# TRELLIDOR HOLDINGS LIMITED

Annual Financial Statements For The Year Ended
**30 JUNE 2019**

THE TRELLIDOR GROUP

TRELLIDOR THE ULTIMATE CRIME BARRIER

TAYLOR BLINDS & SHUTTERS Est.1959

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# GENERAL INFORMATION

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

# CONTENTS

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

# AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

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

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

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

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

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

## 1. MEMBERSHIP

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

At the date of this report, the committee comprised the following directors:

| DIRECTOR | PERIOD SERVED |
|---|---|
| RB Patmore (Chairman) | 28 October 2015 - current |
| JB Winship | 28 October 2015 - current |
| MC Olivier | 28 October 2015 - current |

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

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

## 2. MEETINGS

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

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

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

The effectiveness of the committee is assessed annually by the board. It was found that the committee has duly completed and discharged all its responsibilities during the year in accordance with its written terms of reference.

## 3. RESPONSIBILITIES

In the execution of its statutory duties relating to the financial year under review, the committee:

- Reviewed the principles, policies and practices adopted in the preparation of the financial statements of the group to ensure that the financial statements of the group and any other formal announcements relating to the financial performance complied with all statutory and regulatory requirements as was required;
- Ensured that both the consolidated interim and consolidated final financial statements of the group, in respect of the first six-month period and the full financial period respectively, complied with all statutory and regulatory requirements;
- Nominated and recommended the appointment of the external auditors Mazars to the shareholders at the Annual General Meeting;
- Determined the auditor's terms of engagement, confirmed their independence, and approved their fees;

# AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

- Reviewed the group's compliance with applicable legislation and requirements of regulatory authorities;
- Reviewed the reports of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating compliance and risk management controls;
- Determined the nature and extent of any non-audit services performed by the external auditors and ensured that these were kept to a minimum;

- Pre-approved any proposed agreement with the auditors for the provision of non-audit services to the company or group;
- Received and dealt appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, in relation to the matters as set out in the Companies Act;
- Performed duties that are attributed to it by its mandate from the board, the Companies Act, the JSE Limited and regulatory requirements;
- Considered the JSE's proactive monitoring report as issued in February 2019 and the possible impact on the annual financial statements;
- Reviewed the first-time adoption of IFRS 9 and 15 and assessed the impact on the group;
- Approved materiality for the group consolidated financial statements in terms of IFRS Practice Statement 2 - Making Materiality Judgements;
- Considered proposed changes to the Companies Act, JSE Listings Requirements and King IV.

In addition to its statutory duties, the committee also performed the following duties:

- Reviewed and approved the group's Internal Audit Charter;
- Reviewed the scope and report provided by the internal auditors;
- Reviewed the effectiveness of the internal financial controls;
- Reviewed the expertise and experience of the CFO, and the finance function;
- Reviewed the group's going concern status.

The committee is satisfied that the internal controls are effective.

## 4. RISK MANAGEMENT

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

The committee has performed the following duties:

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

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

## 5. EXTERNAL AUDITOR

In the execution of its statutory duties relating to the financial year under review, the committee has:

- Nominated and recommended Mazars for re-election as the independent external auditor of the company under section 94(8) of the Companies Act and Tertius Erasmus as the designated audit partner, who is a registered independent auditor, for the 2019 audit.
- The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession;
- Taken into consideration such factors as the timing of the audit, the extent of the work required and the scope and in consultation with executive management agreed the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2019. The committee considered the fee to be fair and appropriate;
- Considered and approved the external audit fee;
- Satisfied itself that the external auditor is suitable for reappointment by considering, inter alia the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- Ensured that the appointment of the auditors complied with the provision of the Companies Act, and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of any non-audit services that the auditors may provide to the company or group and pre-approved any proposed agreement with the auditors for the provision of non-audit services to the company or group; so as to ensure the independence of the external auditor is maintained. Separate disclosures have been made of the amounts paid to the appointed external auditors for non-audit services as opposed to audit services;
- Prepared a report, which has been included in the annual financial statements of the company for the financial year under review; received and dealt appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, in relation to the matters as set out in the Companies Act; and

# AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

- Made submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.
- Based on processes followed by the committee and assurances received from the external auditor, nothing has come to our attention with regard to the independence of the external auditors.
- The committee has requested that they be provided with any decision letters/ explanations issued by IRBA or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by the audit firm. There were no matters pertaining to the group that were raised by IRBA or any other regulator.
- The external auditors presented the committee with their audit findings, with no significant matters having been identified.

The committee follows a comprehensive process to discuss and assess all audit findings.

## 6. INTERNAL AUDIT

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

## 7. ANNUAL FINANCIAL STATEMENTS

The committee has reviewed the consolidated and separate financial statements of the group for the financial year ended 30 June 2019, and is satisfied that they comply, in all material aspects, with the requirements of the Companies Act, International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretation Committee ('IFRIC') interpretations, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listing Requirements of the JSE Limited.

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

## 8. CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The external auditor has expressed an unqualified opinion on the financial statements for the year ended 30 June 2019.

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

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

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

## 9. REGULATORY COMPLIANCE

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

## 10. GOING CONCERN

The committee through its review of the 2020 budget, cash flows, and discussions with executive management reported to the board that it supports management's view that the group will continue to operate as a going concern for the foreseeable future.

## 11. INTEGRATED ANNUAL REPORT

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

RB Patmore
Audit, Risk and Compliance Committee Chariman
Durban
9 September 2019

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

The annual financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the group and company's cash flow forecast for the year to 30 June 2020 and, in light of this review and the current financial position, they are satisfied that the group and company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group and company's annual financial statements. The annual financial statements have been examined by the group and company's external auditor and their report is presented on pages 9 to 12.

The annual financial statements set out on pages 14 to 64, which have been prepared on the going concern basis, were approved by the board of directors on 9 September 2019 and were signed on their behalf.

TM Dennison

DJR Judge

# GROUP AND COMPANY SECRETARY'S CERTIFICATION

Declaration by the Group And Company secretary in respect of Section 88(2)(e) of the Companies Act of South Africa

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

P Nel
Company Secretary Durban
9 September 2019

MAZARS

# Independent Auditor's Report

To the shareholders of Trellidor Holdings Limited

## Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of Trellidor Holdings Limited (the group) set out on pages 17 to 64, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group 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 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 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 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter relates to the consolidated and separate financial statements.

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

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

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## Independent Auditor's Report (continued)

| Key Audit Matter<br>Valuation of goodwill and intangible assets (notes 6&7). | How our audit addressed the key audit matter<br>Our procedures included the following: |
|---|---|
| Goodwill and Intangible assets comprises of 31% of the total assets in the statement of financial position.<br><br>As required by the applicable standards, management conduct an annual impairment tests to assess the recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life. Impairment tests on intangible assets with a definite useful life are assessed where indicators of impairment are identified.<br><br>Management's assessment process is complex, highly judgemental and is based on assumptions which are affected by future market expectations and economic conditions.<br><br>The impairment tests include:<br><br>• Goodwill: A discounted cash flow model to determine the value in use for each appropriate cash generating unit;<br>• Taylor Blinds and Shutters Brand Name: The Relief from Royalty Method; and<br>• The Customer Database: A discounted cash flow model to determine the value in use for each appropriate cash generating unit.<br><br>The impairment tests incorporate a number of assumptions including:<br><br>• Growth rates; and<br>• Discount rates applied to the projected cash flows.<br><br>The growth rates have differing degrees of predictability. The current economic climate also increases the complexity of the forecasting.<br><br>The impairment tests performed on goodwill and the intangible assets is considered to be a key audit matter due the extent of judgement and estimation involved. | We assessed, with the assistance of an auditor's expert, the appropriateness of the models used in terms of the financial reporting framework, in determining the value in use of the cash generating units including the discount and growth rates used.<br><br>A sensitivity analysis was performed around the key assumptions used in the valuation models.<br><br>We assessed, with the assistance of an auditor's expert, the future projections used in the models for reasonability by:<br><br>• Comparing forecasted information to approved budgets and other relevant market and economic information;<br>• Assessing the reliability of the budgeting process by comparing the actual results for 2019 to budgets;<br>• Assessing the assumptions and estimates used by management in the valuations against supporting documentation; and<br>• Testing the underlying calculations.<br><br>We assessed whether reliance could be placed on the work performed by the auditor's expert by assessing the qualifications, experience and objectivity of the expert. |

Having performed our audit procedures and evaluated the outcomes we found that the possibility of any material adjustment due to impairment of goodwill and intangible assets is low.

# Independent Auditor's Report (continued)

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled Trellidor Holdings Limited Annual Financial Statements for the year ended 30 June 2019, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certification as required by the Companies Act of South Africa of South Africa, and the Shareholders Analysis which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

## Responsibilities of the directors for the Consolidated and Separate Financial Statements

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

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

## Auditor's responsibilities for the audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual 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 and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report (continued)

**Auditor's responsibilities for the audit of the Consolidated and Separate Financial Statements (continued)**

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

**Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Trellidor Holdings Limited for 13 years.

Mazars

Mazars
Partner: T Erasmus
Registered Auditor
9 September 2019
Durban

Nexia
Levitt Kirson
CHARTERED ACCOUNTANTS (SA)
REGISTERED AUDITORS

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# Practitioner's Compilation Report

To the shareholders of Trellidor Holdings Limited

We have compiled the annual financial statements of Trellidor Holdings Limited, as set out on pages 17 to 64, based on the information the directors have provided. These annual financial statements comprise the statement of financial position of Trellidor Holdings Limited as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these annual financial statements in accordance with the International Financial Reporting Standards ('IFRS'), the International Financial Reporting Interpretation Committee ('IFRIC') interpretations and the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

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

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

Nexia Levitt Kirson

Nexia Levitt Kirson
Partner: JA Hotz
Registered Auditor
9 September 2019
Durban

PARTNERS: D. V. Hotz (B.Comm) ; J. A. Hotz (B.Bus.Sci) ; S.K. Cheesman (B.Compt)
ASSISTED BY: S. J. Gibbs (B.Compt) ; L Feingold (B.Compt) ; J Pretorius (B.Comm)
NATIONAL ASSOCIATE OFFICE: Nexia Cape Town
NEXIA LEVITT KIRSON is a member of NEXIA INTERNATIONAL,
a world wide network of independent accounting firms.

MEMBER OF SAICA
RA REGISTERED AUDITOR
A member of Nexia International

# DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Trellidor Holdings Limited and the group for the year ended 30 June 2019.

## 1. NATURE OF BUSINESS

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

## 2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The annual financial statements have been prepared in accordance within accordance with the International Financial Reporting Standards ('IFRS'), the International Financial Reporting Interpretation Committee ('IFRIC') interpretations, the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited.
Full details of the financial position, results of operations and cash flows of the group are set out in these annual financial statements, and in our view require no further comment.

## 3. STATED CAPITAL

Refer to note 14 of the annual financial statements for detail of the movement in authorised and issued share capital.

## 4. SHAREHOLDER ANALYSIS

Refer to page 65 of this report for the shareholder analysis.

## 5. DIVIDENDS

Dividends already declared and paid of 25.60 cents (2018; 30.50 cents) to the shareholders during the year, after the appropriate approval was granted by the board, are R 27 157 650 (2018: R 32 928 459), as reflected in the Statements of Changes in Equity.

Final dividend of 11.10 cents (2018: 16.2 cents) per ordinary share was approved by the board of directors on 5 September 2019 in respect of the year ended 30 June 2019, which brings the total interim and final dividend declared for the year to 20.20 cents (2018: 27.20 cents) per ordinary share.

The local dividends tax rate is 20%.

## 6. DIRECTORATE

CG Cunningham resigned as a director and the CFO on 1 March 2019 and DJR Judge was appointed as a director and CFO on 1 March 2019. There have been no other changes to the directorate for the year under review.

