## 1 Accounting policies (continued)

**Revenue**

***Sale of goods***

Revenue from the sale of goods in the course of ordinary activities are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

***Lease income***

Revenues from finance leases are recognised using the effective yield method. Revenues from operating leases are recognised on a straight-line basis over the lease term.

***Dividend income***

Dividend income from investments is recognised when the right to receive payment is established.

***Rendering of services***

Revenue in respect of services rendered is recognised in profit or loss as the services are rendered.

**Earnings per share**

Basic earnings per share is based on earnings attributable to shareholders and is calculated on the weighted average number of shares in issue during the financial year. Headline earnings per share is based on profit attributable to shareholders, excluding any non-trading capital items and the tax effect thereon, and is calculated as above. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

These potentially dilutive shares relate to the options issued in terms of the share incentive scheme.

**Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rands at rates of exchange ruling at the reporting date. Translation gains and losses, whether realised or unrealised, are taken to profit or loss.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest rate and payments during the year, and amortised cost in foreign currency translated at the exchange rate at the end of the year.

**Leases**

***Finance leases***

The Group as lessee

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group enters into finance leasing arrangements for its copiers, faxes and point-of-sale equipment. All leases are denominated in South African Rands. The average term of finance leases entered into is four to five years.

***Operating leases***

Group is the lessee

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. The leased assets are not recognised in the Group's statement of financial position.

Employee benefits

***Defined contribution plans***

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

***Defined benefits medical aid plan***

Where the Group has an obligation to provide post-retirement medical aid benefits to employees, the Group recognises the costs of these benefits in the year in which the employees render the service.

Actuarial gains or losses in respect of the defined benefit medical plan are recognised directly in OCI in the year in which they arise.

***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

***Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

***Share-based payment transactions***

The Deneb Investments Long term Incentive Plan was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount

1 Accounting policies (continued)

recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options are measured using an Actuarial Binomial Model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Tax deductions for share-based payment transactions reflect the carrying amount of the share-based payment liability, which is measured at fair value under IFRS 2 (cash-settled arrangement) in the underlying participating subsidiaries.

**Dividends/distributions to shareholders**

Dividends/distributions are accounted for in the period in which the dividends are declared.

**Segmental reporting**

The Group follows the management approach to segmental reporting with segment financial information being disclosed as it is being used internally by the entity's chief operating decision-maker ("CODM") in order to assess performance and allocate resources.

Segments are determined on the basis of products and services offered.

During the course of ordinary business, certain segments enter into transactions with one another which have been eliminated on consolidation.

The segment report has been presented in note 4.

**Intangible assets**

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. Intangible assets with indefinite useful lives are tested for impairment annually regardless of whether there is an impairment indicator.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

***Amortisation***

Amortisation is recognised in profit or loss on a straight-line basis.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Government grants**

Government grants are recognised as other income when there is a reasonable assurance that the Group will comply with the relevant conditions attached to them and that the grant will be received.

**Borrowing costs**

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalised.

## 2 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 1 – Accounting policies: Basis of preparation
- Note 9 – Property, plant and equipment
- Note 10 – Investment property

**Assumptions and estimation uncertainties**

Properties classified as having a duel purpose, whereby part of the property is used for own-use activities and part is used as an investment property, are split between investment property and property, plant and equipment if the investment portion can be sold or leased out separately under a finance lease. If a portion cannot be sold or leased out separately under a finance lease, then the entire property is classified as investment property only if the property held for own use is insignificant.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2017 is included in the following notes:

- Note 5 – Impairment test: Key assumptions underlying recoverable amounts
- Note 7 – Recognition of deferred tax assets: Availability of future taxable profit against which carry-forward tax losses can be used
- Note 18 – Measurement of defined benefit obligation: Key actuarial assumptions

**Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values that are reviewed on an ongoing basis. If third party information, such as from an external property valuator, is used to measure fair values, then it's assessed if the evidence obtained from the third parties support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted process included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

## 2 Use of judgements and estimates (continued)

If inputs used to measure the fair value of an asset or a liability might be categorised in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 – Property, plant and equipment
- Note 10 – Investment property
- Note 12 – Other investments
- Note 19 – Financial instruments
- Note 33 – Share-based payment arrangements

## 3 Operating profit before impairments, restructuring and revaluation of investment property

| | 2017 R000's | 2016 R000's |
|---|---|---|
| The following items have been taken into account in determining operating profit for continuing and discontinuing operations before impairments, restructuring and revaluation of investment property. | | |
| **Income** | | |
| Revenue | | |
| – Sale of goods | **2 720 826** | 2 531 141 |
| – Rental income from investment property | **106 165** | 97 712 |
| – Dividend income – unlisted investments | **113** | 110 |
| – Services | **90 573** | 86 677 |
| Total revenue | **2 917 677** | 2 715 640 |
| Other net income | | |
| – Government grants | **37 950** | 33 933 |
| – Finance lease income | **17 691** | 15 786 |
| – Foreign exchange gains – realised | **3 861** | 17 559 |
| – Foreign exchange gains – unrealised | **12 620** | 7 027 |
| – Surplus on disposal of property, plant and equipment | **1 512** | 510 |
| – Loss on disposal of property, plant and equipment | **(57)** | (586) |
| – Foreign exchange losses – realised | **(20 904)** | (5 602) |
| – Foreign exchange losses – unrealised | **(25 214)** | (12 849) |
| – Other sundry income | **4 225** | 3 703 |
| Other income | **31 684** | 59 481 |
| **Expenditure** | | |
| Amortisation | **3 487** | 3 182 |
| Bad debts – net of recoveries and reversals of allowance account | **7 762** | 2 486 |
| Bank charges | **3 775** | 6 626 |
| Depreciation – buildings | **4 102** | 2 948 |
| – plant and machinery | **24 127** | 24 154 |
| – equipment and fittings | **9 429** | 8 945 |
| – motor vehicles | **2 045** | 1 460 |
| Total depreciation | **39 703** | 37 507 |
| Total depreciation from owned assets | **38 728** | 36 748 |
| Total depreciation from leased assets | **975** | 759 |
| Employment costs* | **526 798** | 492 563 |
| Operating lease charges – property | **23 178** | 20 562 |
| – equipment and vehicles | **4 298** | 3 390 |
| Technical and consulting fees | **9 080** | 7 697 |
| Write-down of inventory to net realisable value | **9 527** | 4 568 |
| Reversal of write-down of inventory to net realisable value | **(771)** | (2 650) |

* Includes contributions of R32,3 million (2016: R39,3 million) to medical aid and pension, provident and benefit funds These contributions are after a R9,8 million charge (2016: R9,5 million) in respect of post-employment medical aid benefits relating to a defined benefit obligation and an IFRS 2 charge in respect of the share option scheme of R2,6 million (2016: R3,3 million).

# Notes to the financial statements
for the year ended 31 March (continued)

## 4 Segment report

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

The Textile and Industrial segments derive its revenue from manufacturing activities. The Branded Product Distribution segment derives its revenue from the distribution of branded toys, electronics, stationery and clothing. The Property segment derives its revenue from property rental.

There are varying levels of integration between all segments. This integration includes sales of goods and services, renting and development of industrial and commercial properties and shared head office services.

| | Gross revenue R000's | Inter-segment revenue R000's | External revenue R000's | Operating profit before taxation R000's | Interest revenue R000's | Interest expense R000's | Operating profit/(loss) before finance costs R000's | Depre-ciation R000's | Amorti-sation R000's | Impair-ments R000's | Restructuring and retrenchment costs R000's | Revaluation of investment properties R000's | Operating profit/loss before depreciation, amortisation, impairments, restructuring and revaluation of investment properties R000's |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2017** | | | | | | | | | | | | | |
| Property | 150 021 | (43 856) | 106 165 | 134 519 | — | — | 134 519 | (4 182) | — | — | — | 30 052 | 108 649 |
| Branded Product Distribution | 1 380 071 | (4 811) | 1 375 260 | 14 585 | — | — | 14 585 | (8 101) | (1 736) | — | (1 195) | — | 25 617 |
| Textiles | 793 398 | — | 793 398 | 14 900 | — | — | 14 900 | (14 872) | — | — | (556) | — | 30 328 |
| Industrials | 642 741 | — | 642 741 | 56 198 | — | — | 56 198 | (12 427) | (1 577) | — | — | — | 70 202 |
| Head office | 113 | — | 113 | (103 271) | 5 986 | (85 754) | (23 503) | (121) | (174) | — | — | — | (23 208) |
| **Total** | 2 966 344 | (48 667) | 2 917 677 | 116 931 | 5 986 | (85 754) | 196 699 | (39 703) | (3 487) | — | (1 751) | 30 052 | 211 588 |
| **Year ended 31 March 2016** | | | | | | | | | | | | | |
| Property | 136 715 | (39 003) | 97 712 | 129 444 | — | — | 129 444 | (3 022) | — | — | — | 30 648 | 101 818 |
| Branded Product Distribution | 1 401 039 | (4 835) | 1 396 204 | 2 219 | — | — | 2 219 | (8 088) | (1 970) | (2 248) | (5 882) | — | 20 407 |
| Textiles | 733 109 | — | 733 109 | 27 108 | — | — | 27 108 | (14 918) | — | — | (54) | — | 42 080 |
| Industrials | 488 505 | — | 488 505 | 36 638 | — | — | 36 638 | (10 930) | — | — | (17) | — | 47 585 |
| Head office | 110 | | 110 | (102 802) | 10 174 | (73 105) | (39 871) | (549) | (1 212) | — | — | — | (38 110) |
| **Total** | 2 759 478 | (43 838) | 2 715 640 | 92 607 | 10 174 | (73 105) | 155 538 | (37 507) | (3 182) | (2 248) | (5 953) | 30 648 | 173 780 |

## 4 Segment report (continued)

| | | | | | | | | | | Geographical segments based on customer location | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Revenue from external customers | | | Holdings of property, plant and equipment, investment property and intangible assets | | |
| | Write-down of inventory R000's | Reversal of write-down of inventory R000's | Gain on disposal of property, plant and equipment R000's | Loss on disposal of property, plant and equipment R000's | Profit or loss after tax for the year R000's | Segment assets R000's | Segment liabilities R000's | Capital expenditure R000's | Conside-ration paid for business combina-tions R000's | South Africa R000's | Direct exports R000's | Total R000's | Within South Africa R000's | Outside South Africa R000's | Total R000's |
| **Year ended 31 March 2017** | | | | | | | | | | | | | | | |
| Property | — | — | — | (7) | 134 519 | 1 238 511 | 19 516 | 9 191 | — | 106 166 | — | 106 166 | 1 218 050 | — | 1 218 050 |
| Branded Product Distribution | (7 957) | 89 | — | (50) | 8 653 | 904 240 | 228 275 | 7 271 | — | 1 282 645 | 92 615 | 1 375 260 | 47 393 | 250 | 47 643 |
| Textiles | — | — | 115 | — | 18 662 | 515 801 | 143 822 | 4 826 | — | 765 473 | 27 925 | 793 398 | 147 395 | — | 147 395 |
| Industrials | (1 570) | 682 | 1 397 | — | 52 353 | 434 585 | 115 185 | 24 359 | 77 897 | 627 888 | 14 853 | 642 741 | 162 832 | — | 162 832 |
| Head office | — | — | — | — | (141 995) | 137 951 | 945 860 | 332 | — | 112 | — | 112 | 2 376 | — | 2 376 |
| **Total** | (9 527) | 771 | 1 512 | (57) | 72 192 | 3 231 088 | 1 452 658 | 45 979 | 77 897 | 2 782 284 | 135 393 | 2 917 677 | 1 578 046 | 250 | 1 578 296 |
| **Year ended 31 March 2016** | | | | | | | | | | | | | | | |
| Property | — | — | 272 | (18) | 129 444 | 1 196 518 | 17 287 | 48 611 | — | 97 712 | — | 97 712 | 1 171 934 | — | 1 171 934 |
| Branded Product Distribution | (1 864) | 2 557 | 44 | — | 2 009 | 899 392 | 266 633 | 18 805 | — | 1 275 233 | 120 971 | 1 396 204 | 55 113 | — | 55 113 |
| Textiles | (2 482) | 93 | 174 | — | 26 674 | 529 193 | 126 833 | 4 229 | — | 715 524 | 17 585 | 733 109 | 157 560 | — | 157 560 |
| Industrials | (222) | — | 20 | (181) | 27 240 | 304 198 | 81 303 | 15 040 | — | 473 774 | 14 731 | 488 505 | 119 398 | — | 119 398 |
| Head office | — | — | — | (387) | (131 916) | 212 689 | 699 588 | 1 418 | — | 110 | — | 110 | 2 700 | — | 2 700 |
| **Total** | (4 568) | 2 650 | 510 | (586) | 53 451 | 3 141 990 | 1 191 644 | 88 103 | — | 2 562 353 | 153 287 | 2 715 640 | 1 506 705 | — | 1 506 705 |

## 5 Net impairment of assets

**Reconciliation of carrying amount**

| | 2017 R000's | 2016 R000's |
|---|---|---|
| The following impairments were recognised during the year: | | |
| **Category of asset** | | |
| Goodwill | – | 2 248 |
| Total | – | 2 248 |

**Impairment testing**

The Group has performed impairment testing on:

- all CGUs where there is an indication that they may be impaired or impairment should be reversed; and
- all CGUs that contains goodwill.

