed the following duties:
- Overseen risk management by reviewing and approving the key risks facing the group;
- Reviewed the management of risk and monitored compliance effectiveness within the group
- Assisted the board in its review of the group's risk management and compliance policies
- Monitored compliance with the JSE Listings Requirements.

The committee is satisfied that the appropriate risk management processes and policies are in place.

5. External auditor

In the execution of its statutory duties relating to the financial year under review, the committee has:
- Nominated and recommended Mazars for re-election as the independent external auditor of the company under section 94(8) of the Companies Act and Tertius Erasmus as the designated audit partner, who is a registered independent auditor, for the 2020 audit. The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession;
- Taken into consideration such factors as the timing of the audit, the extent of the work required and the scope and in consultation with executive management agreed the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2020. The committee considered the fee to be fair and appropriate;
- Considered and approved the external audit fee;

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Audit, Risk and Compliance Committee Report

- Satisfied itself that the external auditor is suitable for reappointment by considering, inter alia the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- Ensured that the appointment of the auditors complied with the provision of the Companies Act, and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of any non-audit services that the auditors may provide to the company or group and pre-approved any proposed agreement with the auditors for the provision of non-audit services to the company or group; so as to ensure the independence of the external auditor is maintained. Information relating to non-audit services provided by the appointed external auditor of the company has been disclosed in the notes to the annual financial statements. Separate disclosures have been made of the amounts paid to the appointed external auditors for non-audit services as opposed to audit services;
- Prepared a report, which has been included in the annual financial statements of the company for the financial year under review; received and dealt appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, in relation to the matters as set out in the Companies Act; and
- Made submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.

Based on processes followed by the committee and assurances received from the external auditor, nothing has come to our attention with regard to the independence of the external auditors.

Significant matters identified as areas of focus by the external auditors in planning for the external audit included the valuation of goodwill. The committee is satisfied that all significant matters have been appropriately considered and disclosed in the financial statements.

The committee has requested that they be provided with any decision letters/explanations issued by IRBA or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by the audit firm. There were no matters pertaining to the group that were raised by IRBA or any other regulator.

The external auditors presented the committee with their audit findings, with no significant matters having been identified. The committee follows a comprehensive process to discuss and assess all audit findings.

6. Internal audit

Due to the size of the group, the board does not consider it to be cost-effective to maintain a full-time internal audit function and therefore outsources the internal audit function to PKF Durban and PKF Cape Town. The group's situation and needs in terms of an internal audit function are reassessed on an annual basis.

7. Annual Financial Statements

The committee has reviewed the consolidated and separate financial statements of the group for the financial year ended 30 June 2020, and is satisfied that they comply, in all material aspects, with the requirements of the Companies Act, International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretation Committee ('IFRIC') interpretations, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listing Requirements of the JSE Limited.

These financial statements, have been reviewed and recommended by the committee to the board for approval. The board subsequently approved the annual financial statements and they will be open for discussion at the forthcoming Annual General Meeting.

8. Chief Financial Officer and finance function

The external auditor has expressed an unqualified opinion on the financial statements for the year ended 30 June 2020.

The committee on an annual basis obtains feedback from the external auditors and considers and satisfies itself as to the appropriateness of the expertise and experience of the CFO and must confirm this by reporting to shareholders in its annual report that the committee has executed this responsibility.

In this regard, the committee is satisfied that after assessing the competence and performance of the CFO, they believe he possesses the appropriate expertise and experience to meet his responsibilities in that position. The committee is also satisfied with the expertise of the financial staff and the adequacy of resources within the finance function. The committee in making these assessments has satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements.

Based on the processes and assurances obtained the committee is of the view that the accounting practices are effective and that appropriate financial reporting procedures exist and are working.

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Audit, Risk and Compliance Committee Report

9. Regulatory compliance

The committee has complied with all the applicable regulatory and legal responsibilities.

10. Going concern

The committee through its review of the 2021 budget, cash flows, and discussions with executive management reported to the board that it supports management's view that the group will continue to operate as a going concern for the foreseeable future. Consideration has also been given to the impact of Covid-19 and the impact on the going concern status of the business, and the committee is comfortable that although there has been a negative impact it has not impacted the going concern status of the business.

11. Integrated Annual Report

The committee has reviewed and commented on the annual financial statements and the disclosure of sustainability issues included in this integrated annual report to ensure that they are reliable and do not conflict with the financial information disclosed in this integrated annual report. It has recommended the approval of the integrated annual report, to the board, which report the board has formally approved.

RB Patmore
Audit, Risk and Compliance Committee Chairman
Durban
21 September 2020

Trellidor Holdings Limited

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Annual Financial Statements for the year ended 30 June 2020

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied except for the adoption of the new standard as per note 2 and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and company’s cash flow forecast for the year to 30 June 2021, which has adequately considered the possible impact of the Covid-19 pandemic, and in light of this review and the current financial position, they are satisfied that the group and company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group and company's annual financial statements. The annual financial statements have been examined by the group and company's external auditors and their report is presented on pages 9 to 14.

The annual financial statements set out on pages 16 to 78, which have been prepared on the going concern basis, were approved by the board of directors on 21 September 2020 and were signed on their behalf by:

TM Dennison

DJR Judge

Trellidor Holdings Limited

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Group Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that the group and company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Paula Nel

P Nel
Company Secretary
21 September 2020

MAZARS

Independent Auditor's Report

To the Shareholders of Trellidor Holdings Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Trellidor Holdings Limited (the group and company) set out on pages 20 to 78, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Trellidor Holdings Limited as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS (SA) • IRBA REGISTRATION NUMBER 900222

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PARTNERS: MV NINAN (NATIONAL CO-CEO), MC OLCKERS (NATIONAL CO-CEO), T ERASMUS (MANAGING PARTNER), DB BATES, MI CASSAN, S PILLAY
A FULL LIST OF NATIONAL PARTNERS IS AVAILABLE ON REQUEST OR AT www.mazars.co.za

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of goodwill and intangible assets (notes 8 & 9).

Goodwill and Intangible assets comprise 24% of total assets at year end in the statement of financial position.

As required by the applicable standards, management conduct an annual impairment test to assess the recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life. Impairment tests on intangible assets with a definite useful life are assessed where indicators of impairment are identified.

Management's assessment process is complex, highly judgemental and is based on assumptions which are affected by future market expectations and economic conditions.

The impairment tests include:

Goodwill - a discounted cash flow model to determine the value in use for each appropriate cash generating unit;
Taylor Blinds and Shutters Brand Name - the Relief from Royalty Method; and
The Customer Database - a discounted cash flow model to determine the value in use for each appropriate cash generating unit.

These impairment tests incorporate several significant assumptions including:

business performance forecasts including estimated growth rates; and
discount rates applied to the projected cash flows.

The growth rates have differing degrees of predictability. The current economic climate and impact of COVID-19 also increases the complexity of the forecasting.

The impairment tests performed on goodwill and the intangible assets is considered to be a key audit matter due the extent of judgement and estimation involved.

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Our procedures included the following:

We assessed, with the assistance of an auditor's expert, the appropriateness of the models used in terms of the financial reporting framework, determining the value in use of the cash generating units and the discount and growth rates used.

A sensitivity analysis was performed around the key assumptions used in the valuation models.

We assessed , with the assistance of an auditor's expert, the future projections used in the models for reasonability by:

comparing forecasted information to approved budgets and other relevant market and economic information;
assessing the reliability of the budgeting process by comparing the actual results for 2020 to adjusted budgets taking into account the impact of COVID-19;
assessing the assumptions and estimates used by management in the valuations against supporting documentation; and
testing the underlying calculations.

We assessed whether reliance could be placed on the work performed by the auditor's expert by assessing the qualifications, experience and objectivity of the expert.

</td></tr>
<tr><td colspan="2">Having performed our audit procedures and evaluated the outcomes we found that the possibility of any material adjustment due to impairment of goodwill and intangible assets is low.</td></tr>
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Key Audit Matter	How our audit addressed the key audit matter
COVID-19 Outbreak and the impact on Trellidor Holdings Limited financial statements (note 39) Following the outbreak of the COVID-19 pandemic, there has been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies. This has had an impact on the level of business activity around the world, and possibly the ability of companies to operate as a going concern. The directors' are required to consider the impact of this on the financial statements and disclose this in the Director's Report and going concern assessment as disclosed in the note 39 to the financial statements. Before the nation-wide lockdown which has been effective since 27 March 2020, management set up a COVID-19 focused steering committee with members representing key areas of the business, one of these key areas being to review the financial position of the Group and establish steps to ensure sustainability throughout the lockdown period and beyond. The judgement and level of estimation involved in performing the cash flow forecasts, budgets and other elements of the going concern assessment, particularly in light of COVID-19, result in this being considered to be a key audit matter.	Management's going concern assessment was obtained in order to obtain an understanding of their assessment and the impact of COVID-19. Key features of our audit approach to obtain assurance over the assessment included: • assessing the reasonability of the cash flow forecasts used in the assessment based on our knowledge of the business obtained through our other audit work; • assessing the reasonability of management's assessment of the negative impact of the future financial effects of the COVID-19 pandemic on each of the significant items on its financial position , performance and risk management; recalculation of key ratio's and covenants; • reviewing the forecasts and making enquiries to understand the period of assessment and the completeness of adjustments considered and the implication of those when assessing the "most likely" scenario on the Group's future performance; • evaluating the cash balances available at year end; and reviewing the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks and uncertainties, post balance sheet events and going concern.
Based on our procedures we are satisfied with management's conclusion regarding the appropriateness of the going concern basis of preparation and the adequacy of the group's disclosure in respect of management's assessment of going concern.	

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled Trellidor Holdings Limited Annual Financial Statements for the year ended 30 June 2020, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Shareholder Analysis which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Trellidor Holdings Limited for 14 years.

Mazars

Mazars
Partner: T Erasmus
Registered Auditor
21 September 2020
Durban

Nexia
Levitt Kirson
CHARTERED ACCOUNTANTS (SA)
REGISTERED AUDITORS

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Practitioner's Compilation Report

To the shareholders of Trellidor Holdings Limited

We have compiled the annual financial statements of Trellidor Holdings Limited, as set out on page 20 to 78, based on the information you have provided. These annual financial statements comprise the statement of financial position of Trellidor Holdings Limited as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these annual financial statements International Financial Reporting Standards. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These annual financial statements and the accuracy and completeness of the information used to compile them are the directors' responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information the director's provided to us to compile these annual financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these annual financial statements are prepared International Financial Reporting Standards.

Nexia Levitt Kirson

Nexia Levitt Kirson
Partner: JA Hotz CA(SA)
Registered Auditor
21 September 2020
Durban

PARTNERS: D. V. Hotz (B.Comm); J. A. Hotz (B.Bus.Sci); S.K. Cheesman (B.Compt)
ASSISTED BY: S. J. Gibbs (B.Compt); J Pretorius (B.Comm)
NATIONAL ASSOCIATE OFFICE: Nexia Cape Town
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Practice No. 934887E . FSP No. 16170

A member of Nexia International

Trellidor Holdings Limited

(Registration number 1970/015401/06)
Annual Financial Statements for the year ended 30 June 2020

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Trellidor Holdings Limited and the group for the year ended 30 June 2020.

1. Nature of business

Trellidor Holdings Limited is an investment entity incorporated in South Africa.The company's subsidiaries are engaged in the manufacture and sale of custom-made barrier security products, blinds, decorative and security shutters and cornicing/skirting products.

The group operates principally in South Africa and Ghana.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), the International Financial Reporting Interpretation Committee ('IFRIC') interpretations, the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited. and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year, except for the adoption of IFRS 16 as set out in note 2.

Full details of the financial position, results of operations and cash flows of the group and company are set out in these annual financial statements. During the year under review both manufacturing plants were closed for one month as a result of the National Lockdown imposed by the South African Government in response to the Covid-19 pandemic. This, inconjunction with the subdued demand as the economy come out of lockdown, has had a significant impact on the group's performance during the fourth quarter of the 2020 financial period.

3. Stated capital

Refer to note 17 of the annual financial statements for detail of the movement in authorised and issued share capital.

4. Shareholder analysis

Refer to page 79 of this report for the shareholder analysis.

5. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year taking into account debt covenant requirements. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

Dividends already declared and paid of 11.10 cents (2019: 25.60 cents) to the shareholders during the year, after the appropriate approval was granted by the board, are R11 687 956 (2019: R27 157 650).

On 24 March 2020 shareholders were advised that the payment of the interim dividend declared on 09 March 2020 would be postponed as result of the exceptional circumstances announced by President Ramaphosa in response to the Covid-19 pandemic. Trellidor continues to maintain its ability to meet its solvency and liquidity obligations, and as a result the Board has resolved to pay the interim dividend from income reserves, in respect of the six months ended 31 December 2019.

Final dividend of nil cents (2019: 11.10 cents) per ordinary share was approved by the board of directors on 21 September 2020 in respect of the year ended 30 June 2020, which brings the total interim and final dividend declared for the year to 8.00 cents (2019: 20.20 cents) per ordinary share.

The local dividends tax rate is 20%.

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Directors' Report

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation
TM Dennison	Chief Executive Officer	Executive
DJR Judge	Chief Financial Officer	Executive
MC Olivier	Chairman	Non-executive Independent
JB Winship	Director	Non-executive Independent
RB Patmore	Director	Non-executive Independent

There have been no changes to the directorate for the year under review.

7. Directors' interests in shares

As at 30 June 2020, the directors of the company held direct and indirect beneficial interests in its issued ordinary shares, as set out below:

Interest in shares

	2020		2019	
	Direct	Indirect	Direct	Indirect
Directors				
TM Dennison	8 819 342	-	8 719 342	-
MC Olivier	-	1 884 333	-	2 887 572
JB Winship	1 642 039	-	1 642 039	-
DJR Judge	-	5 300	-	5 300
	10 461 381	**1 889 633**	**10 361 381**	**2 892 872**

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

8. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the group had an interest and which significantly affected the business of the group.

9. Directors' emoluments and service contracts

The executive directors have service contracts with the company which include a three-month notice period. The non-executive directors enter a formal letter of appointment on acceptance of their board position. All the directors’ emoluments are disclosed in note 42 of the annual financial statements.

10. Interests in subsidiaries

Details of the group's interest in subsidiaries are presented in note 11.

11. Borrowing powers

In terms of the Memorandum of Incorporation, the borrowing powers of the group are unlimited. However, all borrowings by the group are subject to board approval.

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Directors' Report

12. Events after the reporting period

The board has reconsidered the solvency and liquidity test of the group in terms of Section 46(3)(a) of the Companies Act and has resolved to distribute the interim dividends declared on 09 March 2020.

An expression of interest (EOI) has been entered into by the group for the purchaser of the Trellidor UK Franchise. Given the impact of the Covid-19 pandemic, there has been a delay proceeding with the terms of the EOI however the due diligence process did commence subsequent to year end.

No other matters or circumstances have arisen since the reporting date that may significantly affect the operations of the group and company, the results of these operations, or the state of affairs in future financial years.

13. Litigation statement

The group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business.

A claim has been instituted by former employees of the group who were dismissed. Refer to note 37 for further details.

14. Insurance

The group has appropriate insurance cover against crime risks as well as professional indemnity.

15. Promotion of Access to Information Act

There were no requests for information lodged with the company in terms of the Promotion of Access to Information Act, No 2 of 2000.

16. Auditors

Mazars continued in office as auditors for the company and its subsidiaries for 2020 in terms of section 90 of the Companies Act.