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

| DIRECTORS | OFFICE | DESIGNATION |
|---|---|---|
| TM Dennison | Chief Executive Officer | Executive |
| DJR Judge | Chief Financial | Executive |
| MC Olivier | Officer Chairman | Non-Executive Independent |
| JB Winship | Director | Non-Executive Independent |
| RB Patmore | Director | Non-Executive Independent |

## 7. DIRECTORS' INTERESTS IN SHARES

As at 30 June 2019, the directors of the company held direct and indirect beneficial interests in its issued ordinary shares, as set out below.

**INTERESTS IN SHARES**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Directors | Direct | Indirect | Direct | Indirect |
| TM Dennison | 8 819 342 | - | 8 719 342 | - |
| MC Olivier | - | 2 887 572 | - | 2 887 572 |
| JB Winship | 1 642 039 | - | 1 642 039 | - |
| CG Cunningham* | - | 13 940 | - | 13 940 |
| DJR Judge | - | 5 300 | - | - |
| | 10 461 381 | 2 906 812 | 10 361 381 | 2 901 512 |

* Resigned with effect 1 March 2019.

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

## 8. DIRECTORS' INTERESTS IN CONTRACTS

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

## 9. DIRECTORS' EMOLUMENTS AND SERVICE CONTRACTS

The executive directors have service contracts with the company which include a three-month notice period. The non-executive directors enter a formal letter of appointment on acceptance of their board position. All the directors’ emoluments are disclosed in note 32 of the annual financial statements.

## 10. INTERESTS IN SUBSIDIARIES

Details of the group's interest in subsidiaries are presented in note 8.

## 11. BORROWING POWERS

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

## 12. EVENTS AFTER THE REPORTING PERIOD

In terms of the Subscription Agreement entered into between Trellidor Holdings Limited, Trellidor Innovations Proprietary Limited and Novaspectacular Investments Proprietary Limited ('Novaspectacular') on 3 June 2016, a 'Trellidor Call Option' was incorporated which grants Trellidor Holdings Limited a call option to purchase from Novaspectacular all ordinary no par value shares held by Novaspectacular and all shareholder loans due by Trellidor Innovations Proprietary Limited to Novaspectacular.

This option will become exercisable by written notice to Novaspectacular at any time during a period of 30 days following the approval of Trellidor Innovations Proprietary Limited 's audited Financial Statements for the financial year ended 30 June 2019.

The directors of Trellidor Holdings Limited have no intention of exercising this option and it will, as result, lapse in the subsequent period.13.

## 13. LITIGATION STATEMENT

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

A claim has been instituted by former employees of the group who were dismissed. Refer to note 33 for further details.

Except as recorded above, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have a material effect on the financial position of the group.

## 14. INSURANCE

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

## 15. PROMOTION OF ACCESS TO INFORMATION ACT

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

## 16. AUDITORS

Mazars continued in office as auditor for the company and its subsidiaries for 2019 in terms of section 90 of the Companies Act.
At the AGM, the shareholders will be requested to reappoint Mazars as the independent external auditor of the company and to confirm T Erasmus as the designated lead audit partner for the 2020 financial year.

## 17. GOVERNANCE

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

## 18. SECRETARY

The company secretary is P Nel.

| | |
|---|---|
| Postal address: | 71 Cotswold Drive, Westville, 3629 |
| Business address: | 71 Cotswold Drive, Westville, 3629 |

## 19. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The annual financial statements have been authorised for issue by the directors on 9 September 2019. No authority was given to anyone to amend the annual financial statements after the date of issue. The annual financial statements are available on the website holdings.trellidor.co.za.

## 20. GOING CONCERN

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

The directors have satisfied themselves that the group and company are in a sound financial position and that they have access to sufficient borrowing facilities to meet its foreseeable cash requirements.

The directors have also performed the liquidity and solvency tests required by the Companies Act and are satisfied that the group is sufficiently liquid and solvent and will continue as such after the dividends are distributed.

## 21. SPECIAL RESOLUTIONS PASSED

No additional special resolutions were passed during the 2019 financial year other than those passed at the company's Annual General Meeting.

# STATEMENT FINANCIAL POSITION AS AT 30 JUNE 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2019 R | 2018 R | 2019 R | 2018 R |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 5 | 64 856 302 | 61 175 213 | 38 665 | - |
| Goodwill | 6 | 74 796 923 | 74 401 270 | - | - |
| Intangible assets | 7 | 38 693 616 | 42 362 770 | 707 215 | 529 574 |
| Investments in subsidiaries | 8 | - | - | 51 045 798 | 51 045 798 |
| Deferred tax | 9 | 1 647 589 | 3 442 441 | 923 277 | 314 566 |
| Loans to group companies | 10 | - | - | 47 000 485 | 55 067 672 |
| Loans receivable | | 780 054 | 693 001 | - | - |
| | | 180 774 484 | 182 074 695 | 99 715 440 | 106 957 610 |
| Current Assets | | | | | |
| Loans to group companies | 10 | - | - | 18 069 225 | 22 634 620 |
| Loans receivable | | 1 572 979 | 1 564 627 | - | - |
| Inventories | 11 | 107 110 962 | 106 374 590 | - | - |
| Trade and other receivables | 12 | 58 389 132 | 61 376 862 | 2 067 452 | 2 130 205 |
| Current tax receivable | | 2 421 021 | 2 202 439 | - | - |
| Cash and cash equivalents | 13 | 12 560 921 | 27 127 698 | 2 084 118 | 960 026 |
| | | 182 055 015 | 198 646 216 | 22 220 795 | 25 724 851 |
| Total Assets | | 362 829 499 | 380 720 911 | 121 936 235 | 132 682 461 |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Equity Attributable to Equity Holders of Parent | | | | | |
| Stated capital | 14 | 34 056 299 | 43 188 374 | 34 056 299 | 43 188 374 |
| Reserves | | 6 027 195 | 4 252 944 | 6 603 754 | 4 604 993 |
| Retained income | | 180 819 435 | 165 107 033 | 46 544 464 | 35 923 574 |
| | | 220 902 929 | 212 548 351 | 87 204 517 | 83 716 941 |
| Non-controlling interest | | 5 758 240 | 5 626 068 | - | - |
| | | 226 661 169 | 218 174 419 | 87 204 517 | 83 716 941 |
| Liabilities | | | | | |
| Non-Current Liabilities | | | | | |
| Deferred tax | 9 | 1 026 860 | 2 610 142 | - | - |
| Other financial liabilities | 18 | 29 527 874 | 71 364 117 | 18 298 878 | 33 566 353 |
| | | 30 554 734 | 73 974 259 | 18 298 878 | 33 566 353 |
| Current Liabilities | | | | | |
| Bank overdraft | 13 | 4 140 237 | - | - | - |
| Other financial liabilities | 18 | 49 054 064 | 21 687 259 | 15 290 223 | 13 919 467 |
| Trade and other payables | 19 | 52 108 775 | 65 680 519 | 1 064 291 | 1 202 422 |
| Current tax payable | | 174 300 | 893 588 | 78 326 | 277 278 |
| Provisions | | 136 220 | 310 867 | - | - |
| | | 105 613 596 | 88 572 233 | 16 432 840 | 15 399 167 |
| Total Liabilities | | 136 168 330 | 162 546 492 | 34 731 718 | 48 965 520 |
| Total Equity and Liabilities | | 362 829 499 | 380 720 911 | 121 936 235 | 132 682 461 |

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2019 R | 2018 R | 2019 R | 2018 R |
| Revenue | 20 | 514 947 352 | 538 984 025 | 50 104 000 | 66 008 794 |
| Cost of sales | 21 | (283 093 798) | (293 070 308) | - | - |
| Gross profit | | 231 853 554 | 245 913 717 | 50 104 000 | 66 008 794 |
| Other operating income | | 8 521 866 | 7 395 015 | - | - |
| Other operating expenses | | (171 134 924) | (161 408 372) | (8 801 778) | (8 534 101) |
| Operating profit | 22 | 69 240 496 | 91 900 360 | 41 302 222 | 57 474 693 |
| Investment income | 24 | 956 669 | 1 301 976 | 4 606 892 | 8 692 252 |
| Finance costs | 25 | (8 753 998) | (9 595 141) | (3 970 257) | (5 287 176) |
| Profit before taxation | | 61 443 167 | 83 607 195 | 41 938 857 | 60 879 769 |
| Taxation | 26 | (18 401 375) | (24 029 077) | (1 531 154) | (1 347 109) |
| Profit for the year | | 43 041 792 | 59 578 118 | 40 407 703 | 59 532 660 |
| Other comprehensive income | | | | | |
| Items that may be reclassified to profit or loss: | | | | | |
| Exchange differences on translating foreign operations | | (264 078) | (108 528) | - | - |
| Total comprehensive income for the year | | 42 777 714 | 59 469 590 | 40 407 703 | 59 532 660 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 42 870 052 | 58 763 054 | 40 407 703 | 59 532 660 |
| Non-controlling interest | | 171 740 | 815 064 | - | - |
| | | 43 041 792 | 59 578 118 | 40 407 703 | 59 532 660 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 42 645 542 | 58 670 805 | 40 407 703 | 59 532 660 |
| Non-controlling interest | | 132 172 | 798 785 | - | - |
| | | 42 777 714 | 59 469 590 | 40 407 703 | 59 532 660 |
| Earnings per share | | | | | |
| Earnings and diluted earnings per share (cents) | 30 | 40.0 | 54.4 | - | - |

# STATEMENT OF CHANGES IN EQUITY

| | Share capital R | Foreign currency translation reserve R | Share-based payment reserve R | Total reserves R | Retained income R | Total attributable to equity holders of the group R | Non-controlling interest R | Total equity R |
|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | |
| Balance at 01 July 2017 | 45 759 072 | 640 200 | 1 390 937 | 2 031 137 | 139 272 438 | 187 062 647 | 4 827 283 | 191 889 930 |
| Profit for the year | - | - | - | - | 58 763 054 | 58 763 054 | 815 064 | 59 578 118 |
| Other comprehensive income | - | (92 249) | - | (92 249) | - | (92 249) | (16 279) | (108 528) |
| Total comprehensive income for the year | - | (92 249) | - | (92 249) | 58 763 054 | 58 670 805 | 798 785 | 59 469 590 |
| Treasury shares | (2 570 698) | - | - | - | - | (2 570 698) | - | (2 570 698) |
| Employees share-option scheme | - | - | 2 314 056 | 2 314 056 | - | 2 314 056 | - | 2 314 056 |
| Dividends | - | - | - | - | (32 928 459) | (32 928 459) | - | (32 928 459) |
| Balance at 01 July 2018* | 43 188 374 | 547 951 | 3 704 993 | 4 252 944 | 165 107 033 | 212 548 351 | 5 626 068 | 218 174 419 |
| Profit for the year | - | - | - | - | 42 870 052 | 42 870 052 | 171 740 | 43 041 792 |
| Other comprehensive income | - | (224 510) | - | (224 510) | - | (224 510) | (39 568) | (264 078) |
| Total comprehensive income for the year | - | (224 510) | - | (224 510) | 42 870 052 | 42 645 542 | 132 172 | 42 777 714 |
| Treasure shares | (9 132 075) | - | - | - | - | (9 132 075) | - | (9 132 075) |
| Employees share-option scheme | - | - | 1 998 761 | 1 998 761 | - | 1 998 761 | - | 1 998 761 |
| Dividends | - | - | - | - | (27 157 650) | (27 157 650) | - | (27 157 650) |
| Balance at 30 June 2019 | 34 056 299 | 323 441 | 5 703 754 | 6 027 195 | 180 819 435 | 220 902 929 | 5 758 240 | 226 661 169 |
| Notes | 14 | 15 | 17 | | | | | |

*The first time adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts has not resulted in any prior period restatements. Details of the implementation thereof have been set out in note 2 to the annual financial statements.

