

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

PRELIMINARY CONDENSED CONSOLIDATED RESULTS
for the year ended 31 August 2018

CONDENSED STATEMENT OF FINANCIAL POSITION

		Reviewed At 31 August 2018 R'000	Audited At 31 August 2017 R'000
ASSETS			
Non-current assets		2 094 953	1 965 107
Property, plant and equipment		150 490	95 257
Investment properties	1	702 317	1 665 954
Investments in joint ventures		94 848	81 959
Investments in associate entities		88 473	75 853
Loans receivable		55 412	39 779
Deferred tax asset		3 413	6 305
Current assets		200 403	268 516
Loans receivable		20 575	12 113
Investments		10 603	9 481
Inventories		50 777	52 284
Current tax asset		-	2
Trade and other receivables		19 406	24 705
Cash and cash equivalents		99 042	169 931
Non-current assets held for sale		2 354	3 588
Total assets		2 297 710	2 237 211
EQUITY AND LIABILITIES			
Equity		1 023 459	954 329
Share capital and share premium		293 497	309 319
Treasury shares	2	(137)	(1 107)
Fair value reserve		31 073	26 150
Foreign currency translation reserve		3 733	(137)
Share-based payment reserve		15 681	11 826
Accumulated profit		536 210	504 254
Total equity attributable to equity holders of the parent		880 057	850 305
Non-controlling interest		143 402	104 024
Non-current liabilities		1 196 477	1 007 495
Loans payable		1 096 960	907 140
Deferred tax liability		99 517	100 355
Current liabilities		77 774	275 387
Loans payable		15 075	220 306
Current tax liabilities		62	831
Trade and other payables		62 637	54 250
Total liabilities		1 274 251	1 282 882
Total equity and liabilities		2 297 710	2 237 211
Net asset value per share (based on shares in issue at year-end) (cents)		407	391

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed Year ended 31 August 2018 R'000	Audited Year ended 31 August 2017 R'000
Revenue	317 576	301 203
Realised loss on held-for-trading investments	(854)	(302)
Realised profit/(loss) on sale of non-current assets	2 187	(282)
Realised profit on sale of associate	-	91 795
Total realised profit	1 333	91 211
Fair value adjustment on held-for-trading investments	3 713	1 658
Fair value adjustment on investment properties	32 768	219 883
(Impairment)/reversal of impairment of loan	(2 666)	1 737
Total profit from fair value adjustments	33 815	223 278
Other income	1 097	22 578
Employee benefits	(51 833)	(40 325)
Cost of property and land sold	(11 169)	(79 356)
Other operating expenses	(154 515)	(90 923)
Operating profit	136 304	427 666
Finance costs	(110 544)	(70 887)
Profit from equity accounted investments (net of tax)	25 383	47 860
Profit before income tax	51 143	404 639
Income tax	(792)	(54 274)
Profit for the year	50 351	350 365
Other comprehensive income		
Items that will not subsequently be reclassified to profit/(loss):		
Fair value gain on revaluation of property, plant and equipment	6 344	17 734
Tax effects of fair value adjustments	(1 421)	(3 972)
Items that are or may subsequently be reclassified to profit/(loss):		
Foreign currency translation differences on equity accounted investments	3 870	(137)
Other comprehensive income for the year	8 793	13 625
Total comprehensive income for the year	59 144	363 990
Profit attributable to:		
Equity holders of the parent	35 657	291 777
Non-controlling interest	14 694	58 588
	50 351	350 365
Total comprehensive income attributable to:		
Equity holders of the parent	44 450	305 402
Non-controlling interest	14 694	58 588
	59 144	363 990
Basic earnings per share (cents)	16.5	134.0
Diluted earnings per share (cents)	15.1	123.1

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital	Treasury shares	Share- based payment reserve