At the AGM, the shareholders will be requested to reappoint Mazars as the independent external auditors of the group and company and to confirm Mr T Erasmus as the designated lead audit partner for the 2021 financial year.

17. Governance

The board remains aligned with the King IV recommendations and continues to explore the six capitals (financial, manufactured, human, intellectual, natural, and social and relationship) and link them appropriately into the strategy.

18. Secretary

The company secretary is P Nel.

• Postal address:	71 Cotswold Drive Westville 3629
• Business address:	71 Cotswold Drive Westville 3629

19. Date of authorisation for issue of financial statements

The consolidated annual financial statements have been authorised for issue by the directors on 21 September 2020. No authority was given to anyone to amend the annual financial statements after the date of issue.

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Directors' Report

20. Going concern

The directors are of the opinion that the group and company have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group's financial statements.

The directors have satisfied themselves that the group and company are in a sound financial position, has adequately considered the possible impacts of Covid-19 on future performance and that they have access to sufficient borrowing facilities to meet its foreseeable cash requirements.

The directors have also performed the liquidity and solvency tests required by the Companies Act and are satisfied that the group is sufficiently liquid and solvent.

21. Special resolutions

No additional special resolutions were passed during the 2020 financial year other than those passed at the company's Annual General Meeting.

22. Comparative figures

Certain figures have been reclassified during the current year. Refer to note 4 for further details.

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Statement of Financial Position as at 30 June 2020

		Group		Company	
	Notes	2020 R	2019 R	2020 R	2019 R
Assets					
Non-Current Assets					
Property, plant and equipment	6	56 829 473	64 856 302	28 352	38 665
Right-of-use assets	7	19 617 690	-	-	-
Goodwill	8	39 244 279	74 796 923	-	-
Intangible assets	9	43 421 739	38 693 616	1 030 087	707 215
Investments in subsidiaries	11	-	-	51 045 798	51 045 798
Loans to group companies	12	-	-	60 390 286	47 000 485
Loans receivable		3 280 707	780 054	-	-
Deferred tax	13	3 100 939	1 647 589	598 640	923 277
		165 494 827	**180 774 484**	**113 093 163**	**99 715 440**
Current Assets					
Loans to group companies	12	-	-	14 112 802	18 069 225
Loans receivable		3 538 312	1 572 979	-	-
Inventories	14	93 079 184	107 110 962	-	-
Trade and other receivables	15	52 971 904	58 389 132	6 267 090	2 067 452
Current tax receivable		3 637 892	2 421 021	-	-
Cash and cash equivalents	16	23 410 616	12 560 921	6 863 982	2 084 118
		176 637 908	**182 055 015**	**27 243 874**	**22 220 795**
Total Assets		**342 132 735**	**362 829 499**	**140 337 037**	**121 936 235**
Equity and Liabilities					
Equity					
Stated capital	17	12 142 997	34 056 299	12 142 997	34 056 299
Reserves		6 776 394	6 027 195	7 676 715	6 603 754
Retained income		139 844 926	180 819 435	58 325 887	46 544 464
		158 764 317	220 902 929	78 145 599	87 204 517
Non-controlling interest		2 432 083	5 758 240	-	-
		161 196 400	**226 661 169**	**78 145 599**	**87 204 517**
Liabilities					
Non-Current Liabilities					
Lease liabilities	7	9 246 787	-	-	-
Other financial liabilities	21	81 529 097	29 527 874	42 832 896	18 298 878
Deferred tax	13	260 228	1 026 860	-	-
		91 036 112	**30 554 734**	**42 832 896**	**18 298 878**
Current Liabilities					
Lease liabilities	7	12 081 366	-	-	-
Bank overdraft	16	7 339 964	4 140 237	-	-
Other financial liabilities	21	17 452 874	49 054 064	9 960 715	15 290 223
Trade and other payables	22	42 631 514	52 108 775	1 176 263	1 064 291
Current tax payable		1 833 774	174 300	205 276	78 326
Provisions		544 443	136 220	-	-
Dividend accrual	33	8 016 288	-	8 016 288	-
		89 900 223	**105 613 596**	**19 358 542**	**16 432 840**
Total Liabilities		**180 936 335**	**136 168 330**	**62 191 438**	**34 731 718**
Total Equity and Liabilities		**342 132 735**	**362 829 499**	**140 337 037**	**121 936 235**

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Statement of Profit or Loss and Other Comprehensive Income

	Notes	2020 R	2019 R
Group			
Revenue	23	421 547 698	514 947 352
Cost of sales	24	(246 032 656)	(283 093 798)
Gross profit		**175 515 042**	**231 853 554**
Other operating income		10 005 244	8 521 866
Other operating expenses		(193 990 487)	(171 134 924)
Operating (loss) profit	25	**(8 470 201)**	**69 240 496**
Investment income	27	1 414 504	956 669
Finance costs	28	(10 453 874)	(8 753 998)
(Loss) profit before taxation		**(17 509 571)**	**61 443 167**
Taxation	29	(7 029 718)	(18 401 375)
(Loss) profit for the year		**(24 539 289)**	**43 041 792**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(380 896)	(264 078)
Other comprehensive income for the year net of taxation		**(380 896)**	**(264 078)**
Total comprehensive (loss) income for the year		**(24 920 185)**	**42 777 714**
(Loss) profit attributable to:			
Owners of the parent		(21 270 266)	42 870 052
Non-controlling interest		(3 269 023)	171 740
		(24 539 289)	**43 041 792**
Total comprehensive (loss) income attributable to:			
Owners of the parent		(21 594 028)	42 645 542
Non-controlling interest		(3 326 157)	132 172
		(24 920 185)	**42 777 714**
Basic earnings per share for profit attributable to the owners of the parent during the period			
Earnings and diluted earnings per share (cents)	35	(20.80)	40.00
Headline earnings per share (cents)	35	13.80	40.10

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Statement of Profit or loss and Other Comprehensive Income

	Notes	2020 R	2019* R
Company			
Revenue			
Management fees		11 749 740	10 354 000
Interest received		4 401 541	4 469 261
Dividends received		31 475 708	39 750 000
	23	**47 626 989**	**54 573 261**
Other operating expenses			
Administration and management fees		(29 882)	(21 840)
Auditors remuneration	25	(555 530)	(721 949)
Consulting and professional fees		(1 339 286)	(861 792)
Depreciation		(10 313)	(2 587)
Employee costs		(7 466 858)	(5 832 708)
Other operating expenses		(2 974 915)	(2 042 586)
Share based payments		(309 002)	(492 145)
Movement on ECL allowance		861 036	1 173 829
		(11 824 750)	**(8 801 778)**
Operating (loss) profit	25	**35 802 239**	**45 771 483**
Investment income	27	378 584	137 631
Finance costs	28	(3 691 535)	(3 970 257)
(Loss) profit before taxation		**32 489 288**	**41 938 857**
Taxation	29	(1 003 621)	(1 531 154)
(Loss) profit for the year		**31 485 667**	**40 407 703**

The 2019 figures have been restated as per note 4.

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Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Share-based payment reserve	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
	R	R	R	R	R	R	R	R
Group								
Balance at 01 July 2018	**43 188 374**	**547 951**	**3 704 993**	**4 252 944**	**165 107 033**	**212 548 351**	**5 626 068**	**218 174 419**
Profit for the year	-	-	-	-	42 870 052	42 870 052	171 740	43 041 792
Other comprehensive income	-	(224 510)	-	(224 510)	-	(224 510)	(39 568)	(264 078)
Total comprehensive income for the year	**-**	**(224 510)**	**-**	**(224 510)**	**42 870 052**	**42 645 542**	**132 172**	**42 777 714**
Buy-back of shares	(9 132 075)	-	-	-	-	(9 132 075)	-	(9 132 075)
Employees share option	-	-	1 998 761	1 998 761	-	1 998 761	-	1 998 761
Dividends	-	-	-	-	(27 157 650)	(27 157 650)	-	(27 157 650)
Balance at 01 July 2019	**34 056 299**	**323 441**	**5 703 754**	**6 027 195**	**180 819 436**	**220 902 930**	**5 758 240**	**226 661 170**
Loss for the year	-	-	-	-	(21 270 266)	(21 270 266)	(3 269 023)	(24 539 289)
Other comprehensive income	-	(323 762)	-	(323 762)	-	(323 762)	(57 134)	(380 896)
Total comprehensive Loss for the year	**-**	**(323 762)**	**-**	**(323 762)**	**(21 270 266)**	**(21 594 028)**	**(3 326 157)**	**(24 920 185)**
Buy-back of shares	(21 913 302)	-	-	-	-	(21 913 302)	-	(21 913 302)
Employees share option	-	-	1 072 961	1 072 961	-	1 072 961	-	1 072 961
Dividends	-	-	-	-	(19 704 244)	(19 704 244)	-	(19 704 244)
Balance at 30 June 2020	**12 142 997**	**(321)**	**6 776 715**	**6 776 394**	**139 844 926**	**158 764 317**	**2 432 083**	**161 196 400**
Notes	17	18	20					

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Statement of Changes in Equity

	Share capital R	Share-based payment reserve R	Other reserves R	Retained income R	Total equity R
Company					
Balance at 01 July 2018	**43 188 374**	**3 704 993**	**900 000**	**33 294 411**	**81 087 778**
Profit for the year	-	-	-	40 407 703	40 407 703
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**40 407 703**	**40 407 703**
Buy-back of shares	(9 132 075)	-	-	-	(9 132 075)
Employees share option	-	1 998 761	-	-	1 998 761
Dividends	-	-	-	(27 157 650)	(27 157 650)
Balance at 01 July 2019	**34 056 299**	**5 703 754**	**900 000**	**46 544 464**	**87 204 517**
Profit for the year	-	-	-	31 485 667	31 485 667
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**31 485 667**	**31 485 667**
Buy-back of shares	(21 913 302)	-	-	-	(21 913 302)
Employees share option	-	1 072 961	-	-	1 072 961
Dividends	-	-	-	(19 704 244)	(19 704 244)
Balance at 30 June 2020	**12 142 997**	**6 776 715**	**900 000**	**58 325 887**	**78 145 599**
Notes	17	20	19		

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Statement of Cash Flows

		Group		Company	
	Notes	2020 R	2019 R	2020 R	2019 R
Cash flows from operating activities					
Cash generated from operations	30	54 972 401	70 524 527	27 535 269	42 054 363
Interest income		1 414 504	956 669	4 780 125	4 683 686
Finance costs		(10 612 529)	(9 057 344)	(3 667 294)	(4 071 124)
Tax paid	31	(8 807 094)	(19 127 677)	(552 033)	(1 316 366)
Net cash from operating activities		**36 967 282**	**43 296 175**	**28 096 067**	**41 350 559**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(5 764 681)	(6 023 882)	-	(41 252)
Sale of property, plant and equipment	6	687 051	13 469	-	-
Purchase of goodwill	8	-	(395 653)	-	-
Purchase of other intangible assets	9	(2 760 948)	(223 184)	(322 872)	(177 641)
Business combinations	10	(8 285 359)	-	-	-
Loans to group companies repaid		-	-	24 681 113	10 078 002
Loans advanced to group companies		-	-	(33 253 455)	-
Advances of loans receivable at amortised cost		-	(750 000)	-	-
Receipts from loans receivable at amortised cost		342 194	654 595	-	-
Net cash from investing activities		**(15 781 743)**	**(6 724 655)**	**(8 895 214)**	**9 859 109**
Cash flows from financing activities					
Buy-back of shares	17	(21 913 302)	(9 132 075)	(21 913 302)	(9 132 075)
Proceeds from other financial liabilities	34	40 617 125	2 728 244	28 640 167	-
Repayment of other financial liabilities	34	(13 755 822)	(21 222 889)	(9 459 898)	(13 795 851)
Repayment of loans from minority	34	(2 016 204)	(585 766)	-	-
Proceeds from loans from minority	34	1 821 500	-	-	-
Repayment of lease liabilities	34	(8 101 134)	-	-	-
Advance of lease liabilities	34	1 482 813	-	-	-
Dividends paid	32	(11 687 956)	(27 157 650)	(11 687 956)	(27 157 650)
Net cash from financing activities		**(13 552 980)**	**(55 370 136)**	**(14 420 989)**	**(50 085 576)**
Total cash movement for the year		**7 632 559**	**(18 798 616)**	**4 779 864**	**1 124 092**
Cash at the beginning of the year		8 420 684	27 127 698	2 084 118	960 026
Effect of exchange rate movement on cash balances		17 409	91 602	-	-
Total cash at end of the year	16	**16 070 652**	**8 420 684**	**6 863 982**	**2 084 118**

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Accounting Policies

1. Significant accounting policies

1.1 Basis of preparation

The group annual financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations, the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited.

The group annual financial statements have been prepared on the historical cost basis, except as indicated, and incorporate the following principal accounting policies, which have been consistently applied in all material respects, except for the changes set out in note 2 of these annual financial statements.

The annual financial statements have been prepared on the going concern basis, which assumes that the group will continue in operation for the foreseeable future. The following standards and interpretations were adopted:

- Those not having an effect on the financial statements are as follows:
  - IAS 12 - Income Tax (effective 01 January 2019)
  - IAS 19 - Employee Benefits (effective 01 January 2019)
  - IFRIC 23 - Uncertainty over Income Tax Treatments (effective 01 January 2019)

- Those having an effect on the financial statements are as follows:
  - IFRS 16 - Leases (effective 01 January 2019)

All amounts in the annual financial statements, reports and supporting schedules are stated in South African Rands and is the presentation currency of the group.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

The basis of segmental reporting has been set out in note 5.

1.3 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in the net assets of subsidiaries are identified and recognised separately from the group's interest therein, within equity.

Company annual financial statements

In the company's annual financial statements, investments in subsidiaries are carried at cost.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

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Accounting Policies

1.3 Consolidation (continued)

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

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Accounting Policies

1.4 Significant judgements and estimates

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant judgements include:

Materiality statement

The need for materiality judgemets is pervasive in the preparation of financial statements. Materiality judgement is required when making decisions about presentation, disclosure, recognition and measurement. IFRS requires information only to be disclosed when it is material. Therefore management is required to determine who is the primary users and their information needs.

Leases

In establishing whether or not it is reasonably certain that an extension or termination option of a property lease contract will be exercised, the group considers the nature of the activities being carried out in the specific premises. In cases where the activities are considered movable and can be carried out in various locations, the option to either extend or terminate is considered equally possible. In cases where the nature of the activities are considered immovable, the option to extend is considered probable.

In determining the incremental borrowing rate applied to lease liabilities, the group applies the current borrowing rates it is charged for similar assets or the applicable in-country borrowing rates from financial institutions in cases where the group has no current related borrowings. Refer to note 7 for further details.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are transactions and calculations for which the estimated tax payable or receivable could be different. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Management applies judgement to determine whether sufficient future taxable profit will be available after considering historical profits and board approved forecasts.

Significant estimates include:

Impairment of non-financial assets

The group assesses annually whether there is any indication that non-financial assets may be impaired. If any such indication exists, the group estimates the recoverable amount of the non-financial asset.

Determining whether non-financial assets are impaired requires an estimation of the value in use of the cash generating units to which they have been allocated. The value in use calculation requires the group to estimate expected pre-tax cashflows, market related growth for a forseeable period (3-5 years) and a discount rate suitable to the small-cap industrial market in order to determine the present value.

If there is any indication that a non-financial asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Indications of possible impairment includes, among others, a decrease in revenue and cash generation of the applicable business unit from the prior period.