# STATEMENT OF CHANGES IN EQUITY

| | Share capital R | Share-based payment reserve R | Other reserves R | Retained income R | Total equity R |
|---|---|---|---|---|---|
| Company | | | | | |
| Balance at 01 July 2017 | 45 759 072 | 1 390 937 | 900 000 | 9 319 373 | 57 369 382 |
| Profit for the year | - | - | - | 59 532 660 | 59 532 660 |
| Treasury shares | (2 570 698) | - | - | - | (2 570 698) |
| Employees share-option scheme | - | 2 314 056 | - | - | 2 314 056 |
| Dividends | - | - | - | (32 928 459) | (32 928 459) |
| Opening balance as previously reported | 43 188 374 | 3 704 993 | 900 000 | 35 923 574 | 83 716 941 |
| Adjustments | | | | | |
| IFRS 9 transition adjustment (refer to note 2) | - | - | - | (2 629 163) | (2 629 163) |
| Balance at 01 July 2018 as restated* | 43 188 374 | 3 704 993 | 900 000 | 33 294 411 | 81 087 778 |
| Profit for the year | - | - | - | 40 407 703 | 40 407 703 |
| De-registration of shares | (9 132 075) | - | - | - | (9 132 075) |
| Employees share-option scheme | - | 1 998 761 | - | - | 1 998 761 |
| Dividends | - | - | - | (27 157 650) | (27 157 650) |
| Balance at 30 June 2019 | 34 056 299 | 5 703 754 | 900 000 | 46 544 464 | 87 204 517 |
| Notes | 14 | 17 | 16 | | |

*The first time adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts has not resulted in any prior period restatements, however opening balances have been restated as indicated above. Details of the implementation thereof have been set out in note 2 to the annual financial statements.

# STATEMENT OF CASH FLOWS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 27 | 70 524 527 | 106 946 480 | 42 054 363 | 60 276 479 |
| Interest income | | 956 669 | 1 301 976 | 4 683 686 | 5 913 444 |
| Finance costs | | (9 057 344) | (9 536 911) | (4 071 124) | (5 409 468) |
| Tax paid | 28 | (19 127 677) | (30 568 814) | (1 316 366) | (1 438 676) |
| Net cash from operating activities | | 43 296 175 | 68 142 731 | 41 350 559 | 59 341 779 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 5 | (6 023 882) | (16 416 277) | (41 252) | - |
| Sale of property, plant and equipment | 5 | 13 469 | 399 111 | - | - |
| Purchase of other intangible assets | 7 | (223 184) | (725 394) | (177 641) | (529 574) |
| Purchase of goodwill | 7 | (395 653) | - | - | - |
| Loans to group companies repaid | | - | - | - | 13 410 418 |
| Loans advanced to group companies | | - | - | 10 078 002 | (27 750 000) |
| Advances of loans receivable at amortised cost | | (750 000) | (2 597 216) | - | - |
| Receipts from loans receivable at amortised cost | | 654 595 | 1 419 839 | - | - |
| Net cash from investing activities | | (6 724 655) | (17 919 937) | 9 859 109 | (14 869 156) |
| **Cash flows from financing activities** | | | | | |
| Buy-back of shares | 14 | (9 132 075) | (2 570 698) | (9 132 075) | (2 570 698) |
| Proceeds from borrowings | | 2 728 244 | 6 812 210 | - | - |
| Repayment of borrowings | | (21 222 889) | (49 795 680) | (13 795 851) | (12 523 004) |
| Repayment of loans from minority | | (585 766) | - | - | - |
| Dividends paid | 29 | (27 157 650) | (32 928 459) | (27 157 650) | (32 928 459) |
| Net cash from financing activities | | (55 370 136) | (78 482 627) | (50 085 576) | (48 022 161) |
| Total cash movement for the year | | (18 798 616) | (28 259 833) | 1 124 092 | (3 549 538) |
| Cash at the beginning of the year | | 27 127 698 | 55 103 148 | 960 026 | 4 509 564 |
| Effect of exchange rate movement on cash balances | | 91 602 | 284 383 | - | - |
| Total cash at end of the year | 13 | 8 420 684 | 27 127 698 | 2 084 118 | 960 026 |

# ACCOUNTING POLICIES

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 BASIS OF PREPARATION

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

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

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

Those not having an effect on the financial statements are as follows:

- IFRS 2 - Share-based payments (effective from 01 January 2018).

Those having an effect on the financial statements are as follows:

- IFRS 9 - Financial instruments (effective 01 January 2018).
- IFRS 15 - Revenue from Contracts with Customers (effective 01 January 2018).

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

### 1.2 CONSOLIDATION

Basis of consolidation

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

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

Company annual financial statements

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

### 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Taxation

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

### 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Significant estimates include:

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

Determining whether non-financial assets are impaired requires an estimation of the value in use of the cash generating units to which they have been allocated. The value in use calculation requires the group to estimate expected pre-tax cashflows, market related growth for a forseeable period (3-5 years) and a discount rate suitable to the small-cap industrial market in order to determine the present value.
If there is any indication that a non-financial asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Indications of possible impairment includes, among others, a decrease in revenue and cash generation of the applicable business unit from the prior period.

Impairment of financial assets
IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss' ('ECL') model. This replaces IAS 39's 'incurred loss' model. Instruments within the scope of the new requirements include trade receivables that are not measured at fair value through profit and loss.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit loss, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the instrument.

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. Evidence of impairment includes ,among others, the failure of a debtor to engage in a repayment plan with the group or a failure to make contractual payments for a period of greater than 120 days past due.

12-month expected credit losses are recognised for stage 1 while 'lifetime expected credit losses' are recognised for stage 2.
Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

In applying this forward-looking approach, the loss allowance for financial assets is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition (stage 1). In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses (stage 2). The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If an asset is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, as the average debtors days for the group are less than 60 days, an asset that is in arrears for more than 90 days is assumed to have a significant increase in its credit risk since initial recognition.

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

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

**1.4 PROPERTY, PLANT AND EQUIPMENT**

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

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

Property, plant and equipment is subsequently carried at cost less accumulated depreciation, except for land which is stated at cost.
An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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

| | Depreciation method | Average useful life |
|---|---|---|
| **Land and buildings** | | |
| Land | Indefinite life | 50 years |
| Buildings | Straight line basis | 10 year |
| • Buildings improvements | Straight line basis | 2-6years |
| • Furniture, fittings and equipment | Straight line basis | 3-10years |
| • Plant and machinery | Straight line basis | 4-5years |
| Motor vehicles | Straight line basis | 4-5 years |
| IT Equipment | Straight line basis | 4 years |

**1.5 GOODWILL**

Goodwill is initially measured at cost, being the excess of the business combination consideration over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently goodwill is carried at cost less any accumulated impairment.
Goodwill is, from the date of the business combination, allocated to each of the cash-generating units, that are expected to benefit from the synergies of the combination is tested annually for impairment.

**1.6 INTANGIBLE ASSETS**

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis as follows:

| Item | Useful life |
|---|---|
| Customer base | 5 years |
| Brand name | Indefinite |
| Patents and trademarks | 10 - 20 years |
| Product design and development costs | 10 years |
| Franchise rights | Indefinite |

**1.7 FINANCIAL INSTRUMENTS**

The classification and measurement policies for 2018 are recognised on the basis of IAS 39 and for 2019 on the basis of IFRS 9.

The group has elected not to restate comparative information. Therefore, the comparative information is reported under the previous standards. The cumulative effect of initially applying the new standards has not had a material impact on the group financial statements and therefore no adjustment to the opening balance of equity has been applied.

Initial recognition

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

Classification and initial measurement

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

The classification is determined by both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial asset.

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

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

Loans to (from) group companies

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

Other loans and receivables

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

Trade and other receivables

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

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

Trade and other payables

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

**1.7 FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

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

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derecognition of financial instruments
Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expires, or when the financial asset and all substantial risks and rewards are transferred.

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

**1.8 TAX**

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

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

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

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

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

**1.9 LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are accounted for as operating leases.

Operating leases – lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

**1.10 INVENTORIES**

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

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

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

**1.11 SHARE CAPITAL AND EQUITY**

Ordinary shares are classified as equity.

**1.12 SHARE-BASED PAYMENTS**

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

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

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

**1.13 EMPLOYEE BENEFITS**

Short-term employee benefits

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

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

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

Defined contribution plans

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

**1.14 PROVISIONS AND CONTINGENCIES**

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

### 1.15 REVENUE

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

Revenue from the sale of product includes sales of custom-made security and decorative products. The sales are recognised when control of the product has transferred to the buyer. The delivery of products and the transfer of risks are determined by the terms of sale.

Products are often sold with retrospective volume discounts, and early-settlement terms. These rights give rise to a variable consideration. Revenue from these sales are recognised based on the price specified on the sale invoice, net of estimated discounts and early settlement discounts. No element of financing is deemed present as the sales are not made on extended credit terms (not greater than 12 months). Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

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

### 1.16 BORROWING COSTS

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

### 1.17 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

Net investment in foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at exchange rate for the period; and
- All resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

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

## 2. CHANGES IN ACCOUNTING POLICY

In the current year the group adopted and applied IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers with a date of initial application of 01 July 2018. As a result, the group has changed its accounting policy for financial instruments and revenue recognition.

The group has elected not to restate comparative information. Therefore, the comparative information is reported under the previous standards. The cumulative effect of initially applying the new standards has not had a material impact on the group financial statements and therefore no adjustment to the opening balance of equity has been applied.

Application of IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for the classification and measurement of financial assets and financial liabilities and the impairment for financial assets.

Details of these new requirements as well as their impact on the group's consolidated and separate annual financial statements are described below. In accordance with the transitional provisions in IFRS9 (7.2.15) comparative figures have not been restated.

Classification and measurement of financial assets and liabilities
The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 July 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 July 2018.

All applicable financial assets that are within the scope of IFRS 9 have been subsequently measured at amortised cost on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities that are recognised within the scope of IFRS 9 are required to be subsequently measured at amortised cost using the effective interest rate method.

The measurement requirements are summarised below:
Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.
The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 July 2018.

## 2. CHANGES IN ACCOUNTING POLICY (CONTINUED)

Group:

| Financial instruments | IAS 39 Classification | Measurement | Adoption | IFRS 9 Measurement | Classification |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Loans receivable | Loans and receivables | 2 257 628 | - | 2 257 628 | At amortised cost |
| Trade and other receivables | Loans and receivables | 57 911 893 | - | 57 911 893 | At amortised cost |
| Cash and cash equivalents | Loans and receivables | 27 127 698 | - | 27 127 698 | At amortised cost |
| Financial liabilities | | | | | |
| Other financial liabilities | Financial liabilities at amortised cost | 93 051 376 | - | 93 051 376 | At amortised cost |
| Trade and other payables | Financial liabilities at amortised cost | 37 590 045 | - | 37 590 045 | At amortised cost |

Company:

| Financial instruments | IAS 39 Classification | Measurement | Adoption | IFRS 9 Measurement | Classification |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Loans to group companies | Loans and receivables | 77 702 292 | 3 651 615 | 74 050 677 | At amortised cost |
| Trade and other receivables | Loans and receivables | 250 000 | - | 250 000 | At amortised cost |
| Cash and cash equivalents | Loans and receivables | 960 026 | - | 960 026 | At amortised cost |
| Financial liabilities | | | | | |
| Other financial liabilities | Financial liabilities at amortised cost | 47 485 820 | - | 47 485 820 | At amortised cost |
| Trade and other payables | Financial liabilities at amortised cost | 149 998 | - | 149 998 | At amortised cost |

With the exception of loans to group companies, the change in measurement category of the different financial assets and financial liabilities has had no material impact on their respective carrying amounts on initial application.

