
Invicta
HOLDINGS LIMITED

# AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS 2021

FOR THE YEAR ENDED 31 MARCH

# Approval of the consolidated financial statements

## To the shareholders of Invicta Holdings Limited

The directors of Invicta Holdings Limited ("Invicta" or "the Company" or, together with subsidiaries, associates and joint ventures ("the Group") are responsible for the preparation of the consolidated financial statements and related financial information that fairly presents the results of the Group for the period 1 April 2020 to 31 March 2021 ("the Report").

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

The external auditors are responsible for carrying out an independent examination of the Report in accordance with International Standards on Auditing and in compliance with the Companies Act (2008) and reporting their findings thereon. The Independent Auditors' Report is set out on pages 10 to 14 of the Report.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the Audit and Risk Committee. The Audit and Risk Committees, together with the internal auditors, play an oversight role in matters relating to financial and internal control, accounting policies, reporting and disclosures.

The directors, whose names are stated below, hereby confirm that –

(a) the annual financial statements set out on pages 2 to 91, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

The directors have reviewed the group and company's financial budgets for the year to 31 March 2022. In light of their review of the current financial position and existing borrowing-based facilities taking in account the impact of the COVID-19 pandemic of which the group has assessed and continues to regularly monitor the developments, they consider it appropriate that the group and company annual financial statements continue to be prepared on the going concern basis. Refer to note 48 and the directors' report for further details.

The Report for the period ended 31 March 2021, was approved by the board on 24 June 2021 for publication on 28 June 2021 and is signed on its behalf by:

**N. Rajmohamed**
*Director*
*Johannesburg*
24 June 2021

**S. Joffe**
*Director*
*Johannesburg*
24 June 2021

# Certification by the Group company secretary

In accordance with the provisions of section 88(2) of the Companies Act (2008), I certify that, to the best of my knowledge and belief, the Company has filed for the reporting period ended 31 March 2021, all such returns and notices as are required of a public company in terms of the said Act, and that all such returns and notices appear to be true, correct and up to date.

**R. Cloete**
*Acting Group company secretary*
*Johannesburg*
24 June 2021

# Audit and Risk Committee report

*for the year ended 31 March 2021*

## Background

The Audit Committee is guided by a charter and amendments are approved by the Board. The charter incorporates the specific responsibilities outlined in the Companies Act (2008) and the JSE Listings Requirements. Audit Committees of the major operating divisions meet on a quarterly basis and report back to the Invicta Audit Committee through the Group Directors who chair the divisional Audit Committees.

The purpose of the Audit Committee is:

- To ensure the overall adequacy and efficiency of the internal control systems and information systems.
- To ensure that the company has appropriate financial reporting procedures and that those procedures are operating in compliance with all applicable legal requirements, corporate governance and accounting standards.
- To provide a forum for communication between the Board, executive management, and the internal and external auditors.
- To review and confirm the independence, objectivity and effectiveness of the external auditors, and to review and approve the engagement of the external auditors for non-audit work.
- To introduce such measures as in the Audit Committee's opinion may serve to enhance the reliability, integrity and objectivity of financial information, statements and affairs of the Group.
- To provide support to the Board on the risk management of the Group through the establishment of a Risk Committee.
- To review and monitor the objectivity and effectiveness of the internal audit function.
- To review and recommend to the Board the consolidated financial statements, press announcements and integrated annual report.

## Membership

The Audit Committee members were re-appointed at the Annual General Meeting "AGM" of the company held on the 17th September 2020.

The members during the 2021 financial year were:

- Rashid Wally *(Chairman)** — *Appointed as Chairman on 31 July 2020*
- David Samuels *(member)** — *Resigned 31 July 2020*
- Lance Sherrell *(member)* — *Resigned 31 July 2020*
- Mpho Makwana *(member)** — *Appointed 31 July 2020*
- *Frank Davidson (member)** — *Appointed 31 July 2020*

**independent*

The Audit Committee members are independent of executive management. The Group CEO, CFO and Commercial Director attend the meeting by invitation.

Shareholders will be requested to approve the appointment and/or reappointment of the members of the Audit Committee at the AGM scheduled for 16 September 2021.

**Attendance at meetings by Audit Committee members during the reporting period were as follows:**

| | Scheduled meetings |
|---|---|
| Rashid Wally (Chairman) | 4/4 |
| Mpho Makwana | 3/3 |
| Frank Davidson | 3/3 |
| David Samuels | 1/1 |
| Lance Sherrell | 1/1 |

The Internal Audit Manager and representatives of the external auditors are invited to attend meetings and to report to the Audit Committee.

## Compliance

The organisation operates in complex compliance environments such as South Africa, other Southern African countries and Asia. The Group also operates in Europe and North America. The Board has delegated responsibility to facilitate compliance throughout the Company and the Group to the Audit Committee.

In this regard the Audit Committee:

- Monitors compliance with applicable laws, including the JSE pro-active monitoring requirements, and considers adherence to relevant non-binding rules, codes and standards.
- Monitors the establishment and maintenance of a compliance framework that is appropriate taking into account the laws, rules, codes and standards that are applicable to the relevant territory.
- Ensures that a legal compliance policy is established and implemented.
- Ensures that a compliance manual is established and implemented.
- Identifies, assesses, advises, monitors and reports on the regulatory compliance risk of the Company and the Group, which contributes to the overall risk management framework of the Company and the Group.
- Ensures that compliance monitoring and reporting is undertaken in a manner that is appropriate for the Company and the Group; and ensures that a compliance culture is encouraged through leadership, appropriate structures, education and training, communication, and measurement of key performance indicators.
- Reviews and approves all decision letters and explanations provided to any regulator, including IRBA and the JSE.

## Information, Communication and Technology

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

- Appraise major information, communication and technology ("ICT") related projects and technology architecture decisions
- Ensure that the Group's ICT programs effectively support the Group's business objectives and strategies
- Monitor the overall performance of the Group's senior IT management team
- Advise the Audit Committee and Board on strategic or material ICT-related matters
- Identifying and assessing cyber risks to prevent recurrence

The ICT Committee consists of the Group Commercial Director and the divisional IT managers, who meet as often as is required. The Group Commercial Director provides regular reports to the Audit Committee on projects throughout the Group.

## Internal audit

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

The Audit Committee is satisfied with the arrangements for internal audit and the effectiveness of the head of internal audit. The Audit Committee approved the internal audit plan, and is satisfied with the effectiveness of the design and operation of internal financial controls. Any failures in this regard are assessed and addressed on a case-by-case basis.

During the current year Internal audit has led specific projects to support the JSE control attestation to be made by the CEO and CFO.

## External audit

Ernst & Young Inc. ("audit firm") were reappointed independent external auditor. Ms. Amelia Young, who is a registered independent auditor, is the designated partner for the audit of the 2021 reporting period.

The Audit Committee has satisfied itself that the auditor of the Company and the Group is independent as defined by the Companies Act (2008) and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the auditor that internal governance processes within Ernst & Young support and demonstrate their independence.

The Audit Committee, in consultation with executive management, agreed to the engagement letter, audit scope and audit plan for the 2021 reporting period. The budgeted fee was considered appropriate for the work that could reasonably have been foreseen at that time. The final fee will be agreed on completion of the audit.

There is a formal procedure that governs the level of non-audit services that may be undertaken by the audit firm without Audit Committee approval. The Audit Committee reviews the level of non-audit fees bi-annually. Meetings may be held with the auditor where management is not present.

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

## Key audit matters

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

## Consolidated financial statements

The Audit Committee fulfilled its mandate and recommended the consolidated financial statements for approval to the Board. The Board subsequently approved the consolidated financial statements, which will be open for discussion at the forthcoming AGM.

## Group Financial Director and financial reporting procedures

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

## Risk management

Responsibility for managing Group risk ultimately lies with the Board. The Board manages risk through the Audit Committee. The Audit Committees of subsidiary companies, executive committees and management at operational level assist the Group Audit Committee in discharging these responsibilities by identifying, monitoring, and managing risk on an ongoing basis.

Risk management specifically includes the consideration of:

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

The following key risk areas, rated as likely or neutral, have been identified for monitoring and detailing to stakeholders:

**South Africa's electricity supply**

The lack of (consistent) supply is a constraint on GDP, and impacts the activities of key customer industries such as mining. There is also a higher operating cost for all parties. This is mitigated by the rollout of alternative power independent of the national grid to key sites.

**De-industrialisation of South Africa**

Lack of competitiveness/Low productivity could lead to a decline in industrial South Africa, with flat or declining impact on group revenue and profitability. This is mitigated by diversification of South African products and markets; and diversification geographically to growing industrial markets

**Steel shortages**

Worldwide shortages of steel exacerbated by COVID led shipping delays could lead to shortage of inventory. This is mitigated by anticipating requirements and placing early orders with secured shipping.

**Political and labour instability**

Sustained labour unrest in the mining or manufacturing sectors, especially given high level of unemployment in the wake of pandemic related retrenchments. This is mitigated by geographical diversification to more stable regions, and strict management of overheads to create resilience to short term upheavals.

**Reputational risk**

The Group may suffer reputational damage as a consequence of product or governance failure, or failure to meet regulatory requirements. This is mitigated by a strong governance framework and code of ethics.

**Loss of key management skills**

There is a small pool of well skilled and experienced talent at management and technical levels in the country. This is mitigated by restraints of trade, retention plans, salary benchmarking and succession plans in place.

## Risk management (continued)

**Financial risk**

The group is exposed to exchange rate risk, credit risk and interest rate risk. There is also the impact of the lack of financing for capital equipment customers. Credit risks are managed on an individual basis and closely monitored. Financial risks are mitigated where appropriate through a prudent policy of hedging exposures.

**IT risk**

There could be loss of critical information and business interruption through failures during system changes, or due to firewall breaches, cyber-attack, or natural disasters. This is mitigated by disaster recovery plans, firewalls and back up plans, which are tested routinely. Additionally, there are strict security controls.

**Rashid Wally**
Chairman of the Audit Committee
24 June 2021

# Directors' report

*for the year ended 31 March 2021*

## Invicta Holdings Limited

The directors have pleasure in presenting their report, which forms part of the consolidated financial statements of the Group, for the period ended 31 March 2021.

## Nature of business

Invicta's operations comprise three key divisions; namely the Engineering Solutions Group "ESG", Capital Equipment Group "CEG", and the Kian Ann Group "KAG". The various divisions of the Group are described below.

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

Invicta SA is the operational holding company of all the South African operations of the Group with 25% of its ordinary shares under the control of B-BBEE parties. The company has been consolidated into the Group's results in terms of IFRS 10 "Consolidated Financial Statements".

20% of Invicta SA's ordinary shares are held by Theramanzi Investments Proprietary Limited, a wholly-owned subsidiary of the Humulani Empowerment Trust ("HET"). The HET was established by Invicta in 2011 to promote the broad-based socio and economic advancement of black women, black broad-based groups and black designated groups in areas surrounding the operations of the Invicta Group. The beneficiaries of the HET are defined in the trust deed as the employees selected from time to time by the Company. It is intended that disbursements made by the HET will initially be in the areas of education in projects that are considered to create sustainable community improvements. The HET is structured in the form of a broad-based trust, with an enhanced empowerment status. In terms of IFRS 10, HET and Theramanzi its wholly owned subsidiary are consolidated into the Group results.

5% of Invicta SA's ordinary shares are held by the Humulani Employee Investment Trust ("Employee Trust"). The beneficiaries of the Employee Trust are the historically disadvantaged South African employees of the Group, who do not participate in any other share incentive scheme of the Group.

ESG has continued with the sale of branches, (re-named with the prefix Africa Maintenance Equipment "AME"), to develop the customer supply chain in a manner that meets the requirements of the mining charter. The shares are held by the independent B-BBEE partners; in some instances the Employee Trust and Group companies participate. In terms of IFRS 10, the Employee Trust is consolidated and the AME entities, (AME Kathu, AME eMalahleni, AME Lephalale and AME Mogale) are equity accounted into the Group's results.

## Engineering Solutions Group

ESG is the leading wholesale and retail distributor in Africa of engineering consumable products, technical services and 360-degree solutions. It has a global network consisting of 129 branches and an additional 117 vendor managed inventory consignment sites.

ESG's core activities include the international sourcing of leading brands, the distribution of premium engineering components and consumables, the provision of technical support, value-added assembly and the bespoke manufacturing of components into customised systems and solutions for end-user customers.

The companies forming part of ESG are:

- **Bearing Man Group "BMG"**: BMG provides technical services including on-site installation, maintenance work, breakdown repair, condition monitoring, failure analysis, design engineering and manufacturing. It supplies both imported and local product ranges:
    - Engineering consumables including bearings, seals and gaskets, power transmission, light and heavy materials handling, fasteners, geared and electric drives and motors
    - Fluid technology products and solutions including hydraulic, pneumatic, valves, pumps, filtration, hose, fittings and lubrication
    - Tools & equipment
    - Belting products
- **Industri Group**: Supply of tools and equipment, cutting, welding, lifting, personal protective equipment, locks and machine tools
- **Oscillating Systems Technology**: Supply of imported and local vibrator motors, tensioning and suspension systems
- **Screen Doctor**: Supply of vibrating equipment and material handling solutions
- **Universal Parts Group**: Supply of imported and local automotive components (incorporating Autobax and Drive Shaft Parts with presence in Europe)
- **Rustenburg Engineering and Foundry**: Casting, machining and supply of components to the local and international market
- **Belt Brokers**: Manufacture and supply of heavy-duty belting components and imported conveyer belting to the mining industry

## Capital Equipment Group

CEG businesses hold leading positions in the wholesale and retail distribution of construction equipment, forklift equipment and the supply of quality after-market spare parts. It undertakes the international sourcing and distribution in Southern Africa of Original Equipment Manufacturer ("OEM") branded parts and components, and of alternative spare parts and components for the replacement market. The disposal of the agricultural businesses is detailed in note 42.

The operating entities that comprise the Capital Equipment Group are listed below with their product ranges:

- DISA Equipment SA: Doosan heavy earth-moving machinery, Everdigm hammers and Tonly off road dump trucks for construction and mining applications, and related spare parts
- High Power Equipment Africa "HPE": Hyundai earthmoving machinery and Soosan Hammers, and related spare parts
- Criterion: TCM materials-handling equipment and related spare parts
- Shamrock Handling Concepts: Moffett forklifts, Combilift forklifts, other material-handling brands, as well as the supply of related spare parts
- Equipment Spare Parts Africa "ESP": After-market replacement spare parts, ground engaging tools, and undercarriage parts for earthmoving equipment
- Commercial Car Components Logistics "CCC" (UK) – After-market replacement spare parts for agricultural equipment

## Kian Ann Engineering

The two main divisions of the KAG are the heavy machinery division and the automotive division. The heavy machinery division falls under Kian Ann Engineering Pte Ltd ("KAE") and automotive division is under Kian Chue Hwa (Industries) Pte Ltd ("KCH").

KAE is one of the largest independent distributors of heavy machinery parts and diesel engine components in Asia. The parts distributed are used for excavators, bulldozers, wheel loaders, motor graders, trucks, trailers, power generation sets and marine engines. KCH is in the distribution of European truck and bus parts. Kunshan Kensetsu Buhin Co. Ltd is a roller manufacturer based in China, in which KAE has a 27.604% interest.

The machine brands that KAG's parts support include Caterpillar, Komatsu, Cummins, Hitachi, Kobelco, Sumitomo, Mercedes Benz, Volvo, Scania, Man, BPW, Hyundai and Doosan, who are major OEMs as well as an extensive range of aftermarket parts dealers.

KAG headquarters are located in Singapore. KAG manages its inventories and distribution from its 4-storey office and warehousing facilities of over 32,000 square metres of floor area.

KAG has expanded regionally and globally with subsidiary and related companies in China, Indonesia, Malaysia, Thailand, India and the United Kingdom, with its distribution businesses in United States of America and Canada held through its subsidiary Modesty investment Holdings ("MIH").

KAG is disclosed as "held for sale" during the current year as plans were underway to restructure the business. After year end a sale agreement of 51.19% of the business has been concluded and KAE will increase its stake in both KKB and MIH to 100%. Please refer to notes 12 and 49 for more detail. The rationale behind the transaction is to align Invicta's interests with that of the Group's Chinese partners.

## Compliance with accounting standards

The Group's consolidated financial statements comply with IFRS, the Companies Act (2008), the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council.

## Group results

| | 2021<br>R'000 | 2020<br>R'000 |
|---|---|---|
| Revenue | **6,251,484** | 6,873,907 |
| Profit/ (Loss) for the year | **296,839** | (667,940) |

Invicta has successfully protected its business from the pandemic. Despite revenue being 9% lower year on year, gross profit percentage from continuing operations is at 32% compared to 30% in the prior year. This has resulted in higher operating profit before net finance income on financing transactions. There has been strong cash generation resulting in significantly lower net debt and very pleasing achievement on debt covenants. Please refer to note 48 going concern as a basis of preparation of the Annual Financial Statements, for details.

## Events after the reporting date

Refer to note 49 for a detailed description of the events after reporting date.

# Directors' report (continued)

*for the year ended 31 March 2021*

## Significant acquisitions and disposals

There were no significant acquisitions during the year under review. Please refer to note 42 for details of disposals.

## Management philosophy

Each division is self-contained and has its own chief executive officer or managing director supported by a complete finance and administration infrastructure. The Invicta Group CEO is actively involved in the executive committees of all operating segments, with executive directors of the Group actively controlling and participating on the Boards of subsidiaries. Invicta aims to add value by providing expertise and guidance to subsidiary management teams, and by pooling best practices and resources within the Group.