Refer to notes 8 and 9 for further details.

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Accounting Policies

1.4 Significant judgements and estimates (continued)

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions, selecting the inputs, and applying either the general approach or simplified method to the impairment calculation at each reporting period.

In applying the general approach, the loss allowance for financial assets is calculated based on historic credit losses, historic repayment trends, existing market conditions, forward looking estimated forecasts and budgets and the time-value of money. For details of the key assumptions and inputs used for this approach refer to notes 1.9 and 12.

In applying the simplified method, the loss allowance for financial assets is calculated based on twelve month expected losses. The loss allowance is updated at each reporting date based on changes in the credit risk since initial recognition. If an asset is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, as the average debtors days for the group are less than 60 days, an asset that is in arrears for more than 90 days is assumed to have a significant increase in its credit risk since initial recognition.

Evidence of impairment includes, among others, the failure of a debtor to engage in a repayment plan with the group or a failure to make contractual payments for a period of greater than 120 days past due.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. For details of the key assumptions and inputs used for this approach refer to notes 1.9 and 15.

Useful lives and residual values of assets

The useful lives of assets within each asset category are determined based on group replacement policies for the various assets or the best estimate of the period the group expects to use it. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. The useful lives and where applicable residual values are assessed annually based on factors including wear and tear, technological obsolescence, usage requirements and market information.

Management consideration

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors including future growth plans, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows.

Franchise rights

In determining the value of a Trellidor franchise right intangible asset, the average historic revenue and gross profit achieved by a franchise in its defined franchise region is assessed. A valuation % is applied to the average gross profit in determining the franchise right value. The valuation % ranges from 30% to 60% depending on the performance trend and geographical location of the franchise.

1.5 Property, plant and equipment

Property, plant and equipment is initially measured at cost which includes all expenditure directly attributable to the acquisition or construction of the asset.

Measurable expenditure incurred subsequently for major services, additions to or replacements of significant parts of property, plant and equipment are capitalised if it is probable that future economic benefits will flow to the group and company. Day-to-day repair and maintenance costs are included in profit or loss in the year they are incurred. Assets acquired, constructed or refurbished are added to assets under construction, once the construction is complete the costs are transferred to the appropriate category of property, plant and equipment and depreciated when the asset becomes available for use.

Property, plant and equipment is subsequently carried at cost less accumulated depreciation, except for land which is stated at cost.

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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1.5 Property, plant and equipment (continued)

Depreciation of an asset commences when the asset is available for its intended use. The assets carrying amount is depreciated down to residual value over its estimated useful life.The charge is recognised in profit or loss. The useful lives of items of property, plant and equipment have been assessed as follows:

	Depreciation method	Average useful life
Land and buildings		
• Land	Indefinite life	
• Buildings	Straight line basis	50 years
• Buildings improvements	Straight line basis	10 years
Furniture, fittings and equipment	Straight line basis	2-6 years
Plant and machinery	Straight line basis	3-10 years
Motor vehicles	Straight line basis	4-5 years
IT Equipment	Straight line basis	4 years
Assets under construction	Straight line basis	Depreciated when available for use

Assets under construction

All costs associated with the design, construction, supervision and management of capital projects are held in the assets under construction account.Once the project is complete, costs are transferred to the appropriate category of property, plant and equipment and depreciated when the asset becomes available for use. Management assess whether there is an indication of impairment with reference to the detailed forecasts of the cash flows expected to be generated from the use of the asset.

1.6 Leases

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 01 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group’s operations.

Group as a lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

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Accounting Policies

1.6 Leases (continued)

Right-of-use assets are depreciated on a straight-line basis over the lease term. Rental contracts are typically made for fixed periods of 3 years to 5 years, with an average initial term of 3 years, but may have extension options included.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in note 1.4.

ii) Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The group’s lease liabilities are included in Lease liabilities (refer to note 7).

iii) Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of IT and office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

In determining low-value assets, the group first assess whether or not the value of the underlying assets when it is (or was) new is greater than R100 000. In addition, the group assesses whether or not the use of the underlying asset is readily available to the group and is highly dependent or interrelated with other assets. Should the asset value be below R100 000, is readily available and not highly dependent or interrelated to other assets, it is considered low-value.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Prior to the adoption of IFRS 16, a lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership. Operating lease payments were recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments were recognized as an operating lease liability which was not discounted.

1.7 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination consideration over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently goodwill is carried at cost less any accumulated impairment, with the impairment included in operating expenses as incurred.

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1.7 Goodwill (continued)

Goodwill is, from the date of the business combination, allocated to each of the cash-generating units, that are expected to benefit from the synergies of the combination is tested annually for impairment.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, on impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

1.8 Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less any accumulated amortisation and impairment, with the amortisation and any impairment included in operating expenses as incurred.

No amortisation is provided for intangible assets which have been assessed as having indefinite useful lives, but they are tested for impairment annually and wherever there is an indication that the asset may be impaired. Irrespective of whether there is an indication of impairment, the group and company also test intangible assets with an indefinite useful life for impairment annually, at the same time every period or earlier if there is an indication of impairment, by comparing its carrying amount with its value-in-use.

Amortisation is provided to write down the intangible assets as follows:

	Depreciation method	Average useful life
Patents and trademarks	Straight line basis	10-20 years
Brand names		Indefinite
Computer software	Straight line basis	3 years
Product design	Straight line basis	10 years
Customer base	Straight line basis	5 years
Franchise rights		Indefinite
Assets under development	Straight line basis	Depreciated when available for use

Assets under development

All costs associated with the development and management of intangible assets are held in the assets under development account. Once the project is complete, costs are transferred to the appropriate category of intangible asset and amortised when the asset becomes available for use. Management assess whether there is an indication of impairment with reference to the detailed forecasts of the cash flows expected to be generated from the use of the asset.

1.9 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Classification and initial measurement

Financial instruments are measured initially at fair value plus direct transaction costs (if applicable).

The classification is determined by both:
- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial asset.

All financial assets and other financial liabilities are classified at amortised cost except for derivatives which are classified at fair value through profit and loss ('FVTPL').

All income and expenses relating to financial assets that are recognised in profit and loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented in operating expenses.

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Accounting Policies

1.9 Financial instruments (continued)

Loans to (from) group companies

These include loans to (from) subsidiaries and are subsequently measured at amortised cost using the effective interest rate method, less any expected impairment loss allowance recognised to reflect irrecoverable amounts. The general approach is used in determining the expected credit losses. Under this approach the current economic conditions, forward-looking estimated forecasts and the time-value of money is used in the determination of expected credit losses.

Should the assessment of these factors indicate an inability of the subsidiary to meet its repayment obligation in the immediate or near future (default), this would result in an increase in the credit risk profile of the subsidiary. In the event that all methods have been exhausted in recovery of the debt, the debt would be considered uncollectable and written-off. In determining whether or not a debt is uncollectable the executive management will review all steps that have been taken to recover the debt before approving the write-off.

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demand at the reporting date, the probability of default is usually low and the expected credit loss is immaterial.

If the borrower could not repay the loan if demanded at the reporting date, the group considers the expected manner of recovery to measure expected credit losses. This includes a ‘repay over time’ strategy. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting the amount due on the loan (at the loan’s effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

The group considers that an event of default has occurred if the borrower does not repay the loan when demanded. The group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

Other loans and receivables

Other loans and receivables, which includes loans to third parties, are subsequently carried at amortised cost less any expected impairment loss allowance. The general approach is used in determining the expected credit losses. Under this approach the current economic conditions, forward-looking estimated forecasts and the time-value of money is used in the determination of expected credit losses.

Trade and other receivables

Trade and other receivables excluding where applicable VAT and prepayments are subsequently measured at amortised cost using the effective interest rate method. The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade receivables and other receivables. The provision matrix is based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and the forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss within operating expenses. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of profit or loss.

The group considers that a trade and other receivable has no reasonable expectation of recoverability when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered entered into bankruptcy proceedings.

Trade and other payables

Trade and other payables excluding where applicable VAT and prepayments are subsequently measured at amortised cost, using the effective interest rate method.

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Accounting Policies

1.9 Financial instruments (continued)

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of forward exchange contracts, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Cash and cash equivalents

Cash and cash equivalents are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expires, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1.10 Tax

Current tax assets and liabilities

Current tax is recognised when there is an expected charge or deduction for tax purposes. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. The group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability/(asset) is recognised for all taxable/(deductible) temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis. The group believes the use of the weighted average cost basis better matches current costs with revenues earned.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

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Accounting Policies

1.12 Stated capital

Ordinary shares are classified as equity.

1.13 Treasury shares

The group's own equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised on the purchase, sale, issue, or cancellation of treasury shares. Consideration paid or received is recognised directly in equity and no dividends are allocated to them.

1.14 Share-based payments

The group issues equity-settled share options to certain employees. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and is recognised over the period during which the employees become unconditionally entitled to the option. Fair value is measured using the Black Scholes model taking into account the terms and conditions upon which the options are granted. The risk-free rate, dividend yield, share price volatility and attrition rate key assumptions used in the valuation model are based on management's best estimate at the date of valuation.

At each reporting date the estimate of the number of options that are expected to vest based on the non-market vesting conditions are revised. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

The subsidiaries will pay the company for the portion of the share based expense that relates to employees rendering services in those companies. This results in the company recognising an asset for the amount to be recovered.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans and provident funds are charged as an expense as they fall due.

1.16 Provisions and contingencies

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.17 Revenue

Revenue is measured at the transaction price received or receivable and represents the amounts receivable for goods and services provided in the customery business practices, net of trade discounts and settlements, volume rebates and value added tax.

Revenue from the sale of product includes sales and installation of custom-made security and decorative products. The sales are recognised when control of the product has transferred to the buyer. The control of the goods passes on delivery at the premises nominated by the customer. The delivery of products and the transfer of risks are detailed by the terms of sale.

Revenue from the rendering of services includes repairs to custom-made products. The revenue is recognised once the repair has been completed and the customer signs the completion certificate.

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Accounting Policies

1.17 Revenue (continued)

Products are often sold with retrospective volume discounts, and early-settlement terms. These rights give rise to a variable consideration. Revenue from these sales are recognised based on the price specified on the sale invoice, net of estimated discounts and early settlement discounts. The general repayment terms of sale vary from upfront deposits, with the balance payable on completion, to payment terms of 30 days or 60 days from statement date depending on the nature and geographical region of the customer. No element of financing is deemed present as the sales are not made on extended credit terms (not greater than 12 months).

The group typically provides warranties for repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for as warranty provisions.

Royalties, which are generated from non-related entities who have a contractual right to manufacture and sell Trellidor products in a specific region or regions, are recognised on the accrual basis in the month in which the underlying sale has occurred in accordance with the substance of the relevant agreements.

Company management fees received is based on actual services provided to the end of the reporting period apportioned evenly on a monthly basis because the customer receives and uses the services simultaneously.

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Net investment in foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:
- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at exchange rate for the period; and
- All resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019. At this date, the group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was between 9% to 20%.

The group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The impact of the adoption on the financial statements is as follows:

On transition to IFRS 16, the group recognised an additional R18 534 808 of right-of-use assets and lease liabilities. When measuring lease liabilities, group discounted lease payments using its incremental borrowing rate at 01 July 2019. The weighted average rate applied was between 9% to 20%.

The change in accounting policy affected the following items in the statement of financial position on 01 July 2019:	**2020** **R**
(Decrease) in property, plant and equipment	(6 500 912)
Increase in RoU assets	25 035 724
(Decrease) in other financial liability	(6 107 913)
Increase in lease liabilities	24 642 721

The impact in the reporting period of the adoption of IFRS 16 of the above has been summarised below:	
Increase in finance costs	1 710 027
Increase in depreciation	7 976 660
(Decrease) in lease rental expense	(8 331 777)
(Decrease) in net profit	(1 354 910)
(Decrease) in earnings and diluted earnings per share (cents)	(0.90)

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2. Changes in accounting policy (continued)

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16	**2020 R**
Operating lease commitment at 30 June 2019 as previously disclosed	18 653 006
Discounted using the incremental borrowing rate at 01 July 2019	16 721 747
Less: Short term leases recognised as expense	(260 204)
Add: Adjustments as a result of different treatment of extension and termination options	2 073 265
Lease liabilities recognised at 01 July 2019	**18 534 808**

3. New Standards and Interpretations

New standards or revisions to current standards have been issued with effective dates applicable to future statements of the group. Only those standards not yet adopted and that could be expected to be applicable to the group are set out below, i.e. those applicable to unrelated industries or economies are not dealt with herein.

	Effective date	**Details of amendment and managements' impact assessment**
IAS 1 Presentation of Financial Statements	01 January 2020	The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.
	01 January 2022	Classification of liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement.
IAS 8 Accounting policies: Changes in Accounting Estimates and Errors	01 January 2020	The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement.
IFRS3 Business combinations	01 January 2020	The amendment is to the defintion of a business and; • Clarifies that a minimum requirement for a business includes inputs and a substantive process that together significantly contribute to create outputs. • Narrows the definition of a business and outputs by placing emphasis on goods and services provided to customers and de-emphasising the ability to reduce costs. • Adds an optional concentration test that permits a simplified assessment of whether an asset or a group of similar assets is not a business. No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement.

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4. Reclassification of Interest Income for the Holding Company

In previous years, the interest income of the Holding company was classified as Investment Income. In the current year, interest income for the Holding Company was reclassified from Investment Income to Revenue in the Statement of Profit and Loss and Other Comprehensive Income. This was due to a change in the objective of the Holding company that came about in the 2020 financial year which resulted in the Holding Company now fulfilling the role of treasury for the group.

The group identified a new segment with the objective of the management of the group treasury function and restated its comparative segment report. Due to the change, the Holding Company has had to reclassify the prior period's Investment Income figure to Revenue in the separate Statement of Profit and Loss and Other Comprehensive Income.

The need for this reclassification of the prior year interest income arises from the requirement of IAS 1: Presentation of Financial Statements paragraph 41 that requires an entity that changes the presentation or classification of items in its financial statements to reclassify comparatives.

Following from the above, a review of the presentation of the separate statement of profit or loss of the Holding company brought to light that the presentation most suited to the company's operations is the analysis of expenses by nature.

The restatement had an overall R Nil effect for the reporting period as it impacted disclosure only. The reclassification, as recorded in this year's separate Annual Financial Statements, is illustrated below:

Impact of reclassification of interest income	**30 June 2019 R**
Statement of comprehensive income	
Increase in revenue	4 469 261
Decrease in interest income	(4 469 261)
Net effect on Income Statement	-

Comparative figures have been restated in order to present the company's expenses by nature as follows:	**Previously reported**	**Restated**
Other operating expenses	8 801 778	2 042 586
Administration and management fees	-	21 840
Auditor's remuneration	-	721 949
Consulting and professional fees	-	861 792
Depreciation	-	2 587
Employee costs	-	5 832 708
Share based-payments	-	492 145
Movement on ECL allowance	-	(1 173 829)
	8 801 778	**8 801 778**

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5. Segmental information

The group has three reportable segments,previously two (refer to note 4 for the reclassification impact on comparative amounts), that are used by the Chief Executive Officer to assess for resource allocation and to make key operating decisions and assess performance. These operating segments are differentiated and identified by the products they manufacture, the services they provide and the markets they operate in. These reportable segments as well as the products and services from which each of them derives revenue are set out below:

Reportable Segment	**Products and services**
Trellidor	Manufacture and distribution of custom-made barrier security products
Taylor	Manufacture and distribution of custom-made blinds, decorative and security shutters and distribute cornicing/skirting products
Holdings	Management of the group treasury function and receives management fee income

Segmental revenue

The performance of the operating segments is based on the measure of operating profit. This measure excludes the effects of ad-hoc and non-operational expenditure from the operating segments such as acquisition costs, intangible amortisation and fair value adjustments. The segment information provided to the Chief Executive Officer is presented below. The information presented includes a reconciliation of the group's EBITDA to net profit before tax.