Balance at 1 September 2016	R'000	R'000	R'000	R'000	R'000
	2 195	320 511	322 706	(2 559)	8 999
Total comprehensive income for year	-	-	-	-	-
Profit for the year	-	-	-	-	-
Fair value gain on revaluation of property, plant and equipment	-	-	-	-	-
Tax effects on revaluations	-	-	-	-	-
Share-based payment expense	-	-	-	-	2 847
Settlement of share-based payment	-	-	-	-	(20)
Treasury shares cancelled	(17)	(4 680)	(4 697)	2 559	-
Treasury shares acquired	-	-	-	(1 107)	-
Foreign currency translation reserve	-	-	-	-	-
Ordinary shares issued	1	91	92	-	-
Capital distribution	-	(8 782)	(8 782)	-	-
Change in shareholding	-	-	-	-	-
Balance at 31 August 2017	2 179	307 140	309 319	(1 107)	11 826
Balance at 1 September 2017	2 179	307 140	309 319	(1 107)	11 826
Total comprehensive income for year	-	-	-	-	-
Profit for the year	-	-	-	-	-
Fair value gain on revaluation of property, plant and equipment	-	-	-	-	-
Tax effects on revaluations	-	-	-	-	-
Share-based payment expense	-	-	-	-	3 977
Settlement of share-based payment	-	-	-	-	(122)
Treasury shares cancelled	(19)	(5 499)	(5 518)	5 518	-
Treasury shares acquired	-	-	-	(4 548)	-
Foreign currency translation reserve	-	-	-	-	-
Ordinary shares issued	4	559	563	-	-
Capital distribution	-	(10 867)	(10 867)	-	-
Change in shareholding	-	-	-	-	-
Balance at 31 August 2018	2 164	291 333	293 497	(137)	15 681

Note 2

	Foreign currency translation reserve R'000	Fair value reserve R'000	Accumulated profit/(loss) R'000	Total R'000	Non- controlling interest R'000	Total equity R'000
Balance at 1 September 2016	-	12 389	214 655	556 190	45 032	601 222
Total comprehensive income for year	-	13 761	291 777	305 538	58 588	364 126
Profit for the year	-	-	291 777	291 777	58 588	350 365
Fair value gain on revaluation of property, plant and equipment	-	17 733	-	17 733	-	17 733
Tax effects on revaluations	-	(3 972)	-	(3 972)	-	(3 972)
Share-based payment expense	-	-	-	2 847	-	2 847
Settlement of share-based payment	-	-	-	(20)	-	(20)
Treasury shares cancelled	-	-	-	(2 138)	-	(2 138)
Treasury shares acquired	-	-	-	(1 107)	-	(1 107)
Foreign currency translation reserve	(137)	-	-	(137)	-	(137)
Ordinary shares issued	-	-	-	92	-	92
Capital distribution	-	-	-	(8 782)	-	(8 782)
Change in shareholding	-	-	(2 178)	(2 178)	404	(1 774)
Balance at 31 August 2017	(137)	26 150	504 254	850 305	104 024	954 329
Balance at 1 September 2017	(137)	26 150	504 254	850 305	104 024	954 329
Total comprehensive income for year	-	4 923	35 657	40 580	14 694	55 274
Profit for the year	-	-	35 657	35 657	14 694	50 351
Fair value gain on revaluation of property, plant and equipment	-	6 344	-	6 344	-	6 344
Tax effects on revaluations	-	(1 421)	-	(1 421)	-	(1 421)
Share-based payment expense	-	-	-	3 977	-	3 977
Settlement of share-based payment	-	-	-	(122)	-	(122)
Treasury shares cancelled	-	-	-	-	-	-
Treasury shares acquired	-	-	-	(4 548)	-	(4 548)
Foreign currency translation reserve	3 870	-	-	3 870	-	3 870
Ordinary shares issued	-	-	-	563	-	563
Capital distribution	-	-	-	(10 867)	-	(10 867)
Change in shareholding	-	-	(3 701)	(3 701)	24 684	20 983
Balance at 31 August 2018	3 733	31 073	536 210	880 057	143 402	1 023 459