For the purposes of determining the CGUs of the Group, the guidelines as per IAS 36 were followed and the below considerations were given:

- how the Group reports its financial management accounts;
- how management make day-to-day operational decisions; and
- how management makes decisions about continuing or disposing of the entity's assets.

**CGUs where there is an indication that they may be impaired or the impairment reversed**

The recoverable amount of a CGU is determined based on a fair value less cost to sell, or value-in-use calculation as appropriate.

Value-in-use calculations use cash flow projections approved by management. These cash flow forecast cover four years and the cash flows after the forecast period are extrapolated into the future over the useful life of the CGU, using steady growth rates that are consistent with that of the industry and country.

In determining value in use, projected cash flows are discounted using the entity-specific pre-tax discount rate. Projected cash flows were adjusted for each CGU's specific risks. The pre-tax discount rate was calculated as 16,45% for the current period (2016: 11,37%) with a terminal value growth rate of 4,5% (2016: 4,5%).

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, economic factors such as commodity prices, discount rates, currency exchange rates and estimates of costs to produce. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amount.

Fair value has been determined by independent external valuers who have taken into account the current market conditions for the nature, age and condition of the assets involved.

**The events and circumstances that led to the recognition of the impairment losses in the prior period were as follows:**
Poor results and/or budgeted future results triggered an assessment of realisable value.

**Impairment testing for CGUs containing goodwill**
There were two CGUs containing goodwill in the current period:

***Branded Product Distribution investment***
The recoverable amount of this CGU was based on value in use, estimated using discounted cash flows.

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

| | 2017<br>% | 2016<br>% |
|---|---|---|
| Discount rate | **16,45** | 11,37 |
| Terminal value growth rate | **4,5** | 4,5 |
| Budgeted EBITDA growth rate (average of the next five years) | **6** | 6 |

The estimated recoverable amount of the CGU exceeded its carrying amount. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

***Industrials investment***
The recoverable amount of this CGU was based on value in use, estimated using discounted cash flows.

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

| | 2017<br>% | 2016<br>% |
|---|---|---|
| Discount rate | **16,45** | 11,37 |
| Terminal value growth rate | **4,5** | 4,5 |
| Budgeted EBITDA growth rate (average of the next five years) | **6** | 6 |

The estimated recoverable amount of the CGU exceeded its carrying amount. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

## 6 Finance income and expenses

| | 2017 R000's | 2016 R000's |
|---|---|---|
| **Recognised in profit or loss** | | |
| **Finance income** | | |
| Interest received from financial institutions | **793** | 291 |
| Interest received from related parties | **4 854** | 9 831 |
| Other interest received | **339** | 52 |
| | **5 986** | 10 174 |
| **Finance expenses** | | |
| Interest paid on finance leases and instalment sale agreements | **288** | 132 |
| Interest paid to financial institutions | **75 875** | 69 559 |
| Interest paid to related parties | **7 233** | 3 414 |
| Other interest paid | **2 358** | – |
| | **85 754** | 73 105 |

The finance expenses relate to financial liabilities which are categorised as being measured at amortised cost.

## 7 Taxation and deferred taxation

| | 2017 R000's | 2016 R000's |
|---|---|---|
| **Income tax** | | |
| South African normal taxation | | |
| – Current | **(19 341)** | (9 451) |
| – Prior year | **1 079** | ( 654) |
| Deferred taxation | **(26 477)** | (29 051) |
| | **(44 739)** | (39 156) |

| | % | % |
|---|---|---|
| **Reconciliation between actual and normal taxation rates** | | |
| Taxation as a percentage of loss before taxation | **38,3** | 42,3 |
| Rate change | **–** | (10,8) |
| Prior period | **0,9** | (0,7) |
| Non-deductible expenses | **(2,6)** | (3,9) |
| Specific tax deductible expenses | **0,5** | 1,0 |
| Capital gains tax on revaluation of investment property | **1,4** | 1,9 |
| Restricted recognition of deferred asset on tax losses | **(10,5)** | (1,8) |
| Normal taxation rate | **28,0** | 28,0 |

| | Note | 2017 R000's | 2016 R000's |
|---|---|---|---|
| **Deferred taxation** | | | |
| **Balance at beginning of the year** | | 84 769 | 131 143 |
| **– Asset** | | 89 929 | 134 152 |
| **– Liability** | | (5 160) | (3 009) |
| Balance brought in through business combination | 23 | (8 483) | — |
| – Capital allowances | | (654) | — |
| – Temporary differences on intangible asset | | (7 799) | — |
| – Working capital differences | | (30) | — |
| Current movements recognised in profit or loss | | (26 477) | (29 051) |
| – Rate changes | | — | (10 040) |
| – Capital allowances | | 2 735 | 16 270 |
| – Provision for post-employment medical aid benefits | | 758 | 804 |
| – Tax losses (utilised)/recognised during the period | | (33 907) | (34 640) |
| – Temporary differences on intangible asset | | 488 | 305 |
| – Shares and investments | | — | — |
| – Revaluations | | (4 673) | (1 405) |
| – Share incentive scheme | | (323) | 751 |
| – Working capital differences | | 8 445 | (1 096) |
| Current movements recognised in other comprehensive income/directly in equity | | (4 635) | (17 323) |
| – Rate changes – investment property | | — | (4 579) |
| – Provision for post-employment medical aid benefits | | (366) | (4 028) |
| – Share incentive scheme | | (267) | 1 369 |
| – Reclassification of revaluation surplus | | — | 4 646 |
| – Revaluations | | (4 002) | (14 731) |
| **Balance at end of the year** | | 45 174 | 84 769 |
| **– Asset** | | 57 056 | 89 929 |
| **– Liability** | | (11 882) | (5 160) |
| **Deferred tax assets and liabilities are attributable to the following:** | | | |
| – Provision for post-employment medical aid benefits | | 27 718 | 27 326 |
| – Working capital allowances | | 1 144 | (7 271) |
| – Share incentive scheme | | 3 766 | 4 356 |
| – Tax losses | | 219 008 | 252 915 |
| – Capital allowances | | (70 473) | (71 379) |
| – Temporary differences on intangible asset | | (7 403) | (92) |
| – Revaluations | | (128 586) | (121 086) |
| Net deferred tax at end of the year | | 45 174 | 84 769 |

# Notes to the financial statements
for the year ended 31 March (continued)

## 8 Earnings per share

| | Gross R000's | Net R000's | Number of shares 000's | Per share (cents) |
|---|---|---|---|---|
| **2017** | | | | |
| **Number of shares in issue** | | | | |
| **Net number of shares at 31 March 2017** | | | 428 622 | |
| Number of shares in issue at 31 March 2017 | | | 428 622 | |
| | | | | |
| **Weighted average number of shares** | | | | |
| **Weighted average number of shares at 31 March 2017** | | | 494 817 | |
| Shares as at 1 April 2016 | | | 561 490 | |
| Effect of share buyback | | | (66 753) | |
| Effect of share options exercised | | | 80 | |
| | | | | |
| **Diluted average number of shares** | | | | |
| **Diluted weighted average number of shares** | | | 494 817 | |
| Weighted average number of shares | | | 494 817 | |
| | | | | |
| **Earnings per share** | | | | |
| **Basic earnings** | | | | |
| Profit attributable to equity holders of the parent | | 73 129 | 494 817 | 14,78 |
| **Diluted earnings** | | | | |
| Profit attributable to equity holders of the parent | | 73 129 | 494 817 | 14,78 |
| | | | | |
| **Headline earnings** | | | | |
| **Reconciliation between profit and headline earnings** | | | | |
| Profit attributable to equity holders of the parent | | 73 129 | | |
| Remeasurement of investment property | (30 052) | (23 320) | | |
| Surplus on disposal of property, plant and equipment | (1 512) | (1 089) | | |
| Loss on disposal of property, plant and equipment | 57 | 41 | | |
| **Headline earnings** | | 48 761 | 494 817 | 9,85 |
| **Diluted headline earnings** | | 48 761 | 494 817 | 9,85 |

**Issued shares**

During the period, 639 324 shares were issued in terms of the Group's share incentive scheme.

| | Gross R000's | Net R000's | Number of shares 000's | Per share (cents) |
|---|---|---|---|---|
| **2016** | | | | |
| **Number of shares** | | | | |
| **Net number of shares in issue** | | | 561 490 | |
| Number of shares at 31 March 2016 | | | 561 490 | |
| | | | | |
| **Weighted average number of shares** | | | 561 207 | |
| Shares as at 1 April 2015 | | | 560 812 | |
| Effect of recapitalisation | | | – | |
| Effect of share options exercised | | | 395 | |
| | | | | |
| **Diluted average number of shares** | | | | |
| **Diluted weighted average number of shares** | | | 562 263 | |
| Weighted average number of shares | | | 561 207 | |
| Dilution effect of share options granted | | | 1 056 | |
| | | | | |
| **Earnings per share** | | | | |
| **Basic profit** | | | | |
| Profit attributable to equity holders of the parent | | 56 722 | 561 207 | 10,11 |
| **Diluted profit** | | | | |
| Profit attributable to equity holders of the parent | | 56 722 | 562 263 | 10,09 |
| | | | | |
| **Headline loss** | | | | |
| **Reconciliation between profit and headline loss** | | | | |
| Profit attributable to equity holders of the parent | | 56 722 | | |
| Impairment of assets | 2 248 | 2 248 | | |
| Remeasurement of investment property | (30 648) | (23 783) | | |
| Changes in the deferred tax balance resulting from the change in CGT rates that relates to previous remeasurement of investment property | 10 040 | 10 040 | | |
| Surplus on disposal of property, plant and equipment | (510) | (367) | | |
| Loss on disposal of property, plant and equipment | 586 | 422 | | |
| **Headline earnings** | | 45 282 | 561 207 | 8,07 |
| **Diluted headline earnings** | | 45 282 | 562 263 | 8,06 |

**Issued shares**

During the period, 677 746 shares were issued in terms of the Group's share incentive scheme.

## 9 Property, plant and equipment

| Reconciliation of carrying amount | Notes | Owner-occupied properties at valuation R000's | Plant and machinery at cost R000's | Equipment and fittings at cost R000's | Motor vehicles at cost R000's | Total R000's |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Cost/valuation at 31 March 2017** | | 458 643 | 564 226 | 98 262 | 21 301 | 1 142 432 |
| Opening balance | | 434 075 | 553 552 | 96 150 | 16 514 | 1 100 291 |
| Additions | | 3 279 | 15 969 | 13 551 | 5 453 | 38 252 |
| Acquisition through business combinations | 23 | — | 3 468 | 156 | 2 369 | 5 993 |
| Revaluations | | 21 289 | — | — | — | 21 289 |
| Disposals | | — | (8 763) | (11 595) | (3 035) | (23 393) |
| **Accumulated depreciation and impairment at 31 March 2017** | | — | 299 955 | 62 189 | 9 570 | 371 714 |
| Opening balance | | — | 283 986 | 59 377 | 9 993 | 353 356 |
| Current period depreciation | | 4 102 | 24 127 | 9 429 | 2 045 | 39 703 |
| Revaluations | | (4 102) | — | — | — | (4 102) |
| Disposals | | — | (8 158) | (6 617) | (2 468) | (17 243) |
| **Carrying value at 31 March 2017** | | 458 643 | 264 271 | 36 073 | 11 731 | 770 718 |

| | % | % | % | % |
|---|---|---|---|---|
| Rate of (straight-line) depreciation | 0 — 3,5 | 4 — 7 | 10 — 20 | 20 |
| Residual values | 40 — 65 | 0 | 0 | 20 |

| Reconciliation of carrying amount | Notes | Owner-occupied properties at valuation R000's | Plant and machinery at cost R000's | Equipment and fittings at cost R000's | Motor vehicles at cost R000's | Total R000's |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Cost/valuation at 31 March 2016** | | 434 075 | 553 552 | 96 150 | 16 514 | 1 100 291 |
| Opening balance | | 283 566 | 533 743 | 100 052 | 16 958 | 934 319 |
| Additions | | 27 778 | 20 598 | 14 343 | 2 038 | 64 757 |
| Revaluations | | 41 979 | — | — | — | 41 979 |
| Reclassification from investment property | 10 | 80 752 | — | — | — | 80 752 |
| Disposals | | — | (789) | (18 245) | (2 482) | (21 516) |
| **Accumulated depreciation and impairment at 31 March 2016** | | — | 283 986 | 59 377 | 9 993 | 353 356 |
| Opening balance | | — | 260 029 | 68 220 | 10 139 | 338 388 |
| Current year depreciation | | 2 948 | 24 154 | 8 945 | 1 460 | 37 507 |
| Revaluations | | (2 948) | — | — | — | (2 948) |
| Disposals and assets reclassified as held for sale | | — | (197) | (17 788) | (1 606) | (19 591) |
| **Carrying value at 31 March 2016** | | 434 075 | 269 566 | 36 773 | 6 521 | 746 935 |

**Owner-occupied properties – Cost less accumulated depreciation**

The cost less accumulated depreciation of the owner-occupied properties is provided below. The allowed alternative method as described in IAS 16 is the revaluation model, which has been adopted by the Group.