			2020		
	Trellidor	**Taylor**	**Holdings**	**Internal**	**Consolidated**
Revenue by location of customer					
South Africa	194 028 481	161 171 967	47 626 989	(47 905 689)	354 921 748
Rest of Africa	53 620 788	3 886 749	-	-	57 507 537
Rest of World	9 118 413	-	-	-	9 118 413
	256 767 682	**165 058 716**	**47 626 989**	**(47 905 689)**	**421 547 698**
Revenue by source					
Security products	254 779 668	-	-	(58 502)	254 721 166
Decorative products	757 534	165 058 716	-	(220 198)	165 596 052
Management fee	-	-	11 749 740	(11 749 740)	-
Royalty income	1 230 480	-	-	-	1 230 480
Dividends	-	-	31 475 708	(31 475 708)	-
Interest	-	-	4 401 541	(4 401 541)	-
	256 767 682	**165 058 716**	**47 626 989**	**(47 905 689)**	**421 547 698**

			2019		
	Trellidor	**Taylor**	**Holdings**	**Internal**	**Consolidated**
Revenue by location of customer					
South Africa	253 759 198	191 101 936	54 573 261	(54 797 631)	444 636 764
Rest of Africa	50 913 673	2 917 981	-	-	53 831 654
Rest of World	16 478 934	-	-	-	16 478 934
	321 151 805	**194 019 917**	**54 573 261**	**(54 797 631)**	**514 947 352**
Revenue by source					
Security products	320 139 772	-	-	(101 766)	320 038 006
Decorative products	-	194 019 917	-	(122 604)	193 897 313
Management fee	-	-	10 354 000	(10 354 000)	-
Royalty income	1 012 033	-	-	-	1 012 033
Dividends	-	-	39 750 000	(39 750 000)	-
Interest	-	-	4 469 261	(4 469 261)	-
	321 151 805	**194 019 917**	**54 573 261**	**(54 797 631)**	**514 947 352**

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5. Segmental information (continued)

Segment results and assets and liabilities:

The amounts presented with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Deferred tax, cash and cash equivalents and other financial liabilities are not considered to be segment assets or liabilities and are not allocated to segments. The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities, as per the statement of financial position:

			2020		
	Trellidor	**Taylor**	**Holdings**	**Internal**	**Consolidated**
EBITDA	42 193 845	(26 441 744)	35 812 432	(39 992 100)	11 572 433
Profit (Loss) before tax	32 177 556	(46 585 857)	32 489 289	(35 590 559)	(17 509 571)
Net finance cost	(3 258 887)	(6 869 193)	(3 312 831)	4 401 541	(9 039 370)
Depreciation	(4 286 637)	(1 642 422)	(10 313)	-	(5 939 372)
Depreciation of RoU asset	(2 075 019)	(6 741 298)	-	-	(8 816 317)
Amortisation	(395 746)	(4 891 200)	-	-	(5 286 946)
Impairment	(1 332 159)	(37 422 000)	-	-	(38 754 159)
Movement in ECL allowance	(1 943 826)	(216 258)	861 036	(861 036)	(2 160 084)
Employee costs	(69 911 275)	(41 081 256)	(7 775 860)	-	(118 768 391)
Advertising	(11 606 803)	(8 404 450)	-	-	(20 011 253)
Segment assets	178 358 167	155 130 432	140 337 037	(131 692 901)	342 132 735
Segment liabilities	(86 900 181)	(112 570 814)	(62 191 438)	80 718 030	(180 944 403)
Cash and cash equivalents	14 911 162	1 629 540	6 869 913	-	23 410 615
Bank overdraft	-	(7 339 964)	-	-	(7 339 964)
Capital expenditure - assets	4 892 680	2 319 883	322 872	-	7 535 435
Capital expenditure - RoU assets	4 028 554	230 337	-	-	4 258 891

			2019		
	Trellidor	**Taylor**	**Holdings**	**Internal**	**Consolidated**
EBITDA	62 748 264	18 127 113	45 774 070	(45 412 033)	81 237 414
Profit (Loss) before tax	55 169 914	5 259 254	41 938 857	(40 924 859)	61 443 166
Net finance cost	(2 354 848)	(6 098 060)	(3 832 625)	4 469 261	(7 816 272)
Depreciation	(5 028 458)	(1 878 538)	(2 587)	-	(6 909 583)
Amortisation	(196 135)	(4 891 200)	-	-	(5 087 335)
Movement in ECL allowance	9 572	(316 216)	1 173 829	(1 173 829)	(306 644)
Employee costs	(78 899 982)	(44 078 627)	(6 324 853)	-	(129 303 462)
Advertising	(17 841 001)	(8 753 913)	-	-	(26 594 914)
Segment assets	154 503 547	205 894 249	121 936 235	(119 504 532)	362 829 499
Segment liabilities	(54 636 935)	(119 386 740)	(34 731 717)	72 587 062	(136 168 330)
Cash and cash equivalents	9 677 721	799 082	2 084 118	-	12 560 921
Bank overdraft	-	(4 140 237)	-	-	(4 140 237)
Capital expenditure - assets	10 829 727	1 315 230	218 893	-	12 363 850

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6. Property, plant and equipment

	2020 Cost	2020 Accumulated depreciation	2020 Carrying value	2019 Cost	2019 Accumulated depreciation	2019 Carrying value
Group						
Land	5 625 481	-	5 625 481	5 625 481	-	5 625 481
Buildings	32 090 829	(6 980 395)	25 110 434	32 489 101	(6 686 162)	25 802 939
Building improvements	6 428 530	(3 444 233)	2 984 297	6 828 946	(4 126 032)	2 702 914
Plant and machinery	55 946 742	(38 872 098)	17 074 644	65 359 195	(40 656 254)	24 702 941
Furniture, fixtures and equipment	4 323 689	(2 884 204)	1 439 485	4 414 334	(2 821 191)	1 593 143
Motor vehicles	3 845 213	(1 580 304)	2 264 909	4 152 941	(1 772 693)	2 380 248
IT equipment	5 090 922	(3 307 966)	1 782 956	5 635 924	(3 710 071)	1 925 853
Assets under construction	547 267	-	547 267	122 783	-	122 783
Total	**113 898 673**	**(57 069 200)**	**56 829 473**	**124 628 705**	**(59 772 403)**	**64 856 302**
Company						
IT equipment	41 252	(12 900)	28 352	41 252	(2 587)	38 665

Reconciliation of property, plant and equipment

Group (2020)	Opening balance	Additions	Disposals	Transfer to RoU asset	Transfers	Foreign exchange movements	Depreciation	Total
Land	5 625 481	-	-	-	-	-	-	5 625 481
Buildings	25 802 939	-	-	-	-	-	(692 505)	25 110 434
Building improvements	2 702 914	718 767	(19)	-	-	1 432	(438 797)	2 984 297
Plant and machinery	24 702 941	1 563 331	(988)	(6 225 763)	-	41 241	(3 006 118)	17 074 644
Furniture, fixtures and equipment	1 593 143	420 889	(80 239)	-	-	9 401	(503 709)	1 439 485
Motor vehicles	2 380 248	1 064 874	(398 700)	(275 153)	-	65 021	(571 381)	2 264 909
IT equipment	1 925 853	459 360	(30 516)	-	122 783	32 338	(726 862)	1 782 956
Assets under construction	122 783	547 267	-	-	(122 783)	-	-	547 267
	64 856 302	**4 774 488**	**(510 462)**	**(6 500 916)**	**-**	**149 433**	**(5 939 372)**	**56 829 473**

Reconciliation of property, plant and equipment

Group (2019)	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Depreciation	Total
Land	5 625 481	-	-	-	-	-	5 625 481
Buildings	25 279 581	1 205 706	-	-	-	(682 348)	25 802 939
Building improvements	2 976 824	200 833	(1)	-	(333)	(474 409)	2 702 914
Plant and machinery	14 920 662	7 381 371	(60)	5 969 031	(4 552)	(3 563 511)	24 702 941
Furniture, fixtures and equipment	1 299 529	879 339	(548)	-	(7 738)	(577 439)	1 593 143
Motor vehicles	2 781 041	350 833	(1)	-	(60 488)	(691 137)	2 380 248
IT equipment	2 273 914	797 336	(262 944)	49 150	(10 863)	(920 740)	1 925 853
Assets under construction	6 018 181	122 783	-	(6 018 181)	-	-	122 783
	61 175 213	**10 938 201**	**(263 554)**	**-**	**(83 974)**	**(6 909 584)**	**64 856 302**

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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

	2020			
Company	**Opening balance**	**Additions**	**Depreciation**	**Total**
IT equipment	38 665	-	(10 313)	28 352

Reconciliation of property, plant and equipment

	2019			
Company	**Opening balance**	**Additions**	**Depreciation**	**Total**
IT equipment	-	41 252	(2 587)	38 665

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings as referred to in note 21:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Land and buildings	30 735 915	31 428 420	-	-
Plant and machinery	-	6 225 763	-	-
Motor vehicles	-	275 153	-	-

7. Leases

The group's leasing activities and how these are accounted for:

The group leases various production facilities, office buildings and motor vehicles. Rental contracts are made for fixed periods but may have extension options as described below. Leases are negotiated on an individual basis and contain different terms and conditions. All leased assets are managed through written contracts to reduce the risk of uncertainty in regards to the conditions or existence of a lease.

At 01 July 2019, leases are recognised as a right-of-use (RoU) asset and corresponding liability at the application date or at the date at which the leased asset is available for use by the group. Each lease payment is allocated to the liability. Finance cost is charged to profit or loss over the lease period on the remaining balance of the liability. The RoU asset is depreciated over the lease term on a straight-line basis.

In assessing the lease period of the various production and office facilities, management considers the nature of the production and office equipment to be movable and adaptable to variety of facilities and as a result the likelihood of extending the lease term or terminating are both possible. The agreed lease period is therefore used in determining the lease payment until such time as the likelihood of extending or terminating the lease becomes probable.

Lease payments:

The group takes into consideration the following factors when reviewing the existing and potential lease contracts in measuring the lease liability:

- Fixed payments less any lease incentives received/receivable;
- The exercise price of a purchase option if reasonably certain the option will be exercised; and
- Payments of penalties for terminating the lease, if reasonably certain that the option to terminate will be exercised.

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7. Leases (continued)

The lease payments are discounted using the weighted average incremental borrowing rate which ranges between 9% to 20%.

It is company policy to lease certain assets under an instalment sale agreements (ISA).The ISA is repayable in average monthly instalments of R 226 078 (2019: R186 733), secured by plant, machinery and motor vehicles with a carrying value of R6 167 530 (2019: R 6 500 916), bearing interest at prime less 2%.

	Property	Motor vehicles	Plant and equipment	Total
Reconciliation of RoU assets				
Transferred from property, plant and equipment as at 30 June 2019	-	275 153	6 225 763	6 500 916
IFRS 16 Transitional adjustment	17 842 787	692 021	-	18 534 808
As at 01 July 2019 restated	17 842 787	967 174	6 225 763	25 035 724
Recognised subsequent to 01 July 2019	2 452 614	257 978	1 548 298	4 258 890
Depreciation expense	(7 588 355)	(473 603)	(754 359)	(8 816 317)
Impairment	-	-	(1 332 158)	(1 332 158)
Translation reserve	419 507	52 044	-	471 551
As at 30 June 2020	**13 126 553**	**803 593**	**5 687 544**	**19 617 690**
Reconciliation of carrying amount of lease liability:				
Transferred from other financial liabilities as at 30 June 2019	-	314 749	5 793 164	6 107 913
IFRS 16 Transitional adjustment	17 842 787	692 021	-	18 534 808
As at 01 July 2019 restated	17 842 787	1 006 770	5 793 164	24 642 721
Recognised subsequent to 01 July 2019	2 452 614	300 520	1 482 916	4 236 050
Interest expense	1 629 453	121 997	523 150	2 274 600
Payments	(7 880 807)	(621 265)	(1 873 662)	(10 375 734)
Translation reserve	498 026	52 490	-	550 516
As at 30 June 2020	**14 542 073**	**860 512**	**5 925 568**	**21 328 153**

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7. Leases (continued)

	2020 R
Split for lease liabilities:	
Non-current liabilities	9 246 787
Current liabilities	12 081 366
	21 328 153

The maturity analysis of lease liabilities at 30 June 2020 has been disclosed below:

	Undiscounted cash flows
Period	
2021	12 647 767
2022	6 660 190
2023	2 758 676
2024	1 239 427
2025	731 010
2026	108 999

	2020 R
Amounts recognised in profit and loss:	
Depreciation expense on RoU asset	8 816 317
Impairment expense on RoU asset	1 332 158
Interest expense on lease liability	2 274 600
Total amount recognised in profit and loss	**12 423 075**

In determining whether or not a potential RoU asset was low-value during the year, the group assessed the potential RoU assets' related lease liabilities against its materiality per the risk policy. Any potential liabilities, measured at the present value of lease payments to be made over the lease term, which were below R1 700 000 either individually or cumulatively, were consider immaterial and not recognised as a RoU asset.

Although the group's operations were adversely affected by the National Lockdown as a result of the Covid-19 pandemic, there were no amendments to existing lease contracts in response to these events.

8. Goodwill

	2020			2019		
Group	**Cost**	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	76 666 279	(37 422 000)	39 244 279	74 796 923	-	74 796 923

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8. Goodwill (continued)

Reconciliation of goodwill

	2020			
	Opening balance	**Additions through business combinations**	**Impairment loss**	**Total**
Group				
Goodwill	74 796 923	1 869 356	(37 422 000)	39 244 279

Reconciliation of goodwill

	2019			
	Opening balance	**Additions through business combinations**	**Impairment loss**	**Total**
Group				
Goodwill	74 401 270	395 653	-	74 796 923

The goodwill relates to the Rollerstyle and Clearguard product ranges and the acquisition of the Taylor Segment (Taylor Blinds and Shutters and NMC) from Odyssey House Proprietary Limited. The additions relate to the buy-back of Trellidor franchises. The Rollerstyle, Clearguard and franchise related goodwill is not material and therefore no further disclosure is required.

With regards to the Taylor and NMC acquisition goodwill, which has a recoverable carrying value of R34 175 276 (2019: R71 147 772), management has tested for impairment during the year due to the possible indicators of impairment being present, and based on the results of the test performed, an impairment of R37 422 000 was identified. The recoverable amount of goodwill is based on value-in-use calculations, this calculation utilises expected pre-tax cash flows, market related growth for 3 years (2019: 4 years) and a reasonable growth rate applied thereafter, discounted at a risk adjusted interest rate appropriate to the cash generating unit (CGU).

In assessing future income, management has considered the assumptions relating to the sustainable growth. In assessing sustainable growth, management has taken into consideration the significant impact of the National Lockdown, as a result of the Covid-19 pandemic, has had on the current year performance of the CGU and the probable impact it will have on performance over the next 24 months. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows.

