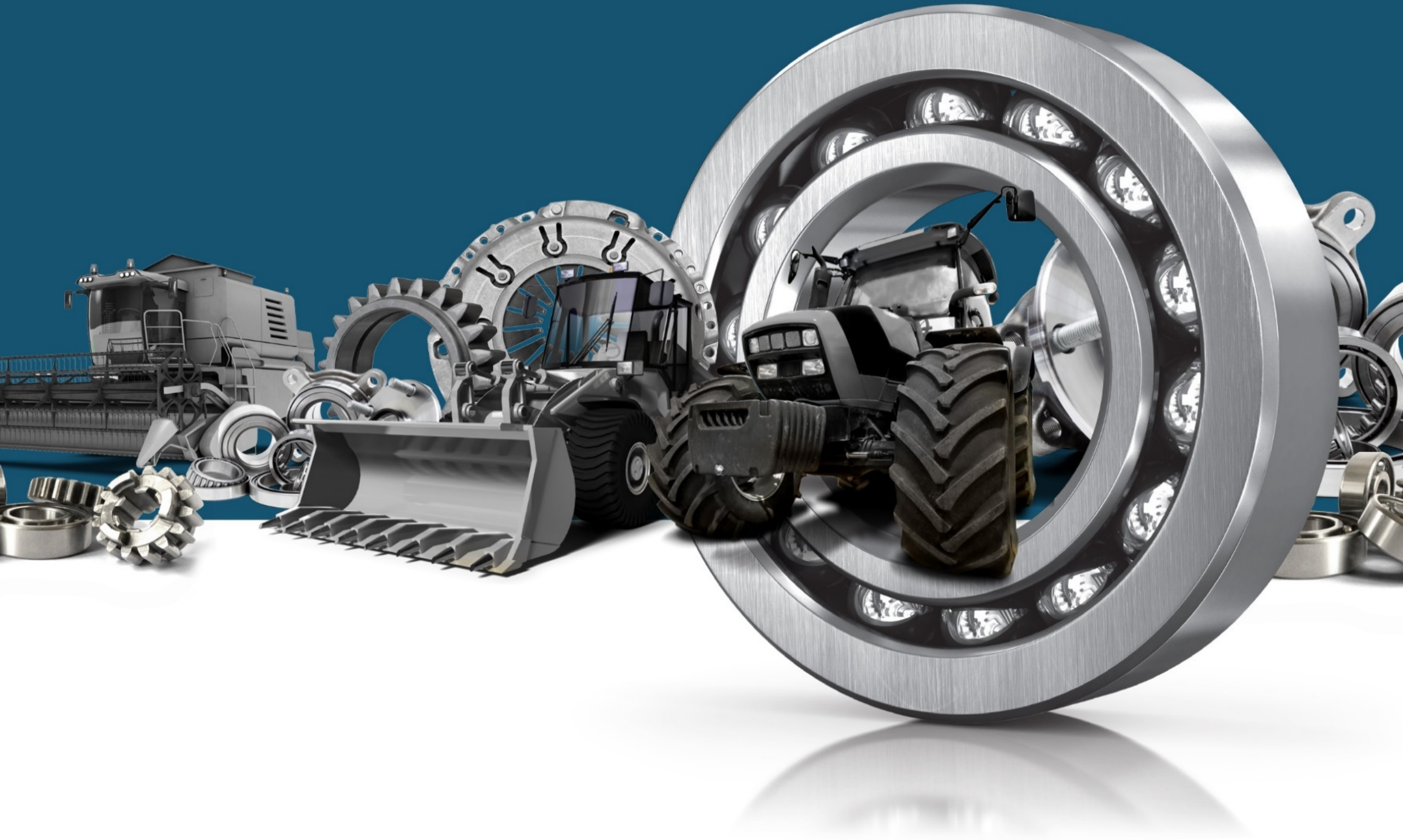
Invicta
HOLDINGS LIMITED



2019 AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Approval of the annual consolidated financial statements

To the shareholders of Invicta Holdings Limited

The directors of Invicta Holdings Limited ("Invicta" or "the Company" or, together with subsidiaries and associates "the Group") are responsible for the preparation of the annual consolidated financial statements and related financial information that fairly presents the results of the Group for the period 1 April 2018 to 31 March 2019 ("the Report").

The Report set out herein has been prepared under the supervision of Ms Nazlee Rajmohamed CA(SA), the Group financial director, in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") interpretations, applicable to companies reporting under IFRS, the Companies Act No. 71 of 2008 ("Companies Act (2008)"), the JSE Listings Requirements ("Listings Requirements") and the SAICA Financial Reporting Guides and financial pronouncements as issued by the Accounting Practices Committee. These are based on appropriate accounting policies, consistently applied, which are supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for carrying out an independent examination of the Report in accordance with International Standards on Auditing and in compliance with the Companies Act (2008) and reporting their findings thereon. The independent auditors' report is set out on pages 10 to 13 of the Report.

To enable the board to meet its responsibilities, i) systems and internal control and ii) accounting and information systems, have been implemented. These are aimed at providing reasonable assurance that risk of error, fraud or loss is reduced. The Group's internal audit function, which has unrestricted access to the Group's Audit and Risk Committees, evaluates and, if necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The Audit and Risk Committees, together with the internal auditors, play an oversight role in matters relating to financial and internal control, accounting policies, reporting and disclosures.

To the best of its knowledge and belief, based on the above and after making enquiries, the board of directors of Invicta confirms that it has every reason to believe that the Group has adequate resources in place to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going-concern basis in preparing the annual consolidated financial statements.

The Report for the year ended 31 March 2019, which appears on pages 2 to 66, was approved by the board on 16 July 2019 and for publication on 17 July 2019 and are signed on its behalf by:

N. Rajmohamed
Director
Johannesburg
16 July 2019

A. Goldstone
Director
Cape Town
16 July 2019

Certification by the Group company secretary

In accordance with the provisions of section 88(2) of the Companies Act (2008), I certify that, to the best of my knowledge and belief, the Company has filed for the financial year ended 31 March 2019, all such returns and notices as are required of a public company in terms of the said Act, and that all such returns and notices appear to be true, correct and up to date.

L. Dubery
Group company secretary
Cape Town
16 July 2019

Audit Committee report

for the year ended 31 March 2019

Background

The Audit Committee is guided by a charter and amendments are approved by the Board. The charter incorporates the specific requirements of the Companies Act (2008) relating to audit committees.

Purpose

The purpose of the Audit Committee is:

- To assist the Board in its evaluation of the overall adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the management of the business, in compliance with all applicable legal requirements, corporate governance and accounting standards.
- To provide a forum for communication between the Board, management, and the internal and external auditors.
- To review and confirm the independence, objectivity and effectiveness of the external auditors, and to review and approve the engagement of the external auditors for non-audit work.
- To introduce such measures as in the Audit Committee's opinion may serve to enhance the reliability, integrity and objectivity of financial information, statements and affairs of the Group.
- To provide support to the Board on the risk management of the Group through the establishment of a Risk Committee.
- To monitor compliance of the Group with legal requirements and the Group's ethics policies.
- To ensure a high standard of corporate governance is maintained at all times within the Group.
- To review and monitor the internal audit function objectivity and effectiveness
- To review and recommend to the Board the annual consolidated financial statements, press announcements and integrated annual report.

Audit Committees of the major operating divisions meet on a quarterly basis and report back to the Invicta Audit Committee through the Group Commercial Director who chairs the divisional Audit Committees.

Membership

The Committee members were appointed at the annual general meeting ("AGM") of the Company on 6 September 2018, with the exception of Lance Sherrell, who was appointed by the Board to fill a vacancy on 16 November 2018 in terms of section 94(6) of the Companies Act. The Committee comprises solely of non-executive directors, with two of the members being independent non-executive directors. The Board is considering the appointment of another independent non-executive director to fully apply the recommendation of King IV for the Committee to consist of three independent non-executive directors.

The members during FY2019 were:

- David Samuels *(Chairman)**
- Rashid Wally *(member)**
- Ramani Naidoo *(member)* resigned 25th September 2018*
- Lance Sherrell *(member) appointed 16 November 2018*

**independent*

The Audit Committee members are considered to be independent of executive management.

Shareholders will be requested to approve the re-appointment of the members of the Audit Committee at the AGM scheduled for 26 September 2019.

Attendance at meetings by Audit Committee members during the year were as follows:

	Scheduled meetings	Ad hoc meetings
David Samuels (Chairman)	3/3	2/2
Rashid Wally (member)	3/3	2/2
Ramani Naidoo (member)	0/2	1/1
Lance Sherrell (member)	n/a	1/1

The CEO, CFO, Group Commercial Director and representatives from the external auditors and the internal audit function are invited to attend meetings and report to the Audit Committee.

In addition to members, the Chairman of this Committee may request personal or written representation from Group and Company directors as well as internal and external auditors.

Audit Committee report (continued)

for the year ended 31 March 2019

Compliance

The organization operates in a complex compliance environment, both in South Africa and in the other territories The Board has delegated responsibility to facilitate compliance throughout the Company and the Group to the Audit Committee, in this regard the Audit Committee:

- monitors compliance with applicable laws and considers adherence to relevant non-binding rules, codes and standards;
- monitors the establishment and maintenance of a compliance framework that is appropriate taking into account the laws, rules, codes and standards that are applicable to the relevant territory.
- ensures that a legal compliance policy is established and implemented;
- ensures that a compliance manual is established and implemented;
- identifies, assesses, advises, monitors and reports on the regulatory compliance risk of the Company and the Group, which contributes to the overall risk management framework of the Company;
- ensures that compliance monitoring and reporting is undertaken in a manner that is appropriate for the Company and Group
- ensures that a compliance culture is encouraged through leadership, appropriate structures, education and training, communication, and measurement of key performance indicators.

Internal audit

The Group benefits from an internal audit function that continually assesses the controls and procedures throughout the Group.

The Audit Committee is satisfied with the arrangements for internal audit and the effectiveness of the head of internal audit.

The Audit Committee is further satisfied with the effectiveness of the design and implementation of internal financial controls. Any failures in this regard are assessed and addressed on a case-by-case basis.

External audit

On 7th January 2019 the Board appointed Ernst & Young Inc. as the independent external auditor and Ms. A. Young, who is a registered independent auditor, as designated partner, for the FY2019 audit. This appointment was made following a tender process to implement early mandatory audit firm rotation. The Company's previous auditors, Deloitte & Touche, had been the Company's auditors since 1989, with the designated audit partner due for rotation.

The Audit Committee has satisfied itself through enquiry that the auditor of Invicta and the Group is independent as defined by the Companies Act (2008) and as per the standards stipulated by the auditing profession.

Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate their independence.

The Audit Committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2019 financial year. The budgeted fee was considered appropriate for the work that could reasonably have been foreseen at that time. The final fee will be agreed on completion of the audit.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services, and each engagement letter for such work is reviewed and approved by the Committee. Meetings are held with the auditor where management is not present and no matters of concern were raised.

The Committee has nominated, for approval at the AGM, Ernst & Young Inc. as the external auditor and Ms. A. Young as the designated auditor for the 2020 financial year. The Committee requested and considered the information listed in the JSE Listings Requirements 22.15(h) in its assessment of the suitability of these appointments.

The Committee is satisfied with the quality and effectiveness of the external audit.

Key audit matters

The Audit Committee has assessed the key audit matters included in the external auditors' report and has concluded after considering submissions from management that these matters have been appropriately addressed.

Annual consolidated financial statements

In view of the Audit Committee having fulfilled its mandate, it recommended the annual consolidated financial statements for approval to the board. The Board subsequently approved the annual consolidated financial statements, which will be open for discussion at the forthcoming AGM.

Audit Committee report (continued)

for the year ended 31 March 2019

Group Financial Director and financial reporting procedures

As required by the JSE Listings Requirements, the Committee confirms that the Group and Company's Financial Director, Ms. Nazlee Rajmohamed CA(SA), has the necessary expertise and experience to carry out her duties. The Committee is satisfied with the effectiveness of Ms. N. Rajmohamed and the finance function as a whole. The Audit Committee is further satisfied that appropriate financial reporting procedures have been established throughout the Group and that these procedures are operating effectively.

Information, Communication and Technology report

Invicta's Information, Communication and Technology ("ICT") Committee is established to assist the Audit Committee and Board in respect of the following aspects:

- appraise major information, communication and technology ("ICT") related projects and technology architecture decisions;
- ensure that the Group's ICT programs effectively support the Group's business objectives and strategies;
- monitor the overall performance of the Group's senior IT management team; and
- advise the Audit Committee and board on strategic or material ICT-related matters.

The Committee consists of the executive directors and meets quarterly, or as often as required. The Group Commercial Director provides regular reports to the Audit Committee on projects throughout the Group.

Background

Responsibility for managing Group risk lies ultimately with the Invicta Board. The Risk Committee, the boards of subsidiary companies, executive committees and management at operational level assist the Invicta Board in discharging its responsibilities in this regard by identifying, monitoring and managing risk on an ongoing basis.

Risk management specifically includes the consideration of:

- the risk profile and management of strategic and operational risk within the Group;
- the risk profile and risk management of major projects and acquisitions;
- the impact of environmental, economic and geopolitical factors;
- the adequacy of self-insurance and external insurance programs; and
- the risk profile and management of information technology (IT).

Risk management

The Board manages risk through the Audit Committee. A number of key risk areas have been identified for monitoring and detailing to stakeholders:

Strategic risk review

The Group has internally held further strategic risk evaluations at both Group and divisional levels. The results of these exercises have allowed management and the Board to reprioritise risks and consequentially the actions taken to mitigate these. The Audit Committee monitors the progress of the implementation of the above processes, with written submissions and presentations being done by management to the Audit Committee at least annually.

Risk reports provided by the various operational risk committees are also monitored and evaluated

Exchange rate fluctuations

Most of the Group's businesses involve the importation of product and, accordingly, changes in exchange rates can and do significantly affect the performance of operations. To date, the board has adopted the policy of hedging all its material foreign exchange exposures. Increased volatility in the Rand value has further confirmed that this approach adopted is the correct one in the current environment.

Product supply

Based on the highly competitive markets in which the Group operates, specific focus is given to sourcing competitively priced quality products around the world. Executive directors and senior management have specific programs on an annual basis, including visiting of selected international trade fairs and supplier functions, to benchmark existing product ranges and to source new lines. The Group has established permanent buying and quality assessment operations in the regions which are material to the Group's purchases.

Distribution network and infrastructure

The distribution of the Group's products is critical to its sales performance and takes place through a wide and entrenched network of its own outlets as well as third party distributors. The support, communication and business model used to govern these relationships, enjoys primary focus at the operating entities' executive committee meetings, and may involve direct liaison with the relevant parties by the non-executive directors of the board where appropriate. The efficiency and viability of different distribution arrangements are continuously monitored and restructured as appropriate. This resulted in the creation of BMG World a centralized warehousing, distribution and training facility, which is under continuous monitoring for improvement.

Risk management (continued)

Trade & funding facilities

The availability of both trade and funding facilities are strategic to the ongoing performance and success of the Group. The Board monitors and controls these on an ongoing basis and will continue to raise capital in various forms, jurisdictions and terms, as needed based on funding requirements.

Skills and leadership

The Group, through ongoing initiatives and training programs, endeavours to attract, retain and empower a work force that strives for continuous improvement and excellence in servicing its customer base. The Group has a strong focus on leadership and ensuring that it has the right leadership and skills present in all of its businesses. Succession planning for operational and executive management follows a planned process.

Geographical expansion

The Group will continue considering both international and African investments as part of its expansion strategy in order to continually grow and diversify exposure to markets and expand its customer base.

David Samuels
Chairman of the Audit Committee
12 June 2019

Directors' report

for the year ended 31 March 2019

Invicta Holdings Limited

The directors have pleasure in presenting their report, which forms part of the annual consolidated financial statements of the Group for the year ended 31 March 2019.

Nature of business

The various operations of the Group are summarised below with an expanded explanation of the various businesses detailed in the operating divisions' reviews.

Invicta South Africa Holdings Proprietary Limited ("Invicta SA")

Operational holding company of all the South African operations of the Group.

Invicta SA has 25% of its ordinary shares under the control of B-BBEE parties.

- 20% of Invicta SA's ordinary shares are held by Theramanzi Investments Proprietary Limited ("Theramanzi"), a wholly-owned subsidiary of the Humulani Empowerment Trust ("HET"). The HET was established by Invicta in 2011 to promote the broad-based socio and economic advancement of black women, black broad-based groups and black designated groups in areas in and surrounding the operations of the Invicta Group. The beneficiaries of HET are defined in the trust deed as the employees selected from time to time by the Company. It is intended that disbursements made by the HET will initially be in the areas of education in projects that are considered to create sustainable community improvements. The HET is structured in the form of what is considered to be a broad-based trust, with an enhanced empowerment status.
- 5% of Invicta SA's ordinary shares are held by the Humulani Employee Investment Trust ("HEIT"). The beneficiaries of the HEIT are all Historically Disadvantaged South African employees of the Group (i.e. black, indian and coloured) who do not participate in any other share incentive scheme of the Group.
- In terms of IFRS 10 Consolidated Financial Statements, the ordinary issued share capital of Invicta SA owned by the HEIT and Theramanzi (wholly-owned by the HET), has been consolidated.

Invicta's operations comprise two main business segments, namely:

- Capital Equipment Group
- Engineering Solutions Group

Capital Equipment Group

- Businesses with a leading position in the distribution of agricultural equipment.
- Businesses with a leading position in the distribution of construction and forklift equipment.
- International sourcing and distribution of OEM branded parts and components in southern Africa.
- International sourcing and distribution of alternative spare parts and components for the replacement market in southern Africa and South East Asia.

The companies forming part of the Capital Equipment Group ("CEG") of Invicta include:

Northmec
Wholesale and retail distributor of CASEIH full range of agricultural machinery, implements and related spare parts.

New Holland
Wholesale distributor of New Holland spare parts.

CSE
Wholesale and retail distributor of CASE earthmoving machinery, turf-grooming machinery, utility vehicles, Dynapac Compaction rollers and related spares.

Doosan SA
Wholesale and retail supplier of Doosan heavy earthmoving machinery, hammers for construction, mining applications and related spare parts.

High Power Equipment Africa ("HPE")
Wholesale and retail distributor of Hyundai earthmoving machinery and the McCloskey range of crushing and screening equipment and related spare parts.

Criterion
Importer and distributor of TCM leading materials handling equipment and related spare parts.

Shamrock Handling Concepts
Importer and distributors of Moffett and Combilift forklifts and other material handling brands, as well as full spare parts support.

Capital Equipment Group (continued)

Equipment Spare Parts Africa ("ESP")

Distributor of after-market replacement spare parts, ground engaging tools, and undercarriage parts for earthmoving equipment.

Landboupart

Distributor of after-market replacement spare parts for Massey Ferguson, John Deere and other related agricultural machinery.

Kian Ann Engineering ("Kian Ann")

A wholesale distributor of heavy earthmoving machinery, truck parts and diesel engine components.