CONDENSED STATEMENT OF CASH FLOWS

	Reviewed Year ended 31 August 2018 R'000	Audited Year ended 31 August 2017 R'000
Cash flows from operating activities		
Cash generated from operations	104 578	156 188
Finance income	8 989	10 710
Dividends received	3 625	297
Dividends received from associate	3 500	-
Finance costs	(106 918)	(70 887)
Taxation paid	(846)	(9 452)
Net cash inflow from operating activities	12 928	86 856
Cash flows from investing activities		
Acquisition of property, plant and equipment	(56 453)	(44 864)
Acquisition of and addition to investment properties	(43 097)	(2 512)
Proceeds on disposal of non-current assets	27 273	18 489
Loans receivable advanced	-	(6 647)
Proceeds on disposal of associate	-	190 751
Loans advanced to joint ventures and associates	(6 589)	(8 089)
Loans repaid by joint ventures and associates	3 530	-
Acquisition of associates	-	(72 384)
Acquisition of held-for-trading and available-for-sale investments	(2 805)	(120)
Proceeds on disposal of investments	4 543	2 509
Net cash (outflow)/inflow from investing activities	(73 598)	77 133
Cash flows from financing activities		
Issue of shares	563	92
Acquisition of treasury shares	(4 548)	(1 108)
Capital distribution	(10 867)	(8 782)
Decrease in borrowings	(110 543)	(54 216)
Increase in borrowings	115 176	37 396
Net cash outflow from financing activities	(10 219)	(26 618)

Net (decrease)/increase in cash and cash equivalents	(70 889)	137 371
Cash and cash equivalents at the beginning of the year	169 931	32 560
Total cash and cash equivalents at the end of the year	99 042	169 931

NOTES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Trematon Capital Investments Limited ("the company") is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 31 August 2018 comprise the company and its subsidiaries (together referred to as "the group") and the group's interest in associates and joint ventures.

The financial statements were authorised for issue by the directors on 8 November 2018.

The preliminary, condensed consolidated results ("the results") have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and contain the information required by IAS 34 – Interim Financial Reporting, the JSE Listings Requirements and the Companies Act. The accounting policies and methods of computation applied in the presentation of the results are consistent with those applied in the prior year. These accounting policies and methods of computation are in terms of IFRS.

The results are stated in Rands, which is the company's functional and presentation currency.

There have been no changes to the board of directors during the year under review.

The results have been reviewed by the company's independent auditors, Mazars. Their unmodified review opinion is available for inspection at the company's registered office. Their review was conducted in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity". The auditor's report does not necessarily report on all of the information contained in these results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

	Reviewed Year ended 31 August 2018	Audited Year ended 31 August 2017
2. Treasury shares		
Number of shares held at year-end	43 871	423 650
The weighted average price of the treasury shares purchased during the year was R2.98 per share (2017: R2.60).		
	R'000	R'000
3. Related party transactions		
Profits from equity accounted joint ventures	16 389	44 342
Profit from equity accounted associates	8 994	3 519
Interest received from associates	99	80
Interest received from joint ventures	1 088	2 060
Administration fees received from associates	78	607
Administration fees received from joint ventures	668	646
Directors' emoluments	13 050	16 069
	Reviewed Year ended 31 August 2018	Reviewed Year ended 31 August 2017
	Gross 2018 R'000	Net 2018 R'000
		Gross 2017 R'000
		Net 2017 R'000
4. RECONCILIATION OF HEADLINE EARNINGS PER SHARE		
Headline earnings per share is calculated as follows:		
Profit attributable to equity holders of the parent		35 657
Fair value adjustment on investment properties	(32 768)	(21 001)
Fair value adjustments within equity accounted profits	(17 254)	(8 261)
Realised profit on sale of associate	-	-
Realised (profit)/loss on sale of property, plant and equipment	(2 187)	(255)
Headline earnings		6 140
Headline earnings per share (cents)		2.8
Diluted headline earnings per share (cents)		2.6
		20.3
		18.8

The calculation of headline earnings per share is based on the weighted average number of 216 641 331 shares in issue during the year (2017: 217 710 577).