## Share capital and share premium

The authorised share capital of the Company remained unchanged at 134,000,000 ordinary shares of 5 cents each, and 18 000 000 cumulative non-participating preference shares of no-par value. The Group issued 3 million shares to the Invicta Group CEO amounting to additional share capital of R150,000 and share premium of R26.1 million.

## Dematerialising of shares (STRATE)

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

## Auditors

Ernst & Young Inc.("EY") was appointed as auditors of the Company and its major subsidiaries for the year ended 2021. Shareholders will be requested to reappoint EY as auditors of Invicta and the Group, at the Annual General Meeting ("AGM"), and to confirm that Ms. Amelia Young will be the designated audit partner for the 2022 reporting period.

## Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited acts as sponsor to the Company in terms of the JSE Listings Requirements.

## Transfer secretaries

Computershare Investor Services (Pty) Ltd serves as the registrar and transfer secretaries of the Company.

## Subsidiaries, associates and joint ventures

Details of the Company's interests in its material subsidiaries, associates and joint ventures are set out in the attached consolidated financial statements in notes 22, 23 and 24 on pages 60 to 65 of the Report.

## Directors

Details of the directors and Group Company Secretary during the reporting period and at the date of the consolidated financial statements are reflected in the integrated report.

## Directors' contracts

A loan has been previously given to a director of a subsidiary and the terms of the loan is market related, an amount remains as outstanding at the end of the period. No other contracts have been entered into between the Company or the Group and the group directors, or directors of material group companies, during the reporting period under review.

## Directors' interest in shares of the Company

Invicta entered into a subscription agreement on 13 August 2020 with its Chief Executive Officer ("CEO"), Steven Joffe, in terms of which his associate, Sades Holdings (Pty) Ltd (of which he is a director, and a trustee and beneficiary of its sole shareholder, the Sades Family Trust) subscribed for, and was issued, 3 000 000 ordinary Invicta shares at a subscription price of R8.76 per share, for a total cash investment of R26 280 000. The issue of the shares was confirmed at a general meeting of the shareholders on 27 November 2020. The cash for the share issue was received on 30 November 2020.

The total direct and indirect interest declared by the directors in the issued ordinary share capital of the Company at 31 March 2021 was 50% (2020:51%).

The total direct and indirect interest declared by the directors in the preference share capital of the Company at 31 March 2021 was 28% (2020:27%).

The details of the directors' shareholding are reflected in note 44 on page 81.

# Directors' report (continued)

*for the year ended 31 March 2021*

## Directors' fees

Directors' payments for services as directors and other emoluments for the past reporting period are set out in note 43 on pages 78 to 80 of the Report. Members will be requested to consider a special resolution approving the remuneration of each non-executive director for the 2022 reporting period as required by the Companies Act (2008) and ordinary resolutions to endorse the remuneration policy and the remuneration implementation report at the AGM.

## Unissued share capital

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of the Companies Act (2008) and the JSE Listings Requirements. In terms of the Company's memorandum of incorporation ("MOI") this general authority remains valid only until the next AGM, which is to be held on Thursday 16 September 2021, members will be requested at the meeting to consider an ordinary resolution placing the said ordinary shares under the control of the directors until the 2022 AGM.

## Repurchase of shares

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

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

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

## Notice of annual general meeting

Notice to shareholders detailing all necessary resolutions relating to the Company affairs is set out in the Notice of AGM.

Signed on behalf of the board of directors

**Dr Christo Wiese**
*Chairman*
Cape Town
24 June 2021

**Steven Joffe**
*Chief executive officer*
Johannesburg
24 June 2021

# Independent auditor’s report

*for the year ended 31 March 2021*

To the shareholders of Invicta Holdings Limited

**Report on the Audit of the Annual Consolidated Financial Statements**

## Opinion

We have audited the annual consolidated financial statements of Invicta Holdings Limited and its subsidiaries (‘the group’) set out on pages 15 to 88, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the annual consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the annual consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 March 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## Basis for opinion

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

## Key audit matters

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

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

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Accounting for the Group’s investments in Africa Maintenance Equipment (“the AMEs”)</td><td></td></tr>
<tr><td>
During the current year, the Group invested in Africa Maintenance Equipment eMalahleni (Pty) Ltd, Africa Maintenance Equipment Lephalale (Pty) Ltd and Africa Maintenance Equipment Mogale (Pty) Ltd. The investments in the AMEs have been recognised as investments in associates and equity accounted in accordance with IAS 28: Investments in Associates and Joint Ventures.
The accounting for the Group’s investments in the AMEs is considered to be a Key Audit Matter, due to the complexity of the multiple contractual agreements for each AME and understanding and considering the impact of the salient terms thereof.
The complexities in the contracts are attributable to the following factors which needed to be evaluated:
<ul>
<li>The voting rights in conjunction with the shareholding and whether the Group has majority of the rights to exercise power and control over the AME’s;</li>
<li>The relevant activities of the AME’s and whether these activities result in protective or substantive rights; and</li>
<li>The terms and conditions of financing as per the loan agreements</li>
</ul>
This required significant judgement to be exercised by management in concluding on the Group’s ability to direct the relevant activities, and their ability to affect the variable returns derived thereof, in terms of IFRS 10: Consolidated Financial Statements. This necessitated input from our internal IFRS technical experts and resulted in extensive discussions with management around whether it should be consolidated in terms of IFRS 10 or evaluated under IAS 28.
Although the underlying contracts were similar in nature to the investment in AME in the prior year, the degree of financing and shareholding was unique to each AME in the current year and the combined evaluation of the terms of the contracts for each AME determines the accounting conclusion in respect of the above matters. The matter therefore was again a KAM in the current period.
The investments have been disclosed in Note 1.3 Significant accounting judgements, estimates and assumptions and Note 23: Investments in associates.
</td><td>
Our audit procedures for the consideration of the consolidation of the AMEs included the following:
<ul>
<li>With the assistance of our internal IFRS technical experts on our team we evaluated the reasonableness of the significant judgements applied by management in terms of the principles of IFRS 10 and IAS 28. Specifically, we:
<ul>
<li>Assessed whether the Group possesses power over the entities in light of the underlying agreements and the definition of control in terms of IFRS 10, by analysing the investment relationships, the voting rights, ability to direct the entities relevant activities and holding discussions with shareholders and directors of the AMEs;</li>
<li>Assessed the ability of the Group to affect significant variable returns by inspecting the salient terms of the underlying multiple agreements including the terms of financing and scrutinising the transactions with the AME’s to assess whether these were aligned with the terms of the agreements</li>
</ul></li>
<li>We have assessed the disclosures of the investments in associates, joint ventures and subsidiaries, to ensure compliance with the disclosure requirements in accordance with IAS 28 and IFRS 12 - Disclosure of Interests in Other Entities</li>
</ul>
</td></tr>
</table>

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Measurement of Kian Ann Group at fair value less costs to sell** | |
| The Group entered a series of inter-linked transactions whereby its 100% interest in the Kian Ann Group will reduce to 48.81%. This transaction meets the recognition criteria of a disposal per IFRS 5: Non-current assets held for sale and discontinued operations.<br><br>Accordingly, the Kian Ann Group has been disclosed as a disposal group held for sale at year end and has been measured at the lower of carrying amount and fair value less costs to sell.<br><br>The measurement of the Kian Ann group at lower of carrying amount and fair value less costs to sell was a Key Audit Matter due to the significant judgments made by management in determining the fair value.<br><br>The fair value was determined using a discounted cash-flow valuation model. Certain inputs to the model required significant management judgements and estimation specifically the discount rate where the risk premium was adjusted for the potential impact of Covid-19, the annual growth rates, working capital days and the forecasted cash flows. The assessment of these judgements necessitated the use of our internal valuation experts and resulted in robust discussions with management.<br><br>The transaction has been disclosed in Note 12: Assets held for sale. | Our audit procedures included the following:<br><br>▪ We inspected the relevant contracts and minutes of board meetings to determine whether the requirements of IFRS 5 in terms of recognising the Kian Ann Group as held for sale were met as at 31 March 2021.<br><br>With the support of our internal valuation experts, we tested the reasonableness of management's assumptions by performing the following:<br><br>▪ Independently calculating the discount rates, taking into account independent data such as the cost of debt, risk-free rates in the market, market risk premiums, the beta of comparable companies, debt/equity ratios, as well as the impact of economies and industry factors. (i.e. country risk premiums).<br>▪ We held discussions with management to understand the basis for the assumptions used.<br>▪ We compared the annual growth rates to the growth rates per the budgets in order to assess whether these were consistent with the actual results achieved to date. The year-on-year growth rates were compared to historical rates achieved.<br>▪ We agreed the forecast cash flows and working capital days included in the valuation to underlying documentation such as approved budgets and actual results.<br>▪ We assessed the mathematical accuracy of the discounted cash flow model and its compliance with the applicable requirements of *IFRS 5.*<br>▪ Independently determined a range for the fair value less costs to sell and compared the results to the fair value less costs to sell as calculated by management in order to evaluate and assess whether the recorded impairment was within a reasonable range of our independent calculations.<br>▪ We have assessed the disclosures to ensure compliance with the disclosure requirements in accordance with *IFRS 5*. |

# Independent auditor's report (continued)

*for the year ended 31 March 2021*

## Other information

The directors are responsible for the other information. The other information comprises the information included in the 91-page document titled "Invicta Holdings Limited Audited Annual Consolidated Financial Statements for the year ended 31 March 2021" and in the 34-page document titled "Invicta Holdings Limited Audited Financial Statements for the year ended 31 March 2021", which includes the Approval of the annual consolidated financial statements, the Directors' Responsibilities and Approval, Certification by the Group company secretary, Certification by the Company secretary, Audit and Risk Committee report, the Directors' Report, as required by the Companies Act of South Africa, Shareholder Information and the 41-page document titled "Invicta Holdings Limited Integrated Annual Report 2021". The other information does not include the annual consolidated financial statements and our auditor's reports thereon.

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

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

## Responsibilities of the directors for the consolidated financial statements

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

In preparing the annual consolidated financial statements, the directors are responsible for assessing the group'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 or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the annual consolidated 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 annual consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

## Report on other legal and regulatory requirements

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

**ERNST & YOUNG INC.**
Director: Amelia Young
Registered Auditor
Chartered Accountant (SA)
25 June 2021

# Consolidated statement of profit or loss and other comprehensive income

*for the year ended 31 March 2021*

| | Notes | 31 March 2021 R'000 | Restated* 2020 R'000 |
|---|---|---|---|
| ***Continuing operations*** | | | |
| **Revenue** | 3 | **6,251,484** | 6,873,907 |
| Cost of sales | | **(4,259,699)** | (4,827,346) |
| **Gross profit** | | **1,991,785** | 2,046,561 |
| Expected credit losses recognised on trade receivables | 26 | **(1,904)** | (24,778) |
| Expected credit losses recognised on loans and receivables | 21 | **8,643** | (17,454) |
| Selling, administration and distribution costs | | **(1,413,349)** | (2,323,525) |
| **Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements** | 6 | **585,175** | (319,196) |
| Finance income from financing transactions | 4 | **19,160** | 20,936 |
| Finance cost on financing transactions | 4 | **(7,999)** | (11,485) |
| Foreign exchange gains | 5 | **241,549** | 120,715 |
| Foreign exchange losses and costs | 5 | **(245,408)** | (158,883) |
| **Operating profit/(loss)** | | **592,477** | (347,913) |
| Finance cost | 7 | **(194,526)** | (265,691) |
| Dividends received | | **2,230** | 2,188 |
| Equity accounted earnings from investment in associates | 23 | **3,862** | 2,694 |
| Finance income | 8 | **53,482** | 83,499 |
| **Profit/(loss) before tax** | | **457,525** | (525,223) |
| Income tax expense | 9 | **(160,686)** | (142,717) |
| **Profit/(loss) for the year from continuing operations** | | **296,839** | (667,940) |
| ***Discontinued operations*** | | | |
| Profit/(loss) for the year from discontinued operations | 11 | **79,233** | (5,357) |
| **Profit/(loss) for the year** | | **376,072** | (673,297) |
| **Other comprehensive income/(loss)** | | | |
| *Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):* | | | |
| Exchange differences on translation of foreign operations | | **(251,103)** | 282,417 |
| Changes in the fair value of financial investments and borrowings | | **1,410** | 443 |
| **Total comprehensive income/(loss) for the year** | | **126,379** | (390,437) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the company - Ordinary shares (continuing) | | **228,794** | (756,105) |
| Owners of the company - Ordinary shares (discontinued operations) | | **79,233** | (5,357) |
| Non-controlling interests | | **9,595** | 6,700 |
| Owners of the company - Preference shares | | **58,450** | 81,465 |
| | | **376,072** | (673,297) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the company - Ordinary shares (continuing) | | **(11,644)** | (486,930) |
| Owners of the company - Ordinary shares (discontinued operations) | | **79,233** | (5,357) |
| Non-controlling interests | | **340** | 20,385 |
| Owners of the company - Preference shares | | **58,450** | 81,465 |
| | | **126,379** | (390,437) |
| **Basic earnings/(loss) per share from continuing operations (cents)** | 10 | **212** | (707) |
| **Basic earnings/(loss) per share (cents)** | 10 | **285** | (712) |
| **Diluted earnings/(loss) per share (cents)** | 10 | **206** | (707) |

* Restated refer to note 11.

# Consolidated statement of financial position

*as at 31 March 2021*

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| | Notes | **R'000** | R'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **887,574** | 1,738,241 |
| Investment property | 15 | **116,198** | – |
| Right-of-use assets | 14 | **245,782** | 423,271 |
| Financial investments | 16 | **972** | 1,178 |
| Goodwill | 17 | **3,391** | 24,847 |
| Other intangible assets | 18 | **41,539** | 77,183 |
| Finance lease receivables | 20 | **75,915** | 80,313 |
| Loans and receivables | 21 | **112,431** | 13,737 |
| Derivatives | 19 | **6,205** | 4,063 |
| Investments in joint ventures | 24 | **–** | 114,008 |
| Investments in associates | 23 | **8,059** | 179,128 |
| Deferred tax assets | 9 | **174,842** | 240,805 |
| | | **1,672,908** | 2,896,774 |
| **Current assets** | | | |
| Inventories | 25 | **2,149,182** | 4,221,757 |
| Trade and other receivables | 26 | **1,102,727** | 1,874,183 |
| Finance lease receivables | 20 | **85,946** | 105,161 |
| Financial investments | 16 | **–** | 3 |
| Loans and receivables | 21 | **110,939** | 7,848 |
| Financial assets | 19 | **–** | 31,510 |
| Current tax assets | | **32,498** | 27,795 |
| Cash and cash equivalents | 27 | **896,900** | 1,131,704 |
| | | **4,378,192** | 7,399,961 |
| Asset held for sale | 12 | **2,623,205** | 126,532 |
| **Total assets** | | **8,674,305** | 10,423,267 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Ordinary share capital | 28 | **5,574** | 5,424 |
| Share premium | 28 | **2,679,310** | 2,653,151 |
| Treasury shares | 28 | **(49,406)** | (49,406) |
| Preference shares | 30 | **750,000** | 750,000 |
| Other reserves | 31 | **(98,147)** | (102,542) |
| Foreign currency translation reserve | | **381,498** | 623,346 |
| Retained earnings | | **931,823** | 625,507 |
| **Equity attributable to owners of the Company** | | **4,600,652** | 4,505,480 |
| Non-controlling interests | | **125,436** | 129,037 |
| **Shareholders' equity** | | **4,726,088** | 4,634,517 |

# Consolidated statement of financial position

*as at 31 March 2021*

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| | Notes | **R'000** | R'000 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 32 | **737,634** | 2,326,733 |
| Right of use lease liabilities | 33 | **237,632** | 443,430 |
| Finance lease liabilities | 34 | **46,286** | 68,194 |
| Long-term tax liability | | **–** | 100,000 |
| Deferred tax | 9 | **24,716** | 68,197 |
| | | **1,046,268** | 3,006,554 |
| **Current liabilities** | | | |
| Trade and other payables | 36 | **1,074,980** | 1,718,505 |
| Provisions | 37 | **139,421** | 142,232 |
| Current tax liability | | **16,807** | 146,327 |
| Dividends payable | | **27,230** | 35,058 |
| Borrowings | 32 | **548,836** | 201,620 |
| Right-of-use lease liabilities | 33 | **71,761** | 86,831 |
| Finance lease liabilities | 34 | **69,917** | 67,265 |
| Financial liabilities | 35 | **79,624** | 75,287 |
| Bank overdrafts | 27 | **253,926** | 309,071 |
| | | **2,282,502** | 2,782,196 |
| Liabilities associated with held for sale | 12 | **619,447** | – |
| **Total liabilities** | | **3,948,217** | 5,788,750 |
| **Total equity and liabilities** | | **8,674,305** | 10,423,267 |