Management, in assessing sustainable cash flows, has considered the impact anticipated reduced consumer spending capacity could have on demand and as a result future cash flow forecasts have not only accounted for reduced income but has also factored in reduced operating costs in line with board approved budgets and strategies to decrease expenses over the next 12 months and to manage working capital requirements in line with demand.

The discount rates used in the discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account the current market conditions in South Africa. A pre-tax weighted-average cost-of-capital (WACC) rate of 14.07% to 16.07% (2019: 15.4% to 20.5%) was used. Despite increasing the risk factor given the current market conditions, the WACC rate has decreased from prior year which is driven mainly by the decrease in the capital market rates and prime lending rates year-on-year.

The average growth rate applied for the periods beyond 2020 was 10.2% (2019: 6%). The average growth rate assumes a less than 1% growth rate from the 2020 financial year to 2021 as result of the Covid-19 pandemic. It is important to note that this is a very conservative assumption given that revenue declined 18% from 2019 as a result of the national lockdown. Performance is expected to normalise to pre-Covid-19 levels in line with the 2019 financial performance for 2022, which given the decline would represent a significant increase, with a 7.5% growth from 2022 to 2023. The blended growth rate of these assumptions results in the 10.2% used in the valuation model. The cost escalation rate applied for the periods beyond 2020 is linked to CPI at year-end.

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9. Intangible assets

	2020 Cost	2020 Accumulated amortisation	2020 Carrying value	2019 Cost	2019 Accumulated amortisation	2019 Carrying value
Group						
Patents and trademarks	1 770 480	(1 401 645)	368 835	1 770 374	(1 308 149)	462 225
Brand names	25 893 988	(58 329)	25 835 659	25 719 000	-	25 719 000
Computer software	611 334	(38 885)	572 449	743 831	(24 289)	719 542
Product design	1 648 488	(380 830)	1 267 658	1 094 089	(287 003)	807 086
Customer base	24 456 000	(19 564 800)	4 891 200	24 456 000	(14 673 600)	9 782 400
Franchise rights	9 595 851	(140 000)	9 455 851	1 203 363	-	1 203 363
Assets under development	1 030 087	-	1 030 087	-	-	-
Total	**65 006 228**	**(21 584 489)**	**43 421 739**	**54 986 657**	**(16 293 041)**	**38 693 616**

	2020 Cost	2020 Accumulated amortisation	2020 Carrying value	2019 Cost	2019 Accumulated amortisation	2019 Carrying value
Company						
Computer software	-	-	-	707 215	-	707 215
Assets under development	1 030 087	-	1 030 087	-	-	-
Total	**1 030 087**	**-**	**1 030 087**	**707 215**	**-**	**707 215**

Reconciliation of intangible assets

2020	Opening balance	Additions	Additions through business combinations	Transfers	Foreign exchange movements	Amortisation	Total
Group							
Patents and trademarks	462 225	-	-	-	-	(93 390)	368 835
Brand names	25 719 000	174 988	-	-	-	(58 329)	25 835 659
Computer software	719 542	891 747	-	(1 030 087)	1 446	(10 199)	572 449
Product design	807 086	554 399	-	-	-	(93 827)	1 267 658
Customer base	9 782 400	-	-	-	-	(4 891 200)	4 891 200
Franchise rights	1 203 363	1 139 813	7 252 675	-	-	(140 000)	9 455 851
Assets under development	-	-	-	1 030 087	-	-	1 030 087
	38 693 616	**2 760 947**	**7 252 675**	**-**	**1 446**	**(5 286 945)**	**43 421 739**

Reconciliation of intangible assets

2019	Opening balance	Additions	Foreign exchange movements	Amortisation	Total
Group					
Patents and trademarks	498 009	44 645	-	(80 429)	462 225
Brand names	25 719 000	-	-	-	25 719 000
Computer software	553 607	177 641	(1 536)	(10 170)	719 542
Product design	918 554	-	-	(111 468)	807 086
Customer base	14 673 600	-	-	(4 891 200)	9 782 400
Franchise rights	-	1 203 363	-	-	1 203 363
	42 362 770	**1 425 649**	**(1 536)**	**(5 093 267)**	**38 693 616**

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9. Intangible assets (continued)

Details of intangible assets

The Taylor brand name acquired in the acquisition has been tested by management for impairment at year end due to the possible indicators of impairment being present. The recoverable amount of the brand name is based on value-in-use calculations which utilise a deemed royalty income of between 1% and 3% (2019: between 1% and 3% based on the actual 2019 revenue), growth for the further 3 years, which includes the possible impact of Covid-19, (2019: 4 years) and a reasonable growth rate applied thereafter, based on current market conditions.

In assessing future income, management has considered the assumptions relating to the sustainable growth. In assessing sustainable growth, management has taken into consideration the significant impact of the National Lockdown, as a result of the Covid-19 pandemic, has had on the current year performance of the CGU and the probable impact it will have on performance over the next 24 months.

The discount rates used in the discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account the current market conditions in South Africa. A pre-tax weighted-average cost-of-capital (WACC) rate of 14.07% to 16.07% (2019: 15.4% to 20.5%) was used. Despite increasing the risk factor given the current market conditions, the WACC rate has decreased from prior year which is driven mainly by the decrease in the capital market rates and prime lending rates year-on-year.

The average growth rate applied for the periods beyond 2020 was 10.2% (2019: 6%). The average growth rate assumes a less than 1% growth rate from the 2020 financial year to 2021 as result of the Covid-19 pandemic. It is important to note that this is a very conservative assumption given that revenue declined 18% from 2019 as a result of the national lockdown. Performance is expected to normalise to pre-Covid-19 levels in line with the 2019 financial performance for 2022, which given the decline would represent a significant increase, with a 7.5% growth from 2022 to 2023. The blended growth rate of these assumptions results in the 10.2% used in the valuation model. The cost escalation rate applied for the periods beyond 2020 is linked to CPI at year-end.

The recoverable amount of the Franchise rights acquired through the purchase of Trellidor Franchises have been tested for impairment using a value-in-use calculation which is based on a five year cashflow forecast assuming subdued growth in year 1, as a result of the possible impact of Covid-19 on the economy, and inflation linked growth from year 2. A growth range of between 0% to 5% was used.

The discount rates used in the discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account the current market conditions in South Africa. A pre-tax weighted-average cost-of-capital (WACC) rate that ranges between 14.07% to 16.07% (2019: 15.4% to 20.5%) was used. Despite increasing the risk factor given the current market conditions, the WACC rate has decreased from prior year which is driven mainly by the decrease in the capital market rates and prime lending rates year-on-year. Based on the results of the impairment test performed which considers the possible impact of Covid-19, no impairment has been identified.

Remaining useful life of material intangible is as follows:

	2020	2019
Customer base	1 year	2 years
Franchise rights	5 years	Indefinite

10. Business combinations

During the year, Trellidor Projects Proprietary Limited, acquired four Trellidor Franchises. The franchises, three in the greater Durban area and one in Johannesburg, form an integral part of the Trellidor network in these cities. The franchises, in conjunction with the Durbanville franchise, will be managed as owned Trellidor branches, one in each city, with the expectation of improving service delivery in these regions and improve efficiency to the end user.

Goodwill of R1 869 356 arising from the acquisition consist largely of market awareness of the brand that has been created by the previous franchise owners. Goodwill is not deductible for Income tax purposes. Intangible assets of R7 252 674 arising from the acquisition consists of the fair value of the franchise operations based on historical performance.

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10. Business combinations (continued)

	2020 R
Fair value of assets acquired and liabilities assumed:	
Property, plant and equipment	555 614
Intangible assets - Franchise rights	7 252 674
Finance lease	-
Loans	(573 630)
Trade and other payables	(711 127)
Onerous contract	(107 528)
Goodwill	1 869 356
	8 285 359

Acquisition date fair value of consideration paid

Cash	(8 285 359)

The acquisition of the additional franchises during the year increased the revenue of the entity by R 3 455 998 and a loss before tax of R959 778. This was for the period 01 February 2020 to 30 June 2020 and was significantly impacted by the Covid-19 Pandemic. On acquisition, the franchises within the same geographical area were consolidated into one “branch” and a number of the administrative operations of the all the acquired franchises were centralised at the group’s head office. Revenue that was derived by the acquired franchises from the sale of products outside the group’s direct product offerings were also discontinued on acquisition. Given that the entity has increased the number of owned franchises from 1 to 5 during the year, the impact on performance during 2021 is expected to show significant growth. Uncertainty still remains in terms of the forecasted performance given the impact of the Covid-19 pandemic, but we are targeting to achieve our internal return on invested capital benchmark of 18%.

The group has not disclosed annualized pro forma financial information in respect of revenue and profit for the acquisitions as it does not have access to the relevant information with respect to the acquired franchises for the group’s full reporting period up to the date of the acquisition. The preparation and presentation of this information is therefore deemed impracticable.

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11. Investment in subsidiary

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Trellidor Proprietary Limited	100.00 %	100.00 %	100	100
Trellidor Innovations Proprietary Limited	92.50 %	92.50 %	50 000 000	50 000 000
Trellicor Proprietary Limited	100.00 %	100.00 %	1 045 698	1 045 698
Trellidor Ghana Limited	85.00 %	85.00 %	-	-
Trellidor Projects Proprietary Limited	100.00 %	100.00 %	-	-
			51 045 798	51 045 798

Principal place of business

Trellidor Ghana Limited and Trellidor Projects Proprietary Limited are subsidiaries of Trellicor Proprietary Limited and is thus indirectly owned by the group. All the entities are domiciled and operate in South Africa except for Trellidor Ghana Limited which is domiciled and operates in Ghana.

The percentage shareholding is equal to the voting rights attached to each share.

Impairment of Investments

The carrying value of Trellidor Innovations Proprietary Limited as at 30 June 2020 has been assessed and although this has resulted in an impairment of goodwill (refer to note 8), the value still exceeds the investment value and therefore no impairment of the subsidiary has been identified.

12. Loans to group companies

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Trellidor Innovations Proprietary Limited - Loan 1	-	-	51 528 556	37 810 791
Trellidor Innovations Proprietary Limited - Loan 2	-	-	12 080 901	27 258 919
Trellidor Projects Proprietary Limited - Loan 3	-	-	10 893 631	-
	-	**-**	**74 503 088**	**65 069 710**

Loans 1 and 3 are unsecured, bear interest at prime plus 0.5% and are repayable over five years.

Loan 2 is unsecured, interest free and has no fixed terms of repayment.

Loans 1 and 3 are subordinated in favour of FNB as these loans have been financed through FNB by the Holding company as part of its group treasury function.

Split between non-current and current portions				
Non-current assets	-	-	60 390 286	47 000 485
Current assets	-	-	14 112 802	18 069 225
	-	**-**	**74 503 088**	**65 069 710**

Exposure to credit risk

Loans to group companies inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due. Loans to group companies are subject to the impairment provision which requires a loss allowance to be recognised for all exposures to credit risk.

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12. Loans to group companies (continued)

A credit loss allowance is measured by applying the general approach and is monitored at the end of each reporting period. Executive management is responsible for the management of credit risk and is held accountable for any defaults in loans to group companies and does so through on going credit evaluations which include monthly reviews by the executive committee and quarterly reviews by the Trellidor Holdings board. Any change in the credit quality is considered from the date credit was granted up to the reporting date. Credit quality is assessed by taking into account the financial position of the group company, cashflow forecasts, overall financial performance and other qualitative factors. Based on this assessment the current credit loss is considered adequate.

Credit loss allowances

The directors in considering the carrying amounts of the loans to group companies, have applied the general approach in determining possible impairment. In applying this approach to Loans 1 and 3 and taking into account historic repayment trends and the board approved financial budgets for the forth coming period, there is no indication of a significant impairment and as a result no impairment has been recognised for this loans. This assessment has specifically considered the impact of the National Lockdown as a result of Covid-19 pandemic. All financial budgets for the forth coming period have been conservatively adjusted to account for decreased demand. Despite this decrease and the subordination of loan 1 and 3, the group company's assets still exceeds its liabilities and there are sufficient liquid assets to settle liabilities and as a result the loan is still deemed recoverable.

In respect to Loan 2, which has no fixed terms of repayment, the impairment assessment has been based on the payments received during the period under review and the counterparties ability to repay the loan over a reasonable period based on board approved financial budgets and cash flow forecasts. This assessment has specifically considered the impact of the National Lockdown as a result of Covid-19 pandemic. All financial budgets for the forth coming period have been conservatively adjusted to account for decreased demand. Based on this assessment the expected credit loss has been determined assuming the loan is repaid within a five year period.

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable:

	2020			
	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries				
Loan 1 - performing	12 month ECL	51 528 556	-	51 528 556
Loan 2 - underperforming	Lifetime ECL	13 697 651	(1 616 750)	12 080 901
Loan 3 - performing	12 month ECL	10 893 631	-	10 893 631
		76 119 838	**(1 616 750)**	**74 503 088**

	2019			
	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries				
Loan 1 - performing	12 month ECL	37 810 791	-	37 810 791
Loan 2 - underperforming	Lifetime ECL	29 736 705	(2 477 786)	27 258 919
		67 547 496	**(2 477 786)**	**65 069 710**

Reconciliation of loss allowance - Non-performing

	Company	
	2020	2019
Opening balance in accordance with IFRS 9	**2 477 786**	**3 651 615**
Changes due to investments recognised at the beginning of the reporting period:		
Remeasurement of Loan 2 (Lifetime ECL)	(861 036)	(1 173 829)
Closing balance	**1 616 750**	**2 477 786**

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R

13. Deferred tax

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Property plant and equipment	(2 396 166)	(2 106 670)	(1 117)	(155)
Client base	(1 369 536)	(2 739 072)	-	-
Prepaid expenses	(569 211)	(417 001)	(53 435)	(46 691)
Expected credit loss allowance	(89 747)	(71 356)	-	-
Section 24C allowance	(1 887 208)	(843 934)	-	-
Unrealised profit in inventory	1 102 941	775 941	-	-
Provisions	4 327 197	4 317 820	653 192	970 123
Income received in advance	3 053 359	1 705 001	-	-
RoU asset	(2 917 203)	-	-	-
Lease liability	3 261 126	-	-	-
Assessed loss	325 159	-	-	-
Total deferred tax liability	**2 840 711**	**620 729**	**598 640**	**923 277**

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Deferred tax liability	(260 228)	(1 026 860)	-	693 779
Deferred tax asset	3 100 939	1 647 589	598 640	229 498
Total net deferred tax asset (liability)	**2 840 711**	**620 729**	**598 640**	**923 277**

Reconciliation of deferred tax asset / (liability)

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
At beginning of year	620 729	832 299	923 277	314 566
Temporary differences movements	2 219 982	(211 570)	(325 637)	608 711
	2 840 711	**620 729**	**598 640**	**923 277**

Utilisation of deferred tax asset

Management has utilised financial budgets approved by management and the strategic plan, which has been approved by the executive committee and the board of directors, to determine the recoverability of the deferred tax asset balance.

14. Inventories

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Raw materials	91 448 284	100 506 563	-	-
Work in progress	2 244 608	2 302 419	-	-
Finished goods	2 115 535	3 095 590	-	-
Goods in transit	2 877 183	3 744 878	-	-
	98 685 610	109 649 450	-	-
Provision for obsolence of raw materials	(5 606 426)	(2 538 488)	-	-
	93 079 184	**107 110 962**	**-**	**-**

The provision for obsolescence is calculated by identifying inventory items that have not moved in the previous 12 to 24 months and are not expected to move in the next 12 months. This assessment takes into consideration the possible impact of Covid-19 and no additional impairments were identified.