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Cost | **274 856** | 271 577 |
| Accumulated depreciation | **(2 017)** | (2 017) |
| **Carrying value** | **272 839** | 269 560 |
| Reconciliation of cost of land and buildings: | | |
| Opening cost at beginning of the year | **271 577** | 163 047 |
| Additions | **3 279** | 27 778 |
| Additions through business combination | **–** | – |
| Reclassification from investment property | | 80 752 |
| Disposals, transfers to investment property and assets reclassified as held for sale | **–** | – |
| **Closing cost at end of the year** | **274 856** | 271 577 |

**Capitalised leased assets included in the above are:**

| | Plant and machinery R000's | Equipment and fittings R000's | Motor vehicles R000's | Total R000's |
|---|---|---|---|---|
| **2017** | | | | |
| Cost | **1 461** | **–** | **5 758** | **7 219** |
| Accumulated depreciation | **(754)** | **–** | **(2 162)** | **(2 916)** |
| **Carrying value at 31 March 2017** | **707** | **–** | **3 596** | **4 303** |
| **2016** | | | | |
| Cost | 1 151 | – | 4 924 | 6 075 |
| Accumulated depreciation | (333) | – | (1 592) | (1 925) |
| **Carrying value at 31 March 2016** | 818 | – | 3 332 | 4 150 |

## 9 Property, plant, and equipment (continued)

**Impairment losses and subsequent reversal – Plant and equipment**

The Group has performed impairment testing on all CGUs where there is an indication that they may be impaired.

The recoverable amount of a CGU is determined based on a fair value less cost to sell, or value-in-use calculation as appropriate.

Value-in-use calculation uses cash flow projections approved by management. These cash flow forecasts cover four years. The cash flows after the forecast period are extrapolated into the future over the useful life of the CGU using a steady growth rate that is consistent with that of the industry and country.

In determining value in use, projected cash flows are discounted using the Group's pre-tax discount rate. Projected cash flows were adjusted for each CGU's specific risks.

The pre-tax discount rate was calculated as 16,45% for the current period (2016: 11,37%) with a terminal value growth rate of 4,5% (2016: 4,5%).

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, economic factors such as commodity prices, discount rates, currency exchange rates and estimates of costs to produce. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amount.

Fair value has been determined by independent external valuers who have taken into account the current market conditions for the nature, age and condition of the assets involved.

Refer to note 5 for impairments.

**Measurement of fair value – Land and buildings**

***Fair value hierarchy***

The fair value of owner-occupied property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's owner-occupied property portfolio on an annual basis. The valuation was done on 31 March 2017.

The fair value measurement of owner-occupied property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

***Level 3 fair value***

The following shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

| | R000's |
|---|---|
| Carrying value at 31 March 2016 | **434 075** |
| Additions | **3 279** |
| Disposals and depreciation | **(4 102)** |
| **Revaluation recognised directly in equity** | |
| – Changes in fair value | **25 391** |
| **Carrying value at 31 March 2017** | **458 643** |
| | |
| Carrying value at 31 March 2015 | 283 566 |
| Additions | 27 778 |
| Reclassification from investment property | 80 752 |
| Disposals and depreciation | (2 948) |
| **Revaluation recognised directly in equity** | |
| – Changes in fair value | 44 927 |
| **Carrying value at 31 March 2016** | **434 075** |

**Valuation technique and significant unobservable inputs**

| **Valuation technique** | **Significant unobservable inputs** | **Inter-relationship between key unobservable inputs and fair value measurements** |
|---|---|---|
| Capitalisation of income: The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations. | – Capitalisation rate<br>– Occupation rate<br>– Projected income | The estimated fair value would increase/ (decrease) if:<br>– the capitalisation rate was higher (lower) [see sensitivity analysis below]<br>– the occupancy rate was higher (lower)<br>– the projected income was higher (lower) |

***Sensitivity analysis on the fair value of owner-occupied buildings***

The capitalisation rates for the fair value of the properties were between 8,5% and 14,0%. The table below presents the sensitivity of the valuation on the carrying value of the owner-occupied property to changes in the capitalisation rate.

| | **Carrying value** | |
|---|---|---|
| | 2017 R000's | 2016 R000's |
| Increase of 1% in the capitalisation rate | **419 386** | 395 583 |
| Decrease of 1% in the capitalisation rate | **507 556** | 477 964 |

Refer to note 31, which relates to security provided for the benefit of the Group's bankers.

## 10 Investment properties

| Reconciliation of carrying amount | 2017 R000's | 2016 R000's |
|---|---|---|
| **Opening carrying value** | **737 507** | 766 804 |
| Development cost | **5 889** | 20 807 |
| Fair value adjustments | **30 052** | 30 648 |
| Transfer to owner-occupied property | **–** | (80 752) |
| Disposals | **(14 335)** | – |
| **Closing carrying value** | **759 113** | 737 507 |

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of between one and five years. In the prior period one property was transferred to property, plant and equipment (see note 9) from investment property.

| Included in profit or loss | 2017 R000's | 2016 R000's |
|---|---|---|
| Rental income from investment property | **106 165** | 97 711 |
| Direct operating expenses (including repairs and maintenance) relating to rental-generating properties | **23 260** | 21 426 |
| Direct operating expenses (including repairs and maintenance) relating to owner-occupied properties | **12 490** | 10 766 |
| Rates relating to rental-generating properties | **11 930** | 10 730 |
| Rates relating to owner-occupied properties | **4 842** | 3 957 |

**Capital commitments**
See note 28 for details on commitments.

**Measurement of fair value – Investment properties**
***Fair value hierarchy***
The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on an annual basis.

The fair value measurement of investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

### *Level 3 fair value*

The following shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

| | R000's |
|---|---|
| Opening value at 31 March 2016 | **737 507** |
| Development cost and capitalised borrowing cost | **5 889** |
| Reclassification to owner-occupied property | **–** |
| Disposal | **(14 335)** |
| **Gain included in profit or loss** | |
| – Changes in fair value | **30 052** |
| **Closing value at 31 March 2017** | **759 113** |
| | |
| Opening value at 31 March 2015 | 766 804 |
| Development cost and capitalised borrowing cost | 20 807 |
| Reclassification to owner-occupied property | (80 752) |
| **Gain included in profit or loss** | |
| – Changes in fair value | 30 648 |
| **Closing value at 31 March 2016** | 737 507 |

**Valuation technique and significant unobservable inputs**

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurements |
|---|---|---|
| Capitalisation of income: The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations. | – Capitalisation rate<br>– Occupation rate<br>– Projected income | The estimated fair value would increase/(decrease) if:<br>– the capitalisation rate was higher (lower) [see sensitivity analysis below]<br>– the occupancy rate was higher (lower)<br>– the project income was higher (lower) |

### *Sensitivity analysis on the fair value of investment buildings*

The capitalisation rates for the fair value of the properties were between 9% and 11%. The table below presents the sensitivity of the valuation on the carrying value of the investment property to changes in the capitalisation rate.

| | Carrying value | |
|---|---|---|
| | 2017 R000's | 2016 R000's |
| Increase of 1% in the capitalisation rate | **689 053** | 668 599 |
| Decrease of 1% in the capitalisation rate | **843 895** | 817 053 |

### *Securitisation of assets*

Refer to note 31, which relates to the security provided for the benefit of the Group's bankers.

# Notes to the financial statements
for the year ended 31 March (continued)

## 11 Intangible assets and goodwill

| | Notes | Brand names/ Trade-marks R000's | Customer-related intangible assets R000's | Software R000's | Licences R000's | Goodwill R000's | Total intangi-bles R000's |
|---|---|---|---|---|---|---|---|
| **Cost at 31 March 2017** | | **11 080** | **28 852** | **1 622** | **21 206** | **26 012** | **88 772** |
| Opening balance | | **10 880** | **—** | **2 470** | **20 856** | **17 271** | **51 477** |
| Assets acquired separately | | **200** | **1 000** | **288** | **350** | **—** | **1 838** |
| Disposals | | **—** | **—** | **(1 136)** | **—** | **—** | **(1 136)** |
| Acquired through business combinations | 23 | **—** | **27 852** | **—** | **—** | **8 741** | **36 593** |
| **Accumulated amortisation and impairment at 31 March 2017** | | **4 599** | **1 577** | **791** | **7 327** | **2 248** | **16 542** |
| Opening balance | | **3 241** | **—** | **1 375** | **7 327** | **2 248** | **14 191** |
| Current period amortisation | | **1 358** | **1 577** | **552** | **—** | **—** | **3 487** |
| Disposals | | **—** | **—** | **(1 136)** | **—** | **—** | **(1 136)** |
| **Carrying value at 31 March 2017** | | **6 481** | **27 275** | **831** | **13 879** | **23 764** | **72 230** |
| Nature of useful lives | | Finite | Finite | Finite | Finite | | |
| Amortisation method | | Straight line | Straight line | Straight line | Straight line | | |
| Rate of amortisation | | Period of contract | 5% | 20% | Period of licence | | |
| Residual values | | 0% | 0% | 0% | 0% | | |
| **Cost at 31 March 2016** | | 10 880 | — | 2 470 | 20 856 | 17 271 | 51 477 |
| Opening balance | | 10 880 | — | 6 147 | 19 999 | 17 271 | 54 297 |
| Assets acquired separately | | — | — | 932 | 1 607 | — | 2 539 |
| Disposals | | — | — | (4 609) | (750) | — | (5 359) |
| **Accumulated amortisation and impairment at 31 March 2016** | | 3 241 | — | 1 375 | 7 327 | 2 248 | 14 191 |
| Opening balance | | 1 744 | — | 4 502 | 7 019 | — | 13 265 |
| Disposals | | — | — | (4 504) | — | — | (4 504) |
| Impairment losses recognised in profit and loss | | — | — | — | — | 2 248 | 2 248 |
| Current period amortisation | | 1 497 | — | 1 377 | 308 | — | 3 182 |
| **Carrying value at 31 March 2016** | | 7 639 | — | 1 095 | 13 529 | 15 023 | 37 286 |

The amortisation of intangible assets is included in the following line items in the consolidated statement of profit or loss and other comprehensive income:

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Administrative and other expenses | **3 487** | 3 182 |
| | **3 487** | 3 182 |

## 12 Other investments

| | 2017<br>R000's | 2016<br>R000's |
|---|---|---|
| Business Partners Limited (unlisted) | **3 026** | 3 026 |
| Old Mutual (listed) | **–** | 365 |
| | **3 026** | 3 391 |

| | Number of shares | Number of shares |
|---|---|---|
| Business Partners Limited (unlisted) | **605 220** | 605 220 |
| Old Mutual (listed) | **–** | 8 900 |
| | **605 220** | 614 120 |

Investments are classified as available for sale and are reconciled as follows:

| | R000's | R000's |
|---|---|---|
| Opening balance | **3 391** | 3 644 |
| Distribution | **(365)** | – |
| Revaluations | **–** | (253) |
| Closing balance | **3 026** | 3 391 |

## 13 Long-term receivables

| Reconciliation of carrying amount | 2017 R000's | 2016 R000's |
|---|---|---|
| Net investment in finance leases | **88 349** | 74 093 |
| | **88 349** | 74 093 |

**Fair value of long-term receivables**

The fair value of long-term interest-bearing receivables approximates the carrying value as market-related rates of interest are charged on these outstanding amounts. There were no impairment provisions on long-term receivable financial assets during the current or prior years.

**Net investment in finance leases is reconciled with the gross investment in leases as follows:**

| | Gross investment in leases R000's | Unearned finance income R000's | Net investment in leases R000's |
|---|---|---|---|
| **2017** | | | |
| **Lease payments receivable** | | | |
| – Not later than one year | **57 210** | **14 895** | **42 315*** |
| – Later than one year but not later than five years | **97 394** | **9 045** | **88 349** |
| | **154 604** | **23 940** | **130 664** |
| **2016** | | | |
| **Lease payments receivable** | | | |
| – Not later than one year | 63 157 | 14 988 | 48 169* |
| – Later than one year but not later than five years | 99 191 | 25 098 | 74 093 |
| | 162 348 | 40 086 | 122 262 |

* Included in trade and other receivables.