Engineering Solutions Group

- Southern Africa's leading distributor of engineering consumable products, technical services and solutions.
- Businesses with a leading presence in southern Africa with a branch network of 135 branches.
- International sourcing and distribution of leading brands of engineering components and consumables to end-users in southern Africa.
- Technical support and value-added assembly of components into customised systems and solutions for end-user customers.

The companies forming part of the Engineering Solutions Group ("ESG") of Invicta include:

Bearing Man Group ("BMG")

– Engineering consumables including bearings, seals and gaskets, power transmission, material handling, fasteners, geared and electric drives, and motors and tools;

– Fluid technology products and solutions including hydraulic, pneumatic, filtration and lubrication; and

– Technical design, on-site installation, maintenance, breakdown, condition monitoring as well as design engineering and failure analysis services; and

– Belting products.

Hansen Transmissions SA

Industrial gearbox units.

Man-Dirk Group

Tools and equipment, including personal protective equipment, lifting and welding products.

OST

Vibrator motors, tensioning and suspension systems.

Screen Doctor

Vibrating equipment and material handling solutions.

Autobax

Automotive components.

Compliance with accounting standards

The Group's annual consolidated financial statements comply with IFRS, the Companies Act (2008) and the JSE Listings Requirements.

Group results

	2019 R'000	2018* R'000
Revenue from continuing operations	**10,449,704.00**	9,994,103.00
Profit for the year from continuing operations	**228,614.00**	188,588.00

* Prior year restated and re-presented to account for discontinued operations, refer to the restatement note 43 and re-presentation of discontinued operations note 11 disclosed.

Specific tax provision

- The Board of Invicta has noted both stakeholder and market commentary over the potential tax consequences of certain transactions which Invicta entered into several years ago, and which were referred to by the Independent Auditors in their report on the 2017 annual consolidated financial statements ("the transactions").
- Based upon advice received, the Board is of the view that the transactions are tax compliant. However, the Board is also of the view that the ongoing uncertainty is affecting the Group and hampering its ability to use equity to fund expansion, and therefore that a pragmatic solution which provides certainty is preferable to potentially protracted and costly litigation which would also require significant management time and result in material opportunity cost for the Group.

Specific tax provision (continued)

- The Company has therefore reached settlement with SARS, in terms of which Invicta will pay a total amount of R750 million over the course of the next four years. The settlement resulted in Invicta raising an additional taxation provision of R200 million during the current financial year.
- The payment terms provide that R300 million is payable within 30 days of 27 September 2018 ("the First Payment"), R100 million per annum is payable for the next three years on or before the first, second and third anniversary dates of the First Payment, and R150 million is payable on or before the fourth anniversary date of the First Payment. The Company has the right to accelerate any of the payments. Interest will be charged on all outstanding amounts until date of payment in terms of the Income Tax Act, 58 of 1962.

The settlement amount is in full and final settlement of SARS's disputes in relation to the transactions (which have either matured or been unwound, as the case may be) and will enable Invicta to move on and to focus on its business.

- As at the date of this report R450 million rands has been paid.

Management philosophy

While each subsidiary is self-contained and has its own chief executive officer or managing director and a complete complement of financial and administration infrastructure, Invicta adopts a hands-on approach to managing its subsidiaries. The Invicta Group CEO is actively involved in the executive committees of all operations, with executive directors of the Group actively controlling and participating on the Boards of subsidiaries. Cash flow is always a major focus of the Group. The Board aims to add value by providing expertise and guidance to subsidiary management teams where feasible, and by pooling best practices and resources where appropriate within the Group.

Share capital and share premium

The authorised share capital of the Company remained unchanged at 134,000,000 ordinary shares of 5 cents each, and 18 000 000 cumulative non-participating preference shares of no par value.

Dematerialising of shares (STRATE)

Shareholders are again requested to note that, as a result of clearing and settlement of trades through the Strate system, the Company's share certificates are no longer good for delivery for trading. Dematerialisation of the Company's share certificates is now a prerequisite when dealing in its shares.

Auditors

Ernst & Young Inc.("EY") were appointed as auditors of the Company and its major subsidiaries for 2019, on the 7th January 2019. The decision was made following a formal tender process, and was initiated in advance of the compliance for mandatory audit firm rotation. Shareholders will be requested to reappoint EY as auditors of Invicta and the Group, at the Annual General Meeting ("AGM"), and to confirm that Ms. Amelia Young will be the designated audit partner for the 2020 financial year.

Sponsor

Deloitte & Touche Sponsor Services Proprietary Limited acts as sponsor to the Company in terms of the JSE Listings Requirements.

Transfer secretaries

Computershare Investor Services Proprietary Limited serves as the registrar and transfer secretaries of the Company.

Subsidiaries, associates and joint ventures

Details of the Company's interests in its material subsidiaries, associates and joint ventures are set out in the attached annual consolidated financial statements in notes 19, 20 and 21 on pages 42 to 21 of the Report.

Directors

Details of the directors and Group Company Secretary during the year and at the date of the annual consolidated financial statements are reflected on pages 8 and 9 of the integrated annual report. Nazlee Rajmohamed joined the Board as financial director from 1 July 2018. Ramani Naidoo resigned as director effective 25th September 2018.

Directors' contracts

No contracts have been entered into between the Company or the Group and the directors during the year under review.

Directors' fees

Directors' payments for services as directors and other emoluments for the past year are set out in note 38 on pages 59 to 61 of the Report. Members will be requested to consider a special resolution approving the remuneration of each non-executive director for the 2020 financial year as required by the Companies Act (2008) and ordinary resolutions to endorse the remuneration policy and the remuneration implementation report at the AGM.

Directors' report (continued)

for the year ended 31 March 2019

Directors' interest in shares of the Company

The total direct and indirect interest declared by the directors in the issued ordinary share capital of the Company at 31 March 2019 was 51% (2018:52%).

The total direct and indirect interest declared by the directors in the preference share capital of the Company at 31 March 2019 was 33% (2018:32%).

The details of the directors' shareholding are reflected in note 39 on page 61.

Discontinued operations

The MacNeil Plastics business previously disclosed as a discontinued operation, has now been represented within continuing operations. Refer to notes 11 and 13.

Subsequent events

The disposal of the Building Supply Group Proprietary Limited ("BSG") and its subsidiaries during the year ended 31 March 2018 for proceeds of R645 million contained a potential further adjustment to the proceeds of up to 60% of R84 million, up or down, based on the EBITDA of BSG from its audited annual consolidated financial statements for the year ended 30 September 2018. At 31 March 2019 the Group recognised a provision of R48 million based on the estimated EBITDA shortfall. This liability was confirmed in a signed settlement agreement on 28 June 2019.

Significant acquisitions

The Group acquired the Driveshaft Parts Group of companies ("Driveshaft"), effective 1st December 2018. Driveshaft specializes in the distribution of leading brand of power transmission components such as drive shafts, universal joints, prop shafts and prop shaft components and center bearings to the automotive industries. It has thus been integrated within the subsidiary Maroblax (Pty) Ltd, T/A Autobax Group.

The Group acquired the business assets of the Forge Industrial Group ("Forge") effective 1st September 2018. Forge businesses are importers and distributors of engineering related products and consumables, machining tools, as well as industrial conveyer belting and related components. This operation has been integrated into the subsidiary Man-Dirk Pty Ltd.

For further detail please refer to note 37.

Unissued share capital

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of the Companies Act (2008) and the JSE Listings Requirements. In terms of the Company's memorandum of incorporation ("MOI") this general authority remains valid only until the next AGM, which is to be held on Thursday 26 September 2019, members will be requested at the meeting to consider an ordinary resolution placing the said ordinary shares under the control of the directors until the 2020 AGM.

Repurchase of shares

It makes sound business sense for the Group to acquire its own shares under certain circumstances. Thus, the directors consider it appropriate to secure a general authority for the Group to repurchase ordinary and preference shares on the open market of the JSE in order to provide the Group with maximum flexibility regarding the repurchase of its own shares.

The Group has over the years repurchased ordinary shares which are held at subsidiary level. The treasury shares are eliminated on consolidation and are thus treated as cancelled from a financial reporting perspective.

The Company's MOI allows the Group to purchase its own shares if shareholders have, by way of special resolution, given the Group a general authority to affect such purchase or a specific authority to affect a specific purchase of its own shares, subject to the requirements of the Companies Act (2008) and the JSE Listings Requirements.

Notice of annual general meeting

Notice to shareholders detailing all necessary resolutions relating to the Company affairs is set out on pages […] to […] of the Notice of AGM.

Signed on behalf of the board of directors

Dr Christo Wiese
Chairman
Cape Town
16 July 2019

Arnold Goldstone
Chief executive officer
Cape Town
16 July 2019

Independent auditor's report

for the year ended 31 March 2019

To the shareholders of Invicta Holdings Limited

Report on the Audit of the Consolidated Annual Financial Statements

Opinion

We have audited the consolidated financial statements of Invicta Holdings Limited and its subsidiaries ("the group") set out on pages 14 to 66, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th>Inventory valuations and provisions</th><th></th></tr>
<tr><td>At year end, the value of inventory amounted to R4,543 million representing 40% of total assets.

As described in note 22 of the financial statements, inventories are carried at the lower of cost and net realisable value on a weighted average cost basis.

In order to carry inventory at the lower of cost and net realisable value, management has to make estimates and assumptions concerning:
• Adjustments to slow moving, obsolete and damaged inventories accounting for projected likely future sales and estimated selling cost at the reporting date;
• The costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of goods, materials and services; and
• Management includes standard costs in the cost of inventory on the date of purchase which represent an estimated percentage allocation of the actual associated costs of transport and packaging of inventory.
Inventories are considered a key audit matter due to the size of the balance and due to the judgement involved in the calculation of the inventory provision and valuation.</td><td>Our audit procedures for the inventory valuations and provisions, amongst others, included:
• We evaluated the reasonableness of the methodologies applied by management through comparison with prior years for consistency and our knowledge of industry practice;
• We evaluated the assumptions and estimates applied by management to the methodologies for slow moving, obsolete and damaged inventories by:
– Testing the accuracy of historical information and data trends; and
– Performing analytical procedures on performing analytical procedures on obsolescence levels and write down rates.
• We compared the sales values less estimated cost to sell against the carrying value of inventories;
• We evaluated the judgements and estimates made by management in applying the accounting policy in relation to the indirect inventory cost and standard cost by comparing the actual cost to the estimated cost;
• We assessed the capitalisation of indirect cost in terms of the requirements of IAS 2 - Inventories;
• We recalculated the arithmetical accuracy of managements computations; and
• We have assessed the disclosures of inventory to assess compliance with the disclosure requirements in accordance with IAS 2 - Inventories.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th>Re-acquired agency rights</th><th></th></tr>
<tr><td>At year end, the value of re-acquired agency rights amounted to R12 million.

As described in note 1.12 of the financial statements, agency rights are accounted for at cost less amortisation.

Agency agreement structures were created with the purpose of increasing the Bearing Man Group (BMG) foothold, into outlying areas and partnering with people who have certain skill sets to grow the BMG brand in those areas.

In terms of IFRS 9, the share of profit rights is a liability at fair value which should be recognised at the assessed amount and evaluated annually when the new fair value of the branch is calculated.

In the 2018 annual financial statements the liability was not recognised resulting in a restatement of the comparative information in the annual financial statements.

Due to this material error identified in the accounting treatment of re-acquired agency rights, we considered re-acquired agency rights a key audit matter.</td><td>Our audit procedures, amongst others, included:
• We evaluated a sample of the agency agreements and in consultation with our IFRS technical team, assessed the accounting treatment of the re-acquired agency rights in accordance with IFRS;
• We evaluated the method used by management to calculate the fair value of the employee's share of profits and the amortisation period by means of executing a sensitivity analysis to determine the reasonableness of the fair value of the share of profits and amortisation;
• We reperformed managements calculation to assess the impact on the change in accounting for the employee's share to a liability and revised amortisation period of the re-acquired agency rights; and
• We have assessed the disclosure of the re-acquired agency rights and the restatement to assess compliance with the disclosure requirements in accordance with IAS 38 – Intangible Assets.</td></tr>
</table>

Key audit matter	How the matter was addressed in the audit
Initial audit	
Initial audit engagements involve a number of considerations not associated with recurring audits. Compared to the ongoing audit process in future years, these procedures are either incremental in nature or accelerated as compared to the recurring audit cycle. Given this is our first year as the Group's auditors there is a risk of inappropriate reliance on opening balances and inconsistent application of accounting principles. In addition, there is a risk of an inappropriate audit approach resulting from incomplete or incorrect information about the Group and its operations. Initial audit is considered a key audit matter due to the emphasis on the opening balance testing, consolidation review and the procedures required in the first year.	At the beginning of our audit, we developed a transition plan which included among others, the following: • Knowledge sharing with the Audit Committee, Group financial reporting and local management, which included obtaining an understanding of the business, significant processes, and operations; • Interacted with the Group's internal audit unit to gain an understanding of the business, significant processes and operations and related risks; • Interacted with the predecessor auditors, which included a review of the prior year audit files and formal hand over procedures as prescribed by professional standards; • We assessed the control framework by obtaining an understanding of the control environment and significant processes; • We performed procedures on the opening balances, including the assessment of the selection and application of accounting principles in light of the requirements of IFRS; • We assessed prior year control observations and unrecorded audit differences; and • We independently confirmed our understanding of key processes through walkthroughs and audit procedures to mitigate the risk of material difference due to fraud or error.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 38-page document titled "Invicta Holdings Limited Integrated Annual Report for the year ended 31 March 2019" and in the 69-page document titled "Invicta Holdings Limited Audited Annual Consolidated Financial Statements for the year ended 31 March 2019", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's reports thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Independent auditor's report (continued)

for the year ended 31 March 2019

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Invicta Holdings Limited for one year.

Ernst & Young Inc.

ERNST & YOUNG INC.
Director: Amelia Young
Registered Auditor
Chartered Accountant (SA)
16 July 2019

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2019

	Notes	31 March 2019 R'000	2018* R'000
Continuing operations			
Revenue	3	**10,449,704**	9,994,103
Cost of sales		**(7,461,880)**	(6,952,881)
Gross profit		**2,987,824**	3,041,222
Selling, administration and distribution costs		**(2,288,460)**	(2,136,002)
Operating profit before interest on financing transactions and foreign exchange movements	5	**699,364**	905,220
Interest received from financing transactions	6	**16,158**	11,335
Finance cost on financing transactions	6	**(8,315)**	(6,502)
Foreign exchange gains	4	**147,940**	68,672
Foreign exchange losses and costs	4	**(165,257)**	(140,093)
Operating profit		**689,890**	838,632
Finance cost	7	**(242,811)**	(941,267)
Dividends received from financial investments		**2,915**	332,099
Equity accounted earnings from investment in associates	20	**27,171**	13,593
Equity accounted earnings from investment in joint ventures	21	**11,630**	–
Interest received	8	**125,657**	481,154
Profit before taxation		**614,452**	724,211
Taxation	9	**(385,838)**	(535,623)
Profit for the year		**228,614**	188,588
Discontinued operations			
Profit for the year from discontinued operations	11	**–**	–
Profit for the year		**228,614**	188,588
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of equity loans**		**3,979**	(2,923)
Exchange differences on translation of foreign operations		**238,455**	(65,122)
Changes in the fair value of financial investments		**5,927**	–
Total comprehensive income for the year		**476,975**	120,543
Profit attributable to:			
Owners of the Company		**134,555**	83,538
Non-controlling interest		**11,195**	20,993
Preference shareholders		**82,864**	84,057
		228,614	188,588
Total comprehensive income attributable to:			
Owners of the Company		**377,982**	17,092
Non-controlling interest		**16,129**	19,394
Preference shareholders		**82,864**	84,057
		476,975	120,543

* Restated and re-presented, refer to note 43 and note 11.

**The equity loans form part of the net investment in foreign subsidiaries.

Basic earnings per share (cents)	10	**126**	78
Diluted earnings per share (cents)	10	**126**	78
Dividends per share (cents)	26	**50**	119

Consolidated statement of financial position

as at 31 March 2019

	Notes	31 March 2019 R'000	2018* R'000	2017* R'000
Assets				
Non-current assets				
Property, plant and equipment	14	**1,942,332**	1,720,797	1,640,530
Financial investments	12	**958**	4	1,981,805
Goodwill	15	**662,927**	660,844	615,354
Other intangible assets	16	**62,241**	54,082	61,306
Financial assets		**–**	–	64,394
Finance lease receivables	17	**91,734**	49,030	46,169
Long-term receivables	18	**7,772**	3,949	3,373,550
Investment in joint ventures	21.	**73,451**	–	–
Investment in associates	20	**142,716**	119,180	103,448
Deferred taxation	9	**209,028**	199,869	181,261
		3,193,159	2,807,755	8,067,817
Current assets				
Inventories	22	**4,543,864**	3,917,689	3,662,856
Trade and other receivables	23	**1,890,432**	1,605,461	1,527,405
Current portion of finance lease receivables	17	**79,533**	48,629	40,518
Current portion of financial investments	12	**593,208**	588,245	709,156
Current portion of long-term receivables	18	**6,958**	11,264	1,573
Taxation prepaid		**29,333**	25,236	16,113
Bank and cash balances	24	**935,715**	1,017,335	1,052,517
		8,079,043	7,213,859	7,010,138
Assets classified as held for sale	13	**–**	157,978	1,073,053
Total assets		**11,272,202**	10,179,592	16,151,008
Equity and liabilities				
Capital and reserves				
Ordinary share capital	25	**5,424**	5,424	5,424
Share premium	25	**2,653,151**	2,653,151	2,653,151
Treasury shares	25	**(49,406)**	(68,057)	(68,057)
Preference shares	27	**750,000**	750,000	750,000
Other reserves		**(83,492)**	(99,395)	(138,324)
Foreign currency translation reserve		**354,614**	117,114	183,560
Retained earnings		**1,430,250**	1,419,989	1,556,942
Equity attributable to the equity holders		**5,060,541**	4,778,226	4,942,696
Non-controlling interest		**121,515**	99,473	152,084
Shareholders' equity		**5,182,056**	4,877,699	5,094,780

*Restated, refer to note 43

Consolidated statement of financial position

as at 31 March 2019

		31 March		
		2019	2018*	2017*
	Notes	**R'000**	R'000	R'000
Liabilities				
Non-current liabilities				
Long-term borrowings	28	**2,271,858**	1,609,811	6,749,256
Finance lease liabilities	29	**95,377**	37,420	43,663
Financial liabilities		**–**	–	64,394
Long-term taxation liability		**200,000**	–	–
Deferred taxation	9	**53,118**	38,087	35,042
		2,620,353	1,685,318	6,892,355
Current liabilities				
Trade and other payables	30	**1,958,277**	1,684,539	1,938,470
Provisions	31	**161,474**	178,192	198,170
Share appreciation rights liability		**–**	851	5,443
Taxation liabilities		**158,621**	583,170	170,052
Shareholders for dividends		**47,263**	48,995	49,593
Current portion of long-term borrowings	28	**812,241**	709,777	813,964
Current portion of finance lease liabilities	29	**68,787**	46,123	50,247
Current portion of financial liabilities		**79,890**	76,819	59,361
Bank overdrafts	24	**183,240**	170,417	206,451
		3,469,793	3,498,883	3,491,751
Liabilities associated with assets held for sale	13	**–**	117,692	672,122
Total liabilities		**6,090,146**	5,301,893	11,056,228
Total equity and liabilities		**11,272,202**	10,179,592	16,151,008