The calculation of diluted headline earnings per share is based on the diluted weighted average number of 236 083 197 shares in issue during the year (2017: 235 858 407).

5. SEGMENTAL INFORMATION

	Gaming R'000	Property investments R'000	Education R'000	UK investments R'000	Corporate and other R'000	Total R'000
2018						
Revenue	-	273 593	40 358	-	3 625	317 576
Net income before tax	-	43 031	(3 492)	8 297	3 307	51 143
Total assets	-	2 008 620	154 813	84 855	49 422	2 297 710
Total liabilities	-	1 266 950	3 793	-	3 508	1 274 251
Net asset value	-	598 660	150 627	84 855	45 915	880 057
Intrinsic net asset value	-	567 079	225 630	84 855	133 937	1 011 501
2017						
Revenue	541	280 619	20 043	-	-	301 203
Net income before tax	94 161	308 786	313	439	940	404 639
Total assets	-	1 885 744	79 789	72 687	198 991	2 237 211
Total liabilities	-	1 275 113	7 769	-	-	1 282 882
Net asset value	-	506 820	71 807	72 687	198 991	850 305
Intrinsic net asset value	-	571 136	94 626	72 687	198 991	937 440

6. SUBSEQUENT EVENTS

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report, other than those noted below.

7. CAPITAL DISTRIBUTION

The capital distribution of R10.9 million (5.0 cents per share) which was declared on 8 November 2017 was paid to shareholders on 18 December 2017.

The capital distribution was treated as a return of contributed tax capital to shareholders recorded in the share register of the company at the close of business on 15 December 2017.

On 8 November 2018, subsequent to year-end, the board of directors declared a capital distribution of 5.25 cents per share as a return of contributed tax capital to shareholders recorded in the share register of the company at the close of business on Friday, 14 December 2018.

The directors have determined that this capital reduction distribution will be paid out of qualifying contributed tax capital, as contemplated in the definition of "contributed tax capital" in section 1 of the Income Tax Act, 1962. As the distribution will be regarded as a return of capital and may have potential capital gains tax consequences, Trematon shareholders are advised to consult their tax advisers regarding the impact of the distribution.

The directors have reasonably concluded that the company will satisfy the solvency and liquidity test immediately after the capital distribution.

The net amount payable to shareholders is R11.4 million, being 5.25 cents per share, based on the current number of 216 188 197 shares in issue.

The income tax reference number of Trematon Capital Investments Limited is 9340/323/84/0.

Last date to trade:	Tuesday, 11 December 2018
Ex-date:	Wednesday, 12 December 2018
Record date:	Friday, 14 December 2018
Payment date:	Tuesday, 18 December 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 December 2018 and Friday, 14 December 2018, both days inclusive.

CHAIRMAN'S REPORT

The group has made a very successful transition from a passive investment company in 2005 when the current management took control, to a hub of entrepreneurial businesses with strategic and operational skills and a proven ability to source and execute value-added transactions across a wide range of industries.

Four out of the five largest businesses (Aria Property Group, Resi Investment Group, Generation Schools and ASK Partners) in the group were established and co-founded by the group from scratch and Club Mykonos, although it was an existing business, has been dramatically reshaped and has had several new profitable operations added. The group has a philosophy of making well-priced investments but the real skill in these endeavours is the selection of partners and management who can add value. The management of the various businesses is independent, and each group company has its own unique culture and uses the group skills in different ways. Some businesses are relatively passive investments while others have full operational involvement depending on the business's individual needs and operating life cycle.

We own some businesses entirely and have the capacity to manage those and we continue to seek out partners and co-investors in areas where we can bring complementary skills to a transaction.

The majority of our businesses are focused in the Western Cape and the past financial year brought some unique challenges borne of overall economic weakness and the drought. Despite this, all of our operations added value and performed creditably.

All of the businesses in the group have the ability to grow. When the economy recovers from the current recession the growth in intrinsic value should meet or exceed expectations.