Interest is charged at rates up to 25%.

There were no contingent rents recognised as income during the year.

The Group enters into finance leasing arrangements for its copiers and point-of-sale equipment. All leases are denominated in South African Rands. The average term of finance leases entered into is four to five years.

## 14 Assets held for sale

The categories of property, plant and equipment classified as held for sale are as follows:

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Land and buildings | **935** | 935 |
| Plant and machinery | **1 050** | 1 240 |
| | **1 985** | 2 175 |

The segmental classification of the non-current assets held for sale is as follows:

| | Industrials R000's | Property R000's | Total R000's |
|---|---|---|---|
| **2017** | | | |
| Land and buildings | **–** | **935** | **935** |
| Plant and machinery | **1 050** | **–** | **1 050** |
| | **1 050** | **935** | **1 985** |
| **2016** | | | |
| Land and buildings | – | 935 | 935 |
| Plant and machinery | 1 240 | – | 1 240 |
| | 1 240 | 935 | 2 175 |

Refer to note 4 for additional disclosure.

| **Reconciliation of carrying amount** | Land and buildings at valuation R000's | Plant and machinery at cost R000's | Total R000's |
|---|---|---|---|
| **Carrying value at 31 March 2016** | **935** | **1 240** | **2 175** |
| Disposal | **—** | **(190)** | **(190)** |
| **Carrying value at 31 March 2017** | **935** | **1 050** | **1 985** |
| | | | |
| **Carrying value at 31 March 2015** | 55 628 | 2 305 | 57 933 |
| Disposal | (54 693) | (1 065) | (55 758) |
| **Carrying value at 31 March 2016** | 935 | 1 240 | 2 175 |

# Notes to the financial statements
for the year ended 31 March (continued)

## 15 Inventories

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Raw materials and consumables | **171 353** | 142 795 |
| Work-in-progress | **57 228** | 60 205 |
| Finished goods | **478 372** | 480 732 |
| | **706 953** | 683 732 |
| | | |
| Inventories stated at net realisable value | **243 047** | 210 039 |
| Inventories acquired through business combination (refer to note 23) | **22 181** | – |
| Carrying amount of inventory pledged as security for liabilities | **706 953** | 683 732 |
| Write-down of inventory to net realisable value during the year | **9 527** | 4 568 |
| Reversals of previous write-down of inventory to net realisable value during the year* | **(771)** | (2 650) |

* This inventory was realised during the year and the earlier write-down reversed.

## 16 Trade and other receivables

| **Reconciliation of carrying value** | 2017 R000's | 2016 R000's |
|---|---|---|
| Trade receivables | **485 267** | 472 247 |
| Lease receivables | **42 315** | 48 169 |
| Other receivables | **115 728** | 112 580 |
| Fair value of outstanding foreign exchange contracts | **14 332** | – |
| Prepayments | **42 553** | 21 400 |
| Trade and other receivables | **700 195** | 654 396 |
| | | |
| Loan to Hosken Consolidated Investments Limited ("HCI") | **–** | 61 148 |
| Loan to the South African Clothing and Textile Workers' Union ("SACTWU") | **–** | 21 953 |
| Loan receivables | **–** | 83 101 |
| | | |
| Carrying values approximate fair values for all classes. | | |
| | | |
| **Business acquisition** | | |
| Trade and other receivables acquired through business combination (refer to note 23) | **16 060** | – |
| | | |
| **Other receivables** | | |
| Included under other receivables are: | | |
| Income receivable from Production Incentive programme (refer to note 21) | **57 873** | 38 950 |
| Lease smoothing asset | **13 292** | 16 085 |
| VAT | **15 830** | 22 715 |

***Securitisation of assets***

Refer to note 31, which relates to the security provided to the Group's bankers.

## 17 Stated capital

| | Group and Company | |
|---|---|---|
| | 2017<br>R000's | 2016<br>R000's |
| **Authorised** | | |
| 10 000 000 000 (2016: 10 000 000 000) ordinary shares of no par value | – | – |
| Each ordinary share has the right to one vote at general meetings | | |
| **Issued stated capital** | | |
| 428 621 716 (2016: 561 489 618) ordinary shares of no par value | **1 449 653** | 1 717 286 |
| Balance at beginning of year – 561 489 618 (2016: 560 811 872) | **1 717 286** | 1 716 713 |
| Share buyback during the year – 133 507 226 (2016: 0) | **(268 785)** | – |
| Issued during the year – 639 324 (2016: 677 746) | **1 152** | 573 |
| | **1 449 653** | 1 717 286 |

**Issue of shares**

**Current period**

During the period, 639 324 shares were issued in terms of the Group's share incentive scheme.

**Share buy-back**

Deneb concluded an agreement with the Southern African Clothing and Textile Workers' Union ("SACTWU") in terms of which Deneb acquired 133 507 226 Deneb shares from SACTWU at a price of R2,00 per Deneb share.

**Prior period**

During the period, 677 746 shares were issued in terms of the Group's share incentive scheme.

**Reserved under options (see note 33)**

53 977 647 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any of such shares in accordance with the terms and conditions of The Deneb Share Incentive Scheme Plan and any amendments thereto.

The remainder of the unissued shares are under the control of the directors until the next annual general meeting.

## 18 Post-employment medical aid benefits

**General description of plan**

The post-employment subsidy policy is summarised below:

- qualifying medical scheme members who joined the Group before 1 July 1996 are eligible for a 50% retirement subsidy of their total medical scheme contributions;
- dependants of eligible continuation members receive a subsidy before and after the death of the principal member; and
- if a member eligible for a retirement subsidy dies in service, their dependants are eligible for a subsidy of medical scheme contributions as described above.

| | 2017<br>R000's | 2016<br>R000's |
|---|---|---|
| **Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:** | | |
| Current service cost | **369** | 489 |
| Interest on the obligation | **9 447** | 9 056 |
| Total included in staff costs | **9 816** | 9 545 |
| Reconciliations in the net liability recognised in the consolidated statement of financial position are as follows: | | |
| Liability at beginning of year | **97 592** | 109 107 |
| Net expense recognised in profit or loss | **9 816** | 9 545 |
| Contributions from employer | **(7 109)** | (6 673) |
| Actuarial (gains)/losses recognised in other comprehensive income – changes from financial assumptions | **(1 307)** | (14 387) |
| Liability in the consolidated statement of financial position | **98 992** | 97 592 |
| Represented by: | | |
| Liability due within 12 months | **7 131** | 6 789 |
| Liability due after 12 months | **91 861** | 90 803 |
| | **98 992** | 97 592 |
| Present value of unfunded obligations | **98 992** | 97 592 |
| Fair value of plan assets | **–** | – |
| Recognised liability for defined benefit obligations | **98 992** | 97 592 |

The net cumulative actuarial loss recognised in other comprehensive income is R2,34 million.

The average age of the members is 75,90 years.

**Forecast reconciliation of the plan to 31 March 2018 is as follows:**

| | 2018 R000's |
|---|---|
| Liability at 31 March 2017 | 98 992 |
| Net expense in the statement of comprehensive income | 9 879 |
| Contributions | (7 465) |
| Forecast liability at 31 March 2018 | 101 406 |

| **Trend information** | | 2017 | 2016 |
|---|---|---|---|
| **Principal actuarial assumptions at the reporting date:** | | | |
| Discount rate | (%) | **9,60** | 9,68 |
| Medical inflation | (%) | **8,23** | 8,49 |
| | | | |
| **Sensitivity of results** | | | |
| A 1% increase in medical aid inflation would result in: | | | |
| – An increase in the accrued liability of | (R000's) | **10 192** | 10 438 |
| | (%) | **10,30** | 10,70 |
| – An increase in the service and interest cost of | (R000's) | **1 047** | 1 083 |
| | (%) | **10,60** | 11,00 |
| A 1% decrease in medical aid inflation would result in: | | | |
| – A decrease in the accrued liability of | (R000's) | **(8 756)** | (8 921) |
| | (%) | **(8,80)** | (9,10) |
| – A decrease in the service and interest cost of | (R000's) | **(896)** | (922) |
| | (%) | **(9,10)** | (9,40) |
| A 1% decrease in the discount rate would result in: | | | |
| – An increase in the accrued liability of | (R000's) | **10 154** | 10 418 |
| | (%) | **10,30** | 10,68 |
| A 1% increase in the discount rate would result in: | | | |
| – A decrease in the accrued liability of | (R000's) | **(8 581)** | (8 757) |
| | (%) | **(8,70)** | (8,97) |

## 19 Financial instruments

**Financial risk management**

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

***Risk management framework***

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established a risk committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

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

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

| **Interest-bearing liabilities** | Final repayment dates | Average rate of interest p.a. | 2017 R000's | 2016 R000's |
|---|---|---|---|---|
| **Secured** | | | | |
| Instalment sale and finance lease agreements | 2020 | Prime | **8 981** | 5 147 |
| Loans from financial institutions** | 2021 | ** | **650 000** | – |
| | | | **658 981** | 5 147 |
| **Unsecured** | | | | |
| Other loans | 2017 | Prime | **–** | 401 |
| HCI Treasury Proprietary Limited* | | Prime | **100 487** | 37 334 |
| | | | **100 487** | 37 735 |
| **Total interest-bearing liabilities** | | | **759 468** | 42 882 |
| Current portion of interest-bearing liabilities | | | **52 716** | 38 733 |
| Non-current portion of interest-bearing liabilities | | | **706 752** | 4 149 |

* The lender provided the unconditional right for repayment to occur 12 months after the reporting date.

** Refer to note 25 for further information.

Instalment sales and finance lease agreements are payable as follows:

| | Principal R000's | Interest R000's | Gross instalments R000's |
|---|---|---|---|
| **2017** | | | |
| Less than one year | **2 716** | **163** | **2 879** |
| Between one and five years | **6 265** | **170** | **6 435** |
| | **8 981** | **333** | **9 314** |
| **2016** | | | |
| Less than one year | 1 399 | 116 | 1 515 |
| Between one and five years | 3 748 | 785 | 4 533 |
| | 5 147 | 901 | 6 048 |

Under the terms of the lease agreements, no contingent rentals are payable. Finance leases are repayable in monthly instalments.

**Foreign currency management:** Operating subsidiaries undertake transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Material exchange rate exposure on imported goods, trade debtors/creditors, foreign currency assets and liabilities and capital equipment is hedged through the use of forward exchange contracts. Trade exports are hedged using forward exchange contracts and customer foreign currency accounts. Forward exchange contracts ("FECs") are not used for speculative purposes. FECs act as natural hedges and formal hedge accounting is not performed.

**Interest rate management:** The Group is exposed to interest rate risk as it borrows and places funds on the money market. This risk is managed by maintaining an appropriate mix of fixed and daily call placements with reputable financial institutions.

**Credit risk management:** Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, investments and receivables. A significant amount of the Group's trade debt is in respect of sales to retailers, in particular Amic Trading Proprietary Limited (R15,3 million (2016: R13,9 million)), Shoprite Holdings Limited (R3,9 million (2016: R10,4 million)), Massmart Limited (R64,2 million (2016: R51,1 million)), Edcon Limited (R22,4 million (2016: R24,4 million)), Steinhoff Investment Holdings Limited (R13,0 million) and Clicks Group Limited (R11,9 million (2016: R14,4 million)). The risk on cash and cash equivalents is managed through dealing with established financial institutions with high credit standing.

The vast majority of trade debtors relate to sales made in the local market, with R458 million (98%) (2016: R451 million (91,6%)) being denominated in South African Rands

Trade receivables denominated in USD accounted for 2% (2016: 8,2%), and those in EUR accounted for 0% (2016: 0,2%).

Receivables are presented net of impairment provisions. The risk arising on trade receivables is managed through a Group policy on the granting of credit limits, continual review and monitoring of these limits.

**Capital management:** The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base of the business is viewed as being the shareholder equity and non-current interest-bearing liabilities amounting to (R2 485,1 million (2016: R1 953,9 million)).

**Collateral**

Finance lease receivable balances are secured over the electronic and office automation equipment leased. The Group does not hold any significant collateral other than electronic and office automation equipment securing finance lease receivable balances. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

## 19 Financial instruments (continued)

During the period the Group did not obtain any assets, excluding inventory, by taking possession of any collateral held as security.