*Restated, refer to note 43

Consolidated statement of changes in equity

for the year ended 31 March 2019

	31 March									
	Share capital	Share premium	Treasury shares	Preference share capital	Other reserves **	Foreign currency translation reserve restated*	Retained earnings restated*	Attributable to equity shareholders	Non-controlling interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 31 March 2017	5,424	2,653,151	(68,057)	750,000	(138,324)	183,560	1,556,942	4,942,696	152,084	5,094,780
Total comprehensive (loss)/income	–	–	–	–	–	(66,446)	167,595	101,149	19,394	120,543
Preference dividends paid	–	–	–	–	–	–	(84,057)	(84,057)	–	(84,057)
Ordinary dividends paid	–	–	–	–	–	–	(178,222)	(178,222)	(670)	(178,892)
Employee benefits	–	–	–	–	480		47	527	–	527
Other reserve movements	–	–	–	–	42,350	–	(42,350)	–	–	–
Share appreciation rights issued	–	–	–	–	2,031	–	–	2,031	–	2,031
Deferred tax recognised directly in equity	–	–			44		34	78		78
Disposal of subs									(81,567)	(81,567)
Changes to provisional acquisition value									(1,492)	(1,492)
Non-controlling interest arising on the issue of additional share capital	–	–	–	–	–	–	–	–	12,201	12,201
Purchases of non-controlling interests	–	–	–	–	(5,976)	–	–	(5,976)	(477)	(6,453)
Balance at 31 March 2018 (Restated)	**5,424**	**2,653,151**	**(68,057)**	**750,000**	**(99,395)**	**117,114**	**1,419,989**	**4,778,226**	**99,473**	**4,877,699**
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**–**	**237,500**	**223,346**	**460,846**	**16,129**	**476,975**
Preference dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(82,864)**	**(82,864)**	**–**	**(82,864)**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(109,520)**	**(109,520)**	**(2,245)**	**(111,765)**
Effect of adoption of new accounting standards (IFRS9)							**(5,589)**	**(5,589)**		**(5,589)**
Share appreciation rights issued	**–**	**–**	**–**	**–**	**4,342**	**–**	**–**	**4,342**	**–**	**4,342**
Transfer between reserves	**–**	**–**	**–**	**–**	**11,231**	**–**	**(15,112)**	**(3,881)**	**3,881**	**–**
Value recognised as a result of the derecognition of the put option on directors' loans	**–**	**–**	**18,651**	**–**	**–**	**–**	**–**	**18,651**	**–**	**18,651**
Non-controlling interest arising on the issue of additional share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,236**	**6,236**
Purchases of non-controlling interests	**–**	**–**	**–**	**–**	**330**	**–**	**–**	**330**	**(1,959)**	**(1,629)**
Balance at 31 March 2019	**5,424**	**2,653,151**	**(49,406)**	**750,000**	**(83,492)**	**354,614**	**1,430,250**	**5,060,541**	**121,515**	**5,182,056**

* Restated, refer to note 43.

** Other reserves is comprised of common control reserve, share based compensation reserve and in country statutory reserves.

Consolidated statement of cash flows

for the year ended 31 March 2019

	Notes	31 March 2019 R'000	31 March 2018* R'000
Cash flows from operating activities			
Cash generated from operations	32	**545,062**	427,974
Finance costs		**(251,126)**	(977,487)
Dividends paid to Group shareholders	33	**(194,116)**	(262,877)
Dividends paid to non-controlling interest		**(2,245)**	(670)
Taxation paid	34	**(612,977)**	(163,206)
Interest and dividends received		**144,730**	841,799
Net cash (outflow)/inflow from operating activities		**(370,672)**	(134,467)
Cash flows from investing activities			
Proceeds on sale of property, plant and equipment and other intangible assets		**66,553**	51,265
Additions to property, plant and equipment		**(209,727)**	(258,938)
Additions to intangible assets		**(23,158)**	(44,518)
Acquisition of subsidiaries and businesses	37	**(314,818)**	(99,484)
Acquisition of joint venture		**(36,918)**	
Proceeds on disposal of subsidiaries	36	**(3,231)**	503,776
Settlement of loans		**6,394**	–
Increase in long-term receivables		**(5,911)**	(421,924)
Increase in financial investments		**(954)**	(212,731)
Decrease current portion of financial investments		**964**	120,911
Increase in current portion long-term receivables		**–**	(17,802)
Net cash outflow from investing activities		**(520,806)**	(379,445)
Cash flows from financing activities			
Increase in long-term borrowings		**635,218**	844,594
Cash outflow on financial transaction	35	**–**	(5,129)
Non-controlling interest arising on the issue of share		**6,236**	12,201
Increase/ (decrease) in current portion of long-term borrowings		**102,487**	(172,183)
Increase in current portion of financial liabilities		**3,071**	17,458
Acquisition of non-controlling interest		**(1,629)**	(6,453)
Net cash inflow from financing activities		**745,383**	690,488
Net increase in cash and cash equivalents		**(146,095)**	176,576
Cash and cash equivalents at the beginning of the year		**858,102**	701,081
Effect of foreign exchange rate movement on cash balance		**40,468**	(19,555)
Cash and cash equivalents at the beginning of the year		**752,475**	858,102
Cash and cash equivalents			
Bank and cash balances		**935,715**	1,017,335
Bank overdrafts		**(183,240)**	(170,417)
Cash and cash equivalents of continuing operations	24	**752,475**	846,918
Cash and cash equivalents classified as available for sale	13	**–**	11,184
Total		**752,475**	858,102

*Restated, refer to note 43.

Notes to the annual consolidated financial statements

for the year ended 31 March 2019

1. Significant accounting policies

1.1. Statement of compliance

The annual consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS, the Companies Act (2008), the Listing Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The annual consolidated financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments. Invicta Holdings Limited is a company incorporated in the Republic of South Africa and the Company's shares are publicly traded. The principal accounting policies adopted are set out below.

1.2. Significant accounting judgements, estimates and assumptions

The preparation of the annual consolidated financial statements in conformity with IFRS requires judgements and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. The following accounting policies have been identified as involving particularly complex or subjective judgements:

Provision for inventory obsolescence

Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values. The amount of the write down is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in the year in which it occurs. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write down is reversed, so that the new carrying amount is the lower of the cost and the revised net realisable value. The reversal is recorded in the consolidated statement of profit or loss and other comprehensive income.

CEG

- New and used equipment is aged annually, based on the receipt date of the items on hand. All new equipment is fully provided for within 10 years of the receipt date. All used equipment is fully provided for within 5 years of the receipt date.
- Parts are aged annually, based on the quantity of the various product categories on hand, relative to their life expectancy and relevant turnover indicators.

ESG

- Engineering parts are aged annually, based on the quantity of the various product categories on hand, relative to their life expectancy and relevant turnover indicators.

Allowance for expected credit loss

The Group recognises an allowance for expected credit losses ('ECL's) for trade and other receivables. The impairment for trade receivables is measured using an ECL model using the simplified approach. ECLs are calculated using a provision matrix, which applies a historic loss ratio to the aged balance of trade receivables at each reporting date. In instances where there was no evidence of historical write-offs, management's judgement is applied to assess potential write-offs. The historic loss ratio is also adjusted for forward-looking information to determine the lifetime ECL for the portfolio of trade receivables, this includes taking into account factors such as inflation, the debtors' reputation and the market the debtors' operates in.

The impairment for other receivables is based on historical evidence and management's judgement.

1.3. Operating segments

The Group executive committee, as the chief decision maker comprising the executive directors, have based operating the segments on the two main operating divisions namely the Engineering Solutions Group ("ESG") and the Capital Equipment Group ("CEG"). A third segment comprises MacNeil Plastics and all the Group financing, investment, property and support service operations ("Corporate"), with separate disclosure of the inter-group eliminations and discontinued operations. Refer to pages 6 and 7 in the directors' report for a detailed description of the operating divisions.

1. Significant accounting policies (continued)

1.4. Revenue recognition

Revenue is predominantly derived from the sale of products through our branches and warehouse channels. The 2019 reported results are based on IFRS 15 and those for 2018 are based IAS 18, users are refer to the 2018 annual financial statements for the accounting policies relating to IAS 18.

Sale of goods

The Group sells a range of equipment, parts engineering consumables and tools, as well as some other products. Revenue from contracts with customers is recognised when the performance obligation is satisfied at the amount of the transaction price that is allocated to the transaction price. The Group's revenue arising from the sale of products to customers is recognised when the goods are delivered to the agreed point of delivery. The point of delivery is the agreed destination where control over the goods is transferred to the customer. Gross sales revenue represents the invoiced amounts excluding value added tax. A right to return liability (included in trade and other payables) and related asset (included in inventory) is recognised for any expected returns that may take place within the Group's return policy in relation to sales made until the end of the reporting period. Accumulated experience is used to estimate such returns at the time of sale at using an expected value method.

Rendering of services

Revenue from a contract to provide services is recognised when performance obligations have been met, this could be as the services are rendered or upon completion of the services. The performance obligations are determined as follows:

- installation fees are recognised as the time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

The Group policy has been applied by the operating segments as follows:

CEG

- Sale of equipment and spare parts is recognised when the goods are delivered to the customer.
- Rendering of equipment servicing or repairs is recognised once the service or repair has been completed.
- Contact maintenance revenue is recognised over the term of the contract.

ESG

- Sale of parts is recognised when the goods are delivered to the customer.
- Rendering of services is recognised based on the stage of completion of the transaction, based on the proportion that costs incurred to date bear to the total costs of the project.

Rental income

The Group is a lessor in operating leases. Rental income is accounted for on a straight-line basis over the term of the leases and is include in revenue due to its operating nature.

1.5. Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

1.6. Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.7. Operating profit

Operating profit is the measure of the profit earned from the Group's ongoing core business operations, thus excluding interest received, finance costs, and taxes. Operating profit also excludes, as non-core, any profit earned from the firm's investments, such as dividends received from financial investments and equity accounted earnings from associates and joint ventures.

1. Significant accounting policies (continued)

1.8. Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends, and is able to, settle its tax assets and liabilities on a net basis.

1.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Group policy has been applied by the operating segments as follows:

CEG

- The cost of finished goods and goods in transit, for both equipment and parts, is the landed cost of the goods plus the costs incurred to bring it to a selling location, accounted for on the first in first out method.
- The cost for work in progress is the costs of direct parts, labour costs and travel costs.

ESG

- The cost of finished goods and goods in transit, for both equipment and parts, is the landed cost of the goods plus the costs incurred to bring it to a selling location, accounted for on the first in first out method.
- The cost for work in progress is the costs of direct parts, labour costs and travel costs.
- The cost of contracts in progress is the cost of the contract, less costs expensed proportionally to stage of payments received.

1.10. Property, plant and equipment ("PPE")

Land is stated at cost whilst other fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses. Buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy, refer to noted 1.19. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. They are depreciated over the lease term of land that the building occupies.

Assets held under finance lease are depreciated over their useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

1. Significant accounting policies (continued)

1.10. Property, plant and equipment ("PPE") (continued)

Capital WIP is assets that are either under construction or being assembled at the reporting date and are not ready for intended use. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. These assets are not depreciated. When the assets are completed and ready for intended use they are transferred to the applicable category of property, plant and equipment.

Depreciation recognised in the statement of profit or loss is calculated on the straight-line basis, to write the cost of the assets down to their residual values, at the following annual rates which approximate the estimated useful lives of the underlying asset.

	CEG	ESG
Land	–	–
Freehold buildings	Over the term of the lease	–
Plant and equipment	10 – 20%	10 – 20%
Leasehold improvements	Over the term of the lease	Over the term of the lease
Motor vehicles	20 – 25%	20 – 25%
Furniture, fittings an office equipment	10 – 33%	10 – 33%
Computer equipment	33%	33%
Rental assets	12 – 25%	–

The residual values of owned land and buildings are estimated to approximate cost and as a result these are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives of property, plant and equipment are based on management's estimation. On an annual basis management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation of each individual item of plant and equipment. The estimation of residual values of assets is based on management's judgement of whether the assets will be sold and what their condition will be at that time.

Gains or losses arising on the disposal or scrapping of PPE are recognised in profit or loss.

1.11. Goodwill

Goodwill arising on consolidation of a subsidiary represents the excess of the fair value of the consideration transferred, the recognised amount of the non-controlling interests in the acquiree, and if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss as a gain on bargain purchase in the year of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) (or group of CGUs) expected to benefit from the synergies of the combination, and represent the lowest level within the Group at which management monitors goodwill. The lowest level assessment is a function of whether cash inflows are significantly independent. CGUs to which goodwill have been allocated are tested for impairment annually, or more frequently when there is an indication that the units may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the units, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the units and then to the other assets of the units pro-rata on the basis of the carrying amount of each asset in the units. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent year.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.12. Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1. Significant accounting policies (continued)

1.12. Other intangible assets (continued)

Other intangible assets consist of the following:

- Computer software which is amortised on the straight-line basis over a period of 3 years.
- Re-acquired agency rights, which are calculated with reference to the agency's forecast trading results to the end of the contracted lease term, and are amortised over the remaining contractual term of the agency agreement.
- Distribution agreements, trademarks, brand names, non-compete intangibles and customer relationships arising on the acquisition of subsidiaries are amortised over a period of 5 to 7 years.

The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

1.13. Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value through profit or loss.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method and reduced by the expected credit loss. Expected credit losses are recognised in profit or loss.

Long-term receivables

Long-term receivables consist of the loans to third parties. These are measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, and reduced by the expected credit loss.

Investments

Investments consist of an investment in FirstRand Bank listed bonds. They are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. The bonds are initially measured at fair value, plus transaction costs, and subsequently measured at fair value through other comprehensive income.

At subsequent reporting dates, unlisted debt securities accounted for under financial investments, that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward exchange contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments, forecast transactions and interest rate fluctuations relating to bank loans. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Financial assets relating to derivatives are recognised in trade and other receivables and financial liabilities relating to derivatives are recognised in trade and other payables.

The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its right to receive cash flows from the assets and the Group has transferred substantially all the risks and rewards or has transferred control of the asset.

Financial liabilities are de-recognised when the obligation under the liability is discharged or cancelled or expires.

1. Significant accounting policies (continued)

1.13. Financial instruments (continued)

Impairment

The Group recognises an allowance for expected credit losses ("ECL"s) for all debt instruments not held at fair value through profit or loss. The Group applies a simplified approach in calculating ECLs. The Group, therefore does not track changes in credit risk, but instead recognises a loss allowance based on a lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors, including, inflation, interest and exchange rates, state infrastructure spend, expected GDP growth and extended payment terms granted.

IAS 39

Financial assets and liabilities for 2018 have been recognised in accordance with the principles if IAS 39. Reference should be made to the audited annual consolidated financial statements for the year ended 31 March 2018 for accounting policies relating to IAS 39.

1.14. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty provision

The warranty provision represents warranty income that has been deferred and which is recognised on a systematic basis over the warranty term. It is expected that the majority of warranty claims will be incurred within 3 years after the reporting period.

Employee benefit provisions

The provisions for employee entitlements to wages and salaries represent the amount that the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

1.15. Business combinations

The Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value on acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest, and the fair value of any previously held equity interest in the acquiree less the fair value of the identifiable net assets, which includes intangible assets, of the acquiree. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and that control is not transitory, are referred to as common control transactions. Where there are common control transactions in the Group, predecessor accounting is applied.

Business combinations that were recognised during the current year have been disclosed in note 36.

1.16. Equity accounted investments

Equity accounted investments comprise Investments in Associates and Investment in Joint Ventures. The results of are incorporated in the annual consolidated financial statements using the equity method of accounting. Under the equity method, they are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of equity accounted investments in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1.17. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1. Significant accounting policies (continued)

1.17. Leasing (continued)

The classification and recognition of the Group as a lessor has been applied as follows:

CEG

- Construction equipment is leased on finance lease to customers, with the receivable determined as the present value of future minimum lease payments. Interest is accounted for over the term of the lease using the net investment method through profit or loss.
- Forklifts and golf carts are leased on operating lease to customers and are accounted for on a straight-line basis over the term of the lease through profit or loss.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

The Group policy has been applied by the operating segments as follows:

CEG

- Construction equipment is leased on finance lease from the bank for the purpose of leasing to customers, with the liability recorded at the present value of future minimum lease payments. Interest is accounted over the term of the lease, at a constant rate, on the remaining balance of the liability through profit or loss.
- Property is leased on operating lease and is recorded on a straight-line basis over the term of the lease, through profit or loss.

ESG

- Motor vehicles considered part of the Group's motor fleet, are leased on finance lease, with the liability recorded at the present value of future minimum lease payments. Interest is accounted for over the term of the lease, at a constant rate, on the remaining balance of the liability through profit or loss.
- Property, equipment and motor vehicles leased on operating leases, are recorded on a straight-line basis over the term of the lease through profit or loss.

1.18. Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the annual consolidated financial statements, the results and financial position of each entity are expressed in currency units, which are the functional currency of the Group, and the presentation currency for the annual consolidated financial statements. The only material exposure to the Group in this regard is the Kian Ann Group whose functional currency is the Singapore Dollar.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options. For the purpose of presenting annual consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in currency units using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for each prevailing month, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in period of disposal of the foreign operation.

1.19. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale, are capitalised as part of the cost of the respective assets.

1.20. Share-based payments

The Group issues equity-settled share-based payments to executive directors who are beneficiaries of the long-term bonus and share incentive right scheme ("LBSIR scheme"). Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market-based vesting conditions) of the equity instruments issued at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed in profit or loss on a straight-line basis over the vesting period with a corresponding increase in other reserves in equity, based on the Group's estimate of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

1. Significant accounting policies (continued)

1.20. Share-based payments (continued)

Fair value is measured by use of the Black-Scholes model. The expected life used in these models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Full share grants awarded may be settled by way of a purchase of shares in the market, use of treasury shares or issue of new shares. If new shares are issued to equity-settle full share grants, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The effect of all full share grants issued under the share-based compensation plans are taken into account when calculating diluted earnings and diluted headline earnings per share.

At settlement the net settlement arrangement is designed to meet the Group's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

1.21. Standards or Interpretations that became effective in the current period

The Group has applied both IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative financial information has not been restated and continues to be reported under IAS 18 'Revenue' and IAS 39 'Financial instruments'.