## 2. CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact of loans to group companies on the financial statements

The implementation of IFRS 9 is estimated to have the following impact on the financial statements as a result of applying the general approach in determinng the expected credit loss on loans to group companies. Further information on the implementation is presented in note 10 of the financial statements.

| | Group | | Company | |
|---|---|---|---|---|
| Statement of financial position: | 30 June 2018 Pre-impact | 30 June 2018 Post-impact | 30 June 2018 Pre-impact | 30 June 2018 Post-impact |
| Assets | | | | |
| Deferred tax | 3 442 441 | 3 442 441 | 314 566 | 1 337 018 |
| Loans to group companies | - | - | 77 702 292 | 74 050 677 |
| Equity and liabilities | | | | |
| Retained income | 165 107 033 | 165 107 033 | 35 923 574 | 33 294 411 |
| Statement of profit and loss: | | | | |
| Other operating expenses | 161 408 372 | 161 408 372 | 8 534 101 | 12 185 716 |
| Tax expense | 24 029 077 | 24 029 077 | 1 347 109 | 324 657 |

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit

model under IAS 39. The expected credit loss model requires the group and company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group and company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the group and company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group and company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

These include cash and cash equivalents and financial assets at amortised cost.
As at 30 June 2019, the directors reviewed and assessed the group's existing financial assets and amounts due from customers for impairment using reasonable and supporting information that was available without undue cost or effort in accordance with the requirements of IFRS 9, to determine the credit risk of the respective items at the date they were initially recognised. Reasonable and support information includes, but not limited to, historic credit loss expense, general economic conditions, forward-looking estimated forecasts adjusted for the factors that are specific to the debtor and the time-value of money. The assessment revealed that there was no material impact on the numbers previously reported.

## 2. CHANGES IN ACCOUNTING POLICY (CONTINUED)

Application of IFRS 15 Revenue from contracts with customers
IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreement for Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 introduces a five-step approach to revenue recognition. Which requires that an entity identifies performance obligations implicit in each contract. Revenue is recognised on the satisfaction of performance obligations, which occurs when control of the goods or services transfer to a customer in line with the terms of the sale or services. The group has determined that it has one performance obligation namely sale of goods. In accordance with the transition provisions of IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial year. Further information on the transition and the disaggregated revenue disclosure is presented in note 20 of the financial statements.

The adoption of this new standard has not resulted in a quantitative impact to the current or the prior period financial results although there has been a qualitative impact on the disclosure of revenue per note 20 of the financial statements.

## 3. NEW STANDARDS AND INTERPRETATIONS

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

| | Effective Date | Details of amendment and managements' impact assessment |
|---|---|---|
| IAS 1 Presentation of Financial Statements | 01 January 2020 | The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.<br><br>No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement. |
| IAS 8 Accounting Policies Changes in Accounting Estimates and Errors | 01 January 2020 | The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.<br><br>No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement. |
| IAS 12 Income Tax | 01 January 2019 | Clarification that all income tax consequences of dividends should be recognized in profit or loss, regardless how the tax arises.<br><br>No expected change as the company does not currently have such instances. |
| IAS 19 Employee Benefits | 01 January 2019 | The amendments require an entity to use the updated assumptions from remeasurement of the net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.<br><br>No expected change as the company does not currently have such instances. |
| IFRS 3 Business Combinations | 01 January 2019 | Clarification that when an entity obtains control of a business that is a joint operation, it is required to re-measure previously held interests in that business.<br><br>No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement. |

## 3. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

| | Effective date | Details of amendment and managements' impact assessment |
|---|---|---|
| IFRIC 23 Uncertainty over Income Tax Treatments | 01 January 2019 | The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.<br><br>No expected change as the company considers both the nature and magnitude of the information, in terms of the company's materiality statement. |
| IFRS 16 Leases | 01 January 2019 | A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.<br><br>On transition the group will apply the modified retrospective approach and will not account for leases arrangements which come to an end within  months from the effective date in accordance with the standard. A material impact is anticipated for the existing leases with an increase in property, plant and equipment and an increase in non-current liabilities with the inclusion of the lease liability. However the overall quantitative impact on the statement of financial position and statement of profit and loss and other comprehensive income is anticipated to be immaterial. |

## 4. SEGMENTAL INFORMATION

The group has two reportable segments that are used by the Chief Executive Officer to assess for resource allocation and to make key operating decisions and assess performance. These operating segments are differentiated and identified by the products they manufacture and the markets they operate in. These reportable segments as well as the products and services from which each of them derives revenue are set out below:

| **Reportable Segment** | **Products and services** |
|---|---|
| Trellidor | Manufacture and distribution of custom-made barrier security products |
| Taylor | Manufacture and distribution of custom-made blinds, decorative and security shutters and distribute cornicing/skirting products |

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

## 4. SEGMENTAL INFORMATION (CONTINUED)

| | 2019 | | | |
|---|---|---|---|---|
| | Revenue | EBITDA | Depreciation and amortisation | Segment profit |
| Trellidor | 322 741 804 | 64 785 209 | (5 233 114) | 59 552 095 |
| Taylor | 194 019 918 | 18 127 906 | (1 878 537) | 16 249 369 |
| Inter segment | (1 814 370) | (1 669 768) | - | (1 669 768) |
| Total | 514 947 352 | 81 243 347 | (7 111 651) | 74 131 696 |
| Reconciling items | | | | |
| Net interest | | | | (7 797 328) |
| Amortisation of client database | | | | (4 891 200) |
| Profit before tax | | | | 61 443 168 |

| | 2018 | | | |
|---|---|---|---|---|
| | Revenue | EBITDA | Depreciation and amortisation | Segment profit |
| Trellidor | 331 575 500 | 70 184 244 | (5 228 216) | 64 956 028 |
| Taylor | 208 820 140 | 33 291 802 | (1 456 270) | 31 835 532 |
| Inter segment | (1 411 615) | - | - | - |
| Total | 538 984 025 | 103 476 046 | (6 684 486) | 96 791 560 |
| Reconciling items | | | | |
| Net interest | | | | (8 293 165) |
| Amortisation of client base | | | | (4 891 200) |
| Profit before tax | | | | 83 607 195 |

Segment assets and liabilities

The amounts presented with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Deferred tax, cash and cash equivalents and other financial liabilities are not considered to be segment assets or liabilities and are not allocated to segments.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities, as per the statement of financial position:

## 4. SEGMENTAL INFORMATION (CONTINUED)

| | 2019 Total assets | 2019 Total liabilities |
|---|---|---|
| Trellidor | 144 441 066 | 21 092 477 |
| Taylor | 205 095 167 | 35 507 630 |
| Inter segment | (915 245) | (40 568) |
| Total | 348 620 988 | 56 559 539 |
| Reconciling items | | |
| Cash and cash equivalents | 12 560 921 | - |
| Deferred tax | 1 647 589 | 1 026 860 |
| Other financial liabilities | - | 78 581 940 |
| Total as per statement of financial position | 362 829 498 | 136 168 339 |
| Capital expenditure | | |
| Trellidor | | 13 705 310 |
| Taylor | | 3 436 360 |
| | | 17 141 670 |

| | 2018 Total assets | 2018 Total liabilities |
|---|---|---|
| Trellidor | 141 356 069 | 33 651 041 |
| Taylor | 209 112 049 | 33 551 279 |
| Inter segment | (317 346) | (317 346) |
| Total | 350 150 772 | 66 884 974 |
| Reconciling items | | |
| Cash and cash equivalents | 27 127 698 | - |
| Deferred tax | 3 442 441 | 2 610 142 |
| Other financial liabilities | - | 93 051 376 |
| Total as per statement of financial position | 380 720 911 | 162 546 492 |
| Capital expenditure | | |
| Trellidor | | 13 705 310 |
| Taylor | | 3 436 360 |
| | | 17 141 670 |

Geographical information

| | 2019 | 2018 |
|---|---|---|
| Revenue by location of customer | | |
| South Africa | 443 321 019 | 475 431 321 |
| International | 71 626 333 | 63 552 704 |
| Total | 514 947 352 | 538 984 025 |

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Land | 5 625 481 | - | 5 625 481 | 5 625 481 | - | 5 625 481 |
| Buildings | 32 489 101 | (6 686 162) | 25 802 939 | 31 283 397 | (6 003 816) | 25 279 581 |
| Building improvements | 6 828 946 | (4 126 032) | 2 702 914 | 6 654 022 | (3 677 198) | 2 976 824 |
| Plant and machinery | 65 359 195 | (40 656 254) | 24 702 941 | 53 644 572 | (38 723 910) | 14 920 662 |
| Furniture, fixtures and equipment | 4 414 334 | (2 821 191) | 1 593 143 | 4 139 826 | (2 840 297) | 1 299 529 |
| Motor vehicles | 4 152 941 | (1 772 693) | 2 380 248 | 3 897 883 | (1 116 842) | 2 781 041 |
| IT equipment | 5 635 924 | (3 710 071) | 1 925 853 | 5 605 053 | (3 331 139) | 2 273 914 |
| Assets under construction | 122 783 | - | 122 783 | 6 018 181 | - | 6 018 181 |
| Total | 124 628 705 | (59 772 403) | 64 856 302 | 116 868 415 | (55 693 202) | 61 175 213 |
| Company | | | | | | |
| IT equipment | 41 252 | (2 587) | 38 665 | - | - | - |

Reconciliation of property, plant and equipment

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

| Group | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| Land | 5 625 481 | - | - | - | - | - | 5 625 481 |
| Buildings | 23 917 441 | 1 989 864 | - | - | - | (627 724) | 25 279 581 |
| Building improvements | 1 974 898 | 978 120 | (24) | 612 275 | - | (588 445) | 2 976 824 |
| Plant and machinery | 12 016 273 | 3 524 203 | (74 496) | 2 882 321 | (3 889) | (3 423 750) | 14 920 662 |
| Furniture, fixtures and equipment | 952 297 | 742 547 | (10) | - | (563) | (394 742) | 1 299 529 |
| Motor vehicles | 1 978 530 | 1 606 589 | (142 441) | - | (29 548) | (632 089) | 2 781 041 |
| IT equipment | 1 294 934 | 1 556 773 | (31 914) | 245 679 | 12 911 | (804 469) | 2 273 914 |
| Assets under construction | 3 740 275 | 6 018 181 | - | (3 740 275) | - | - | 6 018 181 |
| | 51 500 129 | 16 416 277 | (248 885) | - | (21 089) | (6 471 219) | 61 175 213 |

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Property, plant and equipment encumbered as security

The following assets have been pledged as security for the secured long-term borrowings as referred to in note 18:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Land and buildings | 31 428 420 | 30 905 062 | - | - |
| Plant and machinery | 6 225 763 | 1 279 235 | - | - |
| Motor vehicles | 275 153 | 432 972 | - | - |

## 6. GOODWILL

| Group | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| Goodwill | 74 796 923 | - | 74 796 923 | 74 401 270 | - | 74 401 270 |

Reconciliation of goodwill

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

The goodwill relates to the Rollerstyle and Clearguard product ranges and the acquisition of the Taylor Blinds and Shutters and NMC businesses from Odyssey House Proprietary Limited. Additions relate to the purchase of a franchise which is not material and therefore no further disclosure is required.

With regards to the Taylor and NMC acquisition goodwill, which has a carrying value of R71 147 772 (2018: R71 147 772), management has tested for impairment during the year due to the possible indicators of impairment being present, and based on the results of the test performed, no impairment was identified. The recoverable amount of goodwill is based on value-in-use calculations, this calculation utilises expected pre-tax cash flows, market related growth for 4 years (2018: 5 years) and a reasonable growth rate applied thereafter, discounted at a risk adjusted interest rate appropriate to the cash generating unit. In assessing future income, management has considered the assumptions relating to the sustainable growth. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management's view of future performance. The discount rates used in the discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account the current market conditions in South Africa. A pre-tax weighted-average cost-of-capital rate that ranges between 15.4% to 20.5% (2018: 17.5% to 19.5%) was used. The growth rate applied for the periods beyond 2020 was 6% (2018: 6%). The growth rate does not exceed the long-term average growth rate for the markets in which the entity operates and ranges between 5% to 9% (2018: 5% to 9%).