Repossessed electronic and office automation equipment is taken into stock and becomes available for lease or sale.

| | 2017 R000's | 2016 R000's |
|---|---|---|
| **Allowances for credit losses** | | |
| The movement in the allowance for impairment in respect of trade receivables during the period was as follows: | | |
| Opening balance | **6 191** | 5 741 |
| Written off as irrecoverable | **(777)** | (1 666) |
| Increase in allowance for impairment | **16 112** | 3 186 |
| Decrease in allowance for impairment | **(782)** | (1 070) |
| Closing balance | **20 744** | 6 191 |
| **Past due but not impaired financial assets** | | |
| The following analysis reflects the aging of trade receivables as at year-end, which have exceeded their credit terms, but have not been impaired. | | |
| 30+ days | **1 838** | 948 |
| 60+ days | **6 697** | 332 |
| 90+ days | **7 082** | 15 798 |
| 120+ days | **25 129** | 12 818 |
| | **40 746** | 29 896 |
| The following analysis reflects the aging and remaining value of trade receivables as at year-end, which are considered to be impaired and against which an impairment for non-recovery has already been made. | | |
| 30+ days | **306** | 26 |
| 60+ days | **169** | – |
| 90+ days | **164** | 511 |
| 120+ days | **8 662** | 4 493 |
| | **9 301** | 5 030 |

In determining the impairments, the Group considered, inter-alia, disputes with customers, untraceable and slow payers, long overdue accounts and customers placed under liquidation.

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour of customer credit risk, including underlying customers' credit ratings if available.

| | 2017 R000's | 2016 R000's |
|---|---|---|
| **Cash flow and funding risk management** | | |
| This risk is managed through cash flow forecasts and ensures that adequate borrowing facilities are maintained. In terms of the memorandum of incorporation, the Group's borrowing powers are unlimited. | | |
| Refer to note 25 for borrowing facilities. | | |
| **Categories of financial assets** | | |
| The carrying amount of financial assets, which also represent the maximum credit exposure and reasonably approximate their fair values, are as follows: | | |
| Loans and receivables | **786 587** | 713 676 |
| Fair value through profit or loss (foreign exchange contracts) | **14 332** | – |
| Available for sale | **3 026** | 3 391 |
| | **803 945** | 717 067 |

Reconciliation with line items presented in the consolidated statement of financial position:

| | Notes | Loans and receivables R000's | Fair value through profit or loss R000's | Available for sale R000's | Non-financial assets R000's | Total R000's |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Investments | 12 | **–** | **–** | **3 026** | **–** | **3 026** |
| Long-term receivables | 13 | **88 349** | **–** | **–** | **–** | **88 349** |
| Trade and other receivables | 16 | **627 480** | **14 332** | **–** | **58 383** | **700 195** |
| Cash and cash equivalents | | **70 758** | **–** | **–** | **–** | **70 758** |
| | | **786 587** | **14 332** | **3 026** | **58 383** | **862 328** |
| **2016** | | | | | | |
| Investments | 12 | – | – | 3 391 | – | 3 391 |
| Long-term receivables | 13 | 74 093 | – | – | – | 74 093 |
| Trade and other receivables | 16 | 610 281 | – | – | 44 115 | 654 396 |
| Cash and cash equivalents | | 29 302 | – | – | – | 29 302 |
| | | 713 676 | – | 3 391 | 44 115 | 761 182 |

## 19 Financial instruments (continued)

| | Group 2017 R000's | Group 2016 R000's |
|---|---|---|
| **Categories of financial liabilities** | | |
| The carrying amount of financial liabilities, which also reasonably approximate their fair values, are as follows: | | |
| Fair value through profit or loss (foreign exchange contracts) | **2 737** | 5 769 |
| Measured at amortised cost | **1 326 230** | 1 068 833 |
| | **1 328 967** | 1 074 602 |

Reconciliation with line items presented in the consolidated statement of financial position:

| | Notes | Fair value through profit or loss R000's | Measured at amortised cost R000's | Non-financial liability R000's | Total R000's |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Interest-bearing liabilities – non-current | | **–** | **706 752** | **–** | **706 752** |
| Interest-bearing liabilities – current | | **–** | **52 716** | **–** | **52 716** |
| Trade and other payables | 20 | **2 737** | **488 638** | **7 719** | **499 094** |
| Bank overdrafts | 25 | **–** | **78 124** | **–** | **78 124** |
| | | **2 737** | **1 326 230** | **7 719** | **1 336 686** |
| **2016** | | | | | |
| Interest-bearing liabilities – non-current | | – | 4 149 | – | 4 149 |
| Interest-bearing liabilities – current | | – | 38 733 | – | 38 733 |
| Trade and other payables | 20 | 5 769 | 478 187 | 5 900 | 489 856 |
| Bank overdrafts | 25 | – | 547 764 | – | 547 764 |
| | | 5 769 | 1 068 833 | 5 900 | 1 080 502 |

**Maturity profile of financial instruments**

The maturity profile of financial assets and liabilities at 31 March is summarised as follows:

| | 0 – 12 months R000's | 1 – 3 years R000's | Total R000's |
|---|---|---|---|
| **2017** | | | |
| **Assets** | | | |
| Investments | — | 3 026 | 3 026 |
| Long-term receivables | — | 94 129 | 94 129 |
| Trade and other receivables | 641 812 | — | 641 812 |
| Cash and cash equivalents | 70 758 | — | 70 758 |
| **Total financial assets** | 712 570 | 97 155 | 809 725 |
| **Liabilities** | | | |
| Interest-bearing borrowings | 52 716 | 706 752 | 759 468 |
| Trade and other payables | 491 375 | — | 491 375 |
| Bank overdrafts | 78 124 | — | 78 124 |
| **Total financial liabilities** | 622 215 | 706 752 | 1 328 967 |
| **Net financial assets/(liabilities)** | 90 355 | (609 597) | (519 242) |

| | 0 – 12 months R000's | 1 – 3 years R000's | Total R000's |
|---|---|---|---|
| **2016** | | | |
| **Assets** | | | |
| Investments | — | 3 391 | 3 391 |
| Long-term receivables | — | 99 191 | 99 191 |
| Trade and other receivables | 610 281 | — | 610 281 |
| Cash and cash equivalents | 29 302 | — | 29 302 |
| **Total financial assets** | 639 583 | 102 582 | 742 165 |
| Liabilities | | | |
| Interest-bearing borrowings | 38 733 | 4 149 | 42 882 |
| Trade and other payables | 483 956 | — | 483 956 |
| Bank overdrafts | 547 764 | — | 547 764 |
| **Total financial liabilities** | 1 070 453 | 4 149 | 1 074 602 |
| **Net financial (liabilities)/assets** | (430 870) | 98 433 | (332 437) |

## 19 Financial instruments (continued)

**Contractual undiscounted cash flows**

| | 0 – 12 months R000's | 1 – 3 years R000's | Total R000's |
|---|---|---|---|
| **2017** | | | |
| **Liabilities – contractual undiscounted cash flows** | | | |
| Interest-bearing borrowings | 124 865 | 841 035 | 965 900 |
| Trade and other payables | 491 375 | – | 491 375 |
| Bank overdrafts | 163 649 | – | 163 649 |
| **Total financial liabilities** | 779 889 | 841 035 | 1 620 924 |
| | | | |
| **2016** | | | |
| **Liabilities – contractual undiscounted cash flows** | | | |
| Interest-bearing borrowings | 43 236 | 5 020 | 48 256 |
| Trade and other payables | 483 956 | – | 483 956 |
| Bank overdrafts | 605 365 | – | 605 365 |
| **Total financial liabilities** | 1 132 557 | 5 020 | 1 137 577 |

**Fair value of financial instruments**

The fair value of short-term financial assets and liabilities approximate their carrying values as disclosed in the consolidated statement of financial position.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Measurement of fair values**

The following table shows the valuation techniques used in measuring Level 2 fair values for financial instruments measured at fair value in the consolidated statement of financial position, as well as the significant unobservable inputs used.

| Type | Valuation techniques | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Equity securities | Quoted prices for the instrument | Not applicable | Not applicable |
| Forward exchange contracts | Forward pricing: the fair value is determined using quoted prices | Not applicable | Not applicable |

## 19 Financial instruments (continued)

**Fair value of financial instruments (continued)**

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measure at fair value if the carrying amount is a reasonable approximation of fair value.

| | | Carrying value | | | | | Fair value | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Loans and receivables R000's | Fair value through profit or loss R000's | Available for sale R000's | Measured at amortised cost R000's | Total R000's | Level 1 R000's | Level 2 R000's | Total R000's |
| **2017** | | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Equity securities | 12 | — | — | 3 026 | — | 3 026 | — | 3 026 | 3 026 |
| Forward exchange contracts | 16 | — | 14 332 | — | — | 14 332 | — | 14 332 | 14 332 |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Long-term receivables | 13 | 88 349 | — | — | — | 88 349 | | | 88 349 |
| Trade and other receivables | | 627 480 | — | — | — | 627 480 | | | 627 480 |
| Cash and cash equivalents | | 70 758 | — | — | | 70 758 | | | 70 758 |
| | | 786 587 | 14 332 | 3 026 | — | 803 945 | — | 17 358 | 803 945 |
| **Financial liabilities measured at fair value** | | | | | | | | | |
| Forward exchange contracts | | — | (2 737) | — | — | (2 737) | — | (2 737) | (2 737) |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Instalment sale and finance lease agreements | | — | — | — | (8 981) | (8 981) | | | (8 981) |
| Secured bank loans | | — | — | — | (650 000) | (650 000) | | | (650 000) |
| Unsecured loans | | — | — | — | (100 487) | (100 487) | | | (100 487) |
| Trade and other payables | | — | — | — | (488 638) | (488 638) | | | (488 638) |
| Bank overdrafts | 25 | — | — | — | (78 124) | (78 124) | | | (78 124) |
| | | — | (2 737) | — | (1 326 230) | (1 328 967) | — | (2 737) | (1 328 967) |
| **2016** | | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Equity securities | 12 | — | | 3 391 | — | 3 391 | 365 | 3 026 | 3 391 |
| Forward exchange contracts | 16 | — | — | — | — | — | — | — | — |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Long-term receivables | 13 | 74 093 | — | — | — | 74 093 | | | 74 093 |
| Trade and other receivables | | 610 281 | — | — | — | 610 281 | | | 610 281 |
| Cash and cash equivalents | | 29 302 | — | — | — | 29 302 | | | 29 302 |
| | | 713 676 | — | 3 391 | — | 717 067 | 365 | 3 026 | 717 067 |
| **Financial liabilities measured at fair value** | | | | | | | | | |
| Forward exchange contracts | | — | (5 769) | — | — | (5 769) | — | (5 769) | (5 769) |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Instalment sale and finance lease agreements | | — | — | — | (5 147) | (5 147) | | | (5 147) |
| Secured bank loans | | — | — | — | — | — | | | — |
| Unsecured loans | | — | — | — | (37 735) | (37 735) | | | (37 735) |
| Trade and other payables | | — | — | — | (478 187) | (478 187) | | | (478 187) |
| Bank overdrafts | 25 | — | — | — | (547 764) | (547 764) | | | (547 764) |
| | | — | (5 769) | — | (1 068 833) | (1 074 602) | — | (5 769) | (1 074 602) |

## 19 Financial instruments (continued)

**Reclassification of financial assets**

No financial assets were reclassified from fair value to at cost or amortised cost or vice-versa during the year.

**Pledges of financial assets**

Refer to note 31 for securitisation of assets.

**Determination of fair value for financial assets and liabilities**

Receivables are impaired based on the estimated credit losses on a debtor-by-debtor basis. Receivables and liabilities denominated in foreign currencies are restated based on the year-end exchange rate. Publically traded investments are revalued to their market values on an annual basis. Included in the Group's trade receivable balance is debtors which are past due at the reporting date for which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

| | 2017 R000's | 2016 R000's |
|---|---|---|
| These "past due, but not impaired debtors" amount to | **40 746** | 29 896 |

**Derecognition of financial assets**

There has been no transfer by the Group of financial assets to any outside party where such financial assets do not qualify for derecognition.

**Defaults and breaches on loans**

There were no breaches or defaults on the repayment of any loans payable during the current or prior period.

**Market risk**

Market risk is the risk that changes in the market prices such as foreign exchange rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the import of electronic equipment, toys, finished goods and raw materials.

| | 2017 R000's | 2016 R000's |
|---|---|---|
| The fair value of the derivatives at year-end, determined by marking-to-market of contracts, amounted to | **11 595** | (5 769) |

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delving cash or another financial asset.

Adequate liquidity is managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities.

The Group is exposed to a number of risks including market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Sensitivity analysis**

Equity price sensitivity analysis

The Group faces an equity risk in that it holds investments in Business Partner shares as disclosed under the investments note. Net profit/loss for the period would be unaffected by equity price volatility as revaluations to the equity investment are taken directly to other comprehensive income.

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk in the form of trade receivables and trade payables denominated in foreign currencies as well as related forward exchange contracts and customer foreign currency accounts. Details of the Group's exposure in this regard is contained in note 27 of these financial statements.

Interest rate sensitivity analysis

At year-end the Group's net interest-bearing borrowings amounted to R767 million (2016: R561 million).The interest rates applicable to these loans are variable. Consequently, in the event of a 10% change in interest rates (i.e.an increase of 1,05% in the prime interest rate), there will be an additional interest charge of R8,05 million (2016: R5,89 million) before tax.