IFRS 9 Financial Instruments

Impact of adopting new standard

The most significant impact of IFRS 9 has been the change to the group's policies regarding the measurement of the impairment of trade debtors. The impairment for trade receivables is now measured using an expected credit loss ('ECL') model using the simplified approach instead of an incurred loss model. ECLs are calculated using a provision matrix, which applies a historic loss ratio to the aged balance of trade receivables at each reporting date. In instances where there was no evidence of historical write-offs, management's judgement is applied to assess potential write-offs. The historic loss ratio is also adjusted for forward-looking information to determine the lifetime ECL for the portfolio of trade receivables, this includes taking into account factors such as inflation, the debtors' reputation, the market the debtors' operates in. Furthermore, financial investments (FirstRand Bank listed bonds) previously measured at fair value through profit and loss are now measured at fair value through other comprehensive income, the classification of the remaining financial assets and liabilities has remained unchanged.

The impairment for other receivables has been considered and based on historical evidence and management's judgement no ECL has been recognised for any receivables other than trade receivables.

The table below is a summary the impact of the transition to IFRS 9 on the opening balance of retained earnings as at 1 April 2018. The adjustment to retained income is due to the change in the accounting policy for impairing financial assets.

Impact of adopting IFRS 9 at 1 April 2018 (R'000)

Increase in expected credit loss on trade receivables	(6 733)
Taxation effect	1 144
Decrease in retained earnings	(5 589)

IFRS 15 Revenue

Impact of adopting new standard

The adoption of IFRS 15 has had an insignificant impact on the prior year revenue recognition of the Group, as the Group does not sell products based on multiple-element arrangements or on a provisional or variable pricing basis.

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

1. Significant accounting policies (continued)

1.21. Standards or Interpretations that became effective in the current period (continued)

IFRS 15 Revenue (continued)

The impact of applying IFRS 15 in the current year has resulted in the following:

Impact of adopting IFRS 15 as at 31 March 2019 (R'000)

Right of return assets (included in inventory)	4 121
Refund liabilities (included in trade and other payables)	(5 271)

1.22. Standards or Interpretations issued but not yet effective

IFRS 16 Leases

The Group anticipates a material change as a result of the adoption of IFRS 16 'Leases' from 1 April 2019 using the modified retrospective approach. We will provide full disclosure in the publication of our 2020 annual financial statements.

Impact of adopting new standard

Management has extensively reviewed and abstracted all lease information using a systems implementation approach and currently is finalising the validation process of the information being produced. Management has assessed the key areas of impact on the Group's financial statements and has identified that the following will be affected, based on the current lease commitments as at 31 March 2019:

- Lease smoothing liability derecognised R13 million
- Lease liability to increase between R634 million and R701 million
- Right-of-use (ROU) Asset recognition to increase between R580 million and R641 million.
- Retained earnings to decrease between R41 million and R47 million
- Operating profit to increase between R19 million and R21 million, due to the exclusion of operating lease expense being greater than the inclusion of additional depreciation on right of use assets.

Whilst the impact on our numbers is material, the leasing of property and motor vehicles will continue as part of our business operations. There is no impact on overall cash flow and the net cash position will remain neutral.

Lessee accounting

The right-of-use asset us initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the future lease payments. Subsequently, the lease liability is adjusted for the interest and lease payments, as well as the impact of any lease modifications.

Lessor accounting

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which requires a lessor to classify a lease either as an operating lease or a finance lease.

The following amendments will not have a material impact on the Group:

Standards:	**Effective date:**
IFRIC 23 Uncertainty over Income Tax Treatments - Clarifies the accounting for uncertainties in income taxes	Annual periods beginning on or after 1 January 2019
IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2019
Annual improvements 2015-2017 cycle	Annual periods beginning on or after 1 January 2019
IAS 28 Investments in Associates and Joint Ventures – Long-term interest in associates and joint ventures.	Annual periods beginning on or after 1 January 2019
IFRS 3 Business Combinations - Definition of a Business	Annual periods beginning on or after 1 January 2020
IAS 1 Presentation of Financial Statements - Disclosure initiative	Annual periods beginning on or after 1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Disclosure initiative	Annual periods beginning on or after 1 January 2020

2. Business segments

2.1 Segment revenues and operating profit before

The following is an analysis of the Group's revenue and results from operations by reportable segments:

	31 March			
	Segment revenue		Segment operating profit before interest on financing transactions and foreign exchange movements	
	2019	2018^	**2019**	2018**
	R'000	R'000	**R'000**	R'000
Engineering Solutions Group	**5,238,443**	4,558,638	**342,061**	478,700
Capital Equipment Group	**4,830,981**	5,073,506	**373,581**	451,746
Corporate*	**413,891**	402,877	**(16,278)**	(25,226)
Inter-segment elimination	**(33,611)**	(40,918)	**–**	–
Total continuing	**10,449,704**	9,994,103	**699,364**	905,220
Discontinued operations	**–**	749,434	**–**	12,276
Total	**10,449,704**	10,743,537	**699,364**	917,496

* The corporate segment is comprised of MacNeil Plastics and all the Group financing, investment, property and support service operations.

**Restated and re-presented, refer to note 43 and note11.

^Re-presented refer to note 11.

For the purposes of monitoring segment performance the impairment of goodwill and intangible assets and the amortisation of intangible assets (excluding computer software) are disclosed as part of the corporate segment, as these costs are viewed as non-operational.

	31 March	
	2019	2018***
2.2 Segment assets and liabilities	**R'000**	R'000
Segment assets		
Engineering Solutions Group	**3,694,574**	3,072,211
Capital Equipment Group	**4,419,505**	3,775,020
Corporate	**3,158,123**	3,174,383
Total continuing	**11,272,202**	10,021,614
Discontinued operations	**–**	157,978
Total assets	**11,272,202**	10,179,592
Segment liabilities		
Engineering Solutions Group	**1,439,742**	891,658
Capital Equipment Group	**1,650,763**	1,437,370
Corporate	**2,999,641**	2,855,173
Total continuing	**6,090,146**	5,184,201
Discontinued operations	**–**	117,692
Total liabilities	**6,090,146**	5,301,893

***Restated refer to note 43

For the purposes of monitoring segment performance and allocating resources between segments non-operational assets and liabilities are disclosed as part of the corporate segment, these comprise the following:

- Goodwill, inter-group receivables, deferred and current tax assets, financial assets and investments in associates.
- Financial liabilities, inter-group payables, deferred and current tax liabilities.

2. Business segments (continued) 2.3 Other segment information	31 March Depreciation and amortisation 2019 R'000	 2018** R'000	 Additions to property, plant and equipment and intangible assets 2019 R'000	 2018 R'000
Engineering Solutions Group	**63,716**	85,042	**71,239**	86,477
Capital Equipment Group	**58,020**	69,415	**114,775**	77,261
Corporate*	**17,744**	19,993	**46,871**	123,158
Total continuing	**139,480**	174,450	**232,885**	286,896
Discontinued operations	**–**	9,806	**–**	16,560
Total	**139,480**	184,256	**232,885**	303,456

*The corporate segment is comprised of MacNeil Plastics and all the Group financing, investment, property and support service operations.

**Restated refer to note 43.

Geographical segments

The Group has not reported segment information by geographical location as the operations occur substantially within South Africa. The Singapore operations have been included in the capital equipment segment and account for 55% of the total assets and 42% of the total liabilities in the capital equipment segment.

Customers

The Group has not reported segment information by customer as no customer contributes in excess of 3% of the Group's total revenue.

3. Revenue	31 March 2019 R'000	 2018*** R'000
Type of good and service		
Revenue from contracts with customers		
Sale of goods	**10,288,283**	9,861,379
-Equipment and parts	**4,529,837**	4,738,416
-Engineering consumables and tools	**5,393,464**	4,768,667
-Plastic pipe ware and hardware	**364,982**	354,296
Rendering of services^	**147,665**	127,582
	10,435,948	9,988,961
Other revenue		
Rental income	**13,756**	5,142
External sales	**10,449,704**	9,994,103
Timing of revenue recognition		
Goods and services transferred at a point in time	**10,306,580**	9,878,356
Services transferred over time	**129,368**	110,605
Rental Income	**13,756**	5,142
External sales- timing	**10,449,704**	9,994,103

***Represented, refer to note ##DiscOp.

^Rendering of services consist of maintenance and servicing of capital equipment, gearbox installations and pressure pumps.

Geographical sales

The Group has not reported revenue information by geographical location as the operations occur substantially within South Africa.

		2019 R'000	Restated 2018 R'000
4.	**Foreign exchange gains, losses and costs**		
	Foreign exchange gains		
	Foreign exchange gains on trade assets and liabilities	**123,697**	68,672
	Foreign exchange gains on debt	**24,243**	–
	Total	**147,940**	68,672
	Foreign exchange losses and costs		
	Foreign exchange losses on trade assets and liabilities	**(158,676)**	(121,294)
	Foreign exchange losses on debt	**–**	(8,896)
	Foreign exchange contract costs	**(6,581)**	(10,477)
	Total	**(165,257)**	(140,667)
5.	**Operating profit from continuing operations**		
	Operating profit from continuing operations is arrived at after taking into account the following items:		
	Income		
	Profit on disposal of property, plant and equipment	**7,286**	13,337
	Profit on disposal of investments	**2,269**	24,440
	Expense		
	Impairment of goodwill	**–**	4,767
	Impairment of associate	**(2,849)**	–
	Loss on realisation of financial transaction	**–**	20,002
	Gain on bargain purchase price on acquisition of subsidiaries	**10,077**	–
	Auditors' remuneration	**16,386**	12,798
	Employment costs	**1,333,088**	1,251,540
	Operating lease expenses	**135,345**	117,884
	– Premises	**100,823**	86,226
	– Equipment	**6,626**	6,411
	– Motor vehicles	**27,851**	25,076
	– Other	**45**	171
	Pension and provident fund contributions to defined contribution plans	**81,088**	74,267
6.	**Interest received and finance costs on financing transactions**		
	Interest received from financing transactions		
	Interest received on finance leases	**16,158**	11,335
	Finance costs on financing transactions		
	Fiance costs on finance leases	**(8,315)**	(6,502)

The Group finances certain capital equipment transactions to customers at market related interest rates, resulting in the recognition of a finance lease receivable (refer to note 17). A proportion of these lease transactions are further discounted with the Group's external banking partners, resulting in the recognition of a finance lease liability (refer to note 29). The financed asset consequently serves as security for the lease transactions.

		2019 R'000	Restated 2018 R'000
7.	**Interest paid**		
	Bank overdrafts and loans	**(37,562)**	(20,738)
	Long-term borrowings	**(205,249)**	(920,529)
	Total	**(242,811)**	(941,267)

*Re-presented refer to note 11.

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

		31 March	
		2019	2018
		R'000	R'000
8.	**Interest received**		
	Bank	**108,825**	117,410
	Long-term receivables	**16,832**	363,744
	Total	**125,657**	481,154

*Re-presented, refer to note 11.

9.	**Taxation**		
	South African normal taxation		
	Current tax		
	– current year	**212,300**	121,259
	– specific taxation expense	**200,000**	400,000
	– prior year	**(89,194)**	(4,159)
	Deferred tax		
	– current year	**1,194**	(21,760)
	– prior year	**2,982**	(1,940)
	Withholding tax	**1,085**	1,829
	Foreign tax	**57,471**	40,394
	Total taxation for continuing operations	**385,838**	535,623
	Reconciliation of tax rate	**%**	%
	Statutory tax rate	**28.0**	28.0
	Dividends received and accrued	**(0.1)**	(12.8)
	Specific taxation provision	**32.5**	52.6
	Impairment of goodwill	**–**	0.3
	Consulting fees non-deductible	**1.5**	1.2
	SARS interest	**0.9**	–
	Prior year tax adjustment	**(1.0)**	(1.5)
	Loss/(profit) on sale of BSG	**1.9**	(0.9)
	Other permanent differences and exempt income	**(1.5)**	(1.6)
	Tax losses where no deferred tax asset has been raised	**3.2**	(0.2)
	Gain on bargain purchase price on acquisition of subsidiaries	**(0.5)**	–
	Acquisition of subsidiaries provisions taken on not included in prior year opening balance	**(1.8)**	–
	Prior year tax provisions with no deferred tax effect	**(0.7)**	
	Capital gains tax	**(1.3)**	(0.3)
	Foreign tax differentials	**1.7**	5.4
	Effective tax rate	**62.8**	70.1

The directors of the Group have applied appropriate judgement in assessing the tax treatment of instruments in the tax computations and that the Group has reasonable tax provision for any potential exposures.

Estimated tax losses within the Group amount to R304 362 139 (2018: R315 021 429). A deferred tax asset of R85 221 399 (2018: R88 206 000) has been raised with respect to these tax losses. The directors are of the opinion that based on the cash flow forecasts, the entities will make sufficient taxable profits to utilise the tax losses in the foreseeable future.

Tax losses where no deferred tax asset was raised amount to R70 003 606 (2018: R5 512 124)

*Re-presented, refer to note 11.

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

		31 March	
9.	**Taxation** (continued)	**2019**	2018
9.1	**Deferred tax**	**R'000**	R'000
	Net balance at the beginning of the year	**161,782**	146,219
	Acquisition of subsidiaries	**1,055**	(7,207)
	Changes to provisional acquisition value	**–**	(356)
	Foreign currency translation	**(2,391)**	76
	Charge from the statement of comprehensive income	**(4,176)**	22,244
	Charged directly to equity	**300**	78
	Transferred from assets held for sale	**(660)**	–
	Net balance at the end of the year	**155,910**	161,054
	Comprising:		
	Capital allowances	**(50,726)**	(30,885)
	Tax losses	**85,221**	88,206
	Provisions	**131,866**	113,202
	Other temporary differences	**(10,451)**	(8,741)
	Total	**155,910**	161,782
	Disclosed as:		
	Deferred taxation asset	**209,028**	199,869
	Deferred taxation liability	**(53,118)**	(38,087)
	Total	**155,910**	161,782

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

		31 March	
10.	**Earnings per share (cents)**	**2019**	2018*
	Basic earnings per share	**126**	78
	Diluted basic earnings per share	**126**	78
	Headline earnings per share	**112**	58
	Diluted headline earnings per share	**112**	58
10.1	**Ordinary shares ('000)**		
	In issue	**108,495**	108,495
	Weighted average	**106,953**	106,953
	Diluted weighted average	**106,953**	106,953

The 1 517 704 share options issued to executive directors as detailed in note 38, have been assessed and are considered to be non-dilutive, as the options are currently 'out of the money'.

10.2	**Headline earning per share**		
	Earnings		
	Profit from continuing operations attributable to owners of the Company	**134,555**	83,538
	Adjusted for: Profit/(loss) for the year from discontinued operations	**–**	–
	Profit for the year attributable to owners of the Company	**134,555**	83,538
	Headline adjustments		
	Adjustments for:		
	Gain from bargain purchase price recognised	**(10,377)**	–
	Net profit on disposal of property, plant and equipment	**(7,286)**	(13,335)
	Taxation on disposal of property, plant and equipment	**1,786**	3,239
	Profit on disposal of investment	**(2,270)**	(24,440)
	Taxation on disposal of investment	**–**	8,202
	Impairment of investment in associate	**2,849**	–
	Profit on disposal of other assets	**–**	(326)
	Taxation on disposal of other assets	**–**	91
	Impairment of goodwill	**–**	4,767
	Headline earnings from continuing operations	**119,257**	61,736
	Headline adjustments from discontinued operations	**–**	–
	Headline earnings	**119,257**	61,736

*Restated and re-presented, refer to note 43 and note 11.

11. Re-presentation of discontinued operations

The Building Supply Group Proprietary Limited and its subsidiaries was disclosed as a discontinued operation until its disposal on 30 September 2017. The MacNeil Plastics business ("the business") was classified and accounted for as held for sale for the year ended 31 March 2018. The sale of the business is subsequently no longer viewed as highly probable and as a result, the business is no longer classified as a disposal company held for sale for the year ended 31 March 2019.

The results of the business previously presented in discontinued operations have been re-presented in accordance with IFRS 5 (par 36) and the impact on the reported financial results has been disclosed below:

		31 March		
		As previously reported	Re-presented amount	As re-presented
		2018	2018	2018
11.1	**Profit for the year from discontinued operations**	R'000	R'000	R'000
	Revenue	1,103,730	354,296	749,434
	Cost of sales	(833,108)	(292,147)	(540,961)
	Gross profit	270,622	62,149	208,473
	Selling, administration and distribution cost	(250,724)	(54,527)	(196,197)
	Operating profit before interest on financing transactions and foreign exchange movements	19,898	7,622	12,276
	Finance cost on financing transactions	(327)	(327)	–
	Net foreign exchange profit	993	–	993
	Operating profit	20,564	7,295	13,269
	Finance cost	(30,069)	(351)	(29,718)
	Interest received	17,236	25	17,211
	Profit before taxation	7,731	6,969	762
	Total attributable taxation	(34)	728	(762)
	Attributable taxation	(4,154)	–	(4,154)
	Attributable deferred tax	4,120	728	3,392
	Profit from discontinued operations	7,697	7,697	–
	Non-controlling interest relating to discontinued operations	–	–	–
	Total profit for the year from discontinued operations	7,697	7,697	–
11.2	**Cashflows from discontinued operations**			
	Net cash inflows from operating activities	(9,138)	22,489	(31,627)
	Net cash outflows from investing activities	383,040	(3,346)	386,386
	Net cash outflows from financing activities	(217,735)	(11,396)	(206,339)
	Net cash inflows	156,167	7,747	148,420

The profit for the year from discontinued operations as re-presented above reflects the results of the Building Supply Group business which was classified as held for sale and disposed of during the prior year on 30 September 2017.