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15. Trade and other receivables

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Financial instruments:				
Trade receivables	50 303 007	54 679 491	3 488 332	57 568
Loss allowance	(3 421 448)	(1 261 363)	-	-
Trade receivables at amortised cost	46 881 559	53 418 128	3 488 332	57 568
Other receivable	2 014 690	2 347 728	-	-
Non-financial instruments:				
VAT	1 418 632	68 673	-	-
Other receivables	195 533	516 919	2 587 918	1 843 132
Prepayments	2 461 490	2 037 684	190 840	166 752
Total trade and other receivables	**52 971 904**	**58 389 132**	**6 267 090**	**2 067 452**

Financial instrument and non-financial instrument components of trade and other receivables

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
At amortised cost	48 896 249	55 765 856	3 488 332	57 568
Non-financial instruments	4 075 655	2 623 276	2 778 758	2 009 884
	52 971 904	**58 389 132**	**6 267 090**	**2 067 452**

Trade and other receivables pledged as security

Trade receivables has been ceded as security for the financing facilities of the company and group. Refer to note 38.

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due. The group's credit risk exposure to customers is influenced mainly by the individual characteristics of each customer and there is no significant concentration of risk related to operating segments. The aggegation of trade receivables in this manner is consistent with the way in which management monitors sales and market demand.

A credit loss allowance is recognised for all trade receivables and is measured by applying a provision matrix and is monitored at the end of each reporting period. In addition to the loss allowance and in terms of the accounting policy, trade receivables are written off when there is no reasonable expectation of recovery.

Each business unit in the group is responsible for the management of credit risk in receivables and does so through ongoing credit evaluations and credit control policies and procedures which include weekly reviews by executive management, monthly review by the executive committee and a quarterly review by Trellidor Holdings board. The latter reviews are undertaken by people independent of the daily operations of the company. Executive management is held accountable for any defaults. Any change in the credit quality of trade receivables is considered from the date credit was granted up to the reporting date. Credit quality of the customer is assessed by the business units in taking into account its financial position, past experiences and other qualitative factors. The establishment and subsequent maintenance of credit limits is, in the majority of cases, based either on the applicable franchise right valuation or the specific credit insurance that can be secured. Based on this assessment the current credit loss is considered adequate.

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15. Trade and other receivables (continued)

The loss allowance as at 30 June 2020 was determined as follows:

	2020			2019		
	Gross carrying amount	**Loss allowance**	**ECL rate**	**Gross carrying amount**	**Loss allowance**	**ECL Rate**
Group						
Less than 30 days	23 796 638	(2 452)	0.01 %	30 042 320	(104 412)	0.35 %
31 - 60 days past due	2 913 294	(4 318)	4.15 %	11 358 398	(6 736)	0.06 %
61 - 90 days past due	17 905	-	0 %	1 855 942	(12 033)	0.65 %
91 - 120 days past due	6 770 317	(343 954)	4.59 %	4 306 888	(176 559)	4.10 %
More than 120 days past due	1 335 503	(1 106 995)	9.10 %	4 097 023	(377 859)	9.22 %
Specifically impaired	15 469 350	(1 963 729)	-	3 018 885	(583 764)	-
Total	**50 303 007**	**(3 421 430)**		**54 679 456**	**(1 261 349)**	

The credit loss rates are based on the payment profile of sales over a period of 36-months before 30 June 2020 and the corresponding historical credit losses experienced within this period. As debtors days are on average less than 60 days, this period reflects sufficient data points. The historical rates are adjusted to reflect current and forward-looking factors which include but not limited to regional growth, political stability and economic forecasts. This adjustment requires judgment and the adjusted credit loss rate may not be representative of the customer's actual default in the future.

The timing of the National Lockdown as a result of the Covid-19 pandemic, has meant that management has had the ability to implement interventions which have reduced the risk of debts becoming uncollectable and have allowed majority of our debtors to trade out of the short-term crises experienced before year-end. It has also enabled the group to identify specific impairment issues in more detail which have been provided for and as a result has increased from the prior period.

The risk profile remains weighted to a higher risk of loss on amounts more than 91 days past due. There has been an increase in the risk rating for amounts 31-61 days past due mainly as a result of reduced trading as the economy slowly started to unlock over this period. Although the pandemic has resulted in an adjusted credit risk rates, management has considered that the debtors that have recovered from a potentially catastrophic event and continue to trade and therefore except for the specifically impaired debtors, the credit risk profile remains robust.

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15. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for Trade receivables:

	Group	
	2020	**2019**
Opening balance in accordance with IFRS 9	**(1 261 363)**	**(954 719)**
Amounts written-off	735 578	530 044
Remeasurement of loss allowance	(2 895 663)	(836 688)
Closing balance	**(3 421 448)**	**(1 261 363)**

In determining the amount of expected credit losses of other receivables, the group has taken into account any historic default experience, the financial positions of the counterparty at year end as well as the future cashflows of the counterparty. This information has been obtained from the counterparty themselves. Consequently, there is no significant credit loss expected and hence no provision for impairments has been raised.

Company:

The Holding company's only customers are group subsidiaries. During the national lockdown, the company extended payment terms to its subsidiaries to assist with cashflow within the entities. This has resulted in an increase in the trade receivables balance from prior year. Subsequent to year-end overdue amounts have been repaid. Historically the company has no history of and debts and there are therefore no significant expected credit losses apllicable to these debtors.

Given that the company's income is mainly derived from the two major subsidiaries, there is a concentration of risk inherent in its income. Management relies on the credit quality of the subsidiaries to mitigate this risk, and based on the financial performance of the subsidiaries, despite the impact of Covid-19, the credit quality is considered adequate.

Exposure to currency risk

Refer to note 43 for details of currency risk management for trade receivables.

Fair value of trade and other receivables

The directors consider the carrying amounts of the trade and other receivables to be its fair value due to the short-term nature.

The directors are satisfied that the carrying amount of trade and other receivables are adequate based on the recognised credit loss allowance and its assessment of the business units of the credit quality of the receivables.

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	185 678	122 776	-	-
Bank balances	23 224 938	12 438 145	6 863 982	2 084 118
Bank overdraft	(7 339 964)	(4 140 237)	-	-
	16 070 652	**8 420 684**	**6 863 982**	**2 084 118**
Current assets	23 410 616	12 560 921	6 863 982	2 084 118
Current liabilities	(7 339 964)	(4 140 237)	-	-
	16 070 652	**8 420 684**	**6 863 982**	**2 084 118**

Due to the short-term nature of cash and cash equivalents the carrying amount is deemed to approximate fair value.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand, can be assessed by reference to external credit ratings of the group's bankers. Based on this assessment, which is forward-looking in nature, and the historic performance of the bankers, the carrying amount is deemed to be appropriate with no indication of a credit loss.

The group had total undrawn facilities available at year-end of R23 796 469 (2019: R30 387 295) for future operating activities and commitments.

Cash and cash equivalents pledged as security

Refer to note 38 for the facilities and securities held with FNB.

Exposure to currency risk

Refer to note 43 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

The credit ratings of individual banks were obtained and noted that credit rating was moved from Baa3 to Ba1 for the long-term local currency and foreign currency deposit ratings of FirstRand Bank Limited. Risk on South African banks is considered negligible as all cash deposits are guaranteed by the SA Reserve Bank and banks are financially sound.

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17. Stated capital

	Number of shares	
	2020	2019
Authorised		
No par value shares	5 000 000 000	5 000 000 000
Issued		
Reconciliation of number of shares issued:	105 765 143	105 765 143
Opening balance	105 765 143	108 340 118
Treasury shares cancelled	-	(446 535)
Shares repurchased and cancelled	(5 561 547)	(2 128 440)
Closing balance	**100 203 596**	**105 765 143**

	Group	
Share capital	2020 R	2019 R
Ordinary	12 142 997	34 056 299
Reconciliation of issued shares:		
Opening balance	34 056 299	43 188 374
Shares repurchased and cancelled	(21 913 302)	(9 132 075)
Closing balance	**12 142 997**	**34 056 299**

During the year, 5 561 547 shares at an average cost of R3.94 per share has been repurchased as part of the share buy-back programme announced during the 2019 financial year.

18. Foreign currency translation reserve

The translation reserve comprises exchange differences on consolidation of the foreign subsidiary into the presentation currency of the group.

19. Other non-distributable reserve

The other non-distributable reserve represents the surplus on restructuring of a subsidiary.

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20. Share-based payments

Under the Trellidor share-incentive scheme, the group, at the discretion of the remuneration committee, may grant share options on the shares of the parent to the employees of any company within the group, via the Trellidor Group Share Incentive Trust. The share options granted give the holder the right to purchase Trellidor shares. The company settles the liability, due to group, in cash. These share options vest and are exercisable in tranches of 25% on the 2nd, 3rd, 4th and 5th anniversary of the award. The vesting of the share options is dependent on the employee being employed within the group at vesting date and exercising the option within the 30 day exercise period.

During the period under review no additional options were granted.

	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Reconciliation of share options for the year				
Outstanding options at beginning of year	5.51	4 780 487	5.48	6 891 904
- SBP 2016	5.41	2 949 567	5.41	5 060 984
- SBP 2017	5.66	1 830 920	5.66	1 830 920
Options lapsed - SBP 2016	5.41	(983 189)	5.41	(1 265 246)
Options forfeited - SBP 2016	5.41	(57 330)	5.41	(846 171)
Options lapsed - SBP 2017	5.66	(457 730)	-	-
Options forfeited - SBP 2017	5.66	(215 880)	-	-
Outstanding option at end of year	5.50	3 066 358	5.51	4 780 487
- SBP 2016	5.41	1 909 048	5.41	2 949 567
- SBP 2017	5.66	1 157 310	5.66	1 830 920

The second tranche of the SBP 2016 award and the first tranche of SBP 2017 vested in October 2019, however no options were exercised and therefore lapsed after the 30 day exercise period. The third tranche of the SBP 2016 award and the second tranche of the SBP 2017 award, vest in October 2020.

At 30 June 2020 the carrying amount of the of the share-based payment reserve was R6 776 715 (2019: R5 703 753) with an expense of R1 072 961 (2019: R1 998 761) recognised for employee services rendered during the year. Each company in the group recognise the expense for employee services rendered during the year.

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R

21. Other financial liabilities

Held at amortised cost				
Secured				
Nedbank Limited	-	23 808 324	-	-
FNB - Holdings Facility	52 793 611	-	52 793 611	-
FNB - Innovations Facility	6 046 302	43 192 555	-	33 589 101
Wesbank Corporate	-	6 107 913	-	-
FNB - Property Finance	34 863 463	-	-	-
Novaspectacular Investments Proprietary Limited	5 278 595	5 473 146	-	-
	98 981 971	**78 581 938**	**52 793 611**	**33 589 101**

Split between non-current and current portions

Non-current liabilities	81 529 097	29 527 874	42 832 896	18 298 878
Current liabilities	17 452 874	49 054 064	9 960 715	15 290 223
	98 981 971	**78 581 938**	**52 793 611**	**33 589 101**

Nedbank Limited

The loan was secured by first and second covering mortgage bonds over land and buildings with a total book value of R31 428 420 in 2019 as described in note 6 and a limited suretyship of R25 000 000 by Trellicor Proprietary Limited. The loan bore interest at prime less 0.15% per annum and was repayable in monthly instalments until June 2028. During the current year this loan was settled in full by FNB who refinanced the land and buildings.

FNB

The loan held by Trellidor Holdings Limited bears interest at prime less 0.5% per annum and is repayable in monthly instalments until July 2021.

The loan held by Trellidor Innovations Proprietary Limited bears interest at prime less 0.5% per annum and is repayable in monthly instalments until July 2021.

During the year the land and buildings with total book value of R30 735 915 (2019:R31 428 420) as described in note 6 was refinanced by FNB and a limited suretyship of R35 000 000 by Trellidor Holdings Limited. The loan bears interest at prime less 0.5% per annum and is repayable in monthly instalments until October 2029.

Wesbank corporate

With the adoption of IFRS 16 during the current period this balance is reported under note 7.

Novaspectacular Investments Proprietary Limited

Loan 1 is unsecured, bears interest at prime and is repayable over 5 years. This loan has been subordinated to FNB as security for the facilities with the bank.

Loan 2 is unsecured, bears no interest and has no fixed term of repayment. This loan has been subordinated to FNB as security for the facilities with the bank.

Refer to note 38 for securities held for these facilities.

Refer to note 34 - Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and note 43 - Financial instruments and financial risk management for the fair value of borrowings.

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R
22. Trade and other payables				
Financial instruments:				
Trade payables	14 801 011	26 575 777	450 208	273 108
FEC Contract	31 663	830 595	-	-
Non-financial instruments:				
Accrued leave pay	5 059 466	7 807 031	138 078	229 795
Accrued expenses	6 718 785	5 035 310	269 000	265 000
Other payroll accruals	3 431 956	3 321 727	163 568	276 958
Amounts received in advance	10 980 876	7 216 615	-	-
VAT	1 607 757	1 321 720	155 409	19 430
	42 631 514	**52 108 775**	**1 176 263**	**1 064 291**

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	14 832 674	27 406 372	450 208	273 108
Non-financial instruments	27 798 840	24 702 403	726 055	791 183
	42 631 514	**52 108 775**	**1 176 263**	**1 064 291**

Trade and other payables consist of purchases from suppliers at normal trade terms and are generally payable between 30 - 90 days.

Exposure to currency risk

Refer to note 43 Financial instruments and financial risk management for details of currency risk management for trade payables.

Fair value of trade and other payables

The directors consider the carrying amount of trade and other payables to approximate their fair value based on the short-term nature of the trade and other payables.

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	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
23. Revenue				
Disaggregation of revenue from customers				
Revenue from source type				
Sale of security products	337 047 667	320 038 006	-	-
Sale of decorative products	83 269 551	193 897 313	-	-
Management fees	-	-	11 749 740	10 354 000
Royalty income	1 230 480	1 012 033	-	-
	421 547 698	**514 947 352**	**11 749 740**	**10 354 000**
Revenue by geographical location				
South Africa	354 921 748	443 624 731	11 749 740	10 354 000
Rest of Africa	57 507 537	54 843 687	-	-
Rest of World	9 118 413	16 478 934	-	-
	421 547 698	**514 947 352**	**11 749 740**	**10 354 000**
Revenue recognised by timing of transfer				
Invoice - point-in-time	421 547 698	514 947 352	-	-
Monthly invoices - overtime	-	-	11 749 740	10 354 000
	421 547 698	**514 947 352**	**11 749 740**	**10 354 000**
Other revenue				
Dividends received	-	-	31 475 708	39 750 000
Interest received	-	-	4 401 541	4 469 261
	-	**-**	**35 877 249**	**44 219 261**
Total revenue	**421 547 698**	**514 947 352**	**47 626 989**	**54 573 261**
24. Cost of sales				
Sale of goods	161 807 621	194 465 452	-	-
Employee costs	50 978 863	58 461 321	-	-
Depreciation	8 425 447	3 637 214	-	-
Manufacturing expenses	24 820 725	26 529 811	-	-
	246 032 656	**283 093 798**	**-**	**-**

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	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R

25. Operating (loss)/profit before interest and taxation

Operating (loss) profit before interest and taxation for the year is stated after accounting for the following amongst others:

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Advertising	20 011 253	26 594 914	-	-
Amortisation on intangible assets	5 286 945	5 087 334	-	-
Auditor's remuneration	3 019 039	2 631 239	555 530	721 949
Cartage	8 498 670	6 670 616	-	-
Commission	5 766 964	5 735 236	-	-
Consulting fees	2 695 416	4 442 517	1 339 286	861 792
Movement on ECL allowance	2 160 084	306 644	(861 036)	(1 173 829)
Depreciation on RoU asset	8 816 317	-	-	-
Depreciation on property, plant and equipment	5 939 372	6 909 584	10 313	2 587
Gas, electricity and water	5 824 446	6 925 237	-	-
Impairment of goodwill	37 422 000	-	-	-
Loss on exchange differences	1 529 212	2 619 498	-	-
(Profit) on exchange differences	(3 455 427)	-	-	-
Operating lease - premises	-	8 301 591	-	-
Post employment benefits	5 454 349	6 217 992	283 746	262 533
Share-based payment expense	1 072 961	1 998 761	309 002	492 145
Short-term leases	151 699	-	-	-
Short-term employee benefits	119 265 701	121 086 709	7 183 112	5 570 175

Included in Auditor's remuneration for non-assurance services provided to the amount of R11 815.