## 7. INTANGIBLE ASSETS

| Group | 2019 Cost | 2019 Accumulated amortisation | 2019 Carrying value | 2018 Cost | 2018 Accumulated amortisation | 2018 Carrying value |
|---|---|---|---|---|---|---|
| Patents and trademarks | 1 770 374 | (1 308 149) | 462 225 | 1 172 470 | (674 461) | 498 009 |
| Brand name | 25 719 000 | - | 25 719 000 | 25 719 000 | - | 25 719 000 |
| Computer software | 743 831 | (24 289) | 719 542 | 570 367 | (16 760) | 553 607 |
| Product design | 1 094 089 | (287 003) | 807 086 | 1 647 422 | (728 868) | 918 554 |
| Customer base | 24 456 000 | (14 673 600) | 9 782 400 | 24 456 000 | (9 782 400) | 14 673 600 |
| Franchise | 1 203 363 | - | 1 203 363 | - | - | - |
| Total | 54 986 657 | (16 293 041) | 38 693 616 | 53 565 259 | (11 202 489) | 42 362 770 |

| Company | 2019 Cost | 2019 Accumulated amortisation | 2019 Carrying value | 2018 Cost | 2018 Accumulated amortisation | 2018 Carrying value |
|---|---|---|---|---|---|---|
| Computer software | 707 215 | - | 707 215 | 529 574 | - | 529 574 |

Reconciliation of intangible assets

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

| Group - 2018 | Opening balance | Additions | Foreign exchange movements | Amortisation | Total |
|---|---|---|---|---|---|
| Patents and trademarks | 402 614 | 170 726 | - | (75 331) | 498 009 |
| Brand name | 25 719 000 | - | - | - | 25 719 000 |
| Computer software | - | 554 668 | 653 | (1 714) | 553 607 |
| Product design | 1 054 774 | - | - | (136 222) | 918 554 |
| Customer base | 19 564 800 | - | - | (4 891 200) | 14 673 600 |
| | 46 741 188 | 725 394 | 653 | (5 104 467) | 42 362 770 |

| Company - 2019 | Opening balance | Additions | Total |
|---|---|---|---|
| Computer software | 529 574 | 177 641 | 707 215 |

| Company - 2018 | Opening balance | Additions | Total |
|---|---|---|---|
| Computer software | - | 529 574 | 529 574 |

## 7. INTANGIBLE ASSETS

Details of intangible assets
The Taylor brand name acquired in the acquisition has been tested by management for impairment at year end due to the possible indicators of impairment being present. The recoverable amount of the brand name is based on value-in-use calculations, this calculation utilised a deemed royalty income of between 1% and 3% based on the actual 2019 revenue, growth for the further 4 years (2018: 5 years) and a reasonable growth rate applied thereafter, based on current market conditions. In assessing future income, management has considered the assumptions relating to the sustainable growth. The discount rates used in the discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account the current market conditions in South Africa. A pre-tax weighted average cost-of-capital rate that ranges between 15.4% to 20.5% (2018: 17.5% to 19.5%) was used. The growth rate applied for the periods beyond 2020 was 6% (2018: 6%). The growth rate does not exceed the long-term average growth rate for the markets in which the entity operates and ranges between 5% to 9% (2018: 5% to 8%).

Additions relate to the purchase of a franchise which is not material and therefore no further disclosure is presented.

The remaining useful life of material intangible assets is as follows:

| | **2018** | **2019** |
|---|---|---|
| Customer base | 2 years | 3 years |

## 8. INVESTMENT IN SUBSIDIARIES

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

Company

| | 2019 % holding | 2018 % holding | 2019 Carrying amount | 2018 Carrying amount |
|---|---|---|---|---|
| Trellidor Proprietary Limited | 100 % | 100.00 % | 100 | 100 |
| Trellidor Innovations Proprietary Limited | 92.50 % | 92.50 % | 50 000 000 | 50 000 000 |
| Trellicor Proprietary Limited | 100.00 % | 100.00 % | 1 045 698 | 1 045 698 |
| Trellidor Ghana Limited | 85.00 % | 85.00 % | - | - |
| Trellidor Projects Proprietary Limited | 100.00 % | - % | - | - |
| | | | 51 045 798 | 51 045 798 |

Principal place of business

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |

## 9. DEFERRED TAX

Deferred tax asset / (liability)

| | Group 2019 R | Group 2018 R | Company 2019 R | Company 2018 R |
|---|---|---|---|---|
| Property plant and equipment | (2 106 670) | (547 340) | (155) | - |
| Client base | (2 739 072) | (4 108 608) | - | - |
| Prepaid expenses | (417 001) | (580 363) | (46 691) | (60 181) |
| Doubtful debts | (71 356) | (60 409) | - | - |
| Section 24C allowance | (843 934) | (1 724 231) | - | - |
| Unrealised profit in inventory | 775 941 | 950 553 | - | - |
| Provisions | 4 317 820 | 4 387 998 | 970 123 | 374 747 |
| Income received in advance | 1 705 001 | 2 514 699 | - | - |
| Total net deferred tax asset /(liability) | 620 729 | 832 299 | 923 277 | 314 566 |
| Deferred tax liability | (1 026 860) | (2 610 142) | 693 779 | - |
| Deferred tax asset | 1 647 589 | 3 442 441 | 229 498 | 314 566 |
| Total net deferred tax asset (liability) | 620 729 | 832 299 | 923 277 | 314 566 |

Reconciliation of deferred tax asset / (liability)

| | Group 2019 R | Group 2018 R | Company 2019 R | Company 2018 R |
|---|---|---|---|---|
| At beginning of year | 832 299 | (751 770) | 314 566 | (43 339) |
| Temporary differences movements | (211 570) | 1 584 069 | 608 711 | 357 905 |
| | 620 729 | 832 299 | 923 277 | 314 566 |

Utilisation of deferred tax assets

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

## 10. LOANS TO GROUP COMPANIES

The following loans to group companies have been subordinated in favour of FNB:

| | Group 2019 R | Group 2018 R | Company 2019 R | Company 2018 R |
|---|---|---|---|---|
| Trellidor Innovations Proprietary Limited - Loan 1 | - | - | 37 810 791 | 47 965 587 |
| Trellidor Innovations Proprietary Limited - Loan 2 | - | - | 27 258 919 | 29 736 705 |
| | - | - | 65 069 710 | 77 702 292 |

Loan 1 is unsecured, bears interest at prime and is repayable over five years.

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

Split between non-current and current portions

| | Group 2019 R | Group 2018 R | Company 2019 R | Company 2018 R |
|---|---|---|---|---|
| Non-current assets | - | - | 47 000 485 | 55 067 672 |
| Current assets | - | - | 18 069 225 | 22 634 620 |
| | - | - | 65 069 710 | 77 702 292 |

## 10. LOANS TO GROUP COMPANIES (CONTINUED)

Exposure to credit risk
Loans to group companies inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due. Loans to group companies are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk.

A credit loss allowance is measured by applying the general approach in accordance with IFRS9 and is monitored at the end of each reporting period. Executive management is responsible for the management of credit risk and is held accountable for any defaults in loans to group companies and does so through on going credit evaluations which include monthly reviews by the executive committee and quarterly reviews by the Trellidor Holdings board. Any change in the credit quality is considered from the date credit was granted up to the reporting date. Credit quality is assessed by taking into account the financial position of the group company, cashflow forecasts, overall financial performance and other qualitative factors. Based on this assessment the current credit loss is considered adequate.

Impairment of loans to group companies
The directors in considering the carrying amounts of the loans to group companies, have applied the general approach in determining possible impairment and the expected credit losses. In applying this approach to the interest bearing loan and taking into account historic repayment trends and executive approved financial budgets for the forth coming period, there is no indication of a possible change to the credit risk and as a result no credit loss has been recognised. Regarding the non-interest bearing loan, which has no fixed terms of repayment, the credit loss assessment has been based on the counterparties ability to repay the loan over a reasonable period based on executive approved financial budgets and cashflow forecasts. The difference between the present value of the loan discounted at rates linked to CPI and the closing balance at year-end is recognised as the expected credit loss.

Credit loss allowances
The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses (ECL) for loans to group companies by credit rating grade:

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

Reconciliation of loss allowances

| | Company 2019 |
|---|---|
| Opening balance in accordance with IAS 39 | - |
| Adjustments upon application of IFRS 9 | 3 651 615 |
| Opening balance in accordance with IFRS 9 | 3 651 615 |
| Remeasurement of lifetime ECL | (1 173 829) |
| Closing balance | 2 477 786 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |

## 11. INVENTORIES

| | | | | |
|---|---|---|---|---|
| Raw materials | 100 506 563 | 101 053 108 | - | - |
| Work in progress | 2 302 419 | 1 804 958 | - | - |
| Finished goods | 3 095 590 | 1 334 848 | - | - |
| Goods in transit | 3 744 878 | 3 276 395 | - | - |
| | 109 649 450 | 107 469 309 | - | - |
| Provision for obsolescence of raw materials | (2 538 488) | (1 094 719) | - | - |
| | 107 110 962 | 106 374 590 | - | - |

The provision for obsolescence is calculated by identifying inventory items that have not moved in the previous 12 - 24 months and are not expected to move in the next 12 months.

## 12. TRADE AND OTHER REVEIVABLES

| | | | | |
|---|---|---|---|---|
| Financial instruments: | | | | |
| Trade receivables | 54 679 491 | 56 195 734 | 57 568 | - |
| Loss allowance | (1 261 363) | (954 719) | - | - |
| Trade receivables at amortised cost | 53 418 128 | 55 241 015 | 57 568 | - |
| Other receivables | 2 347 728 | 2 920 878 | - | 250 000 |
| Non-financial instruments: | | | | |
| VAT | 68 673 | 109 483 | - | - |
| Other receivables | 516 919 | 98 123 | 1 843 132 | 1 665 272 |
| Prepayments | 2 037 684 | 3 007 363 | 166 752 | 214 933 |
| Total trade and other receivables | 58 389 132 | 61 376 862 | 2 067 452 | 2 130 205 |

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | | | | |
|---|---|---|---|---|
| At amortised cost | 55 765 856 | 58 161 893 | 57 568 | 250 000 |
| Non-financial instruments | 2 623 276 | 3 214 969 | 2 009 884 | 1 880 205 |
| | 58 389 132 | 61 376 862 | 2 067 452 | 2 130 205 |

Trade and other receivables pledged as security

Trade receivables has been ceded as security for the financing facilities of the company and group. Refer to note 35.

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Exposure to credit risk

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

A credit loss allowance is recognised for all trade receivables and is measured by applying a provision matrix in accordance with IFRS 9, and is monitored at the end of each reporting period. In addition to the loss allowance and in terms of the accounting policy, trade receivables are written off when there is no reasonable expectation of recovery.

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

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of expected future cash flows.

The loss allowance as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:

| Group<br>Expected credit loss rate: | 2019<br>Gross carrying amount | 2019<br>Loss allowance | 2018<br>Gross carrying amount | 2018<br>Loss allowance |
|---|---|---|---|---|
| Less than 30 days: 0.35% | 30 042 320 | (104 412) | - | - |
| 31 - 60 days past due: 0.06% | 11 358 398 | (6 736) | - | - |
| 61 - 90 days past due: 0.65% | 1 855 942 | (12 033) | - | - |
| 91 - 120 days past due: 4.10% | 4 306 888 | (176 559) | - | - |
| More than 120 days past due: 9.22% | 4 097 023 | (377 859) | - | - |
| Specifically impaired | 3 018 885 | (583 764) | - | - |
| Credit loss measured per IAS 39 | - | - | 56 195 734 | (954 719) |
| Total | 54 679 456 | (1 261 363) | 56 195 734 | (954 719) |

The credit loss rates are based on the payment profile of sales over a period of 36-months before 30 June 2019 and the corresponding historical credit losses experienced within this period. As debtors days are on average less than 60 days, this period reflects sufficient data points. The historical rates are adjusted to reflect current and forward-looking factors which include but not limited to regional growth, political stability and economic forecasts. This adjustment requires judgment and the adjusted credit loss rate may not be representative of the customer's actual default in the future. Given the challenging economic climate the credit loss allowance has been increased in 2019.

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance for trade and other receivables:

| | Group 2019 |
|---|---|
| Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement | (954 719) |
| Adjustments upon application of IFRS 9 | - |
| Opening balance in accordance with IFRS 9 | - |
| Amounts written-off | 530 044 |
| Remeasurement of loss allowance | (836 688) |
| Closing balance | (1 261 363) |

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

The group is exposed to currency risk related to trade receivables because certain sales are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where necessary. The currencies in which the company deals primarily are US Dollars, Euros and British Pound.