11. Re-presentation of discontinued operations (continued)

	31 March		
	As previously reported	Re-presented amount	As re-presented
	2018	2018	2018
11.3 Consolidated statement of profit or loss	R'000	R'000	R'000
Revenue	9,639,807	354,296	9,994,103
Cost of sales	(6,660,734)	(292,147)	(6,952,881)
Gross profit	2,979,073	62,149	3,041,222
Selling, administration and distribution cost	(2,038,798)	(54,527)	(2,093,325)
Operating profit before interest on financing transactions and foreign exchange movements	940,275	7,622	947,897
Interest received from financing transactions	11,335	–	11,335
Finance cost on financing transactions	(6,175)	(327)	(6,502)
Net foreign exchange cost	(71,421)	–	(71,421)
Operating profit	874,014	7,295	881,309
Finance cost	(940,916)	(351)	(941,267)
Dividends received from financial investments	332,099	–	332,099
Share of profits of associates	13,593	–	13,593
Interest received	481,129	25	481,154
Profit before taxation	759,919	6,969	766,888
Taxation	(536,351)	728	(535,623)
Profit for the year from continuing operations	223,568	7,697	231,265
Discontinued operations			
Profit for the year from discontinued operations	7,697	(7,697)	–
Profit for the year	231,265	–	231,265

11.4 Business segment information			
Segment revenue			
Corporate	48,581	354,296	402,877
Total continuing	9,639,807	354,296	9,994,103
Discontinued operations	1,103,730	(354,296)	749,434
Total	10,743,537	–	10,743,537
Operating profit before interest on financing transactions and foreign exchange movements			
Corporate	9,829	7,622	17,451
Total continuing	940,275	7,622	947,897
Discontinued operations	19,898	(7,622)	12,276
Total	960,173	–	960,173

11. Re-presentation of discontinued operations (continued)

	31 March		
	As previously reported	Re-presented amount	As re-presented
	2018	2018	2018
11.5 Other segment information	R'000	R'000	R'000
Depreciation and amortisation			
Corporate	13,716	6,277	19,993
Total continuing	125,054	6,277	131,331
Discontinued operations	16,083	(6,277)	9,806
Total	141,137	–	141,137
Additions to property, plant and equipment and intangible assets			
Corporate	119,286	3,872	123,158
Total continuing	265,123	3,872	268,995
Discontinued operations	20,432	(3,872)	16,560
Total	285,555	–	285,555
11.6 Interest paid on financing transactions			
Finance Leases	(6,175)	(327)	(6,502)
11.7 Operating profit			
Profit on disposal of property, plant and equipment	13,335	2	13,337
Auditors' remuneration current year	12,426	372	12,798
Employee cost	1,242,085	9,455	1,251,540
Operating lease expenses	88,958	3,679	92,637
– Premises	85,361	865	86,226
– Equipment	3,597	2,814	6,411
11.8 Interest paid			
Bank overdrafts and loans	(20,387)	(351)	(20,738)
11.9 Interest received			
Long-term receivables	363,719	25	363,744

	31 March 2019 R'000	31 March 2018 R'000
12. Financial investments		
Listed Securities		
FirstRand Bank listed bonds	**593,208**	588,241
These bonds earn interest at Jibar plus a margin ranging from 3.15%-3.85% payable quarterly and are tradable on the Johannesburg Stock Exchange.		
The bonds are carried at fair value through other comprehensive income which is determined based on the market value of the underlying market securities. The objective of the investment is to earn interest and receive principle cash flows over the term of the bonds, but can be transferred through sale if required and therefore has been accounted for as current.		
Unlisted securities		
Other	**958**	8
Total	**594,166**	588,249
Current portion of financial investments	**(593,208)**	(588,245)
Long-term portion of financial investments	**958**	4

13. Assets classified as held for sale

	2019 R'000	2018 R'000
Assets classified as held for sale	–	157,978
Liabilities associated with assets held for sale	–	117,692
Property, plant and equipment	–	51,512
Other intangible assets	–	638
Inventories	–	39,607
Trade and other receivables	–	55,037
Bank and cash balances	–	11,184
Assets classified as held for sale	–	157,978
Long-term borrowings	–	25,459
Deferred tax liability	–	660
Trade and other payables	–	91,573
Liabilities associated with assets classified as held for sale	–	117,692
Net assets classified as held for sale	–	40,286

The MacNeil Plastics business (“the business”) was classified and accounted for as held for sale for the reporting period ended 31 March 2018. The sale of the business is subsequently no longer viewed as highly probable and as a result the business has not been classified as a disposal company held for sale for the reporting period ended 31 March 2019. Refer to note 11.

Notes to the annual financial statements (continued)

for the year ended 31 March 2019

14. Property, plant and equipment	Land and buildings ** R'000	Plant and equipment R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture, fittings and office equipment R'000	Capital Expenditure WIP ^ R'000	Computer equipment R'000	Rental assets R'000	Total R'000
	31 March								
Net book value at 31 March 2017	1,311,953	80,843	17,023	36,900	36,330	67,423	17,428	72,630	1,640,530
Additions	115,003	22,158	2,579	9,826	11,946	15,387	16,518	45,166	238,583
Acquisition of subsidiaries	–	16	–	929	–	10,209	103	–	11,257
Depreciation for the year*	(16,587)	(12,736)	(6,144)	(12,010)	(14,128)	–	(12,843)	(20,381)	(94,829)
Transfer from intangible assets	–	–	–	–	–	–	4,966	–	4,966
Disposals	(8,131)	(5,036)	–	(3,018)	(472)	–	(1,255)	(19,091)	(37,003)
Category transfer	1,023	(3,422)	(858)	(185)	3,678	–	(236)	–	–
Foreign currency translation	(38,522)	(2,118)	(480)	(476)	(779)	(126)	(206)	–	(42,707)
Net book value at 31 March 2018	**1,364,739**	**79,705**	**12,120**	**31,966**	**36,575**	**92,893**	**24,475**	**78,324**	**1,720,797**
Additions	**25,208**	**20,304**	**15,202**	**21,973**	**5,876**	**42,524**	**9,275**	**69,365**	**209,727**
Acquisition of subsidiaries and businesses	**8,255**	**5,470**	**–**	**5,698**	**1,258**	**–**	**162**	**–**	**20,843**
Disposal of subsidiary	**–**	**(749)**	**–**	**(745)**	**(170)**	**–**	**(60)**	**–**	**(1,724)**
Depreciation for the year*	**(17,450)**	**(20,948)**	**(7,454)**	**(21,793)**	**(13,063)**	**–**	**(13,669)**	**(24,040)**	**(118,417)**
Transferred from assets held for sale	**–**	**48,767**	**–**	**2,420**	**118**	**–**	**207**	**–**	**51,512**
Transfer to intangible assets	**–**	**–**	**–**	**(3,975)**	**–**	**–**	**(571)**	**–**	**(4,546)**
Disposals	**(37,328)**	**(4,299)**	**(36)**	**(5,638)**	**(1,135)**	**(1,138)**	**(784)**	**(8,860)**	**(59,218)**
Category transfer	**(956)**	**29,297**	**809**	**13,419**	**36,265**	**(83,828)**	**4,994**	**–**	**–**
Foreign currency translation	**110,885**	**6,126**	**1,594**	**1,253**	**1,722**	**1,133**	**645**	**–**	**123,358**
Net book value at 31 March 2019	**1,453,353**	**163,673**	**22,235**	**44,578**	**67,446**	**51,584**	**24,674**	**114,789**	**1,942,332**
2018									
Cost	1,468,642	195,351	38,392	128,284	140,183	92,893	116,531	217,635	2,397,911
Accumulated depreciation	(103,903)	(115,646)	(26,272)	(96,318)	(103,608)	–	(92,056)	(139,311)	(677,114)
Total	1,364,739	79,705	12,120	31,966	36,575	92,893	24,475	78,324	1,720,797
2019									
Cost	**1,658,010**	**437,175**	**62,690**	**141,158**	**186,159**	**51,584**	**127,558**	**181,184**	**2,845,518**
Accumulated depreciation	**(204,657)**	**(273,502)**	**(40,455)**	**(96,580)**	**(118,713)**	**–**	**(102,884)**	**(66,395)**	**(903,186)**
Total	**1,453,353**	**163,673**	**22,235**	**44,578**	**67,446**	**51,584**	**24,674**	**114,789**	**1,942,332**

* The depreciation charge relating to the forklift and machinery rental fleets disclosed in cost of sales amounts to R32 685 808 (2018: R20 380 983).

** Borrowing costs amounting to R6,6 million have been capitalised to land and buildings during the current year at a rate prime less 1.5%.

^ Capital WIP is being disclosed separately to improve disclosure, in the prior year the amount was included in land and buildings and plant and equipment.

Details of the land and buildings and encumbrances

A register containing details of land and buildings is available for inspection during business hours at the registered office of the Company by members or their duly authorised agents.

The Group has encumbered land and buildings, motor vehicles, plant and equipment having a carrying value of R452 million (2018: R464 million) to secure mortgage bonds, finance lease liabilities and certain long-term borrowings as detailed in notes 28 and 29.

		31 March	
		2019	2018
15.	**Goodwill**	**R'000**	R'000
	Goodwill arising on acquisition of subsidiaries and businesses		
	At the beginning of the year	**660,844**	615,354
	Gross value	**673,619**	623,362
	Accumulated impairment	**(12,775)**	(8,008)
	Acquisition of subsidiaries and businesses	**2,083**	52,512
	Goodwill impaired during the year	**–**	(4,767)
	Changes to provisional acquisition value	**–**	(2,220)
	Currency realignment	**–**	(35)
	At the end of the year	**662,927**	660,844
	Gross value	**675,702**	673,619
	Accumulated impairment	**(12,775)**	(12,775)
	The carrying amount of goodwill was allocated to cash-generating units ("CGUs"), within the operating segments, as follows:		
	ESG consisting of 6 CGU's	**275,305**	273,222
	CEG consisting of 6 CGU's	**387,622**	387,622
	Total	**662,927**	660,844

Impairment testing of goodwill

The Group has allocated goodwill to its cash-generating units. The recoverable amounts of these cash-generating units have been determined based on value in use calculations. Value in use is based on discounted cash flow calculations. The Group based its cash flow calculations on the five-year budgeted and forecast information. The long-term average growth rates were used to extrapolate cash flows into the future. The pre-tax discount rates used reflect specific risks relating to the relevant cash-generating units whilst maximising the use of market observable data. Other assumptions included in cash flow projections are closely linked to entity-specific key performance indicators. Management believe that any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating units.

The headroom in the Group's two material operating segments as per the reporting date was as follows:

	31 March					
	Pre-tax discount rate	Terminal value growth rate	Annual growth rate	Value in use	Carrying amount	Headroom
Cash-generating unit				R'000	R'000	R'000
ESG	13%-16%	4.1%	5%-7%	2,106,663	275,305	1,831,358
CEG	6%-16%	2%-4.1%	2%-7%	1,481,951	387,622	1,094,329

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16. Other intangible assets	Computer software R'000	Reacquired agency rights* R'000	Distribution agreements* R'000	Trademarks, brand names and non-compete intangibles* R'000	Contractual and non-contractual customer relationships * R'000	Total R'000
	31 March					
Net book value at 31 March 2017	21,904	8,274	3,516	2,274	25,338	61,306
Additions	5,196	36,713	–	115	2,417	44,441
Acquisition of subsidiaries	–	–	17,229	–	10,277	27,506
Amortisation for the year	(8,174)	(36,496)	(3,709)	(1,185)	(23,780)	(73,344)
Transfer to property, plant and equipment	(4,966)	–	–	–	–	(4,966)
Disposals	(466)	–	–	–	–	(466)
Category transfer	(146)	–	–	(662)	808	–
Foreign currency translation	(197)	10	(5)	(12)	(191)	(395)
Net book value at 31 March 2018	**13,151**	**8,501**	**17,031**	**530**	**14,869**	**54,082**
Additions	**18,863**	**4,053**	**–**	**68**	**174**	**23,158**
Acquisition of subsidiaries and businesses	**264**	**–**	**–**	**–**	**–**	**264**
Disposal of subsidiary	**(7)**	**–**	**–**	**–**	**–**	**(7)**
Amortisation for the year	**(13,049)**	**(518)**	**(3,468)**	**(68)**	**(3,960)**	**(21,063)**
Transfer from held for sale	**638**	**–**	**–**	**–**	**–**	**638**
Transfer from property, plant and equipment	**4,546**	**–**	**–**	**–**	**–**	**4,546**
Disposals	**(49)**	**–**	**–**	**–**	**–**	**(49)**
Foreign currency translation	**490**	**15**	**(36)**	**30**	**173**	**672**
Net book value at 31 March 2019	**24,847**	**12,051**	**13,527**	**560**	**11,256**	**62,241**
2018						
Cost	64,563	79,904	41,270	4,975	50,194	240,906
Accumulated depreciation	(51,412)	(71,403)	(24,239)	(4,445)	(35,325)	(186,824)
Total	13,151	8,501	17,031	530	14,869	54,082
2019						
Cost	**60,396**	**21,621**	**45,474**	**7,250**	**65,160**	**199,901**
Accumulated depreciation	**(35,549)**	**(9,570)**	**(31,947)**	**(6,690)**	**(53,904)**	**(137,660)**
Total	**24,847**	**12,051**	**13,527**	**560**	**11,256**	**62,241**

* Restated refer to note 43.

Management judgement is required to value the financial liability associated with profit share on reacquired agency rights.

The fair values on intangible assets acquired in a business combination are identified and valued by management based on the purchase agreement. The fair values are based on the future cash flows, applicable to each category of intangible asset identified, at an appropriate discount rate.

		31 March	
		2019	2018
17.	**Finance lease receivables**	**R'000**	R'000
	Due within one year	**95,963**	57,341
	Due in the second to fifth years inclusive	**103,681**	55,109
		199,644	112,450
	Unearned interest on finance leases	**(28,377)**	(14,791)
	Net investment in finance lease	**171,267**	97,659
	Net investment in finance leases can be analysed as follows:		
	Due within one year	**79,533**	48,629
	Due in the second to fifth years inclusive	**91,734**	49,030
	Net investment in finance lease	**171,267**	97,659

The Group entered into finance lease agreements for certain of its equipment and forklifts. The average term of finance leases entered into is 11 years.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contract is prime-linked.

18. Long-term receivables

	2019	2018
Directors' loans to acquire Invicta Holdings Limited shares	**–**	6,394
The loans earn interest at the SARS official rate of interest per annum and is repayable by 30 June 2018. Invicta Holdings Limited shares have been provided as security at a ratio of 150% of the initial loans provided.		
The directors had a put option equal to 75% of the initial loan value which could be exercised during the seven-year loan period. All regulatory approvals have been obtained for this transaction. Upon settlement of the loan the put option liability was derecognised. The directors' loans were measured at amortised cost. Interest was measured based on a contracted rate and was recognised in profit or loss.		
The loan and the settlement therefore is considered to be a related party transaction in terms of IAS 24 - Related party disclosures.		
Loans to third parties	**14,730**	8,819
	14,730	15,213
Current portion of long-term receivables	**(6,958)**	(11,264)
Total	**7,772**	3,949
Net carrying amount of receivables are as follows:		
On demand or within one year	**6,958**	11,264
In second to fifth year inclusive	**7,305**	3,639
After five years	**467**	310
Total	**14,730**	15,213
Unearned finance income	**476**	921
Gross carrying amount of receivables are as follows:		
On demand or within one year	**7,205**	12,051
In second to fifth year inclusive	**7,534**	3,773
After five years	**467**	310
Total	**15,206**	16,134

Notes to the annual consolidated financial statements (continued)

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19. Investment in subsidiaries

Details of the Group's subsidiaries at 31 March 2019 are as follows:

Name of subsidiary	Principal activity	Place of operation	31 March Effective holding of ownership interest and voting power held	
			2019	2018
Direct holdings				
Invicta Offshore Holdings	Investment holding company	Mauritius	**100%**	100%
Invicta Africa (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Invicta IT Solutions (Pty) Ltd	Trading company	South Africa	**100%**	100%
Invicta Finance (Pty) Ltd	Financial company	South Africa	**100%**	100%
Invicta South Africa Holdings (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Invicta Treasury Holdings (Pty) Ltd	Treasury company	South Africa	**100%**	100%
October Winds Trading 48 (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Invicta Properties (Pty) Ltd	Property holding company	South Africa	**100%**	100%
Goldquest International Hydraulics SA (Pty) Ltd	Dormant	South Africa	**100%**	100%
Indirect holdings				
A. T. Group Holdings Co. Ltd	Investment holding company	Thailand	**80%**	80%
A.T. Truck & Bus Parts Co. Ltd	Trading company	Thailand	**64%**	64%
AfriAsian Trading (Pte) Ltd	Dormant	Singapore	**100%**	100%
Africa Maintenance Equipment (Lephalale) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Africa Maintenance Equipment (Mooinooi)	Trading company	South Africa	**100%**	100%
Africa Maintenance Equipment (Rustenburg) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Africa Maintenance Equipment (Thabazimbi) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Allegiance Parts Sdn Bhd	Trading company	Malaysia	**72%**	72%
Allegiance Parts and Services Co Ltd **	Trading company	Myanmar	**48%**	48%
Allegiance Parts and Services Pte Ltd **	Trading company	Singapore	**48%**	48%
Alpha Bearings (Pty) Ltd **	Trading company	South Africa	**49%**	49%
Arc Eng Since 1934 (Pty) Ltd	Trading company	South Africa	**100%**	100%
Bearing Man (Botswana) (Pty) Ltd	Trading company	Botswana	**100%**	100%
BMG Ghana Properties (Mauritius) *	Trading company	Mauritius	**100%**	0%
Bearing Man (Maputo) (Pty) Ltd	Trading company	Mozambique	**66%**	66%
Bearing Man (Mozambique) LDA	Trading company	Mozambique	**100%**	100%
Bearing Man (Namibia) (Pty) Ltd	Trading company	Namibia	**100%**	100%
Bearing Man (Swaziland) (Pty) Ltd	Trading company	Swaziland	**100%**	100%
Bearing Man Group Limited (Zambia)	Trading company	Zambia	**83%**	100%
Bearing Man Group Tanzania Ltd	Trading company	Tanzania	**100%**	100%
BMG Congo SARL	Trading company	Democratic Republic of Congo	**70%**	70%
Bearing Man Group (Pty) Ltd	Trading company	South Africa	**100%**	100%
BMG Dar Es Salaam *	Trading company	Tanzania	**100%**	0%
BMG Properties (Ghana) *	Trading company	Ghana	**70%**	0%
BMG Offshore Holdings	Investment holding company	Mauritius	**100%**	100%
BMG West Africa Ltd	Trading company	Ghana	**70%**	70%
Commercial Car Components Logistics Ltd **	Trading company	United Kingdom	**50%**	50%
Compact Computer Solutions (Pty) Ltd	Trading company	South Africa	**100%**	100%
Criterion Equipment (Pty) Ltd	Trading company	South Africa	**100%**	100%

** Company was newly incorporated during the current year.*

*** These entities are controlled as a result of agreements between shareholders, wherein the decision making rights in the entity are controlled by the group.*