The Trematon Group is fortunate to be able to call on an engaged and high-quality board of directors and experienced and committed management, most of whom have been with the group for at least a decade. I thank them all for their hard work and dedication.

I have conferred with my colleagues on the board and have indicated to them my intention to retire from the board at the next AGM. The Trematon journey has been very positive and I have enjoyed watching the executive group develop into a well-balanced team with diverse skills and a well-earned reputation for innovation, attention to detail and fair dealing.

Monty Kaplan
Chairman

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S JOINT REPORT

Group intrinsic net asset value ("INAV") exceeded R1 billion for the first time in 2018 and represents an important symbolic benchmark. In April 2005 Trematon was a very small company with a limited capital base and no operational businesses. Thirteen years later, the group is now a recognised innovator with the ability to purchase, establish, manage and exit projects in the areas of commercial property, residential property, education and leisure.

Trematon's earnings patterns are lumpy. The business has grown its annuity income operations substantially over the past few years but investment disposals, acquisitions and fair value adjustments can always create once-off swings in earnings. Over the past year there have been several realisations and revaluations which have resulted in an 8.5% increase in INAV. A large portion of the group's investments is backed by property values and the performance of this asset class has been muted in the past 12 months. This performance compares favourably with our industry peers.

An important measure of Trematon's value is INAV, which gives shareholders a realistic valuation of the underlying assets of the business. This is calculated and explained in detail in a separate INAV report which can be found below.

The 2018 distribution of 5.25 cents per share is an increase of 5% over the prior year, which represents eight years of uninterrupted distribution growth.

The group has five major investments of which four were new ventures from inception. Head office involvement in each business varies depending on the stage of growth and the specific needs of the business. Each entity has committed, incentivised and competent management and each has growth prospects which have the potential to achieve the group's target internal rate of return ("IRR") of 20% per annum. We are under no illusions that this target will be easily achieved, and the South African economy would need to improve in order for us to meet our objectives, but we are well positioned to access growth in each market segment.

RESULTS

Group revenue (excluding sales of property and land) grew 61% which reflects the increased annuity income component of our operating businesses. Rental income increased due to the letting-up of the Pier Place redevelopment and school income increased as a result of the opening of new schools and an increase in student numbers.

The group's total comprehensive income for the year attributable to equity holders was R44.5 million (2017: R305.4 million). This translates into earnings per share of 16.5 cents (2017: 134.0 cents) and headline earnings per share of 2.8 cents (2017: 20.3 cents).

This decrease in earnings and headline earnings was mainly due to a large once-off profit in the

prior year from the sale of the Mykonos Casino and the adjacent land. Fair value adjustments on investment properties were at a lower level than the prior year. There were also increases in operating expenses, resulting from the acquisition of additional properties in Aria Property Group and the increase in school operating expenses in Generation Education which is in line with expectations and the projected growth of the businesses.

Net asset value ("NAV") has increased by 4.1% to 407 cents (2017: 391 cents) per share while INAV, which provides investors with a realistic and transparent evaluation of Trematon's performance and value, increased by 8.5% to 468 cents (2017: 431 cents) per share. NAV reflects the book values of the various investments in terms of IFRS, but does not take into account the market value of certain investments such as inventory and investments in joint ventures and associates that are equity accounted in terms of the required accounting standards. The INAV shows these assets at their realisable market values.

CLUB MYKONOS LANGEBAAN (100%) ("CML")

The Club Mykonos Resort performed ahead of its peers in the hospitality industry in the Western Cape although it was affected by the poor holiday season in Cape Town caused by the drought and other factors. The various restaurants, the boatyard and the marina generate stable income. The resort continues to improve steadily with further substantial upgrades to the restaurant facilities and conference centre planned for early 2019.