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

| | Group | | Company | |
|---|---|---|---|---|
| Rand Amount | 2019 | 2018 | 2019 | 2018 |
| Rand | 47 983 425 | 53 790 771 | - | - |
| US Dollar | 1 147 347 | 2 094 663 | - | - |
| GB Pound | 1 218 060 | 681 563 | - | - |
| Euro | - | 164 867 | - | - |
| Ghanian Cedi | 5 417 024 | 1 430 029 | - | - |
| | 55 765 856 | 58 161 893 | - | - |

Fair value of trade and other receivables

The directors consider the carrying amounts of the trade and other receivables to be its fair value due to the short-term nature.
The directors are satisfied that the carrying amount of trade and other receivables are adequate based on the recognised credit loss allowance and its assessment of the business units of the credit quality of the receivables.

## 13. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 R | 2018 R | 2019 R | 2018 R |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 122 776 | 86 306 | - | - |
| Bank balances | 12 438 145 | 27 041 392 | 2 084 118 | 960 026 |
| Bank overdraft | (4 140 237) | - | - | - |
| | 8 420 684 | 27 127 698 | 2 084 118 | 960 026 |
| Current assets | 12 560 921 | 27 127 698 | 2 084 118 | 960 026 |
| Current liabilities | (4 140 237) | - | - | - |
| | 8 420 684 | 27 127 698 | 2 084 118 | 960 026 |

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

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

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

| | | | | |
|---|---|---|---|---|
| Currencies | | | | |
| US Dollar | 1 149 318 | 996 504 | - | - |
| GB Pound | 50 911 | 2 574 549 | - | - |
| Euro | 139 233 | 296 357 | - | - |
| Ghanaian Cedi | 623 331 | 614 424 | - | - |
| | 1 962 793 | 4 481 834 | - | - |
| The total amount of undrawn facilities available for future operating activities and commitments | 30 387 295 | 36 484 069 | - | - |

Refer to note 35 for the facilities and securities held with FNB.

## 14. STATED CAPITAL

| Authorised | Number of shares 2019 | 2018 |
|---|---|---|
| No par value shares | 5 000 000 000 | 5 000 000 000 |
| Issued | | |
| Reconciliation of number of shares issued: | 105 765 143 | 108 340 118 |
| Opening balance | 108 340 118 | 108 340 118 |
| Treasury shares cancelled | (446 535) | - |
| Shares repurchased and cancelled | (2 128 440) | - |
| Closing balance | 105 765 143 | 108 340 118 |

| Share capital | 2019 R | 2018 R |
|---|---|---|
| Ordinary no par value shares | 34 056 299 | 45 759 072 |
| Treasury shares | - | (2 570 698) |
| | 34 056 299 | 43 188 374 |
| Reconciliation of issued shares: | | |
| Opening balance | 43 188 374 | 45 759 072 |
| Treasury shares purchased | - | (2 570 698) |
| Shares repurchased and cancelled | (9 132 075) | - |
| | 34 056 299 | 43 188 374 |

446 535 shares acquired in the previous period at an average of R5.70 per share which were held in Treasury were cancelled. In addition 2 128 440 shares were acquired and cancelled during the year, at an average price of R 4.29 per share. The cancellations have reduced issued share equity to 105 765 143 and stated capital to R 34 056 299. Subsequent to year-end a further 477 247 shares at an average cost of R4.23 per share has been repurchased as part of the share buy-back programme announced in 2019.

## 15. FOREIGN CURRENCY TRANSLATION RESERVE

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

## 16. OTHER NON-DISTRIBUTABLE RESERVE

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

## 17. SHARE-BASED PAYMENTS

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

During the period under review no additional options were granted.

| Reconciliation of share options for the year | 2019 | | 2018 | |
|---|---|---|---|---|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Outstanding options at beginning of year | 5.48 | 6 891 904 | 5.41 | 5 060 984 |
| - SBP 2016 | 5.41 | 5 060 984 | 5.41 | 5 060 984 |
| - SBP 2017 | 5.66 | 1 830 920 | - | - |
| Options granted | - | - | 5.66 | 1 830 920 |
| Options lapsed - SBP 2016 | 5.41 | (1 265 246) | - | - |
| Options forfeited | 5.41 | (846 171) | - | - |
| | - | - | - | - |
| Outstanding option at end of year | 5.51 | 4 780 487 | 5.48 | 6 891 984 |
| - SBP 2016 | 5.41 | 2 949 567 | 5.41 | 5 060 984 |
| - SBP 2017 | 5.66 | 1 830 920 | 5.66 | 1 830 920 |

The first tranche of the share-based payment 2016 award vested in October 2018, however no options were exercised and therefore lapsed after the 30 day exercise period. The second tranche of the SBP 2016 award and the first tranche of the SBP 2017 award, vest in October 2019.
At 30 June 2019 the carrying amount of the of the share-based payment reserve was R5 703 753 with an expense of R1 998 761 recognised for employee services rendered during the year. Each company in the group recognise the expense for employee services rendered during the year.

## 18. OTHER FINANCIAL LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Held at amortised cost | | | | |
| Secured | | | | |
| Nedbank Limited | 23 808 324 | 25 000 000 | - | - |
| FNB | 43 192 555 | 61 057 596 | 33 589 101 | 47 485 820 |
| Wesbank Corporate | 6 107 913 | 692 857 | - | - |
| Novaspectacular Investments Proprietary Limited | 5 473 146 | 6 300 923 | - | - |
| | 78 581 938 | 93 051 376 | 33 589 101 | 47 485 820 |
| Split between non-current and current portions | | | | |
| Non-current liabilities | 29 527 874 | 71 364 117 | 18 298 878 | 33 566 353 |
| Current liabilities | 49 054 064 | 21 687 259 | 15 290 223 | 13 919 467 |
| | 78 581 938 | 93 051 376 | 33 589 101 | 47 485 820 |

## 18. OTHER FINANCIAL LIABILITIES (CONTINUED) NEDBANK LIMITED

The loan is secured by first and second covering mortgage bonds over land and buildings with a total book value of R31 428 420 (2018: R30 905 062) as described in note 5 and a limited suretyship of R25 000 000 by Trellicor Proprietary Limited. The loan bears interest at prime less 0.15% per annum and is repayable in monthly instalments until June 2028. Subsequent to year-end this loan was settled in full by FNB who refinanced the land and buildings.

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

Wesbank corporate
Instalment sale agreements exist, which are repayable in average monthly instalments of R186 733 (2018: R91 517), secured by plant and machinery and motor vehicles with a carrying value of R6 500 916 (2018: R1 712 207) as referred to in note 5, bearing interest at prime less 2%.

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

Loan 2 is unsecured, bears no interest and is repayable over 5 years. This loan has been subordinated to FNB as security for the facilities with the bank.

Refer to note 35 for securities held for these facilities. Fair value of financial liabilities at amortised cost

The directors consider the carrying amounts of financial liabilities at amortised cost to approximate their fair value as the loans bear interest at market related rates.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 R | 2018 R | 2019 R | 2018 R |

## 19. TRADE AND OTHER PAYABLES

| | | | | |
|---|---|---|---|---|
| Financial instruments: | | | | |
| Trade payables | 26 575 775 | 37 590 045 | 273 108 | 149 998 |
| FEC Contract | 830 595 | - | - | - |
| Non-financial instruments: | | | | |
| Amounts received in advance | 7 216 615 | 9 485 612 | - | - |
| Accrued leave pay and bonus | 7 807 031 | 9 960 180 | 229 795 | 759 837 |
| Accrued expenses | 5 035 312 | 5 581 506 | 265 000 | - |
| Other payroll accruals | 3 321 727 | 2 163 652 | 276 958 | 153 795 |
| VAT | 1 321 720 | 899 524 | 19 430 | 138 792 |
| | 52 108 775 | 65 680 519 | 1 064 291 | 1 202 422 |

Categorisation of trade and other payables

Trade and other payables are categorised as follows in accordance with IFRS 9:

| | | | | |
|---|---|---|---|---|
| At amortised cost | 27 406 370 | 37 590 045 | 273 108 | 149 998 |
| Non-financial instruments | 24 702 405 | 28 090 474 | 791 183 | 1 052 424 |
| | 52 108 775 | 65 680 519 | 1 064 291 | 1 202 422 |

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

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other payables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

| | | | | |
|---|---|---|---|---|
| Rand Amount | | | | |
| Rand | 12 295 430 | 18 010 514 | 273 107 | 149 998 |
| US Dollar | 13 401 434 | 12 377 768 | - | - |
| GP Pound | - | 2 252 496 | - | - |
| Euro | 1 652 337 | 4 556 542 | - | - |
| Ghanian Cedi | 57 168 | 392 725 | - | - |
| | 27 406 369 | 37 590 045 | 273 107 | 149 998 |

Fair value of trade and other payables

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |

## 20. REVENUE

Disaggregation of revenue from customers

| | | | | |
|---|---|---|---|---|
| Revenue from source type | | | | |
| Sale of security products | 320 038 006 | 329 308 635 | - | - |
| Sale of decorative products | 193 897 313 | 208 820 140 | - | - |
| Management fees | - | - | 10 354 000 | 8 258 794 |
| Royalty income | 1 012 033 | 855 250 | - | - |
| | 514 947 352 | 538 984 025 | 10 354 000 | 8 258 794 |
| Revenue by geographical location | | | | |
| South Africa | 443 624 731 | 475 431 321 | 10 354 000 | 8 258 794 |
| Rest of Africa | 54 843 687 | 54 776 468 | - | - |
| Rest of World | 16 478 934 | 8 776 236 | - | - |
| | 514 947 352 | 538 984 025 | 10 354 000 | 8 258 794 |
| Revenue recognised by timing of transfer | | | | |
| Invoice date - point in time | 514 947 352 | 538 984 025 | - | - |
| Monthly invoices - overtime | - | - | 10 354 000 | 8 258 794 |
| | 514 947 352 | 538 984 025 | 10 354 000 | 8 258 794 |
| Other revenue | | | | |
| Dividends received | - | - | 39 750 000 | 57 750 000 |
| Total revenue | 514 947 352 | 538 984 025 | 50 104 000 | 66 008 794 |

## 21. COST OF SALES

| | | | | |
|---|---|---|---|---|
| Sale of products | 194 465 452 | 195 530 546 | - | - |
| Employee costs | 58 461 321 | 58 057 245 | - | - |
| Depreciation | 3 637 214 | 3 437 937 | - | - |
| Manufacturing expenses | 26 529 811 | 36 044 580 | - | - |
| | 283 093 798 | 293 070 308 | - | - |

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |

## 22. OPERATING PROFIT BEFORE INTEREST AND TAXTION

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

| | | | | |
|---|---|---|---|---|
| Operating lease charges | | | | |
| Premises | 8 301 591 | 7 728 017 | - | - |
| Other | | | | |
| Net loss on exchange differences | 2 619 498 | 3 267 976 | - | - |
| Amortisation on intangible assets | 5 087 334 | 5 104 467 | - | - |
| Depreciation on property, plant and equipment | 6 909 584 | 6 471 219 | 2 587 | - |
| Short-term employee benefits | 121 086 709 | 120 022 573 | 6 324 854 | 5 089 465 |
| Post employment benefits | 6 217 992 | 5 862 043 | 262 533 | 192 816 |
| Advertising | 26 594 914 | 25 554 624 | - | - |
| Cartage | 6 670 616 | 7 306 750 | - | - |
| Consulting fees | 4 442 517 | 4 611 735 | 861 792 | - |
| Commission | 5 735 236 | 4 727 186 | - | - |
| Gas, electricity and water | 6 925 237 | 7 074 792 | - | - |
| Share-based payment expense | 1 998 761 | 2 314 056 | 492 145 | 648 984 |
| Credit loss allowance | - | - | (1 173 829) | - |

## 23. RETIREMENT BENIFIT

Defined contribution plan

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

| | | | | |
|---|---|---|---|---|
| Total group contribution to such schemes | 6 217 992 | 5 862 043 | 262 533 | 192 816 |