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

19. Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Place of operation	31 March Effective holding of ownership interest and voting power held	
			2019	2018
Indirect holdings (continued)				
D&D Lifting and Crane Services (Pty) Ltd	Trading company	South Africa	**100%**	100%
Disa Equipment (Pty) Ltd	Trading company	South Africa	**100%**	100%
Driveshaft Parts LTD	Trading company	United Kingdom	**100%**	0%
Driveshaft Parts SL	Trading company	Spain	**100%**	0%
Equipment Spare Parts (Africa) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Erf 29 Samcor Park (Pty) Ltd	Property holding company	South Africa	**100%**	100%
ESG Exports (Pty) Ltd ^	Trading company	South Africa	**100%**	100%
Euro Driveshafts Limited Sp. z o.o. (Poland)	Trading company	Poland	**100%**	0%
Euro Driveshafts Ltd	Trading company	United Kingdom	**100%**	0%
Euro Driveshafts Ukraine	Trading company	Ukraine	**100%**	0%
Fidelio Properties (Pty) Ltd	Trading company	South Africa	**100%**	0%
General Electrical Mechanical Tool & Engineering (Pty) Ltd	Trading company	South Africa	**100%**	100%
GK-IT Environmental Services (Pty) Ltd	Trading company	South Africa	**100%**	100%
Hansen Transmissions South Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
High Power Equipment Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
Humulani Marketing (Pty) Ltd	Trading company	South Africa	**100%**	100%
Humulani Marketing Mozambique Lda	Dormant	Mozambique	**100%**	100%
Hyflo Namibia	Trading company	Namibia	**100%**	100%
Hyflo Southern Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
Invicta Asian Holdings (Pte) Ltd	Investment holding company	Singapore	**100%**	100%
Invicta Cape Town (Pty) Ltd	Property holding company	South Africa	**60%**	60%
Invicta Funding Limited	Trading company	South Africa	**100%**	100%
Invicta Offshore Trading	Trading company	Mauritius	**100%**	100%
Joerg Foundry (Pty) Ltd	Trading company	South Africa	**100%**	0%
Kian Chue Hwa (Industries) (Pte) Ltd	Trading company	Singapore	**80%**	80%
Kian Ann Districentre (Pte) Ltd	Trading company	Singapore	**100%**	100%
Kian Ann Engineering (Pte) Ltd	Trading company	Singapore	**100%**	100%
Kian Ann Engineering Trading (Shanghai) Co. Ltd	Trading company	China	**100%**	100%
Kian Ann Investment (Pte) Ltd	Trading company	Singapore	**100%**	100%
MacNeil Plastics (Pty) Ltd	Trading company	South Africa	**60%**	60%
Makona Hardware & Industrial (Pty) Ltd	Trading company	South Africa	**70%**	70%
Man-Dirk (Pty) Ltd	Trading company	South Africa	**100%**	100%
Man-Dirk East (Pty) Ltd	Dormant	South Africa	**74%**	74%
Maroblox (Pty) Ltd (trading as Autobax)	Trading company	South Africa	**100%**	100%
MRO Produtos Industriais Lda	Trading company	Mozambique	**80%**	80%
Msanzi Driveshaft Parts (Pty) Ltd	Trading company	South Africa	**100%**	0%
North American Tractor and Excavator Parts Inc.	Trading company	Canada	**0%**	100%
Northmec Equipment Zambia Ltd	Dormant	Zambia	**100%**	100%
Nova Vida Limitada	Trading company	Mozambique	**80%**	80%
Oscillating Systems Technology Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%

^ Previously Metric and Imperial Tool Systems (Pty) Ltd

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

19. Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Place of operation	31 March Effective holding of ownership interest and voting power held	
			2019	2018
Indirect holdings (continued)				
Proshaft Rebuilders (Pty) Ltd	Trading company	South Africa	**100%**	0%
Pt. Allegiance Primaparts Indonesia	Trading company	Indonesia	**80%**	80%
Pt. Haneagle Heavyparts Indonesia	Trading company	Indonesia	**99%**	99%
Rumiset (Pty) Ltd	Trading company	South Africa	**100%**	100%
Rustenburg Engineers and Foundry (Pty) Ltd	Trading company	South Africa	**100%**	0%
SA Tool (Pty) Ltd	Trading company	South Africa	**100%**	100%
Salestalk 452 (Pty) Ltd	Property holding company	South Africa	**50%**	50%
Screen Doctor (Pty) Ltd	Trading company	South Africa	**71%**	71%
Shamrock Handling Concepts (Pty) Ltd	Trading company	South Africa	**100%**	100%
Sibuyile Industrial Supplies (Pty) Ltd	Trading company	South Africa	**100%**	100%
Spring Lights 149 (Pty) Ltd	Trading company	South Africa	**75%**	75%
Steve Woods Limited	Trading company	United Kingdom	**50,01%**	50,01%
Theramanzi Investments (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Trendy Property Investments (Pty) Ltd	Property holding company	South Africa	**100%**	100%

The 5% and 20% of the ordinary issued share capital of Invicta South Africa Holdings Proprietary Limited owned by the Humulani Employee Investment Trust and Theramanzi Investments Proprietary Limited (owned by the Humulani Empowerment Trust) respectively, have been consolidated in terms of IFRS 10 Consolidated Financial Statements. Refer to the Invicta South Africa Holdings Proprietary Limited ("Invicta SA") paragraph in the Directors' report for further details.

A register containing details of the other direct and indirect subsidiaries is available for inspection during business hours at the registered office of the Company by members or their duly authorised agents.

20. Investment in associates

Name of associate (unlisted)	Principal activity	Place of incorporation and operation	Functional currency	Year-end	31 March Proportion of ownership interest and voting power held	
					2019	2018
Automan Co. Limited	Trading company	Myanmar	MMK	March	**20%**	20%
Kunshan Kensetsu Buhin Co. Limited*	Trading company	China	CNY	December	**28%**	28%
SKL Equipment Pte Ltd**	Trading company	India	INR	March	**0%**	50%

**KKB is the Group's most significant associate and accounts for 99% of the investment in associate value.*

*** SKL Equipment Pte Ltd investment was transferred to investment in joint venture at carrying value (R0).*

Adjustments are made for significant transactions that take place where the year-ends of associates are not consistent with that of Invicta Holdings Limited.

	31 March	
Summarised financial information of the Group's associates as set out below:	**2019 R'000**	2018 R'000
Total assets	**591,254**	526,525
Total liabilities	**(262,124)**	(392,792)
Net assets	**329,130**	133,733
Revenue for the year	**1,097,463**	995,166
Profit for the year	**101,897**	63,082
Group's share of profits of associate	**27,171**	13,593
Reconciliation of carrying amount:		
Balance as at 31 March 2018	**119,180**	103,448
Transfer to investment in joint venture	**(11,583)**	–
Equity accounted earnings, net of taxation	**27,171**	13,593
Elimination of unrealised profits	**(3)**	64
Impairment of Investment in Associate	**(2,849)**	–
Foreign currency translation	**15,423**	2,075
Carrying value at the end	**142,716**	119,180

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

21. Investment in joint venture

Name of joint venture (unlisted)	Principal activity	Place of incorporation and operation	Functional currency	Year-end	31 March Proportion of ownership interest and voting power held	
					2019	2018
Modesty Investment Holding Pte. Ltd. *	Trading company	Singapore	SGD	March	**50%**	0%
SKL Equipment Pte Ltd	Trading company	India	INR	March	**50%**	0%

**Modesty is the Group's most significant joint venture and accounts for 97% of the investment in joint venture value.*

Adjustments are made for significant transactions that take place where the year-ends of associates are not consistent with that of Invicta Holdings Limited.

Acquisitions	31 March 2019 R'000
Acquisition cost	**34,743**
Interest acquired on disposal of a subsidiary **	**7,152**
Transfer from investment in associate ***	**11,583**
	53,478
Value of net assets acquired	**(14,274)**
PPA Assets acquired	**(5,841)**
Notional goodwill	**(33,363)**

Summarised financial information of the Group's joint venture's as set out below:	31 March 2019 R'000
Total assets	**163,983**
Total liabilities	**(89,311)**
Net assets	**74,672**
Revenue for the year	**293,685**
Profit for the year	**42,119**
Group's share of profits of joint venture's	**11,630**
Reconciliation of carrying amount:	
Balance as at 31 March 2018	**–**
Acquisition of associates	**34,743**
Interest acquired on disposal of a subsidiary	**7,152**
Additional investment	**2,175**
Transfer from investment in associate	**11,583**
Equity accounted earnings, net of taxation	**11,630**
Elimination of unrealised profits	**(2,238)**
Foreign currency translation	**8,406**
Carrying value at the end of	**73,451**

** On 1 April 2018 a subsidiary, North American Tractor and Excavator Parts Inc, was sold to Modesty Investment Holding Pte. Ltd., a joint venture, in exchange for an interest in that joint venture.

*** On 1 April 2018 an associate, Kunshan Kensetsu Buhin Co. Limited, transferred two of its underlying investments to Modesty Investment Holding Pte. Ltd., a joint venture, in exchange for an interest in that joint venture. This resulted in a transfer from investment in associate to an investment in joint venture.

22. Inventories	31 March 2019 R'000	2018* R'000
Raw materials	**19,842**	–
Finished goods	**4,628,430**	3,971,845
- Capital Equipment	**680,583**	597,209
- Spares and accessories	**1,889,408**	1,657,947
- Engineering consumables and tools	**1,642,901**	1,352,057
- Other	**415,538**	364,632
Work in progress	**43,196**	25,740
Goods in transit	**302,866**	324,990
Provision for obsolete stock	**(450,470)**	(404,886)
Total	**4,543,864**	**3,917,689**
The cost of inventories recognised as an expense in respect of write-downs of inventory to net realisable value	**26,886**	11,138
Inventory recognised in the statement of comprehensive income	**7,248,519**	6,478,027

* The 2018 reported results are re-presented to account for a reduction in the value of finished goods - engineering consumables and tools of R89,852 and a corresponding reduction in the provision for obsolete stock, this was as a result of a valuation adjustment to the finished goods value which was incorrectly included in the provision for obsolete stock.

23. Trade and other receivables	31 March 2019 R'000	2018** R'000
Trade receivables	**1,754,583**	1,497,557
Allowance for expected credit losses	**(129,530)**	(85,991)
Prepaid expenses	**36,360**	32,296
Forward exchange contract asset	**8,127**	144
Other receivables ^	**220,892**	161,455
Total	**1,890,432**	1,605,461

** Restated, refer to note 43.
^Included in 'Other receivables' is Value Added Taxation, claims, sundry debtors and other miscellaneous receivables.

The directors consider that the carrying value of trade and other receivables approximates fair value at year-end.

Movement in allowance for expected credit losses

	2019 R'000	2018** R'000
Opening balance	**85,991**	90,409
Effect of adoption of IFRS 9	**5,589**	–
Acquisition of subsidiaries	**6,758**	–
Disposal of subsidiaries	**(46)**	–
Amounts written off during the year, net of recoveries	**(6,571)**	(5,342)
Provision raised during the year	**30,222**	4,184
Foreign currency translation	**7,279**	(3,260)
Reclassified from non-current assets held for sale	**308**	–
Closing balance	**129,530**	85,991

23. Trade and other receivables (continued)

	31 March		
	Expected credit loss rate	Estimated total gross carrying amount ^	Expected credit loss
Ageing of impaired trade receivables for:	*%*	**R'000**	**R'000**
2019			
Less than 30 days	***2%***	**842,071**	**18,620**
31 to 60 days	***5%***	**178,423**	**9,503**
61 to 90 days	***5%***	**44,350**	**2,265**
91 to 120 days	***4%***	**18,404**	**723**
More than 120 days	***58%***	**140,956**	**81,293**
Debtors handed over to legal	***100%***	**17,126**	**17,126**
Closing balance	***11%***	**1,224,204**	**129,530**

^ *Estimated total gross carrying amount excludes insured receivables*

Set out above is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

All trade receivables are provided for based on expected credit loss impairment method, determined predominantly by use of provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors, including, inflation, interest and exchange rates, state infrastructure spend, expected GDP growth and extended payment terms granted. It is the Group's policy to provide against receivables that are past due and not insured, which as a result of historical experience and circumstances surrounding individual receivables are not considered to be recoverable.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed. No one customer represents more than 5% of the total balance of trade receivables.

Credit risk management

Potential areas of credit risk consist of trade accounts receivable and short-term cash investments. Trade accounts receivable consist of a widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. Allowance is made for expected credit losses and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee or a bad debt provision. It is Group policy to deposit short-term cash investments with only the major banks.

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

24. Cash and cash equivalents	31 March 2019 R'000	31 March 2018 R'000
Bank and cash balances	**935,715**	1,017,335
Bank overdrafts	**(183,240)**	(170,417)
Total	**752,475**	846,918

No expected credit loss impairments have been recognised on the Group's bank and cash balances, as the Group banks with reputable financial institutions that have good credit ratings.

	31 March			
	Bank	**Trading**	Bank	Trading
	2019		2018	
Banking and trading facilities	**R'000**	**R'000**	R'000	R'000
Gross facility balances	**452,995**	**5,443,340**	297,117	5,413,013
Facilities utilised	**(277,584)**	**(3,305,687)**	(170,417)	(2,998,471)
Facilities available	**175,411**	**2,137,653**	126,700	2,414,542

These facilities are cancellable on notice being given by the facility provider.

These facilities are secured by cross-sureties provided by Group companies.

The directors are of the view that there are adequate facilities in place to operate for the next 12 months.

25. Share capital and premium	31 March 2019 R'000	31 March 2018 R'000
Authorised		
134 000 000 (2018: 134 000 000) ordinary shares of 5 cents each	**6,700**	6,700
Issued		
108 494 738 (2018: 108 494 738) ordinary shares of 5 cents each at the end of the year	**5,424**	5,424
Unissued shares		
The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Number of shares	**25,505**	25,505
Share premium		
The ordinary share premium	**2,653,151**	2,653,151
Treasury Shares		
1 541 823 (2018: 1 541 823) ordinary shares of 5 cents each	**(77)**	(77)
Share premium on 1 541 823 (2018: 1 541 823) ordinary shares	**(49,329)**	(49,329)
Values not derecognised as a result of the put option on the directors' loans*	**–**	(18,651)
Balance at 31 March 2019	**(49,406)**	(68,057)

* The directors' loan was settled during the current year and as a result the put option was derecognised.

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

		31 March	
		2019	2018
26.	**Ordinary dividends**	**R'000**	R'000
	Final		
	50 cents paid on 30 July 2018 (2018: 94,51 cents) to shareholders registered in the books of the Company on 27 July 2018	**54,247**	102,538
	Interim		
	50 cents paid on 10 December 2018 (2018: 68.64 cents) to shareholders registered in the books of the Company on 07 December 2018	**54,247**	74,471
	Special dividend		
	Dividends received on treasury shares	**(1,542)**	(2,515)
	Dividends distributed by The Humulani Employee Investment Trust	**2,568**	3,728
	Total	**109,520**	178,222

In light of the tax settlement and the resultant higher gearing in the group, the board has resolved not to declare a final dividend. It is anticipated that the normal dividend policy (of a total dividend cover ratio of 3.5 times at interim results adjustment to 2.75 times at year-end) will be resumed once cash flow and gearing permit

27.	**Preference shares**		
	Authorised		
	18 000 000 (2018: 18 000 000) cumulative, non-participating preference shares of no par value	**1,800,000**	1,800,000
	Issued		
	7 500 000 (2018: 7 500 000) cumulative, non-participating preference shares of R100 each	**750,000**	750,000

The Group has no contractual obligation to redeem the preference shares and dividends are only payable if declared by the Group and so these have been treated as equity.

Capital risk management

Capital is managed to ensure that operations are able to continue as a going concern, whilst maximising return to stakeholders through an appropriate debt and equity structure. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, preference shares and equity. Capital risk is continuously reviewed by the board and risks are mitigated accordingly.

	31 March	
	2019	2018
28. Long-term borrowings	**R'000**	R'000
Secured borrowings		
Mortgage bonds The mortgage bonds are measured at amortised cost and are repayable over 240 months. The mortgage bonds attract interest at a prime linked rate which varies between 9.15% and 10.5%. These bonds are secured by certain land and buildings as referred to in note 14.	**261,974**	117,273
Preference shares issued to Standard Bank The preference shares are measured at amortised cost and mature in April 2021 and have a dividend coupon rate of Jibar plus 1.08%. The dividends are payable semi-annually. R 300 million of preference shares were repaid during the current year. These preference shares are secured by cross-sureties provided by Group companies.	**450,000**	750,000
Short-term loan from Southchester RF Proprietary Limited The loan is measured at amortised cost and bears interest at three-month Jibar plus 0.90%. R278 million is repayable on 7 July 2019, R118 million is repayable on 26 August 2019 and R96 million is repayable on 20 September 2019. The loan is secured by an investment in FirstRand Bank listed bonds (refer to note 12).	**492,824**	183,482
Loans from DBS Bank and OCBC Bank The loans are measured at amortised cost and bear interest at an aggregate of the variable swap offer rate and the applicable margin rate which varies between 2.91% and 3.57% per annum. The loans are repayable in 20 quarterly instalments. The quarterly instalments commenced in March 2019 and will mature in March 2024. These loans are secured by property in Kian Ann Engineering (Pte) Ltd.	**263,025**	50,801
US Dollar loan from Standard Bank The loan is measured at amortised cost and bears interest at a rate of three month Libor plus 1.8%. The loan was repaid during February 2019 and a new loan was taken out with Standard bank and bears interest at a rate of three month Libor plus 2.3%. The new loan is repayable during February 2022. The loan is secured by cross-sureties provided by Group companies.	**361,898**	296,337
ABSA term loan The loan is measured at amortised cost and bears interest at a rate of three-month Jibar plus 2.10% and matures on 7 December 2020. An additional loan of R300 million was taken out during the 2019 financial year. The loan is secured by cross-sureties provided by Group companies.	**551,537**	251,843
Standard Bank term loan The loan is measured at amortised cost and consist of two separate loans. R150 million bears interest at a rate of three month Jibar plus 2.53% and matures in April 2021. R250 million bears interest at a rate of three month Jibar plus 2.25% and matures in December 2020. The loans are secured by cross-sureties provided by Group companies.	**404,286**	404,062
ABSA USD loan The loan is measure at amortised cost and bears interest at a rate of USD Libor plus 2.6% and matures on March 2020. The loan is secured by cross-sureties provided by Group companies.	**104,317**	85,272
Balance carried forward	**2,889,861**	2,139,070

	31 March	
	2019	2018
28. Long-term borrowings (continued)	**R'000**	R'000
Balance brought forward	**2,889,861**	2,139,070
Unsecured borrowings		
Other borrowings The amounts payable are measured at amortised cost and are unsecured, bear interest at a range of between 3.3% and 8.75% where applicable, and no fixed repayment terms have been set. The loans are long-term in nature and from a diverse range of lenders.	**46,788**	58,469
Trust receipts and bills payable Trust receipts and bills payable are measured at amortised cost and are unsecured, bear interest at a range of 1.68% to 4.06% per annum and have an average maturity of three months from the end of the reporting period.	**147,450**	122,049
Total borrowings	**3,084,099**	2,319,588
***Less*: Current portion of long-term borrowings disclosed in current liabilities**	**(812,241)**	(709,778)
Total long-term borrowings	**2,271,858**	1,609,810
Net carrying amount of borrowings are repayable as follows:		
On demand or within one year	**812,241**	709,778
In second to fifth year inclusive	**2,115,750**	1,547,281
After five years	**156,108**	62,530
Total	**3,084,099**	2,319,589
Unearned finance costs	**380,016**	229,304
Gross carrying amount of borrowings are repayable as follows:		
On demand or within one year	**1,228,425**	795,694
In second to fifth year inclusive	**2,049,719**	1,684,673
After five years	**185,971**	68,526
Total	**3,464,115**	2,548,893

There is no limit on the Group's borrowings and guarantees in terms of the Company's memorandum of incorporation.