26. Retirement benefits

Defined contribution plan

It is the policy of the group to provide retirement benefits to all of its employees. The group makes contributions to the pension and provident funds, which are subject to the Pension Funds Act and MEIBC regulations. The group is under no obligation to cover any unfunded benefits.

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
The total group contribution to such schemes	5 454 349	6 217 992	283 746	262 533

27. Investment income

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Interest income - Investments in financial assets:				
Bank and other cash	989 636	639 318	362 684	118 688
Other interest	424 868	317 351	15 900	18 943
Total interest income	**1 414 504**	**956 669**	**378 584**	**137 631**

28. Finance costs

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Non-current borrowings	8 084 250	8 563 589	3 606 285	3 901 866
Lease liabilities	2 274 600	-	-	-
Bank and other	94 436	176 280	84 726	68 391
Tax authorities	588	14 129	524	-
Total finance costs	**10 453 874**	**8 753 998**	**3 691 535**	**3 970 257**

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R
29. Taxation				
Major components of the tax expense				
Local income tax				
Current period	8 648 035	17 739 992	678 983	1 117 414
Recognised in current tax for prior periods	602 665	449 815	-	-
	9 250 700	**18 189 807**	**678 983**	**1 117 414**
Deferred				
Originating and reversing temporary differences	(2 220 982)	211 568	324 638	413 740
	7 029 718	**18 401 375**	**1 003 621**	**1 531 154**
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.00 %	28.00 %	28.00 %	28.00 %
Exempt income	- %	- %	(27.13)%	(26.54)%
Tax incentives	2.08 %	(0.10)%	- %	- %
Difference in tax rate for subsidiary	0.38 %	0.32 %	- %	- %
Capital gains	(0.42)%	1.04 %	- %	- %
Non-deductible expenses	(6.87)%	1.57 %	2.22 %	2.19 %
Proceeds from sale of franchise rights	- %	(1.30)%	- %	- %
Prior year under provision	- %	0.42 %	- %	- %
Impairment of goodwill	(59.82)%	- %	- %	- %
Prior year under provision	(3.48)%	- %	- %	- %
	(40.13)%	**29.95 %**	**3.09 %**	**3.65 %**
30. Cash generated from operations				
(Loss) profit before taxation	(17 509 571)	61 443 167	32 489 288	41 938 857
Adjustments for:				
Depreciation and amortisation	19 931 877	11 996 918	10 313	2 587
Net (profit)/loss on disposal of property, plant and equipment	(179 276)	250 084	-	-
Impairment of goodwill	37 422 000	-	-	-
Impairment of RoU asset - plant and machinery	1 332 159	-	-	-
Interest income	(1 414 504)	(956 669)	(4 780 125)	(4 606 892)
Finance costs	10 453 874	8 753 998	3 691 535	3 970 257
Expected credit impairment	2 160 084	-	(861 036)	(1 173 829)
Movements in provisions	408 223	(174 647)	-	-
Share-based payment expense	1 072 961	1 998 761	309 002	492 145
Movement in inventory obsolescence	3 067 938	1 443 769	-	-
Non-cash proceeds on sale of franchise rights	-	(1 203 363)	-	-
Unrealised exchange differences	251 388	576 914	-	-
Changes in working capital:				
(Increase)/decrease in inventories	10 963 839	(2 180 141)	-	-
(Increase)/decrease in trade and other receivables	(3 734 253)	2 469 486	(3 435 679)	1 569 281
Increase/(decrease) in trade and other payables	(9 254 338)	(13 893 750)	111 971	(138 043)
	54 972 401	**70 524 527**	**27 535 269**	**42 054 363**

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	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
31. Tax paid				
Balance at beginning of the year	2 246 721	1 308 851	(78 326)	(277 278)
Current tax for the year recognised in profit or loss	(9 250 700)	(18 189 807)	(678 983)	(1 117 414)
Balance at end of the year	(1 804 118)	(2 246 721)	205 276	78 326
	(8 808 097)	**(19 127 677)**	**(552 033)**	**(1 316 366)**
32. Dividend paid				
Dividend	(11 687 956)	(27 157 650)	(11 687 956)	(27 157 650)

Dividend per share of R0.11 (2019: R0.26) were distributed to the shareholders.

33. Dividend accrual

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
2020 Postponed interim dividend	(8 016 288)	-	(8 016 288)	-

Including the dividend declared not paid, dividends accrued and paid for the year were R0.20 per share (2019: R0.26).

On 24 March 2020 shareholders were advised that the payment of the interim dividend declared on 09 March 2020 would be postponed as result of the exceptional circumstances announced by President Ramaphosa in response to the Covid-19 pandemic. Trellidor continues to maintain its ability to meet its solvency and liquidity obligations, as a result the Board has resolved to pay the interim dividend from income reserves, in respect of the six months ended 31 December 2019.

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34. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities

	2020 Opening balance	Transfers	New leases non-cash movements	Interest and translation reserve non-cash movements	Cash flows	Closing balance
Group						
Other financial liabilities	73 108 793	(6 107 913)	-	(158 806)	26 861 303	93 703 377
Loans from minority	5 473 146	-	-	152	(194 704)	5 278 594
Lease liabilities	-	6 107 913	21 288 045	550 516	(6 618 321)	21 328 153
Total liabilities from financing activities	**78 581 939**	**-**	**21 288 045**	**391 862**	**20 048 278**	**120 310 124**

Reconciliation of liabilities arising from financing activities

	2019 Opening balance	Additions to ISA	Interest non-cash movements	Cash flows	Closing balance
Group					
Other financial liabilities	86 750 455	4 914 320	(61 337)	(18 494 645)	73 108 793
Loans from minority	6 300 923	-	(242 011)	(585 766)	5 473 146
Total liabilities from financing activities	**93 051 378**	**4 914 320**	**(303 348)**	**(19 080 411)**	**78 581 939**

Reconciliation of liabilities arising from financing activities

	2020 Opening balance	Interest non-cash movements	Total non-cash movements	Cash flows	Closing balance
Company					
Other financial liabilities	33 589 101	24 241	24 241	19 180 269	52 793 611
Total liabilities from financing activities	**33 589 101**	**24 241**	**24 241**	**19 180 269**	**52 793 611**

Reconciliation of liabilities arising from financing activities

	2019 Opening balance	Interest non-cash movements	Total non-cash movements	Cash flows	Closing balance
Company					
Other financial liabilities	47 485 820	(100 868)	(100 868)	(13 795 851)	33 589 101
Total liabilities from financing activities	**47 485 820**	**(100 868)**	**(100 868)**	**(13 795 851)**	**33 589 101**

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35. Earnings per share

	Group	
	2020	**2019**
(Loss)/profit for the year attributable to ordinary shareholders	(21 270 266)	42 870 053
Adjusted for:		
(Loss)/profit on disposal of property, plant and equipment	(125 059)	166 494
Gross amount	(179 276)	250 084
Non-controlling interest	4 020	(70 025)
Tax effect thereon	50 197	(13 566)
Impairment of goodwill	34 615 350	-
Gross amount	37 422 000	-
Non-controlling interest	(2 806 650)	-
Impairment of property, plant and equipment	959 154	-
Gross amount	1 332 159	-
Tax effect	(373 005)	-
Headline earnings	**14 179 179**	**43 036 547**
Number of shares issued	100 203 596	105 765 143
Weighted and diluted weighted average number of ordinary shares in issue during the year	102 418 031	107 218 349
Earnings and diluted earnings per share (cents)	(20.8)	40.0
Headline and diluted headline earnings per share (cents)	13.8	40.1

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	200 631	332 653	-	-

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities and existing cash resources.

Operating leases – as lessee (expense) (IAS 17)

Minimum lease payments due				
• within one year	-	8 242 023	-	-
• in second to fifth year inclusive	-	10 410 983	-	-
	-	**18 653 006**	**-**	**-**

Operating lease payments represent rentals payable by the group for certain of its factory and office premises. Leases are negotiated for an average term of 3 to 5 years. No contingent rentals are payable. During the current year the entity reported the lease commitment under IFRS 16 - Leases, refer to note 7.

37. Contingencies

A dispute, which has previously been disclosed, is in process relating to former employees who were dismissed by a subsidiary of the company during the 2013 financial period. The employees are claiming employment reinstatement. The matter has been heard in the Labour Court over seven years.

During the year under review the Labour Court delivered its judgement in respect of the dismissal dispute and found that the dismissal of certain employees was substantively fair but the dismissal of certain 'night shift employees' was substantively unfair. The judgement ordered reinstatement of the 42 night shift employees and limited backpay from 01 January 2017.

Based on expert legal opinion we were advised that the judgement was flawed and that the prospect that another court would come to a different conclusion was highly probable. We filed for Leave to Appeal the judgement to the Judge concerned. The Judge has, subsequent to year end, denied Leave to Appeal.

Further legal opinion, including that of senior counsel, maintains that the judgement was flawed. We have now petitioned the Judge President for leave to appeal. The application was submitted on 7 September 2020 and the timing of when the ruling, on whether or not the appeal has been granted, is uncertain. Senior counsel is of the opinion that the prospects of success of the application being granted and the appeal succeeding are probable. In the event of unfavourable ruling, the reinstatement order would stand however we are advised that we would have legal grounds to challenge the back-pay order, which has been estimated at R20 million.

Guarantees

FNB has issued the following guarantees on behalf of the group to the following parties:

Emira Property Fund Limited	1 118 199	1 118 199	-	-
Ethekwini Municipality	202 580	202 580	-	-
The South African Post Office	40 000	40 000	-	-
Eskom Holdings Limited	238 700	238 700	-	-
	1 599 479	**1 599 479**	**-**	**-**

Trellicor Proprietary Limited provides support for a loan facility from FNB for one of the Trellidor Franchises in the form of a buy-back guarantee limited to R1 000 000. As at year-end and through investigations with the counterparties, there is no indication that this guarantee will be called in the foreseeable future.

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	Group		Company	
	2020 R	2019 R	2020 R	2019 R

38. Securities and Facilities - FNB

Facilities				
Overdraft facility	20 000 000	20 000 000	-	-
Credit card facility	700 000	700 000	-	-
Guarantees	3 000 000	2 000 000	-	-
Asset finance	15 000 000	15 000 000	-	-
Forward exchange contracts	250 000	250 000	-	-
Global banking	200 000	200 000	-	-
	39 150 000	**38 150 000**	**-**	**-**

The following terms and conditions are required to be complied with in order to ensure the ongoing availability of the facilities approved with FNB:

- A cross-suretyship for the amount of R150 000 000 for the joint and several obligations of Trellidor Holdings Limited of all the entities in the Trellidor group excluding Trellidor Ghana Limited;
- A cross-suretyship for the amount of R100 000 000 for the joint and several obligations of Trellidor Holdings Limited;
- A suretyship of R25 000 000 given by Trellidor Holdings Limited for the obligations of Trellidor Innovations Proprietary Limited;
- A suretyship of R50 000 000 given by Trellidor Innovations Proprietary Limited for the joint and severable obligations of Trellidor Holdings Limited and Trellidor Innovations Proprietary Limited;
- Cessions given by each of the entities in the Trellidor group of any and all rights which they may have over the debtors of the group from time to time upon terms and conditions acceptable to the bank, excluding Trellidor Proprietary Limited and Trellidor Ghana Limited;
- Unlimited cessions in favour of the bank of the group's credit balances held at First National Bank, excluding Trellidor Proprietary Limited and Trellidor Ghana Limited;
- Subordination to FNB by Novaspectacular Investments Proprietary Limited, of its loan receivable from Trellidor Innovations Proprietary Limited; and
- Subordination to FNB by Trellidor Holdings Limited, of its loan receivable from Trellidor Innovations Proprietary Limited.
- General notarial covering bond of R40 000 000 together with cession of short term insurance, in favour of the bank over the moveable asset of all the entities within the Trellidor group excluding Trellidor Ghana Limited.

Term loan 1 - Trellidor Holdings Limited

The loan is secured by a cession of Trellicor Proprietary Limited's debtors and credit balances at the bank, suretyship by Trellicor Proprietary Limited (limited to R100 000 000), cession by Trellidor Innovations Proprietary Limited of its debtors and credit balances at the bank and a suretyship by Trellidor Innovations Proprietary Limited (limited to R50 000 000).

Term loan 2 - Trellidor Innovations Proprietary Limited

The loan is secured by a cession of Trellicor Proprietary Limited's debtors and credit balances at the bank, suretyship by Trellicor Proprietary Limited (limited to R25 000 000), cession by Trellidor Innovations Proprietary Limited of its debtors and credit balances at the bank, subordination of loans from Trellidor Holdings Limited and Novaspectacular Investments Proprietary Limited to Trellidor Innovations Proprietary Limited.

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39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Due to consideration has also been given to the possible future impact of Covid-19 pandemic will have on trading conditions when assessing going concern. In doing so, the executive management approved budgets and forecasts for the 2021 financial period have been prepared based on the assumption that the revenue growth will be limited to less than 1% year-on-year and working capital and operating expenses have been adjusted accordingly to ensure profitability of the group during a subdued trading environment.

40. Events after the reporting period

The board has reconsidered the solvency and liquidity test of the group in terms of Section 46(3)(a) of the Companies Act and has resolved to distribute the interim dividends declared on 09 March 2020.

An expression of interest (EOI) has been entered into by the group for the purchaser of the Trellidor UK Franchise. Given the impact of the Covid-19 pandemic, there has been a delay proceeding with the terms of the EOI however the due diligence process did commence subsequent to year end.

No other matters or circumstances have arisen since the reporting date that may significantly affect the operations of the group and company, the results of these operations, or the state of affairs in future financial years.

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41. Related parties

Relationships	
Subsidiaries	Refer to note 11
Members of key management	All directors (refer to note 5 of the Director's Report).
Prescribed officer	PWE Rawson

	Group		Company	
	2020	2019	2020	2019
Related party balances				
Loan accounts - Owing (to)/by related parties				
• Subsidiaries	-	-	74 503 088	65 069 710
• Novaspectacular Investments Proprietary Limited	(5 278 595)	(5 473 146)	-	-
Amounts included in Trade and other receivables regarding related parties				
Subsidiaries	-	-	6 076 250	1 889 264
Amounts included in Trade and other payables regarding related parties				
Subsidiaries	-	-	47 248	150 460
Related party transactions				
Management fees received from related parties				
Subsidiaries	-	-	11 749 740	10 354 000
Dividends received from related parties				
Subsidiaries	-	-	31 475 708	39 750 000
Interest received from/(paid to) related parties				
Subsidiaries	-	-	4 401 540	4 469 261
Novaspectacular Investments Proprietary Limited	(329 828)	(363 923)	-	-
Advertising expenses paid to related parties				
Other related party	3 526 499	1 691 307	-	-

Novaspectacular Investments Proprietary Limited is the 7.5% shareholder in Trellidor Innovations Proprietary Limited.