## 24. INVESTMENT INCOME

| | | | | |
|---|---|---|---|---|
| Interest revenue | | | | |
| Bank | 639 318 | 902 049 | 118 688 | 164 980 |
| Other interest | 317 351 | 399 927 | 18 943 | 5 634 |
| Loan to group companies | - | - | 4 469 261 | 8 521 638 |
| Total investment income | 956 669 | 1 301 976 | 4 606 892 | 8 692 252 |

## 25. FINANCE COST

| | | | | |
|---|---|---|---|---|
| Non-current borrowings | 8 563 589 | 9 524 678 | 3 901 866 | 5 238 002 |
| Bank and other | 176 280 | 65 322 | 68 391 | 45 124 |
| Tax authorities | 14 129 | 5 141 | - | 4 050 |
| Total finance costs | 8 753 998 | 9 595 141 | 3 970 257 | 5 287 176 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |

## 26. TAXATION

Major components of the tax expense

| | | | | |
|---|---|---|---|---|
| Local income tax | | | | |
| Current period | 17 739 992 | 25 613 146 | 1 117 414 | 1 705 014 |
| Recognised in current tax for prior periods | 449 815 | - | - | - |
| | 18 189 807 | 25 613 146 | 1 117 414 | 1 705 014 |
| Deferred | | | | |
| Originating and reversing temporary differences | 211 568 | (1 584 069) | 413 740 | (357 905) |
| | 18 401 375 | 24 029 077 | 1 531 154 | 1 347 109 |

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

| | | | | |
|---|---|---|---|---|
| Applicable tax rate | 28.00 % | 28.00 % | 28.00 % | 28.00 % |
| Exempt income | - % | - % | (26.54)% | (26.56)% |
| Tax incentives | (0.10)% | (0.02)% | % | - |
| Difference in tax rate for foreign subsidiary | 0.32 % | 0.17 % | % | - |
| Capital gains | 1.04 % | (0.01)% | % | - |
| Non-deductible expenses | 1.57 % | 0.60 % | 2.19 % | 0.77 % |
| Proceeds from sale of franchise rights | (1.30)% | - % | % | - |
| Prior year under provision | 0.42 % | - % | % | - |
| | 29.95 % | 28.74 % | 3.65 % | 2.21 % |

## 27. CASH GENERATED FROM OPERATIONS

| | | | | |
|---|---|---|---|---|
| Profit before taxation | 61 443 167 | 83 607 195 | 41 938 857 | 60 879 769 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 11 996 918 | 11 575 686 | 2 587 | - |
| Net profit on disposal of property, plant and equipment | 250 084 | (150 227) | - | - |
| Interest income | (956 669) | (1 301 976) | (4 606 892) | (8 692 252) |
| Finance costs | 8 753 998 | 9 595 141 | 3 970 257 | 5 287 176 |
| Movements in provisions | (174 647) | (136 102) | - | - |
| Share-based payment expense | 1 998 761 | 2 314 056 | 492 145 | 648 984 |
| Movement in inventory obsolescence | 1 443 769 | 630 595 | - | - |
| Unrealised exchange differences | 576 914 | 717 542 | - | - |
| Non-cash proceeds on sale of franchise rights | (1 203 363) | - | - | - |
| Expected credit impairment | - | - | (1 173 829) | - |
| Changes in working capital: | | | | |
| (Increase) / decrease in inventories | (2 180 141) | (12 281 304) | - | - |
| (Increase) / decrease in trade and other receivables | 2 469 486 | 929 599 | 1 569 281 | 1 084 767 |
| Increase / (decrease) in trade and other payables | (13 893 750) | 11 446 275 | (138 043) | 1 068 035 |
| | 70 524 527 | 106 946 480 | 42 054 363 | 60 276 479 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>R | 2018<br>R | 2019<br>R | 2018<br>R |

## 28. TAX PAID

| | | | | |
|---|---|---|---|---|
| Balance at beginning of the year | 1 308 851 | (3 646 817) | (277 278) | (10 940) |
| Current tax for the year recognised in profit or loss | (18 189 807) | (25 613 146) | (1 117 414) | (1 705 014) |
| Balance at end of the year | (2 246 721) | (1 308 851) | 78 326 | 277 278 |
| | (19 127 677) | (30 568 814) | (1 316 366) | (1 438 676) |

## 29. DIVIDENDS PAID

| | | | | |
|---|---|---|---|---|
| Dividends | (27 157 650) | (32 928 459) | (27 157 650) | (32 928 459) |

Dividend per share of R 0.26 (2018: R0.31) were distributed to the shareholders.

## 30. EARNINGS PER SHARE

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| Headline earnings per share | | |
| Profit for the year attributable to ordinary shareholders | 42 870 053 | 58 763 054 |
| Adjusted for: | | |
| (Loss)/profit on disposal of property, plant and equipment | 166 494 | (99 709) |
| Gross amount | 250 084 | (150 227) |
| Non-controlling interest | (70 025) | 8 455 |
| Tax effect thereon | (13 566) | 42 063 |
| | 43 036 547 | 58 663 345 |
| Core headline earnings | | |
| Headline earnings | 43 036 547 | 58 663 345 |
| Adjusted for: | | |
| Amortisation of customer base | 4 891 200 | 4 891 200 |
| Tax effect thereon | (1 369 536) | (1 369 536) |
| Non-controlling interest | (264 125) | (264 125) |
| | 46 294 086 | 61 920 884 |
| Number of shares issued | 105 765 143 | 108 340 118 |
| Weighted average number of ordinary shares in issue during the year | 107 218 349 | 108 020 801 |
| Diluted weighted average number of shares | 107 218 349 | 108 020 801 |
| Earnings and diluted earnings per share (cents) | 40.0 | 54.4 |
| Headline earnings and diluted headline earnings per share (cents) | 40.1 | 54.3 |
| Core headline earnings and core diluted headline earnings per share (cents) | 43.2 | 57.3 |

## 31. RELATED PARTIES

| | |
|---|---|
| Relationships | |
| Subsidiaries | Refer to note 8 |
| Members of key management | All directors (refer to note 5 of the Director's Report). |
| Prescribed officer | PWE Rawson |

Related party balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Loan accounts - Owing (to) by related parties | | | | |
| Subsidiaries | - | - | 67 547 497 | 77 702 292 |
| Novaspectacular Investments Proprietary Limited | 5 473 146 | 6 300 923 | - | - |
| Amounts included in Trade receivable and other receivables regarding related parties | | | | |
| Subsidiaries | - | - | 1 889 264 | 1 915 272 |
| Amounts included in Trade payables and other payables regarding related parties | | | | |
| Subsidiaries | - | - | 150 460 | - |
| Related party transactions | | | | |
| Management fees received from related parties | | | | |
| Subsidiaries | - | - | 10 354 000 | 8 258 794 |
| Dividends received from related parties | | | | |
| Subsidiaries | - | - | 39 750 000 | 57 750 000 |
| Interest received from (paid to) related parties | | | | |
| Subsidiaries | - | - | 4 488 204 | 8 521 638 |
| Novaspectacular Investments Proprietary Limited | (363 923) | (691 010) | - | - |
| Advertising expenses paid to related parties | | | | |
| Other related party | (1 691 307) | (1 131 076) | - | - |

Refer to note 32 for compensation paid to directors and the prescribed officer. The only key employees identified are the directors and prescribed officer of Trellidor Holdings Limited.

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

## 32. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive

Group

| | 2019 Short-term benefits | 2019 Pension fund contributions | 2019 Total | 2018 Short-term benefits | 2018 Pension fund contributions | 2018 Total |
|---|---|---|---|---|---|---|
| TM Dennison | 3 664 491 | 175 351 | 3 839 842 | 3 833 514 | 165 039 | 3 998 553 |
| DJR Judge | 545 540 | 37 867 | 583 407 | - | - | - |
| PWE Rawson | 2 417 557 | 157 220 | 2 574 777 | 2 397 364 | 148 560 | 2 545 924 |
| CG Cunningham | 1 219 956 | 61 282 | 1 281 238 | 1 254 802 | 63 402 | 1 318 204 |
| | 7 847 544 | 431 720 | 8 279 264 | 7 485 680 | 377 001 | 7 862 681 |

Non-executive

Group

| | 2019 Directors' fees | 2018 Directors' fees |
|---|---|---|
| MC Olivier | 325 000 | 246 100 |
| JB Winship | 295 000 | 246 100 |
| RB Patmore | 315 000 | 246 100 |
| | 935 000 | 738 300 |

Executive directors'and prescribed officers' contracts

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

Share options were granted and accepted in terms of the Trellidor share incentive scheme. Refer to note 17 for further information.

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

## 33. CONTINGENCIES

A dispute is in process relating to former employees who were dismissed by a subsidiary of the company. The employees are claiming employment reinstatement. The subsidiary however has a counter claim against the employees for damage to property. The directors, based on the legal opinion, are of the opinion that the current dispute will not result in a material outflow, if any, to the group. The dispute has been ongoing since 2013 without any resolution to date. Given the nature of the claim, the financial impact of the claim can not be determined and is not applicable.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Emira Property Fund Limited | 1 118 199 | 963 190 | - | - |
| Ethekwini Municipality | 202 580 | 202 580 | - | - |
| The South African Post Office | 40 000 | 40 000 | - | - |
| Eskom Holdings Limited | 238 700 | - | - | - |
| | 1 599 479 | 1 205 770 | - | - |

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

## 34. COMMITMENTS

Authorised capital expenditure

| | | | | |
|---|---|---|---|---|
| Already contracted for but not provided for | | | | |
| Property, plant and equipment | 332 653 | 5 009 818 | - | - |

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

Operating leases – as lessee (expense)

| | | | | |
|---|---|---|---|---|
| Minimum lease payments due: | | | | |
| - within one year | 8 242 023 | 7 875 737 | - | - |
| - in second to fifth year inclusive | 10 410 983 | 18 513 007 | - | - |
| | 18 653 006 | 26 388 744 | - | - |

Operating lease payments represent rentals payable by the group for certain of its factory and office premises. Leases are negotiated for an average term of 3 to 5 years. No contingent rentals are payable.

## 35. SECURITY AND FACILITIES - FNB

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

## 35. SECURITIES AND FACILITIES - FNB (CONTINUED)

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

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

Term loan 1 - Trellidor Holdings Limited
The loan is secured by a cession of Trellicor Proprietary Limited's debtors and credit balances at the bank, suretyship by Trellicor Proprietary Limited (limited to R100 000 000), cession by Trellidor Innovations Proprietary Limited of its debtors and credit balances at the bank and a suretyship by Trellidor Innovations Proprietary Limited (limited to R50 000 000).

Term loan 2 - Trellidor Innovations Proprietary Limited
The loan is secured by a cession of Trellicor Proprietary Limited's debtors and credit balances at the bank, suretyship by Trellicor Proprietary Limited (limited to R25 000 000), cession by Trellidor Innovations Proprietary Limited of its debtors and credit balances at the bank, subordination of loans from Trellidor Holdings Limited and Novaspectacular Investments Proprietary Limited to Trellidor Innovations Proprietary Limited.

## 36. GOING CONCERN

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

## 37. EVENTS AFTER THE REPORTING PERIOD

In terms of the Subscription Agreement entered into by Trellidor Holdings Limited, Trellidor Innovations Proprietary Limited and Novaspectacular Investments Proprietary Limited ('Novaspectacular') on 03 June 2016, a 'Trellidor Call Option' was incorporated which grants Trellidor Holdings Limited a call option to purchase from Novaspectacular all ordinary no par value shares held by Novaspectacular and all shareholder loans due by Trellidor Innovations Proprietary Limited to Novaspectacular.

This option will become exercisable by written notice to Novaspectacular at any time during a period of 30 days following the approval of Trellidor Innovations Proprietary Limited 's audited Financial Statements for the financial year ended 30 June 2019.
Directors of Trellidor Holdings Limited have no intention of exercising this option and it will as result lapse in the subsequent period.