CML's contribution to INAV grew by 4% due to increases in property values and its contribution to group profit was R10.7 million (2017: R141.8 million). The prior-year profits included the sale of the Mykonos Casino and vacant land adjacent to the casino. During the current year the latest development ("Marina Edge") which consists of 16 serviced plots on the edge of the Mykonos Marina, was launched, with nine plots having been sold to date. Sales prices range from R2 million to R3 million per plot.

The Mykonos Marina showed strong growth even in the current difficult economic conditions and remains fully let with a substantial waiting list.

The Club Mykonos Boatyard, which has become an integral part of the Club Mykonos service offering, is also at full capacity. It includes 257 lock-up storage units in various sizes to accommodate a range of different storage needs.

CML continues to provide a stable income stream to the group with scope to increase value in the future via targeted development of the remaining zoned land, although the contribution to INAV is likely to grow at a slower rate than other group assets.

RESI INVESTMENT GROUP (100%) ("RESI")

Resi's portfolio of mid-range apartments provides stable income and some trading profits, albeit in a tighter market with rentals and property values under pressure. The ability to grow the business has, however, been hampered by a lack of suitable stock. While we remain committed to the residential sector in the Western Cape, it is our intention to diversify into other regions of South Africa in order to expand the Resi portfolio and secure the growth of the business.

We do trade in some units where we feel we have achieved our target with respect to maximum value gained. We continuously review our portfolio and where we feel the value has reached its maximum, we look to offload those properties and recycle the cash into new deals.

Resi's contribution to INAV decreased by 5% due to slight decreases in fair value adjustments. Resi contributed R3.6 million (2017: R28.3 million) to group profits.

Resi's future contribution to group INAV is dependent on our ability to source attractively priced residential stock. Several potential transactions have been identified and will be announced when and if they are finalised.

GENERATION EDUCATION (87%) ("GENERATION")

Generation has been operating since January 2016 and is still in an early growth phase. There are currently five operating schools with over 900 students (2017: 500 students) enrolled. We have secured three additional sites for which we are awaiting zoning approval and one site is currently under construction which is expected to be open in January 2019.

Two of the five operating schools, Blue Moon in Plumstead and Generation Melkbos, are full and have waiting lists. Generation Sunningdale and Generation Hermanus have completed their expansions to include middle schools and intake has exceeded our projections. The younger age groups, up to age 12, are full at both the Sunningdale and Hermanus campuses. During the year an existing school was purchased in Hout Bay and will soon be undergoing expansion and refurbishment.

Revenue has grown by 102% to R40.4 million (2017: R20 million) while Generation contributed R1 million (2017: R0.1 million) to group profits, which is a creditable performance given that expense ratios are inevitably higher in the start-up phases. Generation's contribution to INAV increased by 138% mainly due to increased investment in new school sites and organic growth within the schools. This was funded by group cash on hand.

ARIA PROPERTY GROUP (60%) ("ARIA")

Aria's focus continues to be in the Western Cape and the company's brand value and local reputation have grown significantly over the past few years.

A highlight of the year was the highly successful redevelopment and tenancing of Pier Place, a 14-floor commercial office block on Cape Town's Foreshore.

Despite a generally weak property market, the Aria team's ability to add value to underutilised assets has enabled asset value growth. The past financial year has been strong with the company focusing on the strengthening of both its income statement and balance sheet. Aria's contribution to INAV was similar to the previous financial year. Aria contributed R36 million (2017: R180.8 million) to group profits. Fair value adjustments in the current year have been lower than the prior year but the operating scale of the business has increased.

Further redevelopments are planned for the next financial year. The portfolio is comprised almost entirely of medium-sized institutional grade properties and opportunities to add value and enhance the overall portfolio quality are being investigated.

ASK PARTNERS (40%) ("ASK")

Towards the end of 2017 Trematon invested R72.4 million in ASK, which is based in the United Kingdom. The business provides innovative structured financing to property developers in the UK. This is currently Trematon's only offshore investment and meets our basic investment criteria based on projected investment returns in British Pounds and is not on any currency view.