Refer to note 42 for compensation paid to directors and the prescribed officer. The only key employees identified are the directors and prescribed officer of Trellidor Holdings Limited.

For loans to/(from) related parties refer to notes 12 and 21 for repayment terms.

The repayment terms for related party balances included in trade and other receivables are 30 days from statement date.

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42. Directors' and prescribed officer's emoluments

Executive

	2020					2019		
	Emoluments	Allowances	Bonuses	Pension fund contributions	Total	Short-term benefits*	Pension fund contributions	Total
Company								
TM Dennison	3 152 604	110 000	-	138 866	3 401 470	3 664 491	175 351	3 839 842
DJR Judge	1 625 330	55 000	150 000	89 440	1 919 770	545 540	37 867	583 407
Subsidiary								
PWE Rawson	2 285 181	-	-	124 256	2 409 437	2 417 557	157 220	2 574 777
CG Cunningham	-	-	-	-	-	1 219 956	61 282	1 281 238
	7 063 115	**165 000**	**150 000**	**352 562**	**7 730 677**	**7 847 544**	**431 720**	**8 279 264**

*Short-term benefits include emoluments, allowances and bonuses.

Non-executive

	2020 Directors' fees	2019 Directors' fees
Company		
MC Olivier	325 032	325 000
JB Winship	295 112	295 000
RB Patmore	315 145	315 000
	935 289	**935 000**

Executive directors' and prescribed officers' contracts

The terms of executive directors and prescribed officers contracts are in line with all other employees.

Share options were granted and accepted in terms of the Trellidor share incentive scheme. Refer to note 20 for further information.

2020	Opening balance	Granted	Lapsed	Forfeited	Exercise price	Closing balance	Annual expense
Company							
TM Dennison	1 254 471	-	(418 157)	-	5.41	836 314	309 002
Subsidiary							
PWE Rawson	737 289	-	(245 763)	-	5.41	491 526	181 609

2019	Opening balance	Granted	Lapsed	Forfeited	Exercise price	Closing balance	Annual expense
Company							
TM Dennison	1 672 628	-	(418 157)	-	5.41	1 254 471	492 145
Subsidiary							
PWE Rawson	983 052	-	(245 763)	-	5.41	737 289	289 248
CG Cunningham	396 756	-	(99 189)	(297 567)	5.41	-	116 739

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43. Financial instruments and risk management

Categories of financial instruments

Financial assets by category	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Amortised cost				
Loans receivable	6 819 019	2 353 033	-	-
Loans to group companies	-	-	74 503 088	65 069 710
Trade and other receivables	48 896 249	55 765 856	3 488 332	57 568
Cash and cash equivalents	23 410 616	12 560 921	6 863 982	2 084 118
	79 125 884	**70 679 810**	**84 855 402**	**67 211 396**

Financial liabilities by category				
Amortised cost				
Trade and other payables	14 840 742	26 575 774	450 208	273 108
Other financial liabilities	98 981 971	78 581 938	52 793 611	33 589 101
Bank overdraft	7 339 964	4 140 237	-	-
	121 162 677	**109 297 949**	**53 243 819**	**33 862 209**

Gains and losses on financial assets				
Recognised in profit or loss				
Interest income	1 414 504	956 669	378 584	137 631
Movement in credit loss allowance	(2 160 084)	(3 182 343)	861 036	1 173 829
Net gains (losses)	**(745 580)**	**(2 225 674)**	**1 239 620**	**1 311 460**

Gains and losses on financial liabilities				
Recognised in profit or loss				
Finance cost	7 930 613	8 753 998	3 691 535	3 970 257

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43. Financial instruments and risk management (continued)

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Capital adequacy and liquidity are managed by monitoring the debt to equity ratio, interest cover and debt service ratios.

The debt ratio is calculated as debt divided by total equity. Debt is calculated as total interest-bearing borrowings. Total equity is represented in the statement of financial position. The ratio is closely monitored by management and the group aims to maintain this ratio below 150%.

The group is required to maintain and monitor dividend, interest and debt cover ratios in terms of its agreements with its financiers, as referred to in note 38. As at 30 June 2020 the group was not in breach of any covenants and there was no change to what the entity manages as capital or the strategy for capital maintenance from the previous year.

Subject to covenants being met and sufficient cash flow generation, the group would seek to achieve a dividend cover of 2.25 (2019: 2.25).

The debt to equity ratio and dividend cover at 2020 and 2019 respectively were as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Borrowings	98 981 971	78 581 939	52 793 611	33 589 101
Equity	161 196 402	226 661 169	78 145 600	87 204 517
Gearing ratio	61 %	35 %	68 %	39 %
Dividend cover	(1.30)	2.26	-	-

Based on the ratios above the group has managed its capital in line with its objectives to safeguard the group's ability to continue as a going concern, provide returns for shareholders and benefits for other stakeholders.

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43. Financial instruments and risk management (continued)

Financial risk management

Overview

The group’s financial instruments consist primarily of cash resources invested with financial institutions, accounts receivable, accounts payable, loans to/(from) group companies and instalment sale agreements. The group's activities expose it to a variety of financial risks including credit, interest, foreign currency, capital and liquidity risk.

Risk management policies have been established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies are regularly reviewed to reflect changes in market conditions and the group's activities. The group through training, management standards and procedures aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

There have been no major changes to the group's financial risk management policies and processes from the previous period.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet their contractual obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and other financial assets.

The credit quality of cash held at the bank is assessed to be good as the group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

			2020			2019	
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Group							
Loans receivable		6 819 019	-	6 819 019	2 353 033	-	2 353 033
Trade and other receivables	15	52 317 697	(3 421 448)	48 896 249	57 027 219	(1 261 363)	55 765 856
Cash and cash equivalents	16	23 410 616	-	23 410 616	12 560 921	-	12 560 921
		82 547 332	**(3 421 448)**	**79 125 884**	**71 941 173**	**(1 261 363)**	**70 679 810**
Company							
Loans to group companies	12	76 119 838	(1 616 750)	74 503 088	67 547 496	(2 477 786)	65 069 710
Trade and other receivables	15	3 488 332	-	3 488 332	57 568	-	57 568
Cash and cash equivalents	16	6 863 982	-	6 863 982	2 084 118	-	2 084 118
		86 472 152	**(1 616 750)**	**84 855 402**	**69 689 182**	**(2 477 786)**	**67 211 396**

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43. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Trellidor group maintains flexibility in funding by maintaining facilities under committed credit lines.

These facilities are used whenever an entity within the group requires cash to maintain operations. Overall credit lines are approved by the board. There is a concentration risk in that both of the major facilities used (Wesbank and FNB) are part of the FirstRand group. However, this risk is mitigated by the fact that the FirstRand group is a strong financial services provider and that a large substitution market exists.

Management monitors rolling forecasts of the entity's cash and cash equivalents on the basis of expected cash flow. There is central cash management function at group level, which manages cash flows and balances, ensuring liquidity by operation as required and the maximisation of the overall return on free cash.

Trade and other receivables are used to offset the risk that arises from trade and other payables.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

		2020					
		Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Group							
Non-current liabilities							
Lease liabilities	7	-	6 660 190	4 838 412	-	11 498 602	9 246 787
Other financial liabilities	21	-	21 113 336	53 670 642	23 187 508	97 971 486	81 529 097
Current liabilities							
Lease liabilities	7	12 647 767	-	-	-	12 647 767	12 081 366
Bank overdraft	16	7 339 964	-	-	-	7 339 964	7 339 964
Other financial liabilities	21	23 581 540	-	-	-	23 581 540	17 452 874
Trade and other payables	22	14 840 742	-	-	-	14 840 742	14 840 742
Current assets							
Trade and other receivables	15	(48 896 249)	-	-	-	(48 896 249)	(48 896 249)
		(9 513 764)	**(27 773 526)**	**(58 509 054)**	**(23 187 508)**	**(118 983 852)**	**(93 594 581)**

		2019					
		Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Group							
Non-current liabilities							
Other financial liabilities	21	-	26 758 819	4 150 074	488 367	31 397 260	29 527 874
Current liabilities							
Trade and other payables	22	27 406 369	-	-	-	27 406 369	27 406 369
Other financial liabilities	21	53 017 102	-	-	-	53 017 102	49 054 064
Bank overdraft	16	4 140 237	-	-	-	4 140 237	4 140 237
Current assets							
Trade and other receivables	15	(55 765 856)	-	-	-	(55 765 856)	(55 765 856)
		(28 797 852)	**(26 758 819)**	**(4 150 074)**	**(488 367)**	**(60 195 112)**	**(54 362 688)**

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43. Financial instruments and risk management (continued)

		2020 Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Company						
Non-current liabilities						
Other financial liabilities	21	-	13 221 600	35 257 600	48 479 200	42 832 896
Non-current assets						
Loans to group companies	12	-	(18 541 308)	(51 432 304)	(69 973 612)	(57 578 530)
Current liabilities						
Trade and other payables	22	450 209	-	-	450 209	450 209
Other financial liabilities	21	13 221 600	-	-	13 221 600	9 960 715
Bank sureties*		6 046 302	-	-	6 046 302	-
Bank guarantees*		34 863 463	-	-	34 863 463	-
Current assets						
Trade and other receivables	15	(3 488 332)	-	-	(3 488 332)	(3 488 332)
Loans to group companies	12	(18 541 308)	-	-	(18 541 308)	(18 541 308)
		(32 551 934)	**5 319 708**	**16 174 704**	**(11 057 522)**	**26 364 350**

		2019 Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Company						
Non-current liabilities						
Other financial liabilities	21	-	17 756 422	1 479 702	19 236 124	18 298 878
Non-current assets						
Loans to group companies	12	-	(21 120 000)	(1 760 000)	(22 880 000)	(47 000 485)
Current liabilities						
Trade and other payables	22	273 107	-	-	273 107	273 107
Other financial liabilities	21	17 756 422	-	-	17 756 422	15 209 223
Bank guarantees*		25 000 000	-	-	25 000 000	-
Current assets						
Trade and other receivables	15	(57 568)	-	-	(57 568)	(57 568)
Loans to group companies	12	(21 120 000)	-	-	(21 120 000)	(18 069 225)
		(21 851 961)	**3 363 578**	**280 298**	**(18 208 085)**	**31 346 070**

*It is the opinion of the directors that the possibility of any loss from bank sureties or guarantees is improbable and it is not anticipated that any material liabilities will arise.

Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, GB Pound and Euro.

The group imports raw materials and components and exports finished goods. These transactions are foreign currency based, hence there is exposure to foreign currency risk in the form of transactions and translation expenses from fluctuations in foreign currency exchange rates. The group utilises, as part of its risk management, the natural hedging that arises from being an importer and exporter of goods and forward exchange contracts where appropriate.

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43. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

		Group		Company	
		2020 R	2019 R	2020 R	2019 R
Current assets					
Trade and other receivables:					
• USD 111 212 (2019: USD 81 142)	15	1 936 201	1 147 347	-	-
• GBP 134 343 (2019: GBP 69 000)	15	2 885 191	1 218 060	-	-
• EUR1167 (2019: EUR Nil)	15	22 702	-	-	-
Cash and cash equivalents:					
• USD 30 317 (2019: USD 81 281)	16	527 818	1 149 318	-	-
• EUR nil (2019: EUR 8 647)	16	-	139 222	-	-
• GBP 15 420 (2019: GBP 2 884)	16	331 462	50 911	-	-
Current liabilities					
Trade and other payables:					
• USD 89 095 (2019: USD 947 768)	22	1 557 205	13 401 433	-	-
• EUR 205 164 (2019: EUR 102 630)	22	3 994 543	1 652 337	-	-

Year end exchange rates used for conversion of foreign items were:

USD	17.41	14.14	-	-
GBP	21.50	17.65	-	-
EUR	19.47	16.10	-	-
GHS	3.02	2.57	-	-

The company reviews its foreign currency exposure, including commitments on an ongoing basis.

Forward exchange contracts

Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date. The present value of these net market values are then calculated using the appropriate currency specific discount curve.

Imports - goods	**Contract rate**	**Market rate**	**Contract foreign currency amount**	**Contract Rand amount**	**Fair value of contract**
Buy USD - expiry 30 June 2020	17.671	17.405	25 868	457 123	450 232
Buy US Dollars - expiry 31 July 2020	17.485	17.405	33 154	579 690	577 038
Buy US Dollars - expiry 31 July 2020	17.432	17.405	5 407	94 299	94 155
Buy EURO - expiry 06 July 2020	19.742	19.471	25 677	506 911	499 968
Sell Euro - expiry 13 July 2020	20.373	19.471	12 526	255 200	243 905
Sell Euro - expiry 14 August 2020	19.520	19.471	76 444	1 492 201	1 488 463
				3 385 424	**3 353 761**

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43. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group and company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. Given the recent weakening in the Rand as a result of Covid-19, the sensitivity rate has been doubled in 2020. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group	2020		2019	
	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
US Dollar 7% (2019: 1%)	63 901	(63 901)	(111 048)	111 048
Euro 7% (2019: 1%)	(278 027)	278 027	(16 591)	16 591
	(214 126)	**214 126**	**(127 639)**	**127 639**

Interest rate risk

The group's interest rate risk arises from cash deposits and financial liabilities, which can impact on the cash flows of these instruments. The exposure to interest rate risk is managed through a central cash management mechanism at group level, which enables the group to maximise returns whilst minimising risk.

During the year interest rates were adjusted significantly by the South African Reserve Bank in response to an extraordinary event caused by the Covid-19 pandemic. Given the isolated nature of the cause of the adjustments and given the history of interest rate adjustments under "normal'' economic conditions, the recent adjustments are not considered to be an indicator that rates have become significantly more volatile.

Group

At 30 June 2020, if interest rates had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been R 450 459 (2019: R 395 726) lower/higher, mainly as a result of higher interest expense/income on borrowings.

Company

At 30 June 2020, if interest rates had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been R 229 648 (2019: R 186 236) higher/lower, mainly as a result of higher interest income/expense on borrowings.

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Shareholder Analysis

Shareholder type	Number	2020 Shareholding	%
Non- public shareholders	8	28 006 768	27.95 %
• Directors and associates of the company - direct holding	5	13 662 074	13.63 %
• Directors and associates of the company - indirect holding	2	1 889 633	1.89 %
• Own holdings	-	-	- %
Shareholders (excluding fund managers) holding more than 10%			
The LMO Trust	1	12 455 061	12.43 %
Public shareholders	923	72 196 828	72.05 %
	931	**100 203 596**	**100.00 %**

Fund managers with a shareholding greater than 5 % of issued shares			
Mazi Capital Proprietary Limited	47	16 572 454	16.54 %
Aylett and Co. Proprietary Limited	4	7 074 466	7.06 %
Lyonnais Private Asset Managers SA Proprietary Limited	1	5 800 000	5.79 %
	52	**29 446 920**	**29.39 %**

Beneficial shareholders with a holding greater than 5% of the issued shares			
Government Employees Pension Fund	1	6 351 058	6.34 %

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