## 20 Trade and other payables

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Trade payables | **290 416** | 318 902 |
| Fair value of outstanding foreign exchange contracts | **2 737** | 5 769 |
| Accruals and other current liabilities | **205 941** | 165 185 |
| | **499 094** | 489 856 |
| The operating lease liabilities are payable as follows: | | |
| Less than one year (included under trade and other payables) | **381** | (1 035) |
| Between one and five years (shown separately as operating lease accruals on the balance sheet) | **1 259** | 864 |
| | **1 640** | (171) |
| Trade and other payables acquired through business combination (refer to note 23). | **6 462** | – |

## 21 Government grants

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Receivable balance for government grants brought forward | **38 950** | 38 486 |
| Total income from government grants, included in other income, recognised during the year amounted to | **37 950** | 33 933 |
| Total cash received during the year from government grants amounted to | **(19 027)** | (33 469) |
| Amount outstanding as at year-end | **57 873** | 38 950 |

The government grants received related to the Production Incentive Scheme established by the Department of Trade and Industry.

Amounts outstanding at year-end is included under Other receivables (refer to note 16).

There are no unfulfilled conditions or contingencies relating to the government assistance recognised.

## 22 Provisions

| | 2017 R000's | 2016 R000's |
|---|---|---|
| **Restructuring and retrenchment costs** | | |
| Carrying amount at beginning of the year | **5 705** | – |
| Additional provisions made in the year, including increases to existing provisions | **224** | 5 705 |
| Amounts utilised during the year | **(5 705)** | – |
| Carrying amount at end of the year | **224** | 5 705 |

In the prior period the Group concluded a restructure of its office automation operations that affected approximately 85 employees. Consultation commenced before year-end and was concluded during the first quarter of the 2017 financial year.

## 23 Business combinations

**Consideration transferred**

The following table summarises the consideration paid for the entities, and the amount of the assets acquired and liabilities assumed recognised at the acquisition date.

| | Total 2017 R000's |
|---|---|
| **Consideration** | |
| Cash | 67 897 |
| Contingent consideration | 10 000 |
| **Total consideration** | 77 897 |

**Contingent consideration**

The contingent consideration arrangement requires the Group to pay the former owners a fixed amount based on future operational profits. The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between RNil and R11 006 662.

The fair value of the contingent consideration arrangement of R10 000 000 was calculated by applying a discount rate of 9,63%.

**Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | | Total 2017 R000's |
|---|---|---|
| Property, plant and equipment | | 5 993 |
| Inventories | | 22 181 |
| Intangible assets | | 27 852 |
| Trade and other receivables | | 16 060 |
| Cash and cash equivalents | | 24 307 |
| Non-current loan | | (734) |
| Deferred liabilities | | (820) |
| Deferred tax liability | | (8 484) |
| Trade and other payables | | (6 462) |
| Current tax liabilities | | (10 737) |
| **Total identifiable net assets** | | 69 156 |
| Goodwill | | 8 741 |
| **Total consideration** | - | 77 897 |
| | | |
| **Cash flow from this investing activity** | | |
| Cash consideration transferred | | (67 897) |
| Add cash and cash equivalents in the business acquired | | 24 307 |
| Net cash inflow from investing operations | | (43 590) |

**Subsidiaries acquired through the year:**

**2017**

| Subsidiary name | Acquisition date | Segment | Description | Voting interest acquired % | Revenue contributed to the Group R000's | Net profit contribution to the Group R000's | Revenue contributed to the Group had the acquisition been effective on 1 April 2016 R000's | Net profit contribution to the Group had the acquisition been effective on 1 April 2016 R000's |
|---|---|---|---|---|---|---|---|---|
| Premier Rainwater Goods Proprietary Limited | 1 June 2016 | Industrials | A manufacturer of galvanised steel roofing accessories | 100 | 91 380 | 10 791 | 110 004 | 14 806 |

**Measurement of fair values**

The valuation techniques used to measuring the fair value of material assets acquired were as follows:

| Assets acquired | Valuation techniques |
|---|---|
| Intangible assets | Customer-related intangible assets: Income method.<br>This entails the identification, separation and quantification of the cash flows attributable to the contracts, the application of a contributory asset charge and brand charge and the determination of the net present value of the resulting future cash flows by applying the discounted cash flow valuation methodology.<br><br>Certain intangible assets were identified but were not considered to be separable from other intangible assets. An important exception to the individual recognition of intangible assets is the value of assembled workforce as IFRS 3 states that an assembled workforce shall not be recognised as an intangible asset apart from goodwill. |

**Goodwill**

The goodwill is attributable mainly to intangible assets that are either not separable or can not be valued reliably as per IFRS 3. This includes assembled workforce, non-competition agreements, customer lists, production backlog, lease agreements, employment contracts, databases, patented/unpatented technology, computer software, service or supply contracts and service contracts.

**2016**

There were no acquisitions during the prior period.

## 24 Leases

| | Nominal amount | |
|---|---|---|
| | 2017 R000's | 2016 R000's |
| **The Group as lessee** | | |
| Non-cancellable operating lease rentals are payable as follows: | | |
| Less than one year | **17 938** | 22 721 |
| Between one and five years | **22 186** | 28 128 |
| More than five years | **1 505** | 1 596 |
| | **41 629** | 52 445 |
| **The Group as lessor** | | |
| Non-cancellable operating lease rentals are receivable as follows: | | |
| Less than one year | **95 351** | 99 262 |
| Between one and five years | **109 899** | 139 881 |
| More than five years | **11 549** | 16 439 |
| | **216 799** | 255 582 |

No future sublease payments are expected to be received under non-cancellable subleases.

No contingent rentals were recognised as income in the period.

The Group leases a number of premises as distribution warehouses, factory and retail facilities, as well as office equipment, motor vehicles and fork lifts under operating leases.

## 25 Borrowing and loan facilities

**Borrowing facility**

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Available facility | **470 000** | 820 000 |
| Net utilised | **(108 094)** | (547 764) |
| Bank overdraft | **(78 124)** | (547 764) |
| Letter of credits | **(29 970)** | – |
| Unutilised balance | **361 906** | 272 236 |

These facilities have been secured in terms of note 31.

**Loan facility**

The Group has converted part of its on demand borrowing facility into a loan facility with The Standard Bank of South Africa Limited ("Standard Bank"). The loan facility was applied towards the refinancing of the Group's properties.

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Available facility | **650 000** | – |
| Utilised | **(650 000)** | – |
| Non-current portion | **(600 000)** | – |
| Current portion | **(50 000)** | – |

**Details of the loan facilities**

| | 2017 R000's | 2016 R000's |
|---|---|---|
| *Loan facility A* | | |
| Available facility | **50 000** | – |
| Utilised | **50 000** | – |
| Date of repayment of capital towards the loan facility | **28 February 2018** | N/A |
| Interest rates | **Prime less 1,62%** | N/A |
| *Loan facility B* | | |
| Available facility | **150 000** | – |
| Utilised | **150 000** | – |
| Date of repayment of capital towards the loan facility | **4 March 2019** | N/A |
| Interest rates | **Prime less 1,40%** | N/A |
| *Loan facility C* | | |
| Available facility | **450 000** | – |
| Utilised | **450 000** | – |
| Date of repayment of capital towards the loan facility | **4 March 2021** | N/A |
| Interest rates | **Prime less 1,25%** | N/A |

# Notes to the financial statements
for the year ended 31 March (continued)

## 26 Directors' emoluments

| Paid by a subsidiary company<br>Name | Salary R000's | Bonus R000's | Retirement and medical aid contributions R000's | Share option expense R000's | Directors' fees R000's | Other benefits R'000 | Total R000's |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Executive directors*** ** | | | | | | | |
| S A Queen (CEO)* | **4 134** | **1 170** | **—** | **2 481** | **—** | **5** | **7 790** |
| A M Ntuli | **995** | **85** | **203** | **53** | **—** | **—** | **1 336** |
| G D T Wege | **1 873** | **612** | **271** | **358** | **—** | **—** | **3 114** |
| D Duncan | **2 851** | **573** | **399** | **699** | **—** | **—** | **4 522** |
| | **9 853** | **2 440** | **873** | **3 591** | **—** | **5** | **16 762** |
| **Non-executive directors** | | | | | | | |
| J A Copelyn (Chairperson)** | **—** | **—** | **—** | **—** | **163** | **—** | **163** |
| M H Ahmed | **—** | **—** | **—** | **—** | **211** | **—** | **211** |
| T G Govender** | **—** | **—** | **—** | **—** | **116** | **—** | **116** |
| L G Govender | **—** | **—** | **—** | **—** | **165** | **—** | **165** |
| N B Jappie | **—** | **—** | **—** | **—** | **163** | **—** | **163** |
| R D Watson | **—** | **—** | **—** | **—** | **163** | **—** | **163** |
| Y Shaik** | **—** | **—** | **—** | **—** | **116** | **—** | **116** |
| | **—** | **—** | **—** | **—** | **1 097** | **—** | **1 097** |
| **Executive committee members** | | | | | | | |
| K Robson | **1 646** | **648** | **70** | **248** | **—** | **—** | **2 612** |
| I Morris | **1 809** | **1 182** | **398** | **355** | **—** | **—** | **3 744** |
| | **3 455** | **1 830** | **468** | **603** | **—** | **—** | **6 356** |
| **2016** | | | | | | | |
| **Executive directors*** ** | | | | | | | |
| S A Queen (CEO)* | 3 825 | 1 456 | — | 1 927 | — | — | 7 208 |
| A M Ntuli | 936 | 79 | 189 | — | — | — | 1 204 |
| G D T Wege | 1 757 | 783 | 256 | 608 | — | — | 3 404 |
| D Duncan | 2 691 | 275 | 364 | 491 | — | — | 3 821 |
| | 9 209 | 2 593 | 809 | 3 026 | — | — | 15 637 |
| **Non-executive directors** | | | | | | | |
| J A Copelyn (Chairperson)** | — | — | — | — | 158 | — | 158 |
| M H Ahmed | — | — | — | — | 193 | — | 193 |
| L G Govender | — | — | — | — | 112 | — | 112 |
| T G Govender** | — | — | — | — | 133 | — | 133 |
| N B Jappie | — | — | — | — | 150 | — | 150 |
| R D Watson | — | — | — | — | 150 | — | 150 |
| Y Shaik** | — | — | — | — | 112 | — | 112 |
| | — | — | — | — | 1 008 | — | 1 008 |
| **Executive committee members** | | | | | | | |
| K Robson | 1 538 | 600 | 52 | 256 | — | — | 2 446 |
| I Morris | 1 830 | 3 720 | 229 | 169 | — | — | 5 948 |
| | 3 368 | 4 320 | 281 | 425 | — | — | 8 394 |

| | Opening balance of share options 000's | Number of share options awarded during the year 000's | Number of shares exercised 000's | Number of shares cancelled 000's | Closing balance of share options 000's | Strike price of share options awarded cents | Exercised price of shares exercised R |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Deneb Investments Limited options** | | | | | | | |
| **Executive directors*** ** | | | | | | | |
| S A Queen (CEO)* | 6 325 | 2 344 | (546) | – | 8 123 | 1,50 | 0,50 |
| A M Ntuli | 164 | 31 | – | – | 195 | 1,50 | – |
| G D T Wege | 3 345 | 738 | (149) | – | 3 934 | 1,50 | 0,00 |
| D Duncan | 3 518 | 982 | (159) | – | 4 341 | 1,50 | 0,50 |
| **Non-executive directors** | | | | | | | |
| J A Copelyn (Chairperson)** | – | – | – | – | – | – | – |
| M H Ahmed | – | – | – | – | – | – | – |
| L G Govender | – | – | – | – | – | – | – |
| T G Govender** | – | – | – | – | – | – | – |
| R D Watson | – | – | – | – | – | – | – |
| N B Jappie | – | – | – | – | – | – | – |
| Y Shaik | – | – | – | – | – | – | – |
| **Executive committee members** | | | | | | | |
| K Robson | 1 289 | 443 | – | – | 1 732 | 1,50 | – |
| I Morris | 1 556 | 661 | – | – | 2 217 | 1,50 | – |

## 26 Directors' emoluments (continued)

| | Opening balance of share options 000's | Number of share options awarded during the year 000's | Number of shares exercised 000's | Number of shares cancelled 000's | Closing balance of share options 000's | Strike price of share options awarded R | Exercised price of shares exercised R |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Executive directors*** ** | | | | | | | |
| S A Queen (CEO)* | 4 734 | 1 591 | — | — | 6 325 | 1,75 | — |
| A M Ntuli | — | 164 | — | — | 164 | 1,75 | — |
| G D T Wege | 2 677 | 668 | — | — | 3 345 | 1,75 | — |
| D Duncan | 2 627 | 891 | — | — | 3 518 | 1,75 | — |
| **Non-executive directors** | | | | | | | |
| J A Copelyn (Chairperson)** | — | — | — | — | — | — | — |
| N B Jappie | — | — | — | — | — | — | — |
| L G Govender | — | — | — | — | — | — | — |
| M H Ahmed | — | — | — | — | — | — | — |
| T G Govender** | — | — | — | — | — | — | — |
| R D Watson | — | — | — | — | — | — | — |
| Y Shaik** | — | — | — | — | — | — | — |
| **Executive committee members** | | | | | | | |
| K Robson | 1 192 | 334 | (237) | — | 1 289 | 1,75 | 2,07 |
| I Morris | 1 083 | 473 | — | — | 1 556 | 1,75 | — |

* The remuneration of S A Queen is included in the managerial services provided by HCI referred to in note 29, Related parties.