# Consolidated statement of changes in equity

*for the year ended 31 March 2021*

| | 31 March | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Preference shares | Other reserves | Foreign currency translation reserve* | Retained earnings | Attributable to equity shareholders | Non-controlling interests | Total |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Balance at 31 March 2019 | 5,424 | 2,653,151 | (49,406) | 750,000 | (83,492) | 354,614 | 1,430,250 | 5,060,541 | 121,515 | 5,182,056 |
| Adjustment on initial application of IFRS 16, net of tax | – | – | – | – | – | – | (62,167) | (62,167) | (23) | (62,190) |
| **Total comprehensive income for the year** | – | – | – | – | – | 268,732 | (679,554) | (410,822) | 20,385 | (390,437) |
| Profit for the period | – | – | – | – | – | | (679,997) | (679,997) | 6,700 | (673,297) |
| Other comprehensive income for the period | – | – | – | – | – | 268,732 | 443 | 269,175 | 13,685 | 282,860 |
| **Transactions with owners of the Company** | | | | | | | | | | |
| ***Contributions and distributions*** | | | | | | | | | | |
| Preference dividends paid | – | – | – | – | – | – | (81,465) | (81,465) | – | (81,465) |
| Ordinary dividends paid | – | – | – | – | – | – | (2,526) | (2,526) | (7,309) | (9,835) |
| Other reserve movements | – | – | – | – | (188) | – | – | (188) | – | (188) |
| Equity-settled share-based payments | – | – | – | – | 2,718 | – | – | 2,718 | – | 2,718 |
| Transfer between reserves | – | – | – | – | (20,969) | – | 20,969 | – | – | – |
| ***Changes in ownership interests*** | | | | | | | | | | |
| Disposal of subsidiary | – | – | – | – | – | – | – | – | (6,312) | (6,312) |
| Non-controlling interest arising on the issue of additional | – | – | – | – | – | – | – | – | 1,215 | 1,215 |
| Acquisition of non-controlling interests | – | – | – | – | (611) | – | – | (611) | (434) | (1,045) |
| **Balance at 31 March 2020** | **5,424** | **2,653,151** | **(49,406)** | **750,000** | **(102,542)** | **623,346** | **625,507** | **4,505,480** | **129,037** | **4,634,517** |
| Total comprehensive income for the year | – | – | – | – | – | (241,848) | 367,887 | 126,039 | 340 | 126,379 |
| Profit for the period | – | – | – | – | – | – | 366,477 | 366,477 | 9,595 | 376,072 |
| Other comprehensive income for the period | – | – | – | – | – | (241,848) | 1,410 | (240,438) | (9,255) | (249,693) |
| **Transactions with owners of the Company** | | | | | | | | | | |
| ***Contributions and distributions*** | | | | | | | | | | |
| Ordinary shares issued | 150 | 26,159 | – | – | – | – | – | 26,309 | – | 26,309 |
| Preference dividends paid | – | – | – | – | – | – | (58,450) | (58,450) | – | (58,450) |
| Ordinary dividends paid | – | – | – | – | – | – | (2,253) | (2,253) | (6,986) | (9,239) |
| Other reserve movements | – | – | – | – | (38) | – | – | (38) | – | (38) |
| Equity-settled share-based payments | – | – | – | – | 3,565 | – | – | 3,565 | – | 3,565 |
| Transfer between reserves | – | – | – | – | 257 | – | (257) | – | – | – |
| ***Changes in ownership interests*** | | | | | | | | | | |
| Disposal of subsidiary | – | – | – | – | 611 | – | (611) | – | 2,842 | 2,842 |
| Acquisition of non-controlling interests | – | – | – | – | – | – | – | – | 203 | 203 |
| **Balance at 31 March 2021** | **5,574** | **2,679,310** | **(49,406)** | **750,000** | **(98,147)** | **381,498** | **931,823** | **4,600,652** | **125,436** | **4,726,088** |

* Foreign currency translation reserve relates to exchange differences arising on translation of the foreign controlled entities.

# Consolidated statement of cash flows

*for the year ended 31 March 2021*

| | Notes | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 38 | **1,856,936** | 959,891 |
| Finance costs | | **(207,204)** | (287,784) |
| Finance cost on financing transactions | | **(6,683)** | (22,553) |
| Dividends paid to Group shareholders | 39 | **(68,375)** | (84,421) |
| Dividends paid to non-controlling interests | | **(6,986)** | (7,309) |
| Tax paid | 40 | **(425,521)** | (287,583) |
| Finance income | | **53,041** | 85,993 |
| Finance income from financing transactions | | **19,160** | 22,943 |
| Dividends received | | **2,230** | 2,188 |
| **Net cash inflow from operating activities** | | **1,216,598** | 381,365 |
| **Cash flows from investing activities** | | | |
| Proceeds on disposal of property, plant and equipment and other intangible assets | | **43,943** | 28,497 |
| Additions to property, plant and equipment | | **(118,473)** | (168,562) |
| Additions to intangible assets | | **(7,175)** | (37,857) |
| Acquisition of non-controlling interests | | **203** | (1,045) |
| Proceeds on disposal of subsidiaries (including cash and cash equivalents disposed) | 42 | **84,221** | 19,130 |
| Funds lent in relation to long term receivables | | **(10,400)** | (6,119) |
| Payments received from long term receivables | | **5,189** | 2,015 |
| Payments received from financial investments | | **–** | 593,208 |
| **Net cash (outflow)/inflow from investing activities** | | **(2,492)** | 429,267 |
| **Cash flows from financing activities** | | | |
| Funding received in respect of borrowings | | **208,654** | 550,826 |
| Principal repayment of borrowings | | **(1,123,277)** | (1,257,533) |
| Funding received in respect of finance lease liabilities | | **120,190** | 78,380 |
| Repayment of finance lease liabilities | | **(126,728)** | (95,229) |
| Payment of right of use lease liabilities | | **(83,135)** | (85,365) |
| Principal repayment of financial liabilities | | **–** | (2,009) |
| Ordinary shares issued | | **26,309** | – |
| Proceeds from issue of shares to non-controlling interests | | **–** | 1,215 |
| **Net cash outflow from financing activities** | | **(977,987)** | (809,715) |
| **Net increase in cash and cash equivalents** | | **236,119** | 917 |
| Cash and cash equivalents at the beginning of the year | | **822,633** | 752,475 |
| Effect of foreign exchange rate movement on cash balance | | **(59,786)** | 69,241 |
| **Cash and cash equivalents at the end of the year** | | **998,966** | 822,633 |
| **Cash and cash equivalents** | | | |
| Bank and cash balances | 27 | **896,900** | 1,131,704 |
| Bank overdrafts | 27 | **(253,926)** | (309,071) |
| Cash and cash equivalents of continuing operations | 27 | **642,974** | 822,633 |
| Cash and cash equivalents classified as held-for-sale | 12 | **355,992** | – |
| **Total** | | **998,966** | 822,633 |

# Notes to the annual consolidated financial statements

*for the year ended 31 March 2021*

## 1. Significant accounting policies

### 1.1. Reporting entity

Invicta Holdings Limited (the "Company") is a company domiciled in South Africa. The consolidated financial statements of the Company for the year ended 31 March 2021 comprise the Company, its subsidiaries, associates and joint ventures (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 24 June 2021.

### 1.2. Basis of preparation: Statement of compliance

The consolidated financial statements have been consistently prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) interpretations, the Companies Act (2008), the Listing Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The accounting policies are consistent with those applied in the prior periods.

The report was compiled under the supervision of Ms. N Rajmohamed, the chief financial officer.

**Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments measured at fair value, other financial liabilities measured at fair value and equity-settled share-based payment reserves which are measured at fair value.

**Functional and presentation currency**

The financial statements are presented in Rand, which is also the functional currency of the Group, rounded to its nearest thousand (R'000) unless otherwise indicated.

Invicta Holdings Limited is a company incorporated in the Republic of South Africa and the Company's shares are publicly traded on the Johannesburg Stock Exchange and on the A2X. The principal accounting policies adopted are set out below.

### 1.3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect recognised amounts of assets, liabilities, income and expenses and related disclosures. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results could 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.

***Allowance for inventory obsolescence***

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value.

Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values. Inventory is aged according to the expected inventory sell-through rate and applied to the shelf life. Items that have exceeded the average shelf life are provided for in full. The amount of the write-down is recognised as an expense in profit or loss in the year in which it occurs.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write down is reversed, so that the new carrying amount is the lower of the cost and the revised net realisable value. The reversal is recognised in profit or loss.

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

## 1. Significant accounting policies (continued)

### 1.3. Significant accounting judgements, estimates and assumptions (continued)

***Allowance for inventory obsolescence*** (continued)

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

*CEG*

- New and used equipment inventory is aged annually, based on the receipt date of the items on hand. All new equipment inventory is fully provided for over a period of 6 years, with no provision taken over the first two years, and provision raised over the next 4 years. All second-hand equipment inventory is fully provided for within 5 years of the receipt date.
- Parts are aged annually, based on the quantity of the various product categories on hand, relative to their life expectancy and relevant turnover indicators.

*ESG*

- Engineering parts are aged annually, based on the quantity of the various product categories on hand, relative to their life expectancy and relevant turnover indicators. The economic impact of the COVID-19 pandemic, as well as a general refinement of the obsolescence methodology, led to a re-assessment of sell-through rates, and an increase in the obsolescence provision. Further items that have not moved in 3 years are provided for in full.

*KAG*

- Heavy machinery and automotive parts are aged annually, based on the quantity of the various product categories on hand, relative to their life expectancy and relevant turnover indicators. Product line items with inventory aged greater than 2 years are tested against sales of the prior 2 years, to check if they are projected to sell in 6 years. Inventory that will not sell within 6 years is provided for in full.

***Measurement of expected credit loss allowance for trade receivables***

The Group recognises an allowance for expected credit losses ('ECL's) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by customer type and rating, and coverage by letters of credit and other forms of credit insurance.

The impairment for trade receivables is measured using an ECL model using the simplified approach. ECLs are calculated using a provision matrix, which applies a historic loss ratio to the aged balance of trade receivables at each reporting date with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

In instances where there was no evidence of historical write-offs, management's judgement is applied to assess potential write-offs. The historic loss ratio as the starting point to calculate the expected credit loss allowance is also adjusted for forward-looking information to determine the lifetime ECL for the portfolio of trade receivables, including factors such as inflation, interest and exchange rates, state infrastructure spend, expected GDP growth and extended payment terms granted. Covid-19 has had a significant impact on the forward-looking elements, and the industry-specific impact has been considered across the customer base.

***Valuation of put and call options***

The Monte Carlo Simulation Technique along with the Geometric Brownian Motion Model have been utilised to simulate numerous equity value scenarios for each option tranche and ultimately determine the value of the options.

## 1. Significant accounting policies (continued)

### 1.3. Significant accounting judgements, estimates and assumptions (continued)

***Valuation of goodwill arising from existing business combinations***

The determination of whether goodwill is impaired requires that estimates be made of the fair value of the Group's cash-generating units to which goodwill has been allocated. To calculate the fair value, the Group calculates the value-in-use by estimating the future cash flows from the cash-generating unit and applying a suitable discount rate in order to arrive at the present value of such future cash flows.

To calculate value-in-use, the discount rate is based on current observable market data including interest rates, equity risk premiums, debt to capital ratios and income taxation rates for similar assets in similar regions that reflect the time value of money and the risks specific to the cash-generating unit. Estimated inputs for cashflows relating to the revenue and expense forecasts require a significant amount of judgement as to the future performance of cash generating units. Growth rates are based on objective assessments of external observable inflation data and long-term market forecast of growth rates. Goodwill is tested annually for impairment or when indicators arise that goodwill might be impaired.

***Critical judgements in determining the lease term and incremental borrowing rate for lessee accounting***

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The present value of the right-of-use lease liability is determined using an incremental borrowing rate representing the forecast local borrowing rates adjusted for the Group's average credit spread, in the period when the lease contract commences or is modified. The incremental borrowing rate is the rate of interest that the Group would have incurred over a similar term, and with a similar security, for the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

***Assessment of Control***

An investor controls an investee if and only if the investor has all the following:

- power over the investee, which includes the investor's ability to control the relevant activities (IFRS10.10-14);
- exposure, or substantive rights, to variable returns from its involvement with the investee (IFRS10.15-16); and
- the ability to use its power over the investee to affect the amount of the investor's returns (IFRS10.17-18).

*Keletso Imare Bindzue Procurement Services (Pty) Ltd ("KIB")*

The Group currently has no shareholding interest in KIB, as all shares are held by outside shareholders. In terms of an IFRS 10 review of control this entity is controlled by the Group. This decision is dependent on the following contractual arrangements:

- The Group and KIB have a special relationship, and the Group rights indicate power over KIB.
- The operations of KIB are dependent on the Group, as KIB depends on the Group for critical services.
- A significant portion of KIB's activities are conducted with the Group.
- The Group's right to certain variable returns in the form of economic benefits the Group receives from conducting business with KIB, are not available to the shareholders.

The investment in this entity has therefore been recognised as an investment in a subsidiary and is consolidated in the Group's results in terms of IFRS 10.

## 1. Significant accounting policies (continued)

### 1.3. Significant accounting judgements, estimates and assumptions (continued)

***Assessment of Control*** *(continued)*

*Africa Maintenance Equipment Kathu (Pty) Ltd ("Kathu"), Africa Maintenance Equipment Lephalale (Pty) Ltd ("Lephalale"), Africa Maintenance Equipment eMalahleni (Pty) Ltd ("eMalahleni") and Africa Maintenance Equipment Mogale (Pty) Ltd ("Mogale")*

During the current year the Group sold the controlling stakes in Mogale, Lephalale and eMalahleni ("the AMEs"). Its interest in Lephalale is held through its control of Industri Tools and Equipment (Pty) Ltd and its interests in Mogale and eMalahleni are held through Bearing Man Group (Pty) Ltd. Kathu was established in the prior year.

In terms of an IFRS 10 ("IFRS 10" Consolidated Financial Statements) review of control these entities are not controlled by the Group. This assessment is dependent on the following contractual arrangements with the above associates:

- No Invicta Group entity has the majority voting rights directly or indirectly in the AMEs that will result in control of the AMEs
- Supply contracts are negotiated directly with customers
- Selling prices are determined by the AMEs
- Each shareholder appoints one director for every 15% (Lephalale), 10% (Mogale) and 10% (eMalahleni) shareholding
- Invicta is not required to provide support services; where applicable the AMEs have elected to use Invicta for support services.

The Group concluded that despite their shareholding, they do not have power over the investee as the relevant activities and decisions over those activities require 75% approval; this exceeds the Group interest in each case. The relevant activities are therefore controlled by the shareholders collectively and not by a single shareholder.

The investments in these entities have therefore been recognised as interests in associates and are equity accounted in the Group's results.

*Kunshan Kensetsu Buhin Co., Ltd. ("KKB")*

The Kian Ann Group ("KAG") currently holds a shareholding of 27.604% in KKB and have a call option to acquire an additional 22.49% that may be exercised within a 60-day period after the signing of the audited financial statements of KKB of the years ended 31 December 2020 and 31 December 2021.

At the end of the 2020 year the call option was not exercisable and would therefore not be taken into account in the determination of control. It was thus concluded that KKB was an associate and was recognised, by KAG, as an investment in associate and was equity accounted.

At the end of the current year, the option is currently exercisable as the 31 December 2020 audited financial statements have been approved, thus giving the KAG the substantive right to a 50.01 interest in KKB. No significant regulatory approval is required to exercise option and it can be done in 15 days. Notwithstanding these points, if the option is exercised the KAG will have the right to appoint an equal number of representatives as the other shareholders. As the shareholders will have joint control over the relevant activities, it is concluded that KKB is a Joint Venture for the 2021 year-end and has been recognised, by KAG, as an investment in joint venture and was equity accounted.

*Modesty Investment Holding Pte. Ltd. and its subsidiaries ("MIH")*

The Kian Ann Group ("KAG") currently holds a shareholding of 50.01% through a joint venture agreement. The agreement stipulates that the shareholders are each entitled to nominate and appoint at least two directors each to the board provided always that such nominated director is approved by other directors. Unanimous consent is required by all shareholders for relevant activities of MIH such as appointment of key management and approval of annual budgets. The shareholders therefore have joint control over MIH, and it has therefore been recognised, by KAG, as an investment in joint venture and has been equity accounted.

## 1. Significant accounting policies (continued)

### 1.3. Significant accounting judgements, estimates and assumptions (continued)

***Assessment of held for sale of the Kian Ann Group***

The Group has entered into negotiations which involve increasing the Group's stake in KKB and MIH to 100% in exchange for disposing of its controlling interest Kian Ann Group (KAG).

The Group will lose control of KAG when its interest in KAG reduces to 48.81% on disposal of 51.19% interest. The Group will no longer have the majority of the voting rights and will not have an agreement with other vote holders, or any other contractual agreement, which would give the Group the right to exercise voting rights or to direct enough other vote holders on how to vote, sufficient to give it power.

The criteria for the classification of KAG as held for sale has been met.

*Assessment of the fair value of the Kian Ann Group*

The disposal group was measured at the lower of carrying amount and fair value less costs to sell. As the specific transaction was not between parties who are independent of each other, a discounted cash flow valuation was performed as at 31 March 2021. Prevailing market, economic, legal and other conditions were considered. Significant judgement was exercised regarding the discount rate, the annual growth rates and forecast cash flows used in determining the fair value.

***Taxes***

Deferred tax assets are recorded for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recorded, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

***Impairment of non-financial assets***

The company reviews and tests the carrying value of property, plant and equipment and other intangible assets with finite useful lives when events or changes in circumstances suggest that the carrying amount may not be recoverable. Goodwill balances are tested for impairment annually. In these instances, management determines the recoverable amount by performing value-in-use and fair value less cost of disposal calculations. These calculations require the use of estimates and assumptions.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the forecasts and budgets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets being tested.