ASK's contribution to group INAV grew 17% in the current financial year. The business is valued at cost plus equity accounted profits and any foreign exchange gains/losses. The business generated R12.2 million (2017: R0.4 million) profit for the group, which includes a R3.9 million forex gain. By the end of August 2018 ASK had completed 13 deals with a combined loan amount of £45 million (approximately R860 million).

The investment has exceeded initial budgets and projections, both in terms of loans written and

syndications and is on track to achieve our return objectives.

CONCLUSION

Trematon makes investments based on an attractive entry price and the potential to add value such that an IRR of 20% can be achieved on a three to five-year time frame. Each investment base case uses assumptions that we feel are conservative and we do not spend a large amount of time trying to forecast macroeconomic trends. However, without economic growth, it is difficult to forecast large increases in INAV with confidence. We are well positioned to capitalise on any increase in economic activity while weathering the current subdued economic realities.

Trematon has grown its INAV consistently since current management took over in 2005 and has increased distributions every year for the past eight years. The core management team has remained stable over this time and has consistently displayed an ability to identify, execute, manage and exit value-added transactions through both positive and negative economic cycles.

The prevailing stock market investment conditions do not favour investment holding companies, most of which are trading at substantial discounts to INAV. Most commentators note that the current discount to INAV for investment holding companies is at historically unprecedented levels.

A critical question that investors might ask is how accurate the group's stated INAV is. Trematon has recycled its equity several times over the past 13 years and the group has not taken any INAV write-downs as the result of exiting investments. This is an indication that the stated INAV is realistic and represents the true after-tax value of the group's assets.

Our long-standing chairman, Monty Kaplan, has announced his intention to retire at the company's next AGM and the board is currently considering an appropriate replacement as well as other additions to the board. Monty has been a calm and thoughtful presence in our boardroom for the past 13 years and we thank him for his contribution to the group thus far. He has indicated that he will, in future, continue to be available to the group for counsel as required.

Arnold Shapiro
Chief Executive Officer

Arthur Winkler
Chief Financial Officer

INTRINSIC VALUE REPORT

Trematon is an investment holding company and uses the intrinsic value model to provide management and investors with a realistic and transparent way of evaluating Trematon's performance and value.

The intrinsic net asset value report below illustrates the intrinsic net asset value of all investment categories of the group for the year ended 31 August 2018. The preparation of the intrinsic net asset value is the responsibility of the directors of Trematon. The intrinsic net asset value has been prepared to assist investors in analysing future prospects of the group.

The financial information below has been compiled by using a combination of listed market values, external professional valuations, or directors' valuations, where applicable.

The intrinsic net asset value is also presented as part of the group's segment information in the audited annual financial statements and for comparative purposes, the prior year's information is also presented.

	Notes	Intrinsic value	
		Year ended 31 August 2018 R'000	Year ended 31 August 2017 R'000
Club Mykonos Langebaan	1	138 246	132 836
Aria Property Group	1	227 199	226 860
Resi Investment Group	1	201 634	211 440
Generation Education	2	225 630	94 626
ASK Partners	3	84 855	72 687
Other	4	34 895	29 060
Cash		99 042	169 931
Total		1 011 501	937 440
Number of shares in issue		216 144 326	217 347 679
INAV per share (cents)		468	431

NOTES

- 1 The assets have been valued by using a combination of directors' valuation and/or external professional valuers, where applicable.
- 2 The school operations have been valued using a combination of discounted cash flows and price-earnings models. The school properties are carried at market value using directors' valuations for completed schools and build costs incurred to date on school properties under construction.
- 3 The investment is carried at cost plus equity accounted profits and foreign currency gains/losses at year-end.
- 4 "Other" includes listed shares, held directly and indirectly, and other minor assets less related debt.

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Directors

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Secretary
SA Litten

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

Sponsor
Sasfin Capital, a member of the Sasfin Group

Auditor
Mazars
Engagement partner - Yolandie Ferreira

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Prepared by

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

The preliminary condensed consolidated results have been independently reviewed in compliance with the requirements of the Companies Act of South Africa.

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