** Ceded to HCI.

*** There is no distinction made in the remuneration packages of executive directors for services as directors and services for carrying on the business of the Group and/or subsidiary companies.

For the interest of directors in the company's share capital please refer to the Analysis of Shareholders.

Directors' interest in contracts is disclosed in note 29, Related parties.

The following table reflects the remuneration received by directors who also serve of the board of HCI and its subsidiaries for the year ended 31 March 2017.

| Director | Board fees R000's | Salary R000's | Other benefits R000's | Bonus R000's | Total for the year ended 31 March 2017 R000's | Total for the year ended 31 March 2016 R000's |
|---|---|---|---|---|---|---|
| J A Copelyn | — | 6 493 | 4 636 | 4 870 | 15 999 | 13 230 |
| T G Govender | — | 3 380 | 2 225 | 1 690 | 7 295 | 5 815 |
| Y Shaik | — | 3 355 | 1 311 | 2 181 | 6 847 | 5 603 |
| N B Jappie | 231 | — | — | — | 231 | 150 |
| R D Watson | 657 | — | — | — | 657 | 609 |
| L G Govender | 350 | — | — | — | 350 | 283 |

## 27 Foreign currency commitments

| | Currency | Uncovered | Covered | Total |
|---|---|---|---|---|
| **2017** | | | | |
| Foreign currency monetary items are as follows: | | | | |
| Foreign receivables | AUD | **10** | **–** | **10** |
| | EUR | **93** | **–** | **93** |
| | USD | **59 130** | **–** | **59 130** |
| | | **59 233** | **–** | **59 233** |
| Foreign payables | AUD | **–** | **–** | **–** |
| | EUR | **–** | **2 192** | **2 192** |
| | GBP | **–** | **197** | **197** |
| | USD | **36 579** | **2 535** | **39 114** |
| | CHF | **–** | **167** | **167** |
| | | **36 579** | **5 091** | **41 670** |
| **2016** | | | | |
| Foreign currency monetary items are as follows: | | | | |
| Foreign receivables | AUD | – | 11 | 11 |
| | EUR | – | 1 630 | 1 630 |
| | USD | – | 53 609 | 53 609 |
| | GBP | – | – | – |
| | | – | 55 250 | 55 250 |
| Foreign payables | AUD | – | – | – |
| | EUR | – | 3 395 | 3 395 |
| | GBP | – | 1 004 | 1 004 |
| | USD | – | 107 182 | 107 182 |
| | CHF | – | 7 | 7 |
| | | – | 111 588 | 111 588 |

**Sensitivity analysis**

Foreign exchange contracts are used as a natural hedge and hedge accounting was not applied. A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R5 923 300 while the uncovered payables balance would decrease by R3 657 700, resulting in a net loss of R2 265 400. A weakening of the Rand by 10% would have an equal, but opposite effect.

| | Currency | Spot rate 31 March 2017 | Spot rate 31 March 2016 | Average for the period |
|---|---|---|---|---|
| The exchange rates were as follows: | | | | |
| | EUR | **14,36620** | 16,89600 | 15,45167 |
| | GBP | **16,82410** | 21,20020 | 18,44180 |
| | USD | **13,43240** | 14,76370 | 14,06590 |

## 28 Commitments and capital expenditure

| | Capital expenditure | | Contractual commitments | |
|---|---|---|---|---|
| | 2017 R000's | 2016 R000's | 2017 R000's | 2016 R000's |
| Investment property | **5 889** | 20 807 | **–** | – |
| Land and buildings | **3 279** | 27 778 | **–** | – |
| Plant and equipment | **34 973** | 36 979 | **9 609** | 140 |
| Intangible assets | **1 838** | 2 539 | **–** | 3 253 |
| Business combinations | **77 897** | – | **–** | – |
| | **123 876** | 88 103 | **9 609** | 3 393 |

The capital commitments are expected to be incurred during the remainder of the current financial year. Commitments will be funded through banking facilities.

## 29 Related parties

**Transactions between Group companies**

Transactions between Group companies: During the year, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation.

**Transactions with Hosken Consolidated Investments Limited ("HCI") (ultimate holding company) entities in which HCI has an interest.**

| | Transaction values for the year ended 31 March Income/(Expense) | | Balance outstanding as at 31 March Balance receivable/(owing) | |
|---|---|---|---|---|
| | 2017 R000's | 2016 R000's | 2017 R000's | 2016 R000's |
| SACTWU loan | **1 181** | 3 687 | **–** | 21 953 |
| HCI – loan from HCI | **(7 233)** | (3 414) | **(100 487)** | (37 334) |
| HCI – loan to HCI | **3 673** | 6 145 | **–** | 61 148 |
| **Management fees paid** | **–** | | **–** | |
| HCI – managerial and secretarial services | **(4 242)** | (4 200) | **(404)** | (399) |
| **Management fees received** | **–** | | **–** | |
| Formex Industries – a subsidiary of HCI | **6 267** | 1 380 | **4 956** | 141 |
| HCI Invest 8 HoldCo | **192** | 180 | **–** | – |
| Risk Management to HCI | **165** | 765 | **147** | – |

**HCI loan**

Loans between HCI and the Group attracted interest at prime.

The lender provided the unconditional right for repayment to occur 12 months after the reporting date.

**Share buyback**

Deneb concluded an agreement with the Southern African Clothing and Textile Workers' Union ("SACTWU") in terms of which Deneb acquired 133 507 226 Deneb ordinary shares from SACTWU at a price of R2,00 per Deneb share.

Transactions with companies with common directors or fellow subsidiaries of HCI

| | Transaction values for the year ended 31 March | | Balance outstanding as at 31 March | |
|---|---|---|---|---|
| | Income/(Expense) | | Balance receivable/(owing) | |
| | 2017 R000's | 2016 R000's | 2017 R000's | 2016 R000's |
| **Sale of goods and services** | | | | |
| Zenzeleni Clothing (a company of which J A Copelyn, T G Govender and A M Ntuli are directors) | **27 262** | 8 545 | **6 123** | 3 941 |
| KWV South Africa Proprietarily Limited (HCI subsidiary) | **–** | 260 | **–** | 143 |
| Vukani Gaming Corporation Proprietary Limited (HCI subsidiary) | **–** | 106 | **–** | 38 |

**Remuneration of key management personnel**

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. The remuneration (all short-term benefits) paid by the Group to its key management personnel is as follows:

| | 2017 R000's | 2016 R000's |
|---|---|---|
| Basic | **42 935** | 46 382 |
| Benefits | **6 777** | 7 732 |
| | **49 712** | 54 114 |

A share incentive scheme has been implemented for key management personnel. See note 33 for further details.

The percentage of shares held by directors of the company and their related entities at the reporting date are disclosed in the Analysis of Shareholders report on pages 119 and 120.

## 30 Contingencies

There are no material contingencies at the date of signing this report.

## 31 Securitisation of assets

The security has been provided to a special purpose company (Sargas Security (Pty) Ltd ("Security SPV"), which has guaranteed the obligations of the Group companies in favour of The Standard Bank of South Africa ("Standard Bank") for the facilities provided to the Group.

Sargas Proprietary Limited ("Sargas") and Prima Toy and Leisure Trading Proprietary Limited ("Prima") have indemnified the Security SPV in respect of any claim which may be made against the Security SPV.

Continuing Covering Mortgage Bonds ("CCMBs") have been registered in favour of the Security SPV in respect of Sargas's KwaZulu-Natal and Cape Town properties.

Prima has provided an unlimited security cession in favour of the Standard Bank of its rights to all book debts and other debts due.

Each group company, comprising the Borrower Group, has guaranteed the payment of all indebtedness of each other group company to the Standard Bank in terms of an interlinking demand guarantee.

The impact of the above on the figures disclosed in the consolidated statement of financial position is as follows:

| | Per consolidated statement of financial position R000's | Securitised R000's | Unsecuritised R000's |
|---|---|---|---|
| **2017** | | | |
| Property, plant and equipment | **770 718** | **435 537** | **335 181** |
| Investment property | **759 113** | **759 113** | **–** |
| Intangible assets | **48 466** | **–** | **48 466** |
| Other investments | **3 026** | **–** | **3 026** |
| Long-term receivables | **88 349** | **–** | **88 349** |
| Inventories | **706 953** | **–** | **706 953** |
| Trade and other receivables | **700 195** | **150 475** | **549 720** |
| Non-current assets held for sale | **1 985** | **–** | **1 985** |
| **2016** | | | |
| Property, plant and equipment | 746 935 | 723 935 | 23 000 |
| Investment property | 737 507 | 737 507 | – |
| Intangible assets | 22 263 | – | 22 263 |
| Other investments | 3 391 | – | 3 391 |
| Long-term receivables | 74 093 | – | 74 093 |
| Inventories | 683 732 | – | 683 732 |
| Trade and other receivables | 654 396 | 161 817 | 492 579 |
| Non-current assets held for sale | 2 175 | – | 2 175 |

## 32 Events after year end

Subsequent to financial year-end, the Group acquired 100% of the share capital of Formex Industries Proprietary Limited for an amount of R25 million with effect from 1 August 2017. Further information has been published on SENS on 10 July 2017 and 21 July 2017.

In addition, the Group entered into a sale of share and claims agreement with Main Street Holdings Proprietary Limited to acquire 100% of the shares in New Just Fun Proprietary Limited, for a purchase consideration of R40,5 million. The acquisition is subject to certain conditions precedent being fulfilled on or before 30 November 2017. Further information has been published on SENS on 13 July 2017.

## 33 Share incentive scheme

**Basis of accounting**

The Deneb Share Incentive Scheme was established on 10 October 2014 and adopted by the Company and the employer companies on 13 October 2014. 53 977 647 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any of such shares in accordance with the terms and conditions of the Share Incentive Scheme. At 31 March 2017, the Group had 5 415 064 securities available to be utilised in terms of the Scheme.

Options are accounted for as equity-settled.

**Equity-settled**

The Deneb Share Incentive Scheme was established on 10 October 2014.

The Incentive Plan provides selected employees with the opportunity to acquire ordinary shares in Deneb Investments Limited, thereby ensuring that such employees are encouraged and motivated to pursue continued growth and profitability of Group companies.

During the financial year, 11 552 529 ordinary options (2016: 8 135 448) were allotted in terms of the Deneb Incentive Plan.

The exercise of the options by the employees is subject to continued employment as at the date on which the option is exercised and in addition may be subject to them meeting performance targets relating to the profitability of the relevant business unit or division or Group profitability, in which case the employee may exercise:

- 9 010 771 options issued on 14 October 2014, which vested immediately.
- 6 105 501 options issued on 14 October 2014, which vested on 4 July 2015.
- 7 235 388 options issued on 14 October 2014, which vest as follows:
  – up to 30% of the options granted vest immediately;
  – up to a further 30% of the option shares from the third anniversary date; and
  – the balance, namely 40% of the option shares, from the fourth anniversary date.
- 10 563 004 options issued on 27 January 2015 vest as follows from the grant date:
  – up to 10% of the option shares from the first anniversary of the option date;
  – up to a further 20% of the option shares from the second anniversary date;
  – up to a further 30% of the option shares from the third anniversary date; and
  – the balance, namely 40% of the option shares, from the fourth anniversary date.
- 8 135 448 options issued on 29 June 2015 vest as follows from the grant date:
  – up to 10% of the option shares from the first anniversary of the option date;
  – up to a further 20% of the option shares from the second anniversary date;
  – up to a further 30% of the option shares from the third anniversary date; and
  – the balance, namely 40% of the option shares, from the fourth anniversary date.
- 11 552 529 options issued on 30 June 2016 vest as follows from the grant date:
  – up to 10% of the option shares from the first anniversary of the option date;
  – up to a further 20% of the option shares from the second anniversary date;
  – up to a further 30% of the option shares from the third anniversary date; and
  – the balance, namely 40% of the option shares, from the fourth anniversary date.