Interest rate risk management

The Group is exposed to interest rate risk on its variable rate borrowings. The exposure to interest rate risk is managed using derivatives, where it is considered appropriate, and through a closely monitored cash management system. The impact of a change in the interest rate of 2% with all other variables held constant will have an effect of R62million (2018: R46million)

Liquidity risk management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Furthermore the Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

29. Finance lease liability

Due within one year	**85,844**	50,130
Due in the second to fifth years inclusive	**96,917**	40,680
	182,761	90,810
Unearned interest on finance leases	**(18,597)**	(7,267)
Net investment in finance lease	**164,164**	83,543
Net investment in finance leases can be analysed as follows:		
Due within one year	**68,787**	46,123
Due in the second to fifth years inclusive	**95,377**	37,420
Net investment in finance lease	**164,164**	83,543

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

	31 March	
	2019	2018
30. Trade and other payables	**R'000**	R'000
Trade payables	**1,539,349**	1,353,610
Other payables *	**361,079**	251,738
Deferred income	**2,303**	–
Forward exchange contract liability	**9**	31,112
Employee benefit liabilities	**55,537**	48,079
Total	**1,958,277**	1,684,539

** Other payables comprises VAT payable, accrued expenses and transport, commission and rebate accruals.*

The directors are of the opinion that trade and other payables approximate fair value. Foreign exchange contracts are measured at fair value based on the prevailing exchange rates at year end. Changes in fair value are recognised in profit and loss.

31. Provisions

Employee benefit provisions	**136,944**	165,107
Warranties and service provisions	**24,530**	13,085
Total	**161,474**	178,192
Movements in provisions		
Employee benefit provisions		
Balance at the beginning of the year	**165,107**	171,927
Charged to income	**133,195**	130,861
Utilised during the current year	**(164,275)**	(137,191)
Acquisition of subsidiaries	**436**	508
Foreign currency translation	**2,481**	–
Reclassified as liabilities directly associated with assets held for sale	**–**	(998)
Balance at the end of the year	**136,944**	165,107

The provisions for employee entitlements to wages and salaries represent the amount that the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates

Warranties and service provisions		
Balance at the beginning of the year	**13,085**	26,243
Charged to income	**27,128**	2,389
Utilised during the current year	**(15,805)**	(15,512)
Foreign currency translation	**122**	(35)
Balance at the end of the year	**24,530**	13,085

The provision has been recognised for expected warranty claims on certain products sold during the last 3 financial years. Management judgement is required to determine the value of the provision as the amount of the provision is uncertain, but a reasonable estimate has been made. The expected timing of the utilisation of the provision is uncertain, but it is estimated to be within the next 3 years. Due to the timing of the utilisation of this provision being uncertain, it has been classified as current.

32. Reconciliation of profit before taxation to cash generated from operations

	31 March 2019 R'000	31 March 2018 R'000
Profit before taxation	**614,452**	724,973
Adjusted for:		
Depreciation	**118,417**	109,980
Amortisation of intangible assets	**21,063**	74,276
Impairment of goodwill	**–**	4,767
Impairment of investment in associate	**2,849**	–
Exchange differences on translating capitalised loans	**3,979**	(2,923)
Value recognised as a result of the derecognition of the put option on directors' loans	**18,351**	–
Net profit on disposal of property, plant and equipment	**(7,286)**	(13,267)
Profit on disposal of investment in subsidiary	**(2,269)**	(24,440)
Loss on realisation of financial transaction	**–**	20,002
Gain on bargain purchase price recognised	**(10,377)**	–
Finance costs	**251,126**	977,487
Dividend received	**(2,915)**	(332,099)
Interest received	**(141,815)**	(509,700)
Reversal of share-based compensation liability	**(851)**	(4,592)
Share-based compensation expenses	**4,342**	2,558
Share of profits of associate	**(27,171)**	(13,593)
Share of profits of joint venture	**(11,630)**	–
Dividend received from associate	**4,623**	–
Elimination of unrealised profits/(losses) in associates and joint ventures	**2,046**	(64)
Cash generated before movements in working capital (carried forward)	**836,934**	1,013,365
Working capital changes:	**(291,872)**	(585,391)
Increase in inventories	**(298,211)**	(266,303)
Increase in trade and other receivables	**(101,418)**	(135,970)
Increase/(decrease) in trade and other payables and provisions	**100,744**	(161,779)
Increase in finance lease receivables*	**(73,608)**	(10,972)
Increase/(decrease) in finance lease liabilities*	**80,621**	(10,367)
Cash generated from operations	**545,062**	427,974

** The Group finances certain capital equipment transactions to customers at market related interest rates, resulting in the recognition of a finance lease receivable (refer to note 17). A proportion of these lease transactions are further discounted with the Group's external banking partners, resulting in the recognition of a finance lease liability (refer to note 29). The financed asset consequently serves as security for the lease transactions. As a result the cash flow implications are considered to be cash flows from operations. The prior year numbers have been re-presented to reflect this.*

Notes to the annual consolidated financial statements (continued)

for the year ended 31 March 2019

		31 March	
		2019	2018
33.	**Dividends paid to Group shareholders**	**R'000**	R'000
	Amounts unpaid at the beginning of the year	**(48,995)**	(54,353)
	Dividends paid	**(109,520)**	(178,222)
	Preference dividends accrued/paid	**(82,864)**	(84,057)
	Disposal of subsidiary	**–**	4,760
	Amounts unpaid at the end of the year	**47,263**	48,995
	Total	**(194,116)**	(262,877)

34.	**Taxation paid**		
	Amounts unpaid at the beginning of the year	**(557,934)**	(155,270)
	Acquisition of subsidiary	**(2,669)**	(45)
	Charged to the statement of comprehensive income	**(381,662)**	(563,477)
	Disposal of subsidiary	**–**	(2,348)
	Amounts unpaid at the end of the year	**329,288**	557,934
	Total	**(612,977)**	(163,206)
	Comprising of:		
	Payment of specific tax expense	**(450,000)**	–
	Normal tax paid	**(162,977)**	(163,206)
	Total	**(612,977)**	(163,206)

35.	**Net cash outflow on financial transaction**		
	Long term receivables		
	Serec Capital Proprietary Limited	**–**	2,211,574
	Pixiu Optimal Investments Proprietary Limited - Ordinary shares	**–**	1,642,381
	Financial investments		
	Gryphon Financial Engineering Proprietary Limited - preference shares	**–**	2,194,532
	Long term borrowings		
	Serec Capital Proprietary Limited loan	**–**	(3,822,040)
	Gryphon Financial Engineering Proprietary Limited and Pixiu Optimal Investments Proprietary Limited	**–**	(2,211,574)
	Loss on realisation of financial transaction	**–**	(20,002)
	Total	**–**	(5,129)

36. Disposal of subsidiaries

On 1 April 2018, the Group disposed of North American Tractor and Excavator Parts Inc. to Modesty Investments Holding Pte. Ltd, which is considered a related party in terms of IAS 24 - Related party disclosures.

On 30 September 2017, the Group disposed of the Building Supply Group Proprietary Limited and its subsidiaries ("BSG") to Steinhoff Doors and Building Materials Proprietary Limited, which is considered a related party in terms of IAS 24 - Related party disclosures.

	31 March	
	2019	2018
A summary of the financial impact of the disposal is disclosed below:	**R'000**	R'000
Fair value of net assets disposed of		
Property, plant and equipment	**1,724**	90,862
Goodwill	**–**	69,110
Other intangible assets	**7**	7,098
Deferred taxation	**–**	15,328
Inventories	**30,666**	460,715
Trade and other receivables	**4,536**	356,582
Taxation	**–**	2,348
Bank and cash	**3,231**	(177,270)
Long-term borrowings	**(792)**	(66,910)
Trade and other payables	**(34,305)**	(356,958)
Provisions	**–**	(2,659)
Shareholders for dividends	**–**	(4,760)
Current portion of long-term borrowings	**(379)**	(9,853)
Non-controlling interest	**–**	(81,567)
Fair value of net assets disposed of	**4,688**	302,066
Selling Price	**–**	326,506
Interest in joint venture acquired on disposal	**7,152**	–
Unrealised intergroup profit realised	**(195)**	–
Net asset value disposed	**(4,688)**	(302,066)
Profit on disposal of subsidiary	**2,269**	24,440
Fair value of net assets disposed of	**4,688**	302,066
Profit on disposal of subsidiary	**2,269**	24,440
Non cash proceeds	**(6,957)**	–
Bank and cash disposed	**(3,231)**	177,270
Total cash (outflow)/inflow on disposal	**(3,231)**	503,776

37. Acquisition of subsidiaries and businesses

The current year acquisitions detailed below were acquired by the Group, as they are complementary to existing segments in the Group, thus the board identified these operations based on their ability to assist the Group with its expansion and growth. The goodwill recognised is based on the final fair values of the assets and liabilities, including identifiable intangible assets at acquisition date. Goodwill arose on these acquisitions because the cost of these combinations included a control premium. In addition, the consideration paid for these combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Subsidiary or business	Acquisition type	Acquisition date	Purchase consideration
Forge Industrial Group	Acquisition of business assets and liabilities	3 September 2018	R175 Million
Rustenburg Engineering Group (Rustenburg Engineers and Foundry (Pty) Ltd and Joerg Foundry (Pty) Ltd)	100% of issued share capital	1 July 2018	R10 Million
Propshaft Rebuilders Group (Propshaft Rebuilders (Pty) Ltd)	100% of issued share capital	1 December 2018	R146 Million

	31 March			
	Propshaft Rebuilders Group	Rustenburg Engineering Group	Forge Industrial Group	Total
2019	**R'000**	**R'000**	**R'000**	**R'000**
Fair value of net assets acquired:				
Property, plant and equipment	3,554	8,748	8,541	20,843
Intangible assets	264	–	–	264
Bank and cash	4,414	1,157	10,783	16,354
Inventories	109,363	7,490	149,770	266,623
Trade and other receivables	51,467	19,680	49,673	120,820
Deferred taxation	240	515	300	1,055
Long-term borrowings	(1,230)	(932)	–	(2,162)
Trade and other payables	(21,991)	(16,043)	(42,836)	(80,870)
Provisions	–	–	(436)	(436)
Current portion of long-term borrowings	–	(356)	–	(356)
Taxation liabilities	(2,487)	(182)	–	(2,669)
Fair value of net assets acquired	**143,594**	**20,077**	**175,795**	**339,466**
Purchase price	145,677	10,000	175,495	331,172
Fair value of net assets acquired	(143,594)	(20,077)	(175,795)	(339,466)
Total goodwill	**2,083**	**–**	**–**	**2,083**
Total gain on bargain purchase price	**–**	**(10,077)**	**(300)**	**(10,377)**
Purchase price	145,677	10,000	175,495	331,172
Bank and cash acquired	(4,414)	(1,157)	(10,783)	(16,354)
Cash outflow on acquisitions of subsidiaries and businesses	**141,263**	**8,843**	**164,712**	**314,818**
Profit/(loss) after tax since acquisition date included in the consolidated results for the year	2,766	(3,378)	(18,920)	(19,532)
Revenue since acquisition date included in the consolidated results for the year	64,563	42,593	205,757	312,913
Profit/(loss) after tax should the business combinations have been included for the entire year	26,030	(1,802)	(25,735)	(1,507)
Revenue should the business combinations have been included for the entire year	204,156	41,349	327,078	572,583

37. Acquisition of subsidiaries and businesses (continued)

The acquisitions detailed below were acquired by the Group during the 2018 financial year:

Subsidiary or business	Acquisition type	Acquisition date	Purchase consideration
Fenner and ECS service operations agreement	Long term agreement and related assets	1 February 2018	R99 Million
Shamrock Handling Concepts Proprietary Limited	100% of issued share capital	2 January 2018	R8 Million

2018	Shamrock R'000	Fenner R'000	Total R'000
Fair value of net assets acquired:			
Property, plant and equipment	1,048	10,209	11,257
Intangible assets	1,544	25,962	27,506
Bank and cash	(187)	–	(187)
Inventories	13,370	12,393	25,763
Trade and other receivables	4,160	–	4,160
Deferred taxation	62	(7,269)	(7,207)
Long-term borrowings	(7,593)	–	(7,593)
Trade and other payables	(5,527)	(738)	(6,265)
Provisions	–	(508)	(508)
Current portion of long-term borrowings	(96)	–	(96)
Taxation liabilities	(45)	–	(45)
Fair value of net assets acquired	6,736	40,049	46,785
Purchase price	7,941	91,356	99,297
Fair value of net assets acquired	(6,736)	(40,049)	(46,785)
Total goodwill	1,205	51,307	52,512
Purchase price	7,941	91,356	99,297
Bank and cash acquired	187	–	187
Cash outflow on acquisitions of subsidiaries and businesses	8,128	91,356	99,484
Profit/(loss) after tax since acquisition date included in the consolidated results for the year	(301)	242	(59)
Revenue since acquisition date included in the consolidated results for ..	5,977	5,332	11,309
Profit/(loss) after tax should the business combinations have been included for the entire year	587	8,580	9,167
Revenue should the business combinations have been included for the	31,269	410,000	441,269

38. Directors' emoluments

	31 March					
	Directors' fees	Audit and Remuneration Committee fees	Salary and benefits	Retirement benefits	Performance related remuneration	Total
2019	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Executive directors *						
A. Goldstone	–	–	**4,952**	**466**	–	**5,418**
C. Barnard	–	–	**3,183**	**325**	–	**3,508**
A.M. Sinclair	–	–	**3,922**	**278**	–	**4,200**
GM. Pelser	–	–	**3,860**	**372**	–	**4,232**
N. Rajmohamed **	–	–	**2,273**	**167**	–	**2,440**
	–	–	**18,190**	**1,608**	–	**19,798**
Non-executive						
C.H. Wiese	**860**	**30**	–	–	–	**890**
D.I. Samuels	**73**	**206**	–	–	–	**279**
J.D. Wiese	**109**	–	–	–	–	**109**
L.R. Sherrell	**109**	–	–	–	–	**109**
R.A. Wally	**179**	**158**	–	–	–	**337**
R. Naidoo ***	–	–	–	–	–	–
B. Nichles	**109**	–	–	–	–	**109**
	1,439	**394**	–	–	–	**1,833**
Total	**1,439**	**394**	**18,190**	**1,608**	–	**21,631**

** The directors' emoluments paid to the executive directors are paid by a subsidiary of Invicta Holdings Limited.*
*** N Rajmohamed was appointed as an executive director with effect from 1 July 2018.*
**** R Naidoo resigned as a non-executive director with effect from 25 September 2018.*

2018						
Executive directors *						
A. Goldstone	–	–	4,724	436	3,600	8,760
C. Barnard	–	–	3,000	332	2,228	5,560
A.M. Sinclair	–	–	3,710	290	3,040	7,040
G.M. Pelser **	–	–	3,709	327	1,800	5,836
	–	–	15,143	1,385	10,668	27,196
Non-executive						
C.H. Wiese	880	28	–	–	–	908
D.I. Samuels	68	195	–	–	–	263
J.D. Wiese	137	–	–	–	–	137
L.R. Sherrell	103	–	–	–	–	103
R.A. Wally	137	229	–	–	–	366
R. Naidoo	103	172	–	–	–	275
B. Nichles	137	–	–	–	–	137
	1,565	624	–	–	–	2,189
Total	1,565	624	15,143	1,385	10,668	29,385

** The directors' emoluments paid to the executive directors are paid by a subsidiary of Invicta Holdings Limited.*
*** GM Pelser was appointed as an executive director with effect from 7 September 2017.*

Notes to the annual consolidated financial statements (continued)

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38. Directors' emoluments

2019	Outstanding rights beginning of year	Strike price	Granted during the year	Lapsed and cancelled during the year	Taken up during the year	Outstanding rights end of year	Date granted/ adjusted	Option value - Black Scholes (Rands)
	31 March							
A Goldstone	**475,146**		**258,126**	**241,064**	**–**	**492,208**		
	146,340	**66.14**	**–**	**146,340**	**–**	**–**	**11 Jun 12**	**4.07**
Adjusted*	**47,127**	**(16.11)**	**–**	**47,127**	**–**	**–**	**23 Jan 15**	**4.07**
	35,948	**120.93**	**–**	**35,948**	**–**	**–**	**13 Mar 14**	**0.46**
Adjusted*	**11,649**	**(29.46)**	**–**	**11,649**	**–**	**–**	**23 Jan 15**	**0.46**
	234,082	**54.30**	**–**	**–**	**–**	**234,082**	**27 Jun 17**	**16.02**
	–	**37.90**	**258,126**	**–**	**–**	**258,126**	**25 Jun 18**	**10.46**
C Barnard	**200,368**		**141,969**	**44,313**	**–**	**298,024**		
	33,467	**120.93**	**–**	**33,467**	**–**	**–**	**13 Mar 14**	**0.46**
Adjusted*	**10,846**	**(29.46)**	**–**	**10,846**	**–**	**–**	**23 Jan 15**	**0.46**
	156,055	**54.30**	**–**	**–**	**–**	**156,055**	**27 Jun 17**	**16.02**
	–	**37.90**	**141,969**	**–**	**–**	**141,969**	**25 Jun 18**	**10.46**
AM Sinclair	**211,374**		**217,973**	**45,956**	**–**	**383,391**		
	34,708	**120.93**	**–**	**34,708**	**–**	**–**	**13 Mar 14**	**0.46**
Adjusted*	**11,248**	**(29.46)**	**–**	**11,248**	**–**	**–**	**23 Jan 15**	**0.46**
	165,418	**54.30**	**–**	**–**	**–**	**165,418**	**27 Jun 17**	**16.02**
	–	**37.90**	**217,973**	**–**	**–**	**217,973**	**25 Jun 18**	**10.46**
N Rajmohamed**	**–**		**75,834**	**–**	**–**	**75,834**		
	–	**35.82**	**75,834**	**–**	**–**	**75,834**	**06 Jul 18**	**9.89**
GM Pelser	**124,844**		**143,403**	**–**	**–**	**268,247**		
	124,844	**54.30**	**–**	**–**	**–**	**124,844**	**27 Jun 17**	**16.02**

** The spot price and number of incentives had been adjusted to account for the effect of the special dividend declared and the rights offer in 2015.*

*** N Rajmohamed was appointed as an executive director with effect from 1 July 2018.*

There were no share appreciation rights exercised by the directors in 2019 (2018: nil).