When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. For details of the key assumptions and inputs used, refer to note 17 and 6 for the impairment charges recognised.

***Impairment of financial assets***

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to note 6 for the impairment charges recognised.

***Provisions***

The warranty provision is recognised on specific products sold during the past 3 financial periods, based on historic projections of for expected warranty claims.

***Share-based payments***

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

## 1. Significant accounting policies (continued)

### 1.4. Revenue

**Revenue from contracts with customers**

The Group generates revenue primarily from the sale of products and provision of services to its customers. Other sources of revenue include rental income from owned and leased equipment and finance income earned from entering into finance leases with customers over equipment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts received on behalf of third parties, like Value-Added Tax. The Group recognises revenue when it transfers control over a good or service to a customer.

***Sale of goods***

The Group sells a range of equipment, spare parts, engineering consumables and tools, as well as plastic pipe-ware and hardware.

Revenue from the sale of products is recognised when the goods are delivered to the agreed point of delivery, i.e., the agreed destination where control over the goods is transferred to the customer.

Some contracts permit the customer to return a product. For these contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific products. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in trade and other payables (refer to note 36) and the right to recover returned goods is included in inventory (refer to note 25). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

***Rendering of services***

The Group provides the following services:

- Maintenance and servicing of capital equipment; and
- Installation of gearboxes and pressure pumps.

Revenue is recognised over time as the services are performed except for servicing or repairs of capital equipment which is recognised once the service or repair work has been completed, i.e., with revenue recognised at that point in time.

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

- installation fees are recognised during the period of time that the installation occurs;
- rendering of equipment servicing or repairs is recognised once the service or repair has been completed;
- contract maintenance revenue is recognised over the term of the contract;
- servicing fees included in the price of products sold are recognised in reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred and is recognised based on the stage of completion of the transaction, based on the proportion that costs incurred to date bear to the total costs of the project and cost-based input measure is in line with the performance obligations of IFRS 15.

***Revenue from leases with customers***

The Group, as lessor, enters into finance and operating leases with customers over construction equipment, forklifts and property. Rental income from operating leases is recognised on a straight-line basis over the lease term and is included in revenue. Finance income from financing activities, directly related to the finance lease receivables, is recognised using the effective interest method and is included in finance income from financing transactions.

## 1. Significant accounting policies (continued)

### 1.5. Cost of sales

When inventories are sold, the carrying amount is recognised as cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss, or reversal occurs. Labour costs, rebates and other directly attributable costs are included in cost of sales. The cost of finished goods and goods in transit, for both equipment and parts, is the landed cost of the goods plus the costs incurred to bring it to a selling location are accounted for using the weighted average cost formula.

### 1.6. Dividend income

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

### 1.7. Finance income and costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 1.8. Operating profit

Operating profit is the result generated from the Group's continuing revenue-producing activities (considered core operations), thus excluding finance income, finance costs (except for finance income and finance costs on financing transactions as they form part of operating profit), and taxes. Operating profit also excludes, as non-core, any profit earned from the Group's financial investments and share of profit from equity-accounted investments.

### 1.9. Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for interest and penalties under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and uncertain tax treatments under IFRIC 23 Uncertainty Over Income Tax Treatments.

***Current tax***

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

## 1. Significant accounting policies (continued)

### 1.9. Income Tax (continued)

***Deferred tax***

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

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

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

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

### 1.10. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and goods in transit, for both equipment and parts, is the landed cost of the goods plus the costs incurred to bring it to a selling location are accounted for using the weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

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

### 1.11. Property, plant and equipment ("PPE")

*Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Capital WIP is carried at cost less accumulated impairment.

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

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

Capital work-in progress comprises items of property, plant and equipment either under construction or being assembled at the reporting date which are not yet ready for their intended use. When the relevant item of property, plant and equipment is completed and ready for its intended use it is transferred to the appropriate class of property, plant and equipment.

## 1. Significant accounting policies (continued)

### 1.11. Property, plant and equipment ("PPE") (continued)

*Recognition and measurement (continued)*

Rental assets comprise forklifts and machinery are held for rental.

Where significant parts of an item of property, plant and equipment have different useful lives, the Group depreciates them separately.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised

Subsequent measurement

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost can reliably be measured.

*Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The residual values are considered negligible for all assets other than buildings. Land and capital work-in-progress are not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|---|---|
| Land | – |
| Freehold buildings | Over the term of the lease |
| Plant and equipment | 5 to 10 years |
| Leasehold improvements | Over the term of the lease |
| Motor vehicles | 4 to 5 years |
| Furniture, fittings an office equipment | 3 to 10 years |
| Computer equipment | 3 years |
| Rental assets | 4 years |

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

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Each asset is assessed on a continual basis with its current book value to be depreciated over the extended period of use, if any.

The useful lives of property, plant and equipment are based on management's estimation. On an annual basis management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation of each individual item of plant and equipment. The estimation of residual values of assets is based on what the entity would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and shall be included in profit or loss when the item is derecognised. Gains shall not be classified as revenue.

## 1. Significant accounting policies (continued)

### 1.12. Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Depreciation is calculated to write off the cost of items of investment property less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss.

| | |
|---|---|
| Investment property | 20 years |

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

Impairment tests are performed on investment property when there is an indicator that they may be impaired. When the carrying amount of an item of investment property is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

### 1.13. Intangible assets and goodwill

*Recognition and measurement*

***Goodwill***

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

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

***Other intangible assets***

Other intangible assets, including computer software, re-acquired agency rights, distribution agreements, trademarks, brand names, non-compete agreements and customer relationships, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Re-acquired agency rights are recognised in relation to the agency's forecast trading results for the contracted lease period.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and can be reliably measured. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

| | |
|---|---|
| Computer software | 3 years |
| Re-acquired agency rights | Remaining contractual term |
| Distribution agreements | 5 to 7 years |
| Trademarks, brand names, non-compete agreements | 5 to 7 years |
| Customer relationships | 5 to 7 years |

## 1. Significant accounting policies (continued)

### 1.13. Intangible assets and goodwill

*Amortisation (continued)*

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The residual value of an intangible asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount and shall be recognised in profit or loss. Gains shall not be classified as revenue.

### 1.14. Financial instruments

***Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***Classification and subsequent measurement***

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost; or
- fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice.

## 1. Significant accounting policies (continued)

### 1.14. Financial instruments (continued)

***Classification and subsequent measurement** (continued)*

These include whether management's strategy focuses on:

- earning contractual interest income;
- maintaining a particular interest rate profile;
- matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

**Financial assets – Subsequent measurement and gains and losses**

| Type | Subsequent measurement | Allocation of financial assets |
|---|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any finance or dividend income, are recognised in profit or loss. | -Put option asset<br>-Call option asset<br>-Forward exchange contracts<br>-Interest rate swaps |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. | -Bank and cash balances<br>-Loans and receivables<br>-Trade and other receivables<br>-Unlisted securities |

For the purposes of the Statement of Cash flows, cash and cash equivalents comprise cash on hand, demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 1. Significant accounting policies (continued)

### 1.14. Financial instruments (continued)

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

**Financial liabilities - Subsequent measurement and gains and losses**

| Type | Subsequent measurement | Allocation of financial liabilities |
|---|---|---|
| Financial liabilities at FVTPL | These liabilities are subsequently measured at fair value. Net gains and losses, including any interest expense, are recognised in profit or loss. | - Financial liabilities<br>- Forward exchange contracts<br>- Interest rate swaps |
| Financial liabilities at amortised cost | These liabilities are subsequently measured at amortised cost using the effective interest method. Finance costs and foreign exchange gains and losses are recognised in profit or loss. | - Borrowings<br>- Bank overdrafts<br>- Trade and other payables |

***Derecognition***

*Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

***Offsetting***

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

***Derivative financial instruments***

Derivative financial instruments comprise interest rate swaps and forward exchange contracts.

The Group uses derivative financial instruments to partially hedge its exposure to interest rate risks arising from financing activities and its currency risks arising from foreign currency inventory purchase liabilities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The hedge relationships of the derivatives are not designated as hedges for accounting purposes and as such are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value at the date the derivative contracts are entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for through profit or loss. Directly attributable transaction costs are recognised in profit or loss when incurred.

## 1. Significant accounting policies (continued)

### 1.14. Financial instruments (continued)

***Derivative financial instruments** (continued)*

The fair value of derivatives is the estimated amount that the Group would receive or pay to terminate the derivative at the reporting date, taking into account the current relevant market conditions.

The Group holds derivative financial instruments to hedge its foreign currency exposures and interest rate risk exposures.

Derivative assets are included as part of trade and other receivables. Derivative liabilities are included in trade and other payables.

***Impairment***

*Financial instruments*

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial instruments measured at amortised cost;

The Group also recognises loss allowances for ECLs on finance lease receivables.

The credit risk on cash and cash equivalents is assessed as low. The expected credit loss on cash and cash equivalents is negligible.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and finance lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

## 1. Significant accounting policies (continued)

### 1.14. Financial instruments (continued)

***Measurement of ECLs***

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

***Write-off***

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### 1.15. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

*Warranty provision*

A provision for warranties is recognised when the underlying products are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities. This provision relates to assurance warranties which provides the customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications.

*Employee incentive provisions*

The provisions for discretionary employee incentives that represent the amount that the Group has a present obligation to pay as a result of performance up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

### 1.16. Earnings per share

The Group presents basic, diluted basic, headline and diluted headline earnings per share.

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Headline earnings per share is calculated by dividing the headline earnings, calculated in terms of Circular 4/2018 issued by the SAICA, by the weighted average number of ordinary shares in issue during the year.

The dilution of the basic and headline earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year for the long-term bonus and share incentive rights which are "in the money" at the reporting date.

## 1. Significant accounting policies (continued)

### 1.17. Basis of consolidation

***Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (refer note 1.13). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

***Common control transactions***

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

In applying predecessor accounting any difference between the considerations paid and the capital of the acquiree is recognised in a common control transaction reserve (included in other reserves) in equity.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

***Non-controlling interests (NCI)***

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

***Interests in equity-accounted investees***

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses.

## 1. Significant accounting policies (continued)

### 1.17. Basis of consolidation (continued)

***Interests in equity-accounted investees** (continued)*

On acquisition, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment after reassessment is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 1.18. Leases

Leases are recognised, measured and presented in line with IFRS 16.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, on or after 1 April 2019.

The terms for property leases range from 3 -10 years and the terms for motor vehicles and equipment ranges from 2 – 3 years.

The Group has the following leases:

- Construction equipment is leased on finance lease from the bank for the purpose of leasing to customers, with the liability recorded at the present value of future minimum lease payments. Interest is accounted over the term of the lease, at a fixed rate per lease, on the remaining balance of the liability through profit or loss.
- Property is leased on right of use lease, initially recorded at the present value of future minimum lease payments. Interest is accounted over the term of the lease, at a fixed rate per lease, on the remaining balance of the liability through profit or loss.
- Property, equipment and motor vehicles are leased on right of use leases, initially recorded at the present value of future minimum lease payments. Interest is accounted over the term of the lease, at a fixed rate per lease, on the remaining balance of the liability through profit or loss.

## 1. Significant accounting policies (continued)

### 1.18. Leases (continued)

***As lessee***

The Group has two distinguishable types of leases. They have been classified as right of use leases and finance leases.

*Right-of-use leases*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a right-of-use lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the right-of-use lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Group presents right-of-use assets and right-of-use lease liabilities as separate reporting items in the statement of financial position.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the right-of-use lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group's incremental borrowing rate is determined on a lease category basis where leases of the same nature will be allocated the same rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the type of asset leased, along with the terms of the lease in a similar economic environment and with similar security.

Lease payments included in the measurement of the right-of-use lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured using the incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the right-of-use lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient available to lessee's when assessing a COVID-19 related rent concession from a lessor. This election allows the lessee to account for the difference between the revised payment and the original IFRS 16 interest and capital repayment in the statement of profit and loss and not as a lease modification in terms of IFRS 16.

## 1. Significant accounting policies (continued)

### 1.18. Leases (continued)

***As a lessee** (continued)*

*Finance leases*

The Group finances certain capital equipment transactions to customers at market related interest rates, resulting in the recognition of a finance lease receivable (refer to note 20). Refer to note 34 for the finance lease liability. A proportion of these lease transactions are discounted with the Group's external banking partners. The financed asset consequently serves as security for the lease transactions.

The cash flows from the finance lease receivables are included in the cash flows from operating activities.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and right-of-use lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***As a lessor***

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

### 1.19. Foreign currency

***Foreign currency transactions***

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented separately.

## 1. Significant accounting policies (continued)

### 1.19. Foreign currency (continued)

***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from local currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated from local currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### 1.20. Employee benefits

*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Share-based payments*

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

Full share grants awarded is determined based on the difference between the grant price and the five-day volume weighted average market price on the exercise date and may be settled by way of a purchase of shares in the market, use of treasury shares or issue of new shares. If new shares are issued to equity-settle full share grants, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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

At settlement the net settlement arrangement is designed to meet the Group's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf.

To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

Refer to note 43 for details of share-based payments.

*Defined contribution plans*

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

## 1. Significant accounting policies (continued)

### 1.21. Share Capital

*Ordinary shares and share premium*

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

*Repurchase and reissue of ordinary shares (treasury shares)*

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity and is recognised in the treasury shares reserve. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued or sold, is recognised in the share premium.

*Preference shares*

Non-redeemable preference shares are classified as equity because they do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments.

Cumulative dividends thereon are recognised as equity distributions on approval by the Company's directors. The preference shares do not have any voting rights.

### 1.22. Segmental reporting

The group determines and presents operating segments based on the information that is provided internally to the Group Executive Committee.

The group has the following reportable operational segments:

- Engineering Solutions Group
- Capital Equipment Group
- Corporate Group
- Kian Ann Group (Held for sale at year end)

All segments are operating within South-Africa, Asia and some parts of Africa and Europe.

Monthly operating segment operating results are reviewed by the Group Executive Committee, this review forms the basis of the executive interventions and resource allocations.

### 1.23. Non-current assets (disposal groups) held for sale or distribution to owners

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less cost to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (distribution to owners), or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale (distribution to owners) are recognised in profit or loss.

## 1. Significant accounting policies (continued)

### 1.24. Standards and Interpretations not yet effective

The Group applies all applicable IFRS as issued by the International Accounting Standards Board ("IASB") in preparation of the financial statements. Consequently, all IFRS statements that were effective at the date of issuing this report and are relevant to the Group's operations have been applied.

At the date of authorisation of these financial statements, the following standards and amendments were in issue but not yet effective:

| Standards and amendments: | Effective date: |
|---|---|
| IFRS 1 First-time Adoption of International Financial Reporting Standards: Annual Improvements to IFRS Standards 2018-2020 | Annual periods beginning on or after 1 January 2022 |
| IFRS 3 Business Combinations: Reference to the Conceptual Framework | Annual periods beginning on or after 1 January 2022 |
| IFRS 7 Financial Instruments: Interest Rate Benchmark Reform Phase 2 | Annual periods beginning on or after 1 January 2021 |
| IFRS 9 Financial Instrument Disclosure: Interest Rate Benchmark Reform Phase 2 | Annual periods beginning on or after 1 January 2021 |
| IFRS 16 Leases: Interest Rate Benchmark Reform Phase 2 | Annual periods beginning on or after 1 January 2021 |
| IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 | Annual periods beginning on or after 1 April 2021 |
| IFRS 9 Financial Instruments: Annual improvements to IFRS Standards 2018-2020 | Annual periods beginning on or after 1 January 2022 |
| IFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | The effective date of this amendment has been deferred indefinitely until further notice |
| IFRS 17 Insurance contracts | Annual periods beginning on or after 1 January 2023 |
| IAS 37 Onerous Contracts – Costs of Fulfilling a Contract | Annual periods beginning on or after 1 January 2022 |
| IAS 39 Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform Phase 2 | Annual periods beginning on or after 1 January 2021 |
| IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current | Annual periods beginning on or after 1 January 2023 |
| IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies | Annual periods beginning on or after 1 January 2023 |
| IAS 8 Definition of Accounting Estimates | Annual periods beginning on or after 1 January 2023 |
| IAS 16 Property, Plant and Equipment: Proceeds before Intended Use | Annual periods beginning on or after 1 January 2022 |

None of these standards are expected to have a material impact on the consolidated financial statements.

## 2. Operating segments

The Group determines and presents operating segments based on the information that is provided internally to the Group Executive Committee.

The Group has the following reportable operational segments:

| Reportable segments | Operation |
|---|---|
| Engineering Solutions Group (ESG) | Wholesalers of engineering consumables, tools & equipment and belting and providers of a number of technical services |
| Capital Equipment Group (CEG)* | Suppliers of earth moving equipment, forklifts and parts |
| Kian Ann Group (KAG): held-for-sale and discontinued | Distributors of heavy machine parts, diesel engine components and bus and truck parts. This segment is classified in the analyses below as held-for-sale or discontinued operations. Please refer to notes 12 and 11 for further details on the classification. |
| Corporate Group | Comprises MacNeil Plastics and the Group financing, investment, property and support service operations |

* The net assets excluding cash, interest-bearing debt and non-trading assets and liabilities of a number of CEG's operating divisions was disposed of, to CNH. Please refer to notes 42 and 11.

All segments are operating within South-Africa, Asia and some parts of Africa and Europe.

Monthly operating segment results are reviewed by the Group Executive Committee, this review forms the basis of the executive interventions and resource allocations.

### 2.1 Segment revenue

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

| | 31 March Segment revenue | | | |
|---|---|---|---|---|
| | Sale of goods | Rendering of services | Rental income | Total |
| **2021** | **R'000** | **R'000** | **R'000** | **R'000** |
| Engineering Solutions Group | **4,517,385** | **3,603** | **–** | **4,520,988** |
| Capital Equipment Group | **1,160,024** | **38,092** | **73,567** | **1,271,683** |
| Corporate | **452,660** | **10,658** | **17,605** | **480,923** |
| Inter-segment elimination | **(22,110)** | **–** | **–** | **(22,110)** |
| **Total continuing operations** | **6,107,959** | **52,353** | **91,172** | **6,251,484** |
| Discontinued operations | **2,901,340** | **35,963** | **52** | **2,937,355** |
| **Total** | **9,009,299** | **88,316** | **91,224** | **9,188,839** |
| **2020*** | | | | |
| Engineering Solutions Group | 5,167,461 | 12,867 | – | 5,180,328 |
| Capital Equipment Group | 1,218,086 | 72,941 | 63,304 | 1,354,331 |
| Corporate | 337,334 | 30,173 | 20,033 | 387,540 |
| Inter-segment elimination | (48,292) | – | – | (48,292) |
| **Total continuing operations** | 6,674,589 | 115,981 | 83,337 | 6,873,907 |
| Discontinued operations | 3,112,229 | 50,264 | 1,236 | 3,163,729 |
| **Total** | 9,786,818 | 166,245 | 84,573 | 10,037,636 |

* Restated refer to note 11

**Geographical information**

South African operations comprise 86.05% of the Group revenue from continuing operations, with 3.40% derived in European operations and the remaining 10.55% being operations throughout the rest of Africa.

## 2. Operating segments (continued)

| 2.2 | Profit or loss | 31 March – Segment operating (loss)/profit before interest on financing transactions and foreign exchange movements | | (Loss)/profit before tax | |
|---|---|---|---|---|---|
| | | **2021 R'000** | 2020* R'000 | **2021 R'000** | 2020* R'000 |
| | Engineering Solutions Group | **375,359** | (343,050) | **244,454** | (479,721) |
| | Capital Equipment Group ** | **234,395** | 27,782 | **248,019** | 42,044 |
| | Corporate | **(24,577)** | (3,928) | **(34,948)** | (87,546) |
| | **Total continuing operations** | **585,177** | (319,196) | **457,525** | (525,223) |
| | Discontinued operations | **70,060** | 6,704 | **128,463** | 29,161 |
| | **Total** | **655,237** | (312,492) | **585,988** | (496,062) |

* Restated refer to note 11

For the purposes of monitoring segment performance, the impairment of goodwill and intangible assets and the amortisation of intangible assets (excluding computer software) have been represented in the applicable operational segments as the returns on those assets are included in the individual segment results.

| 2.3 | Segment assets and liabilities | 31 March – Segment assets | | Segment liabilities | |
|---|---|---|---|---|---|
| | | **2021 R'000** | 2020 R'000 | **2021 R'000** | 2020 R'000 |
| | Engineering Solutions Group | **3,715,979** | 4,094,492 | **1,808,854** | 1,998,035 |
| | Capital Equipment Group | **1,354,114** | 2,349,985 | **545,009** | 980,244 |
| | Kian Ann Group | **–** | 2,699,722 | **–** | 797,602 |
| | Corporate | **981,007** | 1,152,536 | **974,907** | 2,012,869 |
| | **Total continuing operations** | **6,051,100** | 10,296,735 | **3,328,770** | 5,788,750 |
| | Assets/liabilities classified as held for sale | **2,623,205** | 126,532 | **619,447** | – |
| | **Total assets and liabilities** | **8,674,305** | 10,423,267 | **3,948,217** | 5,788,750 |

For the purposes of monitoring segment performance, goodwill, financial assets, deferred and current tax assets and liabilities and investments in associates and joint ventures have been represented in the applicable operational segments as the returns on those assets and liabilities are included in the individual segment results.

| 2.4 | Other segment information | 31 March – Depreciation and amortisation | | Additions to property, plant and equipment and intangible assets | |
|---|---|---|---|---|---|
| | | **2021 R'000** | 2020* R'000 | **2021 R'000** | 2020 R'000 |
| | Engineering Solutions Group | **178,184** | 173,438 | **76,271** | 57,393 |
| | Capital Equipment Group | **51,592** | 74,659 | **20,853** | 73,297 |
| | Kian Ann Group | **–** | – | **8,637** | 9,678 |
| | Corporate | **(25,415)** | (32,211) | **19,887** | 66,051 |
| | **Total continuing operations** | **204,361** | 215,886 | **125,648** | 206,419 |
| | Discontinued operations | **44,465** | 36,078 | **–** | – |
| | **Total** | **248,826** | 251,964 | **125,648** | 206,419 |

* Restated refer to note 11

**Customers**

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

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

## 3. Revenue

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| **Type of products and service** | | |
| *Revenue from contracts with customers* | | |
| **Sale of goods** | **6,107,959** | 6,674,589 |
| -Equipment and parts | **1,157,272** | 1,166,740 |
| -Engineering consumables and tools | **4,618,100** | 5,170,483 |
| -Plastic pipe ware and hardware | **332,587** | 337,366 |
| **Rendering of services** | **52,353** | 115,981 |
| *Other revenue* | | |
| Rental income | **91,172** | 83,337 |
| **External revenue** | **6,251,484** | 6,873,907 |
| **Timing of revenue recognition** | | |
| Goods and services transferred at a point in time | **6,122,220** | 6,717,629 |
| Services transferred over time | **38,092** | 72,941 |
| Rental income | **91,172** | 83,337 |
| **External revenue** | **6,251,484** | 6,873,907 |

**Geographical sales**

South African operations and other African operations comprise 85% and 11% of Group revenue respectively, with the remaining 4% being operations in Europe. Please refer to note 2 for disaggregation of revenue per operating segment.

## 4. Finance income and finance costs on financing transactions

| | 2021 | 2020 |
|---|---|---|
| **Finance income from financing transactions** | | |
| Finance income on finance lease assets | **19,160** | 20,936 |
| **Finance costs on financing transactions** | | |
| Finance costs on finance lease liabilities | **(7,999)** | (11,485) |

The Group finances certain capital equipment transactions to customers at market related interest rates, resulting in the recognition of a finance lease receivable (refer to note 20). Refer to note 34 for the finance lease liability. A proportion of these lease transactions are discounted with the Group's external banking partners. The financed asset consequently serves as security for the lease transactions.

## 5. Foreign exchange gains, losses and costs

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| **Foreign exchange gains** | | |
| Foreign exchange gains on trade assets and liabilities | **241,549** | 79,472 |
| Foreign exchange gains on borrowings | **–** | 41,243 |
| **Total** | **241,549** | 120,715 |
| **Foreign exchange losses and costs** | | |
| Foreign exchange losses on trade assets and liabilities | **(240,887)** | (152,202) |
| Foreign exchange contract costs | **(4,521)** | (6,681) |
| **Total** | **(245,408)** | (158,883) |

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

## 6. Operating profit from continuing operations

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| Operating profit from continuing operations includes the following: | | |
| **Income** | | |
| Profit on disposal of property, plant and equipment | **1,996** | 3,360 |
| Profit on disposal of a business/investment | **98,596** | 5,817 |
| Fair value adjustment on profit share liability | **(4,557)** | 5,527 |
| **Expense** | | |
| Depreciation | **89,295** | 95,407 |
| – Buildings | **347** | 758 |
| – Plant and equipment | **22,373** | 21,680 |
| – Leasehold improvements | **4,947** | 5,094 |
| – Motor vehicles | **10,744** | 12,110 |
| – Furniture, fittings and office equipment | **14,277** | 13,684 |
| – Computer equipment | **9,068** | 8,988 |
| – Rental assets | **27,539** | 33,093 |
| Amortisation of intangible assets | **32,459** | 21,020 |
| – Computer software | **16,711** | 10,947 |
| – Reacquired agency rights | **753** | 3,015 |
| – Distribution agreements | **9,274** | 3,504 |
| – Trademarks, brand names and non-compete agreements | **42** | 6 |
| – Contractual and non-contractual customer relationships | **5,679** | 3,548 |
| Depreciation of right-of-use assets | **82,606** | 88,755 |
| – Land and buildings | **60,900** | 66,835 |
| – Motor vehicles | **19,437** | 19,655 |
| – Equipment | **2,269** | 2,265 |
| Expenditure resulting from the lease of short-term assets | **8,040** | 12,119 |
| Expenditure resulting from the lease of low value assets | **708** | 3,321 |
| Expenditure resulting from the leases with variable lease payments | **14,339** | 18,188 |
| Impairment of property, plant and equipment | **3,396** | – |
| Impairment of investment property | **–** | 49,228 |
| Impairment of goodwill | **21,456** | 647,747 |
| Loss on disposal of investment | **2,041** | – |
| Loss on disposal of property, plant and equipment | **4,507** | 457 |
| Auditors' remuneration | **14,141** | 15,898 |
| – Current year | **13,351** | 15,293 |
| – Prior year | **790** | 605 |
| Employment benefit expense | **900,276** | 1,064,610 |
| – Short-term employee benefit expense | **855,696** | 995,991 |
| – Defined contribution plan expense | **41,014** | 65,902 |
| – Equity settled share-based payment expense | **3,566** | 2,717 |

The group had total cash out flow from right of use leases of R121mil (2020: R129mil)
The group had total cash outflows from short term, variable and low value leases of R23mil (2020: R34mil) from continuing operations

## 7. Finance cost

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Bank overdrafts and loans | **(22,217)** | (22,349) |
| Borrowings | **(139,711)** | (199,755) |
| Lease liabilities | **(32,598)** | (43,587) |
| **Total** | **(194,526)** | (265,691) |

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| **8.** | **Finance income** | **R'000** | R'000 |
| | Bank | **47,674** | 77,268 |
| | Trade and other receivables | **5,808** | 6,231 |
| | **Total** | **53,482** | 83,499 |

Finance income is determined using the effective interest rate method.

| | | | |
|---|---|---|---|
| **9.** | **Income tax** | | |
| | Current tax | | |
| | – current year | **132,863** | 91,190 |
| | – prior year ^ | **(13,094)** | 6,664 |
| | Deferred tax | | |
| | – current year | **4,000** | 15,476 |
| | – prior year | **7,359** | (2,156) |
| | Withholding tax | **2,028** | 608 |
| | Current tax in foreign jurisdictions | **27,530** | 30,935 |
| | **Tax expense for continuing operations** | **160,686** | 142,717 |
| | **Reconciliation of effective tax rate** | **%** | % |
| | Tax using the Group's domestic tax rate | **28.0** | 28.0 |
| | Profit on disposal of subsidiary | **0.1** | 0.3 |
| | Share in profit of associates and joint ventures | **(0.2)** | 0.1 |
| | *Tax effect of exempt / non-taxable income:* | | |
| | Dividends received and accrued | **(0.1)** | 0.1 |
| | Employee tax incentive | **(0.1)** | 0.2 |
| | Learnership allowances | **(0.3)** | 0.3 |
| | Fair value adjustments | **0.1** | – |
| | Profit share liability revaluation | **0.1** | 0.3 |
| | Other permanent differences and exempt income** | **1.1** | 1.7 |
| | *Tax effect of non-deductible expenses:* | | |
| | Preference share dividends | **–** | (1.4) |
| | Consulting, legal and secretarial fees | **0.3** | (1.1) |
| | Amortisation of agency rights | **–** | (0.2) |
| | Leasehold depreciation | **0.2** | (0.2) |
| | Penalties and interest | **0.7** | (1.4) |
| | Impairment | **1.5** | (37.7) |
| | Expenditure apportioned due to exempt income | **0.5** | – |
| | *Foreign tax:* | | |
| | Effect of tax rates in foreign jurisdictions | **0.8** | 2.7 |
| | Capital gains tax differential | **(1.0)** | (1.0) |
| | Prior year tax adjustments | **(2.7)** | (1.1) |
| | Dividend withholding tax | **0.4** | (0.1) |
| | Tax losses where no deferred tax asset has been recognised | **2.5** | (16.7) |
| | Deferred tax not realised on disposal of going concern | **3.2** | – |
| | **Effective tax rate** | **35.1** | (27.2) |

**Other permanent differences and exempt income comprise foreign statutory disallowed expenses and exempt income, value added tax disallowed and capital costs of the disposal of going concern.

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

A subsidiary of the Group in Indonesia has a tax dispute with the tax authority for corporate income tax and value added tax. Our appointed tax agent filed our objection letters with all the supporting documents and the reasons for our objection. The relevant tax court has conducted the tax hearings, which is still in the early stages of investigation. We are currently awaiting the judgements. The total claim from the Indonesia tax authority is R64.5 million (SGD 5.87 million) excluding penalties and interest. Management believe the possibility of outflow to be remote as the case has no merit.

The balance on the tax settlement of R750mil was fully settled in 2021 (2021:R200,000,000).

| 9. **Income tax** (continued) | 31 March 2021 | 2020 |
|---|---|---|
| **Deferred tax** | **R'000** | R'000 |
| Balance at the beginning of the year | **172,608** | 155,910 |
| Adjustment on initial application of IFRS 16 | **–** | 18,709 |
| Foreign currency translation | **(4,113)** | (310) |
| Disposal of subsidiaries | **(336)** | 206 |
| Charge from the statement of comprehensive income | **(8,985)** | (256) |
| Charged directly to equity | **1,713** | (1,651) |
| Transferred from assets held-for-sale | **(10,761)** | – |
| **Balance at the end of the year** | **150,126** | 172,608 |
| **Comprising:** | | |
| Capital allowances | **(49,402)** | (69,021) |
| Tax losses available for set off against future taxable income | **24,046** | 25,986 |
| Provisions | **150,014** | 186,017 |
| Other temporary differences* | **25,468** | 29,626 |
| **Total** | **150,126** | 172,608 |
| **Presented as:** | | |
| Deferred tax asset | **174,842** | 240,805 |
| Deferred tax liability | **(24,716)** | (68,197) |
| **Total** | **150,126** | 172,608 |

*Other temporary differences comprise right of use lease liabilities, foreign currency adjustments, legal allowances, finance lease receivables and liabilities and deferred income.

Estimated tax losses within the Group amount to R85 879 111 (2020: R92 808 614). A deferred tax asset of R24 046 151 (2020: R25 986 412) has been recognised with respect to these tax losses. The directors are of the opinion that based on the cash flow forecasts, the entities will make sufficient taxable profits to utilise the tax losses in the foreseeable future.

Tax losses for the current year where no deferred tax asset was recognised amount to R29 463 561 (2020: R315 085 498).

| 10. **Earnings/(loss) and dividends per share** | 31 March 2021 cents | 2020 cents |
|---|---|---|
| Basic earnings/(loss) per share from continuing operations | **212** | (707) |
| Basic earnings/(loss) per share | **285** | (712) |
| Diluted basic earnings/(loss) per share from continuing operations | **206** | (707) |
| Diluted basic earnings/(loss) per share | **277** | (712) |
| Headline earnings per share from continuing operations | **172** | (82) |
| Headline earnings per share | **316** | 58 |
| Diluted headline earnings per share from continuing operations | **167** | (82) |
| Diluted headline earnings per share | **307** | 58 |
| **Ordinary shares ('000)** | | |
| In issue | **111,495** | 108,495 |
| Weighted average | **107,939** | 106,953 |
| Diluted weighted average | **111,050** | 106,953 |

The 3,111,000 share-based payment options (Tranches 16 and 17) issued to executive directors as detailed in note 43, have been assessed and are included in the diluted weighted average number of ordinary shares. The other remaining share-based payment option tranches are non-dilutive, as the options are currently 'out of the money'.

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| **10.** | **Earnings/(Loss) and dividends per share** (continued) | **R'000** | R'000 |
| | **Earnings/(Loss)** | | |
| | Profit/(Loss) from continuing operations attributable to owners of the Company | **228,794** | (756,105) |
| | Adjusted for: Profit/(Loss) for the year from discontinued operations | **79,233** | (5,357) |
| | Profit/(Loss) for the year attributable to owners of the Company | **308,027** | (761,462) |
| | **Headline earnings** | | |
| | Profit/(Loss) from continuing operations attributable to owners of the Company | **228,794** | (756,105) |
| | **Headline earnings adjustments from continuing operations** | | |
| | Adjustments for: | | |
| | Profit on disposal of property, plant and equipment | **(1,996)** | (3,512) |
| | Less: Tax thereon | **561** | 917 |
| | Less: other shareholders interest thereon | **15** | 154 |
| | Loss on disposal of property, plant and equipment | **4,507** | 457 |
| | Less: Tax thereon | **(1,155)** | (128) |
| | Profit on disposal of a business/investment | **(98,596)** | (5,817) |
| | Less: Tax thereon | **26,561** | 1,600 |
| | Loss on disposal of investment | **2,041** | – |
| | Impairment of goodwill | **21,456** | 631,429 |
| | Impairment of property, plant and equipment | **3,396** | 49,228 |
| | Less: Tax thereon | **–** | (5,724) |
| | **Headline earnings from continuing operations** | **185,584** | (87,501) |
| | Profit/(Loss) for the year from discontinued operations | **79,233** | (5,357) |
| | **Headline adjustments from discontinued operations** | | |
| | Adjustments for: | | |
| | Profit on disposal of property, plant and equipment | **(1,074)** | (163) |
| | Less: Tax thereon | **292** | 37 |
| | Loss on disposal of property, plant and equipment | **37** | 143 |
| | Less: Tax thereon | **(6)** | (24) |
| | Impairment of goodwill | **–** | 8,159 |
| | Impairment of property, plant and equipment | **–** | 146,594 |
| | Profit on disposal of investment | **(1,818)** | – |
| | Less: Tax thereon | **309** | – |
| | Loss on disposal of investment | **2,086** | – |
| | Less: Tax thereon | **(355)** | – |
| | IFRS 5 impairment of disposal group | **76,864** | – |
| | **Headline earnings** | **341,152** | 61,888 |

## 11. Discontinued operations

**CEG agricultural and earthmoving divisions**

In July 2020 an agreement was reached to dispose of the net assets excluding cash, interest-bearing debt and non-trading assets and liabilities of a number of the Capital Equipment Group's ("CEG") operating divisions to CNH Industrial SA Proprietary Limited (CNHi). CNHi is the principal in respect of the CASE agricultural, earthmoving and construction products which CEG currently imports and distributes in South Africa. The rationale for the disposal is for CNHi to continue with its strategy to have a direct operational footprint and infrastructure in South Africa, for the selling of world class products in both South Africa and the southern African market. The rationale for the Invicta Group is to apply the Disposal Consideration in the short-term to reduce the most expensive debt of the Group as appropriate, hereby realigning its funding and enabling the Group to focus on other strategic initiatives and its other core operations.

These operating divisions were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been presented to show the discontinued operation separately from the continuing operations. The effective date of sale was 31 December 2020 at a purchase consideration equal to the tangible net asset value of the operations on the effective date, excluding interest bearing debt and cash, plus an additional US$6 million goodwill payable in 3 instalments over a three-year period. The goodwill payment is the profit on disposal, and the recognition is described in note 42.

**The Kian Ann Group**

The transactions leading to the classification of the results from the Kian Ann Group as discontinued is fully described in note 12. The prior year numbers are re-presented.

| | 31 March | | |
|---|---|---|---|
| | CEG agricultural and earthmoving divisions | The Kian Ann Group | Total |
| **2021** | **R'000** | **R'000** | **R'000** |
| **Profit/(loss) for the year from discontinued operations** | | | |
| Revenue | 1,520,142 | 1,417,213 | 2,937,355 |
| Cost of sales | (1,202,509) | (1,150,225) | (2,352,734) |
| *Gross profit* | 317,633 | 266,988 | 584,621 |
| Expected credit losses recognised on trade receivables | (469) | (12,560) | (13,029) |
| Fair value adjustment on assets held for sale | – | (76,864) | (76,864) |
| Selling, administration and distribution costs | (187,943) | (236,725) | (424,668) |
| *Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements* | 129,221 | (59,161) | 70,060 |
| Finance income from financing transactions | 1,008 | – | 1,008 |
| Finance costs from financing transactions | (512) | – | (512) |
| Foreign exchange gains | 27 | 10,282 | 10,309 |
| Foreign exchange losses and costs | (4,347) | (14,131) | (18,478) |
| **Operating profit/(loss)** | 125,397 | (63,010) | 62,387 |
| Finance income & dividends received | 3,779 | 3,211 | 6,990 |
| Equity accounted earnings from investment in associates | – | 36,356 | 36,356 |
| Equity accounted earnings from investment in joint ventures | – | 37,886 | 37,886 |
| Finance costs | (5,197) | (9,959) | (15,156) |
| Profit before tax | 123,979 | 4,484 | 128,463 |
| Income tax expense | – | (16,841) | (16,841) |
| Attributable income tax expense | (32,389) | – | (32,389) |
| **Total profit/(loss) for the year from discontinued operations** | 91,590 | (12,357) | 79,233 |
| | cents | cents | cents |
| **Basic earnings/(loss) per share from discontinued operations** | 85 | (11) | 73 |
| **Diluted earnings/(loss) per share from discontinued operations** | 82 | (11) | 71 |

## 11. Discontinued operations (continued)

| | 31 March | | |
|---|---|---|---|
| | CEG agricultural and earthmoving divisions | The Kian Ann Group | Total |
| **2021** | **R'000** | **R'000** | **R'000** |
| **Cashflows from discontinued operations** | | | |
| Net cash inflow from operating activities | **346,204** | **329,124** | **675,328** |
| Net cash inflow/(outflow) from investing activities | **86,545** | **(6,339)** | **80,206** |
| Net cash outflow from financing activities | **(432,749)** | **(109,606)** | **(542,355)** |
| Effect of foreign exchange rate movement on cash balance | **–** | **(39,382)** | **(39,382)** |
| Net cash inflows attributable to discontinued operations | **–** | **173,797** | **173,797** |

| 2020 | R'000 | R'000 | R'000 |
|---|---|---|---|
| **Profit/(loss) for the year from discontinued operations** | | | |
| Revenue | 1,769,956 | 1,393,773 | 3,163,729 |
| Cost of sales | (1,384,517) | (1,129,100) | (2,513,617) |
| *Gross profit* | 385,439 | 264,673 | 650,112 |
| Expected credit losses recognised on trade receivables | – | (6,781) | (6,781) |
| Expected credit losses recognised on loans and receivables | – | – | – |
| Selling, administration and distribution costs | (262,500) | (374,127) | (636,627) |
| *Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements* | 122,939 | (116,235) | 6,704 |
| Finance income from financing transactions | 2,007 | – | 2,007 |
| Finance costs from financing transactions | (1,164) | – | (1,164) |
| Foreign exchange gains | 10,990 | 11,446 | 22,436 |
| Foreign exchange losses and costs | (16,014) | (15,523) | (31,537) |
| **Operating profit/(loss)** | 118,758 | (120,312) | (1,554) |
| Finance income & dividends received | 331 | 2,276 | 2,607 |
| Equity accounted earnings from investment in associates | – | 28,579 | 28,579 |
| Equity accounted earnings from investment in joint ventures | – | 23,583 | 23,583 |
| Finance costs | (7,365) | (16,689) | (24,054) |
| Profit/(loss) before tax | 111,724 | (82,563) | 29,161 |
| Income tax expense | – | (3,235) | (3,235) |
| Attributable income tax expense | (31,283) | – | (31,283) |
| **Total profit/(loss) for the year from discontinued operations** | 80,441 | (85,798) | (5,357) |
| | **cents** | **cents** | **cents** |
| **Basic earnings/(loss) per share from discontinued operations** | 75 | (80) | (5) |
| **Diluted earnings/(loss) per share from discontinued operations** | 75 | (80) | (5) |
| | R'000 | R'000 | R'000 |
| **Cashflows from discontinued operations** | | | |
| Net cash inflow from operating activities | 103,306 | 176,093 | 279,399 |
| Net cash outflow from investing activities | (1,373) | (7,682) | (9,055) |
| Net cash outflow from financing activities | (101,933) | (148,049) | (249,982) |
| Effect of foreign exchange rate movement on cash balance | – | 26,208 | 26,208 |
| Net cash inflow attributable to discontinued operations | – | 46,570 | 46,570 |

## 12. Assets held for sale

**The Kian Ann Group**

The Group has entered into a series of inter linked transactions as a result of which its 100% interest in the KAG will reduce to 48.81%. The effective loss of control triggers a deemed disposal. At year end the decision was taken to proceed with the transactions, however, agreements still needed to be finalised, conditions met and statutory processes followed, with the expected effective date to be within the financial year ended 31 March 2022. The KAG has therefore been disclosed as held for sale at the end of the period. The impairment loss recognised on the measurement to fair value less cost to sell in the disposal group is reflected in the table below.

**Invicta properties - the Samrand property**

The directors previously initiated a plan to dispose of the Samrand property and during November 2020 a purchaser was secured. The purchaser is required to produce bank guarantees. Non-refundable deposits were received in the Group's attorney's trust account of R3.5 million by year end. The extension of the period required to complete the sale does not preclude this asset from being held for sale since the process of sale typically requires certain conditions to be met, finance secured and transfer to take place. The sales price agreed upon with the buyer, of R140 980 000, is reasonable in relation to the fair value of the asset.

**Invicta properties - other non-core properties**

The Group has entered into signed agreements of sale for a number of properties as they no longer form part of the core business or strategic property holdings of the Group, amounting to R7.9 million of property, plant and equipment and R1.6 million of investment property. Transfer to the purchaser had not taken place by year end.

The value of the assets and associated liabilities transferred to held for sale are disclosed below:

| | 31 March | | | |
|---|---|---|---|---|
| | The Kian Ann Group | Invicta Properties | Total | Invicta Properties |
| | 2021 | | | 2020 |
| **2021** | **R'000** | **R'000** | **R'000** | R'000 |
| Property, plant and equipment | **598,096** | **7,933** | **606,029** | – |
| Right-of-use assets | **77,080** | **–** | **77,080** | – |
| Investment property | **–** | **128,167** | **128,167** | 126,532 |
| Other intangible assets | **5,141** | **–** | **5,141** | – |
| Deferred tax asset | **38,494** | **–** | **38,494** | – |
| Investments in joint ventures | **224,350** | **–** | **224,350** | – |
| Derivatives | **17,577** | **–** | **17,577** | – |
| Inventories | **730,402** | **–** | **730,402** | – |
| Trade and other receivables | **512,370** | **–** | **512,370** | – |
| Bank and cash balances | **360,459** | **–** | **360,459** | – |
| **Assets held for sale*** | **2,563,969** | **136,100** | **2,700,069** | 126,532 |
| Borrowings | **105,035** | **–** | **105,035** | – |
| Right of use lease liabilities | **106,242** | **–** | **106,242** | – |
| Deferred tax liability | **27,733** | **–** | **27,733** | – |
| Finance lease liabilities | **3,204** | **–** | **3,204** | – |
| Trade and other payables | **256,405** | **–** | **256,405** | – |
| Provisions | **16,937** | **–** | **16,937** | – |
| Current tax liability | **9,808** | **–** | **9,808** | – |
| Dividends payable | **156** | **–** | **156** | – |
| Current portion of borrowings | **82,760** | **–** | **82,760** | – |
| Current portion of right of use lease liabilities | **5,441** | **–** | **5,441** | – |
| Current portion of finance lease liabilities | **1,259** | **–** | **1,259** | – |
| Bank overdrafts | **4,467** | **–** | **4,467** | – |
| **Liabilities associated with assets held for sale** | **619,447** | **–** | **619,447** | – |
| **Net assets held for sale at carrying value** | **1,944,522** | **136,100** | **2,080,622** | **126,532** |
| Fair value adjustment* | **(76,864)** | **–** | **(76,864)** | – |
| **Net assets held for sale at fair value** | **1,867,658** | **136,100** | **2,003,758** | **126,532** |

* Assets held for sale on the Statement of Financial Position are net of the fair value adjustment.

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

## 12. Assets held for sale (continued)

**Fair value less cost to sell valuation of the held for sale disposal group**

The Group has recognised the Kian Ann disposal group (assets and associated liabilities) as held for sale at 31 March 2021. The recognition of the disposal group as held for sale requires it to be measured at the lower of its carrying amount or its fair value less costs to sell. The fair value less costs to sell was determined based on a discounted cash flow valuation. The Group based the discounted cash flow calculations on the five-year budgeted and forecast information. The long-term average growth rates were used to extrapolate cash flows from year 2 to year 5. The post-tax discount rates used reflect specific risks relating to the disposal group whilst maximising the use of market observable data. Other assumptions included in cash flow projections are closely linked to entity-specific key performance indicators i.e; product supply and margin pressures. Costs to sell were estimated based on costs incurred in similar transactions. The fair value less costs to sell is at a Level 3 (fair value is determined on inputs not based on observable market data) on the fair value hierarchy.

The inputs and assumptions used to calculate the fair value less costs to sell at the reporting date are as follows:

| | 31 March | | | | |
|---|---|---|---|---|---|
| **Disposal group** | **Post-tax discount rate** | **Terminal value growth rate** | **Year 1 annual growth rate** | **Year 2-3 annual growth rate** | **Year 4-5 annual growth rate** |
| **2021** | | | | | |
| KAG | **6.93%** | **0.5%** | **7.5%** | **1.0%** | **0.5%** |

**Fair value adjustment**

The inputs and assumptions noted above were utilised to determine the fair value less costs to sell of the disposal group and resulted in the below fair value adjustment, as the carrying values of the disposal group exceeded the fair value less costs to sell. The carrying value allocated to the disposal group has been adjusted as a result:

| | 31 March | | |
|---|---|---|---|
| | **Fair value less costs to sell** | **Carrying value** | **(Fair value adjustment)/he** |
| **Description** | **R'000** | **R'000** | **R'000** |
| Based on documented assumptions: **2021** | | | |
| KAG - disposal group | **1,867,658** | **1,944,522** | **(76,864)** |

The fair value adjustment has been recognised in discontinued operations in the statement of profit or loss.

The impact of a change in assumptions with all other variables held constant will have the following effects:

| **Change in assumptions** | | | |
|---|---|---|---|
| Growth rate reduced by 0.2% | **1,849,357** | **1,944,522** | **(95,165)** |
| Growth rate increased by 0.2% | **1,894,087** | **1,944,522** | **(50,435)** |
| 1% increase in post-tax discount rate | **1,653,524** | **1,944,522** | **(290,998)** |
| 1% decrease in post-tax discount rate | **2,168,577** | **1,944,522** | **224,055** |

| 13. Property, plant and equipment | Land and buildings R'000 | Plant and equipment R'000 | Leasehold improvements R'000 | Motor vehicles R'000 | Furniture, fittings & office equipment R'000 | Capital work-in-progress R'000 | Computer equipment R'000 | Rental assets * * R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|
| Carrying amount at 31 March 2019 | 1,453,353 | 163,673 | 22,235 | 44,578 | 67,446 | 51,584 | 24,674 | 114,789 | 1,942,332 |
| Additions | 49,697 | 19,906 | 4,828 | 11,964 | 5,430 | 9,317 | 4,580 | 62,840 | 168,562 |
| Disposal of subsidiary | (19,875) | – | – | – | – | – | – | – | (19,875) |
| Impairment *** | (146,594) | – | – | – | – | – | – | – | (146,594) |
| Depreciation* | (19,038) | (28,233) | (7,994) | (15,060) | (15,061) | – | (12,191) | (33,826) | (131,403) |
| Reclassification to investment property | (175,760) | – | – | – | – | – | – | – | (175,760) |
| Disposals | (8) | (2,343) | (152) | (5,111) | (633) | (5,075) | (857) | (9,640) | (23,819) |
| Reclassification between classes | (529) | 6,763 | 3,506 | 2,583 | 17,369 | (32,504) | 2,812 | – | – |
| Foreign currency translation | 108,752 | 5,884 | 1,411 | 1,975 | 1,798 | 4,294 | 684 | – | 124,798 |
| **Carrying amount at 31 March 2020** | **1,249,998** | **165,650** | **23,834** | **40,929** | **76,349** | **27,616** | **19,702** | **134,163** | **1,738,241** |
| Additions | **60,358** | **19,952** | **493** | **7,575** | **4,610** | **6,031** | **31,720** | **25,432** | **156,171** |
| Disposal of subsidiary / business | **–** | **(8,562)** | **(799)** | **(2,340)** | **(1,863)** | **–** | **(1,492)** | **(20)** | **(15,076)** |
| Impairment | **(254)** | **(3,142)** | **–** | **–** | **–** | **–** | **–** | **–** | **(3,396)** |
| Depreciation* | **(16,138)** | **(27,990)** | **(7,087)** | **(13,652)** | **(15,621)** | **–** | **(12,254)** | **(27,590)** | **(120,332)** |
| Reclassification to assets held for sale | **(554,910)** | **(32,968)** | **(6,365)** | **(4,348)** | **(2,649)** | **–** | **(4,789)** | **–** | **(606,029)** |
| Reclassification to investment property | **(117,833)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(117,833)** |
| Disposals | **(5,939)** | **(308)** | **(1,765)** | **(4,838)** | **(992)** | **(1,241)** | **(290)** | **(30,837)** | **(46,210)** |
| Reclassification between classes | **717** | **1,868** | **3,913** | **(20)** | **1,141** | **(10,119)** | **2,500** | **–** | **–** |
| Foreign currency translation | **(84,030)** | **(4,586)** | **(1,038)** | **(1,858)** | **(1,715)** | **(3,972)** | **(763)** | **–** | **(97,962)** |
| **Carrying amount at 31 March 2021** | **531,969** | **109,914** | **11,186** | **21,448** | **59,260** | **18,315** | **34,334** | **101,148** | **887,574** |
| 2020 | | | | | | | | | |
| Cost | 1,650,470 | 465,009 | 75,252 | 138,667 | 206,073 | 27,616 | 116,868 | 210,826 | 2,890,781 |
| Accumulated depreciation and impairment | (400,472) | (299,359) | (51,418) | (97,738) | (129,724) | – | (97,166) | (76,663) | (1,152,540) |
| Total | 1,249,998 | 165,650 | 23,834 | 40,929 | 76,349 | 27,616 | 19,702 | 134,163 | 1,738,241 |
| **2021** | | | | | | | | | |
| Cost | **561,913** | **270,965** | **34,513** | **86,470** | **162,898** | **18,315** | **98,594** | **186,918** | **1,420,586** |
| Accumulated depreciation and impairment | **(29,944)** | **(161,051)** | **(23,327)** | **(65,022)** | **(103,638)** | **–** | **(64,260)** | **(85,770)** | **(533,012)** |
| **Total** | **531,969** | **109,914** | **11,186** | **21,448** | **59,260** | **18,315** | **34,334** | **101,148** | **887,574** |

* The depreciation charge relating to plant and equipment and rental assets disclosed in cost of sales amounts to R36 594 136 (2020: R43 079 538).

** Rental assets include forklift, machinery and property rental assets.

*** In the prior year the depressed results in the Kian Ann Singapore business presented an impairment indicator which required a value in use assessment to be performed. A value of R594 million was calculated by using a discount rate of 6.35% and resulted in an impairment of R147 million in the prior year, that has been included in discontinued operations.

**Details of the land and buildings and encumbrances**

A register containing details of land and buildings is available for inspection during business hours at the registered office of the Company by members or their duly authorised agents.
The Group has encumbered land and buildings having a carrying value of R256 million (2020: R272 million) to secure mortgage bonds detailed in note 32.

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

| 14. Right-of-use assets | Land and buildings R'000 | Motor Vehicles R'000 | Equipment R'000 | Total R'000 |
|---|---|---|---|---|
| Carrying amount at 1 April 2019 | 407,489 | 40,766 | 5,890 | 454,145 |
| Additions to right-of-use assets | 42,325 | 25,053 | 3,338 | 70,716 |
| Lease modification | 2,771 | (3,438) | 1,003 | 336 |
| Depreciation for the year | (75,774) | (19,655) | (2,696) | (98,125) |
| Disposal of subsidiary | – | – | – | – |
| Right of use asset derecognised | (19,086) | (175) | – | (19,261) |
| Foreign currency translation | 15,166 | – | 294 | 15,460 |
| **Carrying amount at 31 March 2020** | **372,891** | **42,551** | **7,829** | **423,271** |
| Right of use asset recognised | **47,908** | **3,421** | **1,296** | **52,625** |
| Lease modification | **(1,476)** | **217** | **–** | **(1,259)** |
| Depreciation for the year | **(70,773)** | **(20,247)** | **(2,744)** | **(93,764)** |
| Disposal of subsidiary | **(16,245)** | **–** | **–** | **(16,245)** |
| Right of use asset derecognised | **(25,912)** | **(447)** | **(326)** | **(26,685)** |
| Classified as held for sale | **(74,303)** | **(1,359)** | **(1,418)** | **(77,080)** |
| Foreign currency translation | **(14,775)** | **(90)** | **(216)** | **(15,081)** |
| **Carrying amount at 31 March 2021** | **217,315** | **24,046** | **4,421** | **245,782** |
| 2020 | | | | |
| Cost | 549,702 | 76,636 | 15,567 | 641,905 |
| Accumulated depreciation | (176,811) | (34,085) | (7,738) | (218,634) |
| **Total** | 372,891 | 42,551 | 7,829 | 423,271 |
| **2021** | | | | |
| Cost | **396,812** | **64,191** | **8,999** | **470,002** |
| Accumulated depreciation | **(179,497)** | **(40,145)** | **(4,578)** | **(224,220)** |
| **Total** | **217,315** | **24,046** | **4,421** | **245,782** |

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

Refer to accounting policy note 1.18 for further details on right-of-use-assets.

## 15. Investment property

The Capital Equipment Group disposed of a number of divisions in the current year, refer to note 11 for further detail. The disposal resulted in properties that were previously leased to Group entities (and thus owner occupied), now being leased to third parties. As a result, these properties are now classified as investment property.

| | 31 March 2021 R'000 | 2020 R'000 |
|---|---|---|
| Balance at the beginning of the year | **–** | – |
| Reclassification from property, plant and equipment | **117,833** | 175,760 |
| Impairment * | **–** | (49,228) |
| Reclassified to assets held for sale | **(1,635)** | (126,532) |
| **Balance at the end of the year** | **116,198** | – |

Investment property comprises of five properties located in Camperdown, Elandsfontein, Isando, Kroonstad and Standerton. Valuations are performed at year end with a fair value estimated at R204.8million.

*In the prior year, and given prevailing market conditions at that time, a general review was conducted on market related rentals, and appropriate property market values. The resultant fair market valuation led to an impairment on the Samrand property of R49.2million. This impairment was included in selling, administration and distribution costs. Rental on the property was recognised at R15.0 million (2020: R15.3million) and was included in revenue.

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| **16.** | **Financial investments** | **R'000** | R'000 |
| | *Unlisted securities* | | |
| | Investment in unlisted ordinary shares | **972** | 1,181 |
| | **Total** | **972** | 1,181 |
| | **Current financial investments** | **–** | (3) |
| | **Non-current financial investments** | **972** | 1,178 |

| | | | |
|---|---|---|---|
| **17.** | **Goodwill** | | |
| | **Reconciliation of carrying amount** | | |
| | Balance at the beginning of the year | **24,847** | 662,927 |
| | Impairment loss | **(21,456)** | (639,588) |
| | Foreign currency translation | **–** | 1,508 |
| | **Balance at the end of the year** | **3,391** | 24,847 |
| | The carrying amount of goodwill was allocated to cash-generating units ("CGUs"), within the operating segments, as follows: | | |
| | ESG consisting of 2 CGUs (2020:2) | **3,391** | 3,391 |
| | Individually non-significant CGUs | **3,391** | 3,391 |
| | CEG consisting of 1 CGU (2020:1) | **–** | 21,456 |
| | High Power Equipment Africa Proprietary Limited | **–** | 21,456 |
| | **Total** | **3,391** | 24,847 |

**Impairment testing of goodwill**

The Group has allocated goodwill to its cash-generating units. The recoverable amounts of these cash-generating units have been determined based on value-in-use calculations. Value-in-use is based on discounted cash flow calculations. The Group based its cash flow calculations on the five-year budgeted and forecast information. The long-term average growth rates were used to extrapolate cash flows from year 2 to year 5. The pre-tax discount rates used reflect specific risks relating to the relevant cash-generating units whilst maximising the use of market observable data. There has been an average decrease of 2% in the risk-free rate, resulting in lower weighted average cost of capital ("WACC") rates. Other assumptions included in cash flow projections are closely linked to entity-specific key performance indicators i.e; product supply and margin pressures.

The inputs and assumptions used to calculate the recoverable amounts for the CGUs (grouped based on segments) at the reporting date are as follows:

| | 31 March | | | | |
|---|---|---|---|---|---|
| **Segment** | **Post-tax discount rate** | **Terminal value growth rate** | **Year 1 annual growth rate** | **Year 2 annual growth rate** | **Year 3 -5 annual growth rate** |
| **2021** | | | | | |
| ESG | **15.6% - 17.4%** | **3%** | **33% - 52%** | **3.7%** | **3.7%** |
| CEG | **17.7%** | **3.7%** | **-30%** | **5.0%** | **5.0%** |
| 2020 | | | | | |
| ESG | 17%-20% | 4.5% | -18%-11% | 11%-18% | 5.7% |
| CEG | 7%-21% | 2.5%-4.5% | -23% | 5.7% | 5.7% |

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

## 17. Goodwill (continued)

The headroom in the Group's operating segments with goodwill after all impairments have been taken into account at the reporting date was as follows:

| Description | | 31 March Value in use R'000 | Carrying value R'000 | Headroom R'000 |
|---|---|---|---|---|
| Based on documented assumptions: | **2021** | | | |
| ESG | | **101,375** | **3,391** | **97,984** |
| Growth rate reduced by 1% | | | | |
| ESG | | **95,423** | **3,391** | **92,032** |
| 1% increase in WACC | | | | |
| ESG | | **86,583** | **3,391** | **83,192** |
| Based on documented assumptions: | 2020 | | | |
| ESG | | 151,730 | 3,391 | 148,339 |
| CEG | | 25,479 | 21,456 | 4,023 |
| Growth rate reduced by 1% | | | | |
| ESG | | 136,418 | 3,391 | 133,027 |
| CEG | | 12,161 | 21,456 | (9,295) |
| 1% increase in WACC | | | | |
| ESG | | 133,982 | 3,391 | 130,591 |
| CEG | | 19,990 | 21,456 | (1,466) |

**Impairment goodwill**

The inputs and assumptions noted above were utilised to determine the recoverable amount of the goodwill in the remaining CGUs and resulted in the below goodwill impairments, as the carrying values of the goodwill exceeded their recoverable amounts. The goodwill allocated to the following CGUs has been impaired as a result:

| Cash generating units | Segment | 31 March Carrying value prior to impairment R'000 | Impairment R'000 | Carrying value at end of year R'000 |
|---|---|---|---|---|
| | **2021** | | | |
| **High Power Equipment Africa Proprietary Limited** | **CEG** | **21,456** | **(21,456)** | **-** |
| **Total** | | **21,456** | **(21,456)** | **-** |
| | 2020 | | | |
| Industri tools and equipment Proprietary Limited | ESG | 178,995 | (178,995) | – |
| Bearing Man Group Proprietary Limited | ESG | 351,136 | (351,136) | – |
| Oscillating Systems Technology (Africa) Proprietary | ESG | 11,160 | (11,160) | – |
| Propshaft Rebuilders Proprietary Limited | ESG | 2,083 | (2,083) | – |
| Humulani Marketing Proprietary Limited | CEG | 6,007 | (6,007) | – |
| Disa Equipment Proprietary Limited | CEG | 11,793 | (11,793) | – |
| Equipment Spare Parts Proprietary Limited | CEG | 51,229 | (51,229) | – |
| Steve Woods Limited (UK) | KAG | 8,159 | (8,159) | – |
| Shamrock Handling Concepts Proprietary Limited | CEG | 1,205 | (1,205) | – |
| Commercial Car Components Logistics Limited | CEG | 4,745 | (4,745) | – |
| Compact Computer Solutions Proprietary Limited | Corp | 13,076 | (13,076) | – |
| **Total** | | 639,588 | (639,588) | – |

The impairment loss of R24,598,000 (2020: R639,588,000) has been recognised in selling, administration and distribution costs in the statement of profit or loss.

| | | | 31 March | | | |
|---|---|---|---|---|---|---|
| | Computer software | Reacquired agency rights | Distribution agreements | Trademarks, brands and non-compete agreements | Customer relationships and other | Total |
| **18. Other intangible assets** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| Carrying amount at 31 March 2019 | 24,847 | 12,051 | 13,527 | 560 | 11,256 | 62,241 |
| Additions | 37,683 | – | – | 174 | – | 37,857 |
| Amortisation | (11,688) | (3,015) | (3,504) | (105) | (4,124) | (22,436) |
| Disposals | (1,603) | – | – | – | – | (1,603) |
| Foreign currency translation | 872 | (2) | – | 71 | 183 | 1,124 |
| **Carrying amount at 31 March 2020** | **50,111** | **9,034** | **10,023** | **700** | **7,315** | **77,183** |
| Additions | **7,175** | **–** | **–** | **–** | **–** | **7,175** |
| Disposal of subsidiary | **–** | **(1,911)** | **–** | **–** | **–** | **(1,911)** |
| Amortisation | **(18,227)** | **(753)** | **(9,274)** | **(112)** | **(6,363)** | **(34,729)** |
| Transfer to assets held for sale | **(4,320)** | **–** | **–** | **(371)** | **(450)** | **(5,141)** |
| Disposals | **(243)** | **–** | **–** | **–** | **(1)** | **(244)** |
| Foreign currency translation | **(648)** | **–** | **–** | **(54)** | **(92)** | **(794)** |
| **Carrying amount at 31 March 2021** | **33,848** | **6,370** | **749** | **163** | **409** | **41,539** |
| 2020 | | | | | | |
| Cost | 96,434 | 39,460 | 48,550 | 8,602 | 65,648 | 258,694 |
| Accumulated amortisation | (46,323) | (30,426) | (38,527) | (7,902) | (58,333) | (181,511) |
| **Total** | 50,111 | 9,034 | 10,023 | 700 | 7,315 | 77,183 |
| **2021** | | | | | | |
| Cost | **92,572** | **37,550** | **11,617** | **457** | **52,001** | **194,197** |
| Accumulated amortisation | **(58 ,724)** | **(31,180)** | **(10,868)** | **(294)** | **(51,592)** | **(152,658)** |
| **Total** | **33,848** | **6,370** | **749** | **163** | **409** | **41,539** |

## 19. Financial assets

| | 31 March 2021 R'000 | 2020 R'000 |
|---|---|---|
| *Put option asset* | – | 4,063 |
| Modesty Investment Holding Pte Ltd (Investment in joint venture)<br>The Group has a put option to sell the shares in KTSUC back to the majority shareholder at a minimum agreed price. KTSUC is currently performing below the minimum level and as such there is an implied value in the put option. This has been transferred to asset held for sale. | | |
| *Call option asset* | – | 31,510 |
| Kunshan Kensetsu Buhin Co. Ltd (Investment in associates)<br>The Group has a call option to increase its holding from 27.6% to 50.01% based on a multiple of the average profit after tax for the preceding three years. The strong performance of the KKB business indicates an implied value in the call option; the call option may be exercised during a 60 day period from the date that the audited KKB Annual Financial Statements as signed by the directors for each of the financial years ended 31 December 2020 and 31 December 2021. This has been transferred to asset held for sale. | | |
| *Interest rate swaps* | | |
| Three interest rate swap agreements were entered into between Nedbank and Bearing Man Group (Pty) Ltd (BMG) on 9 September 2020 for the notional amount of R100 million each. The fixed rates paid to receive a floating rate of 3-month JIBAR, and the termination dates of each agreement are set out below: | | |
| - Swap 53014781 had a fixed rate of 5.03% and is terminating on 09 Sep 2025 | **2,565** | – |
| - Swap 53014578 had a fixed rate of 3.99% and is terminating on 11 Sep 2023 | **1,512** | – |
| - Swap 53014582 had a fixed rate of 4.48% and is terminating on 09 Sep 2024 | **2,128** | – |
| **Total financial assets** | **6,205** | 35,573 |
| ***Less:* Current financial assets** | – | (31,510) |
| **Non-current financial assets** | **6,205** | 4,063 |

The Monte Carlo Simulation Technique along with the Geometric Brownian Motion Model have been utilised to simulate numerous equity value scenarios for each option tranche and ultimately determine the value of the options.

The 2021 closing balance excludes R17.5 million that was transferred to held for sale.

## 20. Finance lease receivables

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| *Gross investment in finance leases are classified as follows:* | | |
| Due within one year | **84,816** | 119,665 |
| Due in the second to fifth years inclusive | **93,725** | 85,361 |
| | **178,541** | 205,026 |
| Unearned finance income | **(16,680)** | (19,552) |
| **Net investment in finance lease** | **161,861** | 185,474 |
| *Net investment in finance leases are classified as follows:* | | |
| Current | **85,946** | 105,161 |
| Non-current | **75,915** | 80,313 |
| **Net investment in finance lease** | **161,861** | 185,474 |

The Group entered into finance lease agreements with customers for certain of its equipment and forklifts. The term of finance leases entered into range from 36 to 60 months.

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

| | 31 March | |
|---|---|---|
| | **2021** | 2020 |
| **21. Loans and receivables** | **R'000** | R'000 |
| *Loans receivable* | **228,548** | 39,041 |
| Loan receivable from business partner | **16,900** | 17,859 |
| Loans receivable from associates | **24,994** | – |
| Loans receivable from financing transactions | **13,867** | 21,182 |
| Loan receivable from CNH - disposal proceeds | **172,787** | – |
| Less: Allowance for expected credit losses | **(5,178)** | (17,456) |
| Loans receivable after expected credit losses | **223,370** | 21,585 |
| **Current receivables** | **(110,939)** | (7,848) |
| **Non-current receivables** | **112,431** | 13,737 |
| Carrying amount of loans and receivables are as follows: | | |
| Within one year | **110,939** | 7,848 |
| In second to fifth year inclusive | **112,177** | 13,309 |
| After five years | **254** | 428 |
| **Total** | **223,370** | 21,585 |
| Unearned finance income | **10,409** | 89 |
| Gross carrying amount of loans and receivables are as follows: | | |
| Within one year | **112,129** | 7,891 |
| In second to fifth year inclusive | **121,396** | 13,355 |
| After five years | **254** | 428 |
| **Total** | **233,779** | 21,674 |

A provision has been raised on the loan receivable from business partner to the extent that there is no security. There is no exposure on the back-to-back arrangements.

The CNH - disposal proceeds receivable comprise amounts due January 2023 (USD2 million) and January 2024 (USD3 million). No provision required as historical evidence suggests payment will be made in advance of the due date. These amounts are non-interest bearing and have been discounted at 2.58% based on current USD inflation and prevailing USD interest rates.

Set out below is the movement in the allowance for expected credit losses loans to third parties:

| | | |
|---|---|---|
| Opening balance | **17,456** | 325 |
| Amounts written off during the year | **(3,635)** | (325) |
| Remeasurement of loss allowance | **(8,643)** | 17,456 |
| **Total** | **5,178** | 17,456 |

## 22. Investment in subsidiaries

Details of the Group's subsidiaries at 31 March 2021 are as follows:

| Name of subsidiary | Principal activity | Place of operation | 31 March Effective holding of ownership interest and voting power held | |
|---|---|---|---|---|
| | | | **2021** | 2020 |
| **Direct holdings** | | | | |
| Invicta Offshore Holdings | Investment holding company | Mauritius | **100%** | 100% |
| Invicta Africa (Pty) Ltd | Investment holding company | South Africa | **100%** | 100% |
| Invicta IT Solutions (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Invicta Finance (Pty) Ltd | Financial company | South Africa | **100%** | 100% |
| Invicta South Africa Holdings (Pty) Ltd | Investment holding company | South Africa | **100%** | 100% |
| Invicta Treasury Holdings (Pty) Ltd | Treasury company | South Africa | **100%** | 100% |
| October Winds Trading 48 (Pty) Ltd | Investment holding company | South Africa | **100%** | 100% |
| Invicta Properties (Pty) Ltd | Property holding company | South Africa | **100%** | 100% |
| Goldquest International Hydraulics SA (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| **Indirect holdings** | | | | |
| Abrasive Flow Solutions (Pty) Ltd # | Trading company | South Africa | **51%** | 0% |
| A. T. Group Holdings Co. Ltd * | Investment holding company | Thailand | **0%** | 80% |
| A.T. Truck & Bus Parts Co. Ltd * | Trading company | Thailand | **0%** | 64% |
| Africa Maintenance Equipment (Mooinooi) (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Africa Maintenance Equipment (Rustenburg) (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Africa Maintenance Equipment (Thabazimbi) (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Allegiance Parts (Malaysia) Sdn Bhd ** | Trading company | Malaysia | **72%** | 72% |
| Allegiance Automotive Supplies Pte.Ltd # ^ ** | Trading company | Singapore | **48%** | 0% |
| Allegiance Parts and Services Co Ltd ^ ** | Trading company | Myanmar | **48%** | 48% |
| Allegiance Parts and Services Singapore Pte Ltd ^ ** | Trading company | Singapore | **48%** | 48% |
| Arc Eng Since 1934 (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Bearing Man (Botswana) (Pty) Ltd | Trading company | Botswana | **100%** | 100% |
| Bearing Man (Maputo) (Pty) Ltd | Trading company | Mozambique | **66%** | 66% |
| Bearing Man (Mozambique) Lda | Trading company | Mozambique | **100%** | 100% |
| Bearing Man (Namibia) (Pty) Ltd | Trading company | Namibia | **100%** | 100% |
| Bearing Man (Swaziland) (Pty) Ltd | Trading company | Swaziland | **100%** | 100% |
| Bearing Man Zambia Ltd | Trading company | Zambia | **83%** | 83% |
| Bearing Man Group Tanzania Ltd | Trading company | Tanzania | **100%** | 100% |
| BMG Congo SARL | Trading company | Democratic | **70%** | 70% |
| Bearing Man Group (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| BMG Dar Es Salaam | Trading company | Tanzania | **99.99%** | 99.99% |
| BMG Ghana Properties (Mauritius) | Trading company | Mauritius | **100%** | 100% |
| BMG Properties Ltd | Trading company | Ghana | **70%** | 70% |
| BMG Offshore Holdings | Investment holding company | Mauritius | **100%** | 100% |
| BMG West Africa Ltd | Trading company | Ghana | **70%** | 70% |
| Commercial Car Components Logistics Ltd | Trading company | United Kingdom | **50.1%** | 50.1% |
| Compact Computer Solutions (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Criterion Equipment (Pty) Ltd | Trading company | South Africa | **100%** | 100% |

# Company was newly incorporated during the current reporting period.

^ These entities are controlled as a result of the intervening companies having direct holdings greater than 50%, with the ultimate ownerships interest being held at more than 50% but less than 100%.

* Company was disposed of in the current year

** These entities are part of the disposal group, the Kian Ann Group, that has been classified as held for sale.

AME Lephalale (Pty) Ltd and AME eMalahleni (previously Alpha Bearings (Pty) Ltd) are no longer included in the table above due to a disposal of the controlling interests in these entities resulting in deemed disposals as subsidiaries and the deemed acquisitions as associates, refer to note 23.

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

## 22. Investment in subsidiaries (continued)

| Name of subsidiary | Principal activity | Place of operation | 31 March Effective holding of ownership interest and voting power held 2021 | 2020 |
|---|---|---|---|---|
| **Indirect holdings** (continued) | | | | |
| D&D Lifting and Crane Services (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| Disa Equipment (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Driveshaft Parts Ltd | Trading company | United Kingdom | **100%** | 100% |
| Driveshaft Parts S.L. | Trading company | Spain | **100%** | 100% |
| Equipment Spare Parts (Africa) (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Erf 29 Samcor Park (Pty) Ltd * | Dormant | South Africa | **0%** | 100% |
| ESG Exports (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| ESG EUROPE Spółka z ograniczoną odpowiedzialnością # | Property holding company | Poland | **100%** | 0% |
| Euro Driveshafts Ltd Sp. z o.o. (Poland) | Trading company | Poland | **100%** | 100% |
| Euro Driveshafts Ltd | Trading company | United Kingdom | **100%** | 100% |
| Euro Driveshafts - Ukraine LLC | Trading company | Ukraine | **100%** | 100% |
| Fidelio Properties (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| General Electrical Mechanical Tool & Engineering (Pty) | Dormant | South Africa | **100%** | 100% |
| GK-IT Environmental Services (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| Hansen Transmissions South Africa (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| High Power Equipment Africa (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Humulani Marketing (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Humulani Marketing Mozambique Lda | Dormant | Mozambique | **100%** | 100% |
| Hyflo Namibia (Pty) Ltd | Dormant | Namibia | **100%** | 100% |
| Hyflo Southern Africa (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Industri Tools & Equipment (Pty) Ltd (previously Mandirk (Pty) Ltd) | Trading company | South Africa | **100%** | 100% |
| Invicta Asian Holdings (Pte) Ltd | Investment holding company | Singapore | **100%** | 100% |
| Invicta Cape Town (Pty) Ltd | Property holding company | South Africa | **60%** | 60% |
| Invicta Funding Ltd * | Trading company | South Africa | **0%** | 100% |
| Invicta Offshore Finance | Trading company | Mauritius | **100%** | 100% |
| Kian Chue Hwa (Industries) (Pte) Ltd ** | Trading company | Singapore | **80%** | 80% |
| Kian Ann Districentre (Pte) Ltd ** | Property holding company | Singapore | **100%** | 100% |
| Kian Ann Engineering (Pte) Ltd ** | Trading company | Singapore | **100%** | 100% |
| Kian Ann Engineering Trading (Shanghai) Co. Ltd ** | Trading company | China | **100%** | 100% |
| Kian Ann Investment (Pte) Ltd ** | Investment holding company | Singapore | **100%** | 100% |
| MacNeil Plastics (Pty) Ltd | Trading company | South Africa | **60%** | 60% |
| Makona Hardware & Industrial (Pty) Ltd | Trading company | South Africa | **70%** | 70% |
| Man-Dirk East (Pty) Ltd | Dormant | South Africa | **74%** | 74% |
| MRO Produtos Industriais Lda | Trading company | Mozambique | **80%** | 80% |
| Msanzi Driveshaft Parts (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| Northmec Equipment Zambia Ltd | Dormant | Zambia | **100%** | 100% |
| Nova Vida Lda | Trading company | Mozambique | **80%** | 80% |
| Oscillating Systems Technology Africa (Pty) Ltd | Trading company | South Africa | **100%** | 100% |

# Company was newly incorporated during the current reporting period.

* Company was deregistered in the current year

** These entities are part of the disposal group, the Kian Ann Group, that has been classified as held for sale.

## 22. Investment in subsidiaries (continued)

| Name of subsidiary | Principal activity | Place of operation | 31 March Effective holding of ownership interest and voting power held 2021 | 2020 |
|---|---|---|---|---|
| **Indirect holdings** (continued) | | | | |
| Propshaft Rebuilders (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Pt. Allegiance Primaparts Indonesia ** | Trading company | Indonesia | **80%** | 80% |
| Pt. Haneagle Heavyparts Indonesia ** | Trading company | Indonesia | **99%** | 99% |
| Rumiset (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Rustenburg Engineering and Foundry (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Rustenburg Engineering and Machining (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| SA Tool (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| Salestalk 452 (Pty) Ltd | Property holding company | South Africa | **50%** | 50% |
| Screen Doctor (Pty) Ltd | Trading company | South Africa | **71%** | 71% |
| Shamrock Handling Concepts (Pty) Ltd | Trading company | South Africa | **100%** | 100% |
| Sibuyile Industrial Supplies (Pty) Ltd | Dormant | South Africa | **100%** | 100% |
| Steve Woods Ltd ** | Trading company | United Kingdom | **50,01%** | 50,01% |
| Trendy Property Investments (Pty) Ltd | Property holding company | South Africa | **100%** | 100% |
| Universal Parts Group (Pty) Ltd (previously Maroblox (Pty) Ltd) | Trading company | South Africa | **100%** | 100% |
| **Entities controlled in terms of IFRS 10** | | | | |
| Theramanzi Investments (Pty) Ltd *** | Investment holding company | South Africa | | |
| Humulani Employee Investment Trust *** | Trust | South Africa | | |
| Humulani Empowerment Trust *** | Trust | South Africa | | |
| Keletso Imare Bindzue Procurement Services (Pty) Ltd | Trading company | South Africa | | |

** These entities are part of the disposal group, the Kian Ann Group, that has been classified as held for sale.

*** Humulani Employee Investment Trust and Theramanzi Investments (Pty) Ltd, owned by the Humulani Empowerment Trust own 5% and 20% respectively of the issued ordinary share capital of Invicta South Africa Holdings (Pty) Ltd. The Group controls these entities which have been consolidated into the Group results.

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

Funding within the Group is managed centrally and is supported as appropriate by cross guarantees from group companies.

## 23. Investments in associates

| Name of associate (unlisted) | Principal activity | Place of operation | Functional currency | Reporting date | 31 March Ownership interest held 2021 | 2020 |
|---|---|---|---|---|---|---|
| Automan Co. Limited | Servicing of automotive vehicles | Myanmar | MMK | March | **20%** | 20% |
| Africa Maintenance Equipment eMalahleni (Pty) Ltd* | Wholesaler and retailer of engineering consumables | South Africa | ZAR | March | **29%** | 0% |
| Africa Maintenance Equipment Kathu (Pty) Ltd | Wholesaler and retailer of engineering consumables | South Africa | ZAR | March | **49%** | 49% |
| Africa Maintenance Equipment Lephalale (Pty) Ltd* | Wholesaler and retailer of engineering consumables | South Africa | ZAR | March | **49%** | 0% |
| Africa Maintenance Equipment Mogale (Pty) Ltd* | Wholesaler and retailer of engineering consumables | South Africa | ZAR | March | **29%** | 0% |
| Kunshan Kensetsu Buhin Co. Ltd ** | Manufacturing of construction machinery parts | China | CNY | December | **0%** | 27.604% |

* During the current year the group invested in Africa Maintenance Equipment eMalahelni (Pty) Ltd, Africa Maintenance Equipment Lephalale (Pty) Ltd and Africa Maintenance Equipment Mogale (Pty) Ltd.

** The investment in Kunshan Kensetsu Buhin Co. Ltd was transferred to investment in joint venture at year end, refer to significant judgements and estimates for further detail. The assets and liabilities have therefore been included in note 24 Investments in Joint Ventures and the profit and loss has been included below.

**Summarised financial information of the Group's associates as set out below:**

| 2021 | 31 March Africa Maintenance Equipment eMalahleni R'000 | Africa Maintenance Equipment Kathu R'000 | Kunshan Kensetsu Buhin R'000 | Group R'000 |
|---|---|---|---|---|
| Non-current assets | **21,986** | **2,121** | **–** | **26,375** |
| Other current assets | **699** | **16,135** | **–** | **18,566** |
| Cash and cash equivalents | **4,947** | **7,782** | **–** | **17,725** |
| Non-current liabilities | **–** | **(7,463)** | **–** | **(7,463)** |
| Current Liabilities | **(25,364)** | **(3,089)** | **–** | **(37,247)** |
| **Net assets** | **2,268** | **15,486** | **–** | **17,956** |
| Revenue | **2,551** | **131,408** | **1,112,995** | **1,257,712** |
| Finance income | **–** | **–** | **2,541** | **2,541** |
| Finance costs | **–** | **(178)** | **(733)** | **(913)** |
| Depreciation and amortisation | **(11)** | **(1,179)** | **(2,874)** | **(4,097)** |
| Income tax expense | **334** | **(3,605)** | **(13,766)** | **(17,018)** |
| Profit for the year | **(241)** | **7,881** | **133,375** | **139,983** |
| Group's share of profit of associate | **–** | **3,862** | **–** | **3,862** |
| **Reconciliation of carrying amount:** | | | | |
| Balance as at 31 March | **–** | **2,694** | **176,434** | **179,128** |
| Acquisition of associates | **415** | **–** | **–** | **1,503** |
| Share of profit of associate, net of tax* | **–** | **3,862** | **36,356** | **40,218** |
| Dividends declared by associate | **–** | **–** | **(92,710)** | **(92,710)** |
| Elimination of unrealised profits | **–** | **–** | **135** | **135** |
| Transfer to investment in joint venture | **–** | **–** | **(98,838)** | **(98,838)** |
| Foreign currency translation | **–** | **–** | **(21,377)** | **(21,377)** |
| **Carrying value at 31 March 2021** | **415** | **6,556** | **–** | **8,059** |

*This equals the share of equity accounted earnings from investment in associates per the statement of profit or loss plus the amount transferred to discontinued operations per note 11.

## 23. Investments in associates (continued)

**Summarised financial information of the Group's associates as set out below:**

| | 31 March | | |
|---|---|---|---|
| | Africa Maintenance Equipment Kathu | Kunshan Kensetsu Buhin | Group |
| **2020** | R'000 | R'000 | R'000 |
| Non-current assets | 626 | 59,217 | 59,843 |
| Other current assets | 10,379 | 399,721 | 410,100 |
| Cash and cash equivalents | 14,605 | 95,841 | 110,446 |
| Non-current liabilities | (7,457) | – | (7,457) |
| Current Liabilities | (12,778) | (189,997) | (202,775) |
| **Net assets** | 5,375 | 364,782 | 370,157 |
| Revenue | 74,770 | 824,089 | 898,859 |
| Finance income | – | 557 | 557 |
| Finance costs | (7) | (319) | (326) |
| Depreciation and amortisation | (123) | (6,987) | (7,110) |
| Income tax expense | (2,138) | (22,558) | (24,696) |
| Profit for the year | 5,499 | 97,274 | 102,773 |
| Group's share of profit of associate | 2,694 | 28,579 | 31,273 |
| **Reconciliation of carrying amount:** | | | |
| Balance as at 31 March | – | 142,716 | 142,716 |
| Acquisition of associates | – | – | – |
| Share of profit of associate, net of tax* | 2,694 | 28,579 | 31,273 |
| Dividends received | – | (18,987) | (18,987) |
| Elimination of unrealised profits | – | 146 | 146 |
| Transfer to investment in joint venture | – | – | – |
| Foreign currency translation | – | 23,980 | 23,980 |
| **Carrying value at 31 March 2021** | 2,694 | 176,434 | 179,128 |

*This equals the share of equity accounted earnings from investment in associates per the statement of profit or loss plus the amount transferred to discontinued operations per note 11.

## 24. Investments in joint ventures

| Name of joint venture (unlisted) | Principal activity | Place of operation | Functional currency | Reporting date | 31 March Ownership interest held | |
|---|---|---|---|---|---|---|
| | | | | | **2021** | 2020 |
| Modesty Investment Holding Pte Ltd (MIH) | Trading of machinery spare parts | Singapore | SGD | March | **50.01%** | 50.01% |
| Kunshan Kensetsu Buhin Co. Ltd * | Manufacturing of construction machinery parts | China | CNY | December | **27.604%** | 0% |
| SKL Equipment Pte Ltd | Trading of heavy machinery and diesel spare parts | India | INR | March | **50%** | 50% |

* The investment in Kunshan Kensetsu Buhin Co. Ltd was transferred from investment in associates at year end, refer to significant judgements and estimates for further detail. The assets and liabilities have therefore been included below and the profit and loss has been included in note 23 Investment in Associates.

**Summarised financial information of the Group's joint ventures as set out below:**

| | 31 March Kunshan Kensetsu Buhin | Modesty Investment Holding | | Group | |
|---|---|---|---|---|---|
| | **2021 R'000** | **2021 R'000** | 2020 R'000 | **2021 R'000** | 2020 R'000 |
| Non-current assets | **55,168** | **20,206** | 20,935 | **75,384** | 20,953 |
| Other current assets | **583,181** | **127,994** | 148,820 | **667,163** | 177,657 |
| Cash and cash equivalents | **54,804** | **93,279** | 67,058 | **149,735** | 67,578 |
| Non-current liabilities | – | **(1,421)** | (103,631) | **(1,421)** | (103,631) |
| Current liabilities | **(424,932)** | **(69,502)** | (3,355) | **(528,907)** | (26,094) |
| **Net assets** | **268,221** | **170,556** | 129,827 | **361,954** | 136,463 |
| Revenue | – | **466,910** | 418,262 | **522,075** | 461,653 |
| Finance income | – | **100** | 337 | **11** | 337 |
| Finance costs | – | **(238)** | (57) | **(257)** | (57) |
| Depreciation and amortisation | – | **(6,640)** | (3,233) | **(6,643)** | (3,236) |
| Income tax expense | – | **(24,831)** | (17,643) | **(24,831)** | (17,643) |
| Profit for the year | – | **76,221** | 45,666 | **74,085** | 46,169 |
| Group's share of profit in joint ventures | – | – | 