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

Group - 2019

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans receivable | | 2 353 033 | 2 353 033 | 2 353 033 |
| Trade and other receivables | 12 | 55 765 856 | 55 765 856 | 55 765 856 |
| Cash and cash equivalents | 13 | 12 560 921 | 12 560 921 | 12 560 921 |
| | | 70 679 810 | 70 679 810 | 70 679 810 |

Group - 2018

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans receivable | | 2 257 628 | 2 257 628 | 2 257 628 |
| Trade and other receivables | 12 | 58 161 893 | 58 161 893 | 58 161 893 |
| Cash and cash equivalents | 13 | 27 127 698 | 27 127 698 | 27 127 698 |
| | | 87 547 219 | 87 547 219 | 87 547 219 |

Company - 2019

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans to group companies | 10 | 65 069 710 | 65 069 710 | 65 069 710 |
| Trade and other receivables | 12 | 57 568 | 57 568 | 57 568 |
| Cash and cash equivalents | 13 | 2 084 118 | 2 084 118 | 2 084 118 |
| | | 67 211 396 | 67 211 396 | 67 211 396 |

Company - 2018

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans to group companies | 10 | 77 702 292 | 77 702 292 | 77 702 292 |
| Trade and other receivables | 12 | 250 000 | 250 000 | 250 000 |
| Cash and cash equivalents | 13 | 960 026 | 960 026 | 960 026 |
| | | 78 912 318 | 78 912 318 | 78 912 318 |

Categories of financial liabilities

Group - 2019

| | Notes | FVTPL | Amortised cost | Total | Fair value |
|---|---|---|---|---|---|
| Trade and other payables | 19 | - | 26 575 774 | 26 575 774 | 26 575 774 |
| Other financial liabilities | 18 | - | 78 581 938 | 78 581 938 | 78 581 939 |
| Bank overdraft | 13 | - | 4 140 237 | 4 140 237 | 4 140 237 |
| FEC Contracts | 19 | 830 595 | - | 830 595 | 830 595 |
| | | 830 595 | 109 297 949 | 110 128 544 | 110 128 545 |

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Group - 2018

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 19 | 37 590 045 | 37 590 045 | 37 590 045 |
| Other financial liabilities | 18 | 93 051 376 | 93 051 376 | 93 051 376 |
| | | 130 641 421 | 130 641 421 | 130 641 421 |

Company - 2019

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 19 | 273 107 | 273 107 | 273 107 |
| Other financial liabilities | 18 | 33 589 101 | 33 589 101 | 33 589 101 |
| | | 33 862 208 | 33 862 208 | 33 862 208 |

Company - 2018

| | Notes | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 19 | 149 998 | 149 998 | 149 998 |
| Other financial liabilities | 18 | 47 485 820 | 47 485 820 | 47 485 820 |
| | | 47 635 818 | 47 635 818 | 47 635 818 |

Capital risk management

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

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

The group is required to maintain and monitor dividend, interest and debt cover ratios in terms of its agreements with its financiers, as referred to in note 35. As at 30 June 2019 the group was not in breach of any covenants and there was no change to what the entity manages as capital or the strategy for capital maintenance from the previous year.

Subject to covenants being met and sufficient cash flow generation, the group would seek to achieve a dividend cover of 2.25. The debt to equity ratio and dividend cover at 2019 and 2018 respectively were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Debt | 78 581 939 | 93 051 376 | 33 589 101 | 47 485 820 |
| Equity | 226 661 169 | 218 174 419 | 87 204 517 | 83 716 942 |
| Gearing ratio | 35 % | 43 % | 39 % | 57 % |
| Dividend cover | 2.26 | 2.54 | - | - |

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

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management

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

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

There have been no major changes to the group's financial risk management policies and processes from the previous period. Credit risk
Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet their contractual obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and other financial assets.

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

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

| Group | | 2019<br>Gross carrying amount | Credit loss allowance | Amortised cost / fair value | 2018<br>Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
|---|---|---|---|---|---|---|---|
| Loans receivable | | 2 353 033 | - | 2 353 033 | 2 257 628 | - | 2 257 628 |
| Trade and other receivables | 12 | 57 027 219 | (1 261 363) | 55 765 856 | 59 116 612 | (954 719) | 58 161 893 |
| Cash and cash equivalents | 13 | 12 560 921 | - | 12 560 921 | 27 127 698 | - | 27 127 698 |
| | | 71 941 173 | (1 261 363) | 70 679 810 | 88 501 938 | (954 719) | 87 547 219 |
| Company | | | | | | | |
| Loans to group companies | 10 | 67 547 496 | (2 477 786) | 65 069 710 | 77 702 292 | - | 77 702 292 |
| Trade and other receivables | 12 | 57 568 | - | 57 568 | 250 000 | - | 250 000 |
| Cash and cash equivalents | 13 | 2 084 118 | - | 2 084 118 | 960 026 | - | 960 026 |
| | | 69 689 182 | (2 477 786) | 67 211 396 | 78 912 318 | - | 78 912 318 |

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

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

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

Group - 2019

| | Note | Less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| Non-current liabilities | | | | | | | |
| Other financial liabilities | 18 | - | 26 758 819 | 2 534 763 | - | 29 293 582 | 29 527 874 |
| Current liabilities | | | | | | | |
| Trade and other payables | 19 | 43 107 639 | - | - | - | 43 107 639 | 27 406 369 |
| Other financial liabilities | 18 | 53 017 102 | - | - | - | 53 017 102 | 49 054 064 |
| Bank overdraft | 13 | 4 140 237 | - | - | - | 4 140 237 | 4 140 237 |
| Current assets | | | | | | | |
| Trade and other receivables | | (55 765 856) | - | - | - | (55 765 856) | (55 765 856) |
| | | 44 499 122 | 26 758 819 | 2 534 763 | - | 73 792 704 | 54 362 688 |

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Group - 2018

| | Note | Less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| Non-current liabilities | | | | | | | |
| Other financial liabilities | 18 | - | 29 213 977 | 39 267 743 | 19 698 226 | 88 179 946 | 71 364 117 |
| Current liabilities | | | | | | | |
| Trade and other payables | | 37 590 045 | - | - | - | 37 590 045 | 37 590 045 |
| Other financial liabilities | 18 | 29 505 912 | - | - | - | 29 505 912 | 21 687 259 |
| Current assets | | | | | | | |
| Trade and other receivables | | (57 911 893) | - | - | - | (57 911 893) | (57 911 893) |
| | | 9 184 064 | 29 213 977 | 39 267 743 | 19 698 226 | 97 364 010 | 72 729 528 |

Company - 2019

| | Note | Less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| Non-current liabilities | | | | | | | |
| Other financial liabilities | 18 | - | 17 756 422 | 1 479 702 | - | 19 236 124 | 18 298 878 |
| Non-current assets | | | | | | | |
| Loans to group companies | | - | (21 120 000) | (1 760 000) | - | (22 880 000) | (47 000 485) |
| Current liabilities | | | | | | | |
| Trade and other payables | | 273 107 | - | - | - | 273 107 | 1 044 867 |
| Other financial liabilities | 18 | 17 756 422 | - | - | - | 17 756 422 | 32 988 277 |
| Trade and other receivables | | (57 568) | - | - | - | (57 568) | (57 568) |
| Loans to group companies | | (21 120 000) | - | - | - | (21 120 000) | (27 258 919) |
| | | (3 148 039) | (3 363 578) | (280 298) | - | (6 791 915) | (21 984 950) |

Company - 2018

| | Note | Less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| Non-current liabilities | | | | | | | |
| Other financial liabilities | 18 | - | 17 698 054 | 19 172 891 | - | 36 870 945 | 33 566 353 |
| Current liabilities | | | | | | | |
| Trade and other payables | 19 | 149 998 | - | - | - | 149 998 | 149 998 |
| Other financial liabilities | 18 | 17 698 054 | - | - | - | 17 698 054 | 13 919 467 |
| Current assets | | | | | | | |
| Trade and other receivables | | (250 000) | - | - | - | (250 000) | (250 000) |
| Loan to group company | | (29 391 600) | (29 391 600) | (31 840 900) | - | (90 624 100) | (77 702 292) |
| | | (11 793 548) | (11 693 546) | (12 668 009) | - | (36 155 103) | (30 316 474) |

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| Current assets: | | | | | |
| Trade and other receivables, USD 81 142 (2018: USD 152 335) | 12 | 1 147 347 | 2 094 663 | - | - |
| Trade and other receivables, GBP 69 000 (2018: GBP 37 517) | 12 | 1 218 060 | 681 563 | - | - |
| Trade and other receivables, EUR Nil (2018: EUR 10 260) | 12 | - | 164 867 | - | - |
| Cash and cash equivalents, USD 81281 (2018: USD 72 471) | 13 | 1 149 318 | 996 504 | - | - |
| Cash and cash equivalents, EUR 8 647 (2018: EUR 18 442) | 13 | 139 222 | 296 357 | - | - |
| Cash and cash equivalents, GBP 2 884 (2018: GBP 141 716) | 13 | 50 911 | 2 574 549 | - | - |
| Current liabilities: | | | | | |
| Trade and other payables, USD 947 768 (2018: USD 900 175) | 19 | 13 401 433 | 12 377 768 | - | - |
| Trade and other payables, EUR 102 630 (2018: EUR 283 552) | 19 | 1 652 337 | 4 556 542 | - | - |
| Trade and other payables, GBP Nil (2018: GBP 123 989) | 19 | - | 2 252 496 | - | - |
| Year end exchange rates used for conversion of foreign items were: | | | | | |
| USD | | 14.14 | 13.75 | - | - |
| GBP | | 17.65 | 18.17 | - | - |
| EUR | | 16.10 | 16.07 | - | - |
| GHS | | 2.57 | 2.86 | - | - |

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

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

Group - 2019

| Imports - goods | Contract rate | Market rate | Contract foreign currency amount | Contract Rand amount | Fair value of contract |
|---|---|---|---|---|---|
| Buy USD - expiry 5 July 2019 - 11 October 2019 | 14.69 | 14.23 | 1 027 867 | 15 258 229 | 14 652 754 |
| Buy EURO - expiry 5 July 2019 | 16.97 | 16.13 | 75 046 | 1 273 531 | 1 210 460 |
| | | | | 16 531 760 | 15 863 214 |

## 38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency sensitivity analysis

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

| Group | 2019 | | 2018 | |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss: | | | | |
| US Dollar 1% (2018: 1%) | (111 048) | 111 048 | 92 866 | (92 866) |
| Euro 1% (2018: 1%) | (16 591) | 16 591 | 40 953 | (40 953) |

Interest rate risk

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

Group

At 30 June 2019, if interest rates had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been R395 726 (2018: R329 618) lower/higher, mainly as a result of higher interest expense/income on borrowings.

Company

At 30 June 2019, if interest rates had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been R186 236 (2018: R155 882) higher/lower, mainly as a result of higher interest income/expense on borrowings.

# SHAREHOLDER ANALYSIS

| Shareholder type | Number | Shareholding | % |
|---|---|---|---|
| Non- public shareholders | 8 | 29 888 766 | 28.25 % |
| Directors and associates of the company (direct holding) | 5 | 13 655 728 | 12.91 % |
| Directors and associates of the company (indirect holding) | 2 | 2 892 872 | 2.73 % |
| Own holdings | - | - | - % |
| Shareholders (excluding fund managers) holding more than 10% | | | |
| The LMO Trust | 1 | 13 340 166 | 12.61 % |
| Public shareholders | 729 | 75 896 377 | 71.75 % |
| | 737 | 105 785 143 | 100.00 % |

| | | | |
|---|---|---|---|
| Fund managers with a shareholding greater than 5 % of issued shares | | | |
| Mazi Capital Proprietary Limited | 47 | 17 735 445 | 16.77 % |
| Aylett and Co. Proprietary Limited | 4 | 6 732 734 | 6.36 % |
| | 51 | 24 468 179 | 23.13 % |

| | | | |
|---|---|---|---|
| Beneficial shareholders with a holding greater than 5% of the issued shares | | | |
| Government Employees Pension Fund | 1 | 6 864 167 | 6.49 % |
| Envisionit Capital Solutions Proprietary Limited | 1 | 8 025 000 | 7.59 % |
| | 2 | 14 889 167 | 14.08 % |

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