2018	Outstanding rights beginning of year	Strike price	Granted during the year	Lapsed and cancelled during the year	Taken up during the year	Outstanding rights end of year	Date granted/ adjusted	Option value - Black Scholes (Rands)
	31 March							
A Goldstone	288,660		234,082	47,596	–	475,146		
	146,340	66.14	–	–	–	146,340	11 Jun 12	4.07
Adjusted*	47,127	(16.11)	–	–	–	47,127	23 Jan 15	4.07
	72,005	120.93	–	36,057	–	35,948	13 Mar 14	0.46
Adjusted*	23,188	(29.46)	–	11,539	–	11,649	23 Jan 15	0.46
	–	54.30	234,082	–	–	234,082	27 Jun 17	16.02
C Barnard	88,628		156,055	44,315	–	200,368		
	67,039	120.93	–	33,572	–	33,467	13 Mar 14	0.46
Adjusted*	21,589	(29.46)	–	10,743	–	10,846	23 Jan 15	0.46
	–	54.30	156,055	–	–	156,055	27 Jun 17	16.02
AM Sinclair	91,911		165,418	45,955	–	211,374		
	69,522	120.93	–	34,814	–	34,708	13 Mar 14	0.46
Adjusted*	22,389	(29.46)	–	11,141	–	11,248	23 Jan 15	0.46
	–	54.30	165,418	–	–	165,418	27 Jun 17	16.02
GM Pelser**	–		124,844	–	–	124,844		
	–	54.30	124,844	–	–	124,844	27 Jun 17	16.02

** The spot price and number of incentives had been adjusted to account for the effect of the special dividend declared and the rights offer in 2015.*

*** GM Pelser was appointed as an executive director with effect from 7 September 2017.*

38. Directors' emoluments (continued)

	31 March			
	Number of Incentives	Weighted average incentive rights cost (Black Scholes) Rand	Number of Incentives	Weighted average incentive rights cost (Black Scholes) Rand
		2019		2018
Outstanding at the beginning of the year	1,011,732	–	469,199	–
Awarded during the year	837,305	10.41	680,399	16
Lapsed and cancelled during the year	(331,333)	–	(137,866)	–
Outstanding at the end of the year	1,517,704	–	1,011,732	–

	Tranche 9	Tranche 10	Tranche 13	Tranche 14	Tranche 15
Number of grants	193,467	565,486	680,399	761,471	75,834
Cancelled	(193,467)	(565,486)	–	–	–
Grant date	11 Jun 12	13 Mar 14	27 Jun 17	25 Jun 18	06 Jul 18
Grant price	R 64.37	R 120.93	R 54.30	R 37.90	R 35.82
Adjusted grant price *	R 50.03	R 91.47	N/A	N/A	N/A
Option value - Black Scholes	R 10.16	R 0.46	R 16.02	R 10.46	R 9.89

	3 years	3 years	3 years	3 years	3 years
	%	%	%	%	%
Expected volatility (daily)	2,1	2,1	2,3	2,1	2,1
Dividend yield	3,1	3,1	3,0	3,1	3,1
Risk free rate	7,0	7,0	7,5	7,9	7,8

Tranche 9 and 10 of the incentives were cash-settled, whilst tranche's 13, 14 and 15 of the incentives awarded are equity-settled.

39. Directors' interest in the shares of the Company

	31 March			
	Direct interest	Indirect interest	Direct interest	Indirect interest
	Number of shares held 2019		Number of shares held 2018*	
Ordinary shares				
C. Barnard	–	511,536	–	561,536
A. Goldstone	262,281	2,925,078	262,281	4,060,016
D.I. Samuels	1,061,876	1,105,233	382,000	2,153,743
L.R. Sherrell	30,801	7,612,723	30,801	7,612,723
A.M. Sinclair	598,956	–	598,956	–
J.D. Wiese	–	150,000	–	150,000
G.M. Pelser	65,536	–	65,536	–
C.H. Wiese	–	40,765,697	–	40,765,697
Preference shares				
C. Barnard	–	10,750	–	10,750
A. Goldstone	–	441,399	–	441,399
A.M. Sinclair	10,000	–	10,000	–
J.D. Wiese	–	611,800	–	581,800
C.H. Wiese	–	1,381,598	–	1,381,598

* LR Sherrell - disposal of 500 000 contracts for difference ('CFD's') should not have been deducted from the indirect interest held in 2018, the indirect interest has therefore been reinstated.

On 26 June 2019, A Goldstone sold 1,541,531 ordinary shares (indirect interest) to CH Wiese and JD Wiese (indirect interest), refer to the SENS announcement on 28 June 2019 for the details of the share transaction. There have been no further changes in directors' shareholding between 31 March 2019 and the date of this Report.

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40. Commitments	31 March 2019 R'000	2018 R'000
Commitments in respect of unexpired rental agreements for premises:		
– Payable within 1 year	**106,924**	79,234
– Payable within 2 to 5 years	**154,509**	129,899
– Payable within more than 5 years	**168,486**	142,026
Total	**429,919**	351,159
Commitments in respect of unexpired rental agreements for motor vehicles:		
– Payable within 1 year	**32,205**	28,732
– Payable within 2 to 5 years	**45,135**	41,033
– Payable within more than 5 years	**–**	228
Total	**77,340**	69,993
Commitments in respect of unexpired rental agreements for office equipment:		
– Payable within 1 year	**4,888**	2,660
– Payable within 2 to 5 years	**5,191**	4,283
– Payable within more than 5 years	**4**	–
Total	**10,083**	6,943
Commitments in respect of contracted capital expenditure	**45,182**	20,568

Expenditure will be financed from existing cash facilities.

41. Financial risk management

The Group is considered to be exposed to interest rate, credit, liquidity and foreign currency risk. Interest rate, credit and liquidity risk have been disclosed in notes 23 and 28.

Foreign currency risk management

The majority of the Group's monetary assets and liabilities are denominated in South African Rand. The Kian Ann Group monetary assets and liabilities are denominated in Singapore Dollar. There are investment holding companies in Mauritius that are denominated in US dollar, together with the assets and liabilities of the BMG foreign entities which are denominated in various foreign currencies.

	31 March				
	ZAR	SGD	USD	Other	Total
2019	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Foreign currency monetary assets and liabilities					
Total assets	**8,411,988**	**2,382,012**	**74,036**	**404,166**	**11,272,202**
Total liabilities	**(4,746,721)**	**(746,422)**	**(481,830)**	**(115,173)**	**(6,090,146)**
Total	**3,665,267**	**1,635,590**	**(407,794)**	**288,993**	**5,182,056**

The companies in US dollar includes an investment holding company where investments have been eliminated to show the Group's true exposure to foreign currency.

The following table details the Group's sensitivity to a reasonable increase or decrease in South African Rand against the Singapore Dollar, at the reporting date, on the profit for the year of the Group's major foreign operation.

	31 March					
	Value in foreign currency	Spot rate at year-end	Increase in foreign currency rate	Effect on profit before tax	Decrease in foreign currency rate	Effect on profit before tax
	SGD'000	SGD to ZAR	%	R'000	%	R'000
2019						
Profit before tax	**13,649**	**10.69**	**10.00%**	**14,590**	**(10.00%)**	**(14,590)**
2018						
Profit before tax	11,290	9.03	10.00%	10,199	(10.00%)	(10,199)

41. Financial risk management (continued)

The Group utilises currency derivatives to eliminate or reduce the exposure to its foreign currency denominated assets and liabilities, and to hedge future transactions. The Group has entered into certain forward exchange contracts in various currencies which will be utilised for the settlement of orders placed on suppliers and which are due for payment in the coming year. It is the Group's policy not to speculate in foreign exchange contracts.

At year-end, open forward exchange contracts are marked-to-market and the profits and losses arising on the contracts are recognised in the consolidated statement of profit or loss and other comprehensive income. The estimated net fair values have been determined at the year-end, using available market information and appropriate valuation methodologies.

The forward exchange contracts in place at the year-end to cover current and future inventory purchases, are as follows:

	31 March		
	Foreign currency	Average exchange rate	ZAR
	'000		R'000
2019			
US Dollar	**20,931**	**14.5453**	**304,448**
Euro	**5,850**	**16.3568**	**95,687**
Yen*	**282,338**	**7.5500**	**37,396**
British Pound	**674**	**19.0356**	**12,830**
2018			
US Dollar	20,249	11.9244	241,458
Euro	7,731	14.7676	114,168
Yen*	436,596	8.8502	49,332
British Pound	519	16.7823	8,710

*The contract price is quoted as ZAR to Yen, whereas all others are quoted foreign currency to ZAR.

The Group is mainly exposed to foreign currencies in US Dollar, Euro, Yen and British Pounds and uses Forward Foreign Exchange Contracts ("FEC's") to cover specific foreign currency exposures.

The following table details the Group's sensitivity to a reasonable increase or decrease in ZAR against the relevant foreign currencies as at the reporting date. The percentages used below represent management's assessment of the reasonably possible change in foreign exchange rates, based on historical volatilities of these currencies. The sensitivity analysis includes only outstanding FEC's as at the reporting date. A positive number below indicates an increase in profit where the ZAR strengthens by the percentages below against the relevant currency. For a weakening of the ZAR by the percentages below against the relevant currency, there would be a comparable impact on the profit, and the balances would be negative. The impact on the Group's equity is not provided as the FECs are not designated as hedging instruments in a cash flow hedge.

	31 March			
	Value in foreign currency	Spot rate at year-end	Change in foreign currency rate	Effect on profit before tax
2019	**R'000**	**ZAR**	**%**	**R'000**
US Dollar	**304,448**	**14.39**	**22%**	**66,979**
Euro	**95,687**	**16.26**	**12%**	**11,482**
Yen	**37,396**	**7.65**	**(15%)**	**(5,609)**
British Pound	**12,830**	**18.94**	**14%**	**1,796**
2018				
US Dollar	241,458	11.84	(12%)	(28,975)
Euro	114,168	14.58	2%	2,283
Yen	49,332	8.98	6%	2,960
British Pound	8,710	16.64	(1%)	(87)

41. Financial risk management (continued)

Fair value disclosure

The following is an analysis of the financial instruments that are measured subsequent to initial recognition at fair value. They are grouped into levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities

Level 2 – fair value is determined using directly observable inputs other than Level 1 inputs

Level 3 – fair value is determined on inputs not based on observable market data

	31 March				
	Balance at year-end	Valuation technique(s) and key inputs			
2019	**R'000**		**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value					
FirstRand Bank Bonds	**593,208**	**2**	**–**	**593,208**	**–**
Forward exchange contract asset	**8,127**	**2**	**–**	**8,127**	**–**
Financial liabilities at fair value					
Other financial liabilities	**79,890**	**3**	**–**	**–**	**79,890**
Foreign exchange contract liability	**9**	**2**	**–**	**9**	**–**
2018					
Financial assets at fair value					
FirstRand Bank Bonds	588,241	2	–	588,241	–
Forward exchange contract asset	144	2	–	144	–
Financial liabilities at fair value					
Other financial liabilities	76,819	3	–	–	76,819
Forward exchange contract liability	31,112	2	–	31,112	–

Valuation technique(s) and key inputs

1. Quoted price.

2.Expected settlement value

3.Discounted cash flow

There have been transfers between the level 1 to 2 during the financial year disclosed.

42. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the Group, is set out below:

	31 March	
	2019	2018
	R'000	R'000
Salary and benefits	**65,437**	62,453
Retirement benefits	**4,250**	3,775
Total	**69,687**	66,228

* salary and benefits includes basic, fringe benefits and performance related remuneration.

** retirement benefits comprise the company contributions to employee retirement funds.

Refer to note 38 for the details of the director's remuneration, which has not been disclosed above.

Loan to director

In 2011 a loan was made to a director, this loan was settled during the current year. Please refer to note 18.

Sale of subsidiary to a related party

In the prior year a subsidiary was sold to a company which is considered a related party in terms of IAS 24 - Related party disclosures. Please refer to note 36.

43. Restatement

We have reconsidered our accounting with respect to the reacquired agency rights and related contracts, as well as the amortisation period of other intangible assets. The reassessed accounting for the contracts resulted in the recognition of current liabilities which were previously considered to be discretionary and partly net accounted in receivables. Previously the reacquired agency rights were amortised over a period of 15 years, whilst certain distribution agreements, trademarks and brands and contractual and non-contractual customer relationships where amortised over a period of 10-27 years. The Group's accounting policy prescribes that the reacquired agency rights should be amortised over the remaining contract period and distribution agreements, trademark and brands and contractual and non-contractual customer relationships over a period of 5-7 years.

We have amended the application of the amortisation period for the Group's other intangible assets in line with management's estimation of expected useful lives of the intangible assets and the Group's accounting policy. The errors have been corrected in accordance with "IAS 8: Accounting policies, changes in accounting estimates and errors". There were no deferred taxation implication. The correction to the accounting treatment is effective for the year ended 31 march 2019 and has been applied retrospectively. This has therefore resulted in a restatement of the comparative 2018 and 2017 periods.

The aggregate effect of the restatement for these periods is as follows:

		31 March	
	As previously reported	Restatement adjustments	As restated
2018	**R'000**	**R'000**	**R'000**
Statement of financial position			
Non-current assets			
Other intangible assets	174,780	(120,698)	54,082
Computer software	13,151	–	13,151
Reacquired agency rights	71,816	(63,315)	8,501
Distribution agreements	19,754	(2,723)	17,031
Trademarks and brands	4,515	(3,985)	530
Contractual and non-contractual customer relationships	65,544	(50,675)	14,869
Current assets			
Trade and other receivables	1,620,016	(14,555)	1,605,461
Capital and reserves			
Retained earnings	1,635,776	(215,787)	1,419,989
Foreign currency translation reserve	113,399	3,715	117,114
Current liabilities			
Current portion of financial liabilities	–	76,819	76,819
Statement of comprehensive income			
Selling, administration and distribution costs*	(2,093,325)	(42,677)	(2,136,002)
Other note disclosure			
Basic earnings per share (cents)	118	(40)	78
Diluted earnings per share (cents)	118	(40)	78
Headline earnings per share (cents)	98	(40)	58
Diluted headline earnings per share (cents)	98	(40)	58
Business segment information			
Operating Profit before interest on financing transactions and foreign exchange movements			
Corporate	17,451	(42,677)	(25,226)
Segment assets			
Engineering Solutions	3,135,526	(63,315)	3,072,211
Capital Equipment	3,846,958	(71,938)	3,775,020
Segment liabilities			
Engineering Solutions	814,839	76,819	891,658

43. Restatement (continued)

2017	31 March As previously reported R'000	Restatement adjustments R'000	As restated R'000
Statement of financial position			
Non-current assets			
Other intangible assets	160,721	(99,415)	61,306
Computer software	21,904	–	21,904
Reacquired agency rights	59,738	(51,464)	8,274
Distribution agreements	5,734	(2,218)	3,516
Trademarks and brands	5,649	(3,375)	2,274
Contractual and non-contractual customer relationships	67,696	(42,358)	25,338
Current assets			
Trade and other receivables	1,541,960	(14,555)	1,527,405
Capital and reserves			
Retained earnings	1,730,052	(173,110)	1,556,942
Foreign currency translation reserve	183,781	(221)	183,560
Current liabilities			
Current portion of financial liabilities	–	59,361	59,361

* The previously reported results are presented after the representation of the discontinued operation, refer to note 11 for further detail.

44. Events after the reporting period

The disposal of the Building Supply Group Proprietary Limited ("BSG") and its subsidiaries during the year ended 31 March 2018 for proceeds of R645 million contained a potential further adjustment to the proceeds of up to 60% of R84 million, up or down, based on the EBITDA of BSG from its audited annual consolidated financial statements for the year ended 30 September 2018. At 31 March 2019 the Group recognised a provision of R48 million based on the estimated EBITDA shortfall. This liability was confirmed in a signed settlement agreement on 28 June 2019.

Shareholder Information

Shareholder information

for the year ended 31 March 2019

Ordinary shareholder analysis

	31 March			
Shareholder Spread	**Number of Shareholdings**	**%**	**Number of Shares**	**%**
1 - 1 000 shares	1,743	63.47	482,846	0.45
1 001 - 10 000 shares	734	26.73	2,295,639	2.12
10 001 - 100 000 shares	168	6.12	5,365,135	4.95
100 001 - 1 000 000 shares	77	2.80	25,368,379	23.38
1 000 001 shares and over	24	0.88	74,982,739	69.10
Totals	**2,746**	**100.00**	**108,494,738**	**100.00**
Distribution of shareholders				
Banks/brokers	55	2.00	7,552,008	6.96
Close corporations	31	1.13	105,666	0.10
Endowment funds	12	0.44	474,944	0.44
Individuals	2,064	75.16	9,958,685	9.18
Insurance companies	19	0.69	662,266	0.61
Investment companies	1	0.04	200,199	0.18
Medical schemes	2	0.07	22,590	0.02
Mutual funds	82	2.99	25,060,065	23.10
Other corporations	18	0.66	79,884	0.07
Private companies	105	3.82	47,778,742	44.04
Public company	1	0.04	13,940	0.01
Retirement funds	100	3.64	6,333,367	5.84
Treasury shares	2	0.07	1,541,823	1.42
Trusts	254	9.25	8,710,559	8.03
Totals	**2,746**	**100.00**	**108,494,738**	**100.00**
Public / Non-public shareholders				
Non-public shareholders	**42**	**1.53**	**56,631,540**	**52.20**
Directors and associates of the company holdings	40	1.46	55,089,717	50.78
Treasury stock	2	0.07	1,541,823	1.42
Public shareholders	**2,704**	**98.47**	**51,863,198**	**47.80**
Totals	**2,746**	**100.00**	**108,494,738**	**100.00**
Beneficial shareholders holding 3% or more				
Wiese, CH			40,765,697	37.57
Foord			8,414,001	7.76
PSG Konsult			8,349,485	7.70
The Sherrell Family			7,643,524	7.05
Government Employees Pension Fund			3,512,093	3.24
Goldstone, A			3,187,359	2.94
Totals			**71,872,159**	**66.26**

Shareholder information

for the year ended 31 March 2019

Preference shareholder analysis

	31 March			
Shareholder spread	**Number of Shareholdings**	**%**	**Number of Shares**	**%**
1 - 1 000 shares	419	46.40	215,826	2.88
1 001 - 10 000 shares	402	44.52	1,317,881	17.57
10 001 - 100 000 shares	70	7.75	2,083,630	27.78
100 001 - 1 000 000 shares	11	1.22	2,593,800	34.58
1 000 001 shares and over	1	0.11	1,288,863	17.19
Totals	**903**	**100.00**	**7,500,000**	**100.00**
Distribution of shareholders				
Banks/Brokers	8	0.89	74,996	1.00
Close Corporations	16	1.77	296,772	3.96
Endowment Funds	14	1.55	171,673	2.29
Individuals	616	68.23	1,494,076	19.92
Insurance Companies	3	0.33	331,386	4.42
Mutual Funds	26	2.88	1,272,854	16.99
Other Corporations	10	1.11	38,724	0.52
Private Companies	51	5.65	3,273,196	43.64
Retirement Funds	3	0.33	5,159	0.07
Trusts	156	17.28	541,164	7.22
Totals	**903**	**100.02**	**7,500,000**	**100.03**
Public / Non-public shareholders				
Non-public shareholders	**7**	**0.78**	**2,455,547**	**32.74**
Directors and Associates of the Company holdings	7	0.78	2,455,547	32.74
Public shareholders	**896**	**99.22**	**5,044,453**	**67.26**
Totals	**903**	**100.00**	**7,500,000**	**100.00**
Beneficial shareholders holding 3% or more				
Wiese, CH			1,381,598	18.42
Wiese, JD			611,800	8.16
Nedbank Group			534,603	7.13
Goldstone, A			441,399	5.89
Odendaal,R (Rula Bulk Materials Handling (Pty) Ltd)			289,050	3.85
Sanlam			246,311	3.28
Totals			**3,504,761**	**46.73**