## 33 Share incentive scheme (continued)

**Options in issue are as follows:**

| Option holder | Grant date | Options issued | Strike price (cents) | Vesting conditions | Life of option |
|---|---|---|---|---|---|
| S A Queen | 14 October 2014 | 1 382 584 | 93 | Continued employment | 3 years |
| | 14 October 2014 | 1 713 759 | 136 | Continued employment | 4 years |
| | 27 January 2015 | 1 091 401 | 181 | 2 years' profitability and continued employment | 8 years |
| | 29 June 2015 | 1 591 233 | 175 | 2 years' profitability and continued employment | 8 years |
| | 30 June 2016 | 2 343 944 | 150 | Continued employment | 8 years |
| Total for S A Queen | | 8 122 921 | | | |
| G D T Wege | 14 October 2014 | 263 539 | 0 | Immediately | 1 years |
| | 14 October 2014 | 227 691 | 50 | Immediately | 2 years |
| | 14 October 2014 | 576 077 | 93 | Continued employment | 3 years |
| | 14 October 2014 | 594 286 | 136 | Continued employment | 4 years |
| | 27 January 2015 | 865 413 | 181 | 2 years' profitability and continued employment | 8 years |
| | 29 June 2015 | 668 258 | 175 | 2 years' profitability and continued employment | 8 years |
| | 30 June 2016 | 738 491 | 150 | Continued employment | 8 years |
| Total for G D T Wege | | 3 933 755 | | | |
| D Duncan | 14 October 2014 | 403 254 | 93 | Continued employment | 3 years |
| | 14 October 2014 | 499 846 | 136 | Continued employment | 4 years |
| | 27 January 2015 | 1 564 245 | 181 | 2 years' profitability and continued employment | 8 years |
| | 29 June 2015 | 891 388 | 175 | 2 years' profitability and continued employment | 8 years |
| | 30 June 2016 | 981 939 | 150 | Continued employment | 8 years |
| Total for D Duncan | | 4 340 672 | | | |
| A M Ntuli | 29 June 2015 | 164 099 | 175 | 2 years' profitability and continued employment | 8 years |
| | 30 June 2016 | 30 632 | 150 | Continued employment | 8 years |
| Total for A M Ntuli | | 194 731 | | | |
| Other, not being directors | 14 October 2014 | 3 532 655 | 0 | Immediately | 1 years |
| | 14 October 2014 | 849 754 | 50 | Immediately | 2 years |
| | 14 October 2014 | 2 230 569 | 93 | Continued employment | 3 years |
| | 14 October 2014 | 3 252 512 | 136 | Continued employment | 4 years |
| | 27 January 2015 | 6 030 998 | 181 | 2 years' profitability and continued employment | 8 years |
| | 29 June 2015 | 4 379 803 | 175 | 2 years' profitability and continued employment | 8 years |
| | 30 June 2016 | 7 457 523 | 150 | Continued employment | 8 years |
| **Total other** | | **27 733 814** | | | |
| **Total options in issue** | | **44 325 893** | | | |

**Reconciliation of movements in options**

| Number of options | 2017 | 2016 |
|---|---|---|
| Opening balance | 35 080 818 | 28 146 932 |
| Awarded during the period | 11 552 529 | 8 135 448 |
| Exercised during the period | (639 324) | (677 746) |
| Options used for strike price | (216 516) | (523 816) |
| Lapsed/forfeited during the period | (1 451 614) | – |
| Closing balance | 44 325 893 | 35 080 818 |
| | | |
| Exercisable at year-end | 13 396 817 | 9 984 973 |
| Amount expensed during the year (included in employment costs) (Rand) | 2 625 127 | 3 255 367 |
| Value of shares issued during the year(Rand) | 1 152 604 | 573 313 |
| Weighted average share price of share options exercised during the year (Rand) | 1,63 | 2,09 |

The weighted average remaining contractual life of all potentially exercisable options amounts to 7,7 years.

**Valuation methodology**

The fair value of the options granted was determined using a stochastic model, based on the standard "binomial" options pricing model (which is mathematically consistent with the Black-Schöles-Merton model), but allows for the particular features of employee share options to be modelled realistically.

The key principles of the Black-Schöles-Merton model are incorporated into this Actuarial Binomial model. They include:

- risk-neutral valuation;
- the underlying share price is assumed to follow a log-normal distribution of returns;
- stock returns are independently distributed;
- a risk-free return can be earned and is known in advance;
- the market is efficient and thus an investor cannot make risk-free profits; and
- the underlying share price follows a Markov process – i.e. where the share price has been in the past does not have a bearing on where it will go in the future. All relevant information is contained in the share price at the grant date.

It follows then that if the Actuarial Binomial model is being used to value a call option that:

- can only be exercised on a single date;
- has no performance conditions or vesting period;
- has a constant volatility and dividend yield throughout its life; and
- may not be forfeited,

then the value produced by the Actuarial Binomial model will be exactly equal to that produced by the Black Schöles formula.

The inability of the Black Schöles formula to value American options was remedied by Cox, Ross and Rubinstein who devised a binomial lattice technique for valuing share options using the underlying financial economic principles of Black, Schöles and Merton.

The binomial model has proved over time to be the most flexible, intuitive and popular approach to option pricing. It is based on the simplification that over a single period (of possibly very short duration), the underlying asset can only move from its current price to two possible levels.

## 33 Share incentive scheme (continued)

Using the concept of hedging to replicate the option value at each step (using a combination of a risky and risk-free assets), it is possible to calculate the value of the option by working recursively backwards from the expiry of the option.

The lattice provides a tremendously flexible framework for valuing employee share options. This is because the possible share price at each point over the option lifetime is considered. The framework also allows for the division of the option lifetime into distinct periods – e.g. vesting period, closed period and eligible exercise period.

**Valuation assumptions**

The model used for valuing the employee share option arrangements requires a number of financial assumptions to be made.

The main assumptions together with a detailed description of the derivation of each of these assumptions have been set out below.

**Share price**

The closing share price, as at the acceptance date of each option granted was used as available on I-Net Bridge.

**Risk-free interest rate**

IFRS 2 requires the use of a risk-free interest rate with a term equal to the expected lifetime of the option. The Nominal Bond Curve as completed by the Johannesburg Stock Exchange of South Africa and obtained from I-Net Bridge was used. The rates used in the valuation are based on the yield curve provided at the acceptance date of each option granted. The Nominal Bond Curve was determined by appropriate risk-free rate corresponding to the expected option lifetime of each grant.

**Expected option lifetime**

Our valuers have estimated the expected option lifetime by considering separately each of the tranches available within the grant. The expected lifetime was rounded to the nearest complete year.

**Volatility of share price**

Volatility is a measure of the amount by which a share price is expected to fluctuate during the lifetime of the option. The estimate of the expected volatility over the term of the option is a significant assumption needed in determining the fair value of an employee share option. To be consistent with the definition of volatility used in option pricing models and the requirements of IFRS 2 (Appendix B, paragraph B22), an annualised standard deviation of the continuously compounded rates of return of the share was used.

In terms of IFRS 2, some of the factors that need to be considered in estimating the expected volatility include:

- Paragraph B25 (b): "The historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option".
- Paragraph B25 (d): "The tendency of volatility to revert to its mean, i.e. its long-term average level, and other factors indicating that expected future volatility might differ from past volatility".

In order to estimate the share price volatility to be used in the valuation our valuers have considered the expected option lifetime of all the grants over the vesting period. As each grant is made up of four distinct tranches, being the staggered vesting periods, they have made use of the expected lifetime for each of these tranches.

**Dividend yield**

IFRS 2 requires an expected dividend or dividend yield to be taken into account in the valuation of share options in those arrangements where employees are not entitled to the dividend declared during the vesting period or the period before exercise. The dividend yield used should be the best estimate of the forward-looking dividend yield over expected life of the option, determined at the grant date. A dividend yield assumption of 0,00% has been used.

**Employee turnover**

The main effect of allowing for employee turnover is that, in respect of the proportion of employees who are assumed to leave before the option (or part of the option) vests, the cost of that option (or part of the option) would be zero.

A forfeiture rate of 5% per annum compound during the vesting period has been assumed. Our valuers' experience have been that employee turnover for staff included in share option schemes is generally between 5% and 15% although acknowledging that this varies between industries and sectors.

Further, where an employee leaves during the exercise period, he is assumed to exercise immediately if the option is "in-the-money". A withdrawal assumption of 5% per annum compound as above has again been used.

It should be noted that the assumption of employee turnover is a non-market condition and therefore, in accordance with IFRS 2, is adjusted during the period over which the expense is recognised (i.e. the vesting period). Each year, the employee turnover assumption should reflect the actual result of leavers in that year and to allow for the effect that actual experience would have on the future assumptions.

Ultimately at the end of the particular vesting period the actual number of options that eventually vest would need to have been expensed and the appropriate liability raised.

During the period over which the options vest, any differences in actual leavers to the assumption will be accounted for in the statement of comprehensive income at the end of the vesting period on a true-up basis.

**Exercise behaviour**

Option valuation theory implies that the optimal time to exercise the option (and maximise value) is generally towards the end of the allowable exercise period. However, individual behaviour often results in employees exercising their options relatively early (especially after a sudden share price rise), provided the options are "in-the-money".

Our valuers have relied on a fairly general assumption for exercise behaviour based on internal investigations and a wide set of data provided by their international colleagues.

The following assumptions were used to reflect exercise behaviour in any given year:

- one-third of Scheme participants will exercise their options when they are 20% "in-the-money" (i.e. the share price is equal to 120% of the offer price);
- one-third of Scheme participants will exercise their options when they are 50% "in-the-money" (i.e. the share price is equal to 150% of the offer price); and
- the remaining one-third of Scheme participants will exercise their options at the theoretically "optimal" time.

## 34 New standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on of after 1 April 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group do not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

| **Standard/Interpretation** | | **Date issued by IASB (1)** | **Effective date: Periods beginning on or after** |
|---|---|---|---|
| IAS 7 | Disclosure amendments | January 2014 | 1 January 2017 |
| IAS 12 amendment | Recognition of Deferred Tax Assets for Unrealised Losses | May 2014 | 1 January 2017 |
| IFRS 15 | Revenue from Contracts with Customers | May 2014 | 1 January 2018 |
| IFRS 9 | Financial Instruments | July 2014 | 1 January 2018 |
| IFRS 2 amendments | Clarifying share-based payment accounting | June 2016 | 1 January 2018 |
| IAS 40 amendment | Transfers of investment property | December 2016 | 1 January 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Considerations | December 2016 | 1 January 2018 |
| IFRS 16 | Leases | January 2016 | 1 January 2019 |

**Disclosure Initiative (Amendments to IAS 7)**

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)**

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

The above amendment will not have any material impact on the Group's results.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted

**Revenue from Contracts with Customers (IFRS 15)**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Management has considered it and currently it will have no material impact on the method of recognition.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

**Financial Instruments (IFRS 9)**
On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The above amendment will not have any material impact on the Group's results.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted.

**Clarifying share-based payment accounting (Amendments to IFRS 2)**
Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

**Measurement of cash-settled share-based payments** – The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

**Classification of share-based payments settled net of tax withholdings** – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

**Accounting for a modification of a share-based payment from cash-settled to equity-settled** – The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The above amendment will not have any material impact on the Group's results.

The amendments are effective for annual periods commencing on or after 1 January 2018.

**Transfers of Investment property (Amendments to IAS 40)**
The IASB has amended the requirements in IAS 40 Investment Property on when a company should transfer a property asset to, or from, investment property.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

**Foreign Currency Transactions and Advance Considerations (IFRIC 22)**
When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

## 34 New standards (continued)

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The above amendment will not have any material impact on the Group's results.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

**Leases (IFRS 16)**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included in the consolidated statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The application of IFRS 16 will result in changes to the statement of financial position in the form of right-of-use assets and operating lease liabilities being brought on-balance sheet (where the group is the lessee) while profit or loss will be impacted by operating lease expense no longer being included and substituted by an amortisation of right-of-use asset and finance cost charges.

Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted.

The Group estimated the following impact on its financial position and income, excluding any tax effects, if the standard should be implemented 1 April 2017:

| | 1 April 2017 R000's | 31 March 2018 R000's |
|---|---|---|
| Right-of-use asset | **41 454 678** | 26 745 599 |
| Lease liability | **(41 454 678)** | (26 019 196) |
| Operating lease expense* | **–** | 16 245 330 |
| Amortisation# | **–** | (14 709 079) |
| Finance cost# | **–** | (809 848) |
| Net income | **–** | 726 403 |

* Straight-line operating expense will no longer form part of profit or loss once IFRS 16 has been adopted.
# IFRS 16 will introduce the amortisation of right-of-use asset and finance costs, relating to the unwinding of the lease liability.

## 35 Non-controlling interest (NCI)

In March 2017, the Group increased its shareholding in OfficeBox to 84,5% from 79,8% through a R3 million share subscription.

The Group recognised an increase in NCI of R0,455 million and an equal decrease in retained earnings attributable to owners of the Group.

| | 2017 R000's |
|---|---|
| Carrying amount of NCI before the rights issue | **(354)** |
| Carrying amount of NCI subsequent to the rights issue | **101** |
| **A decrease in equity attributable to owners of the Group** | **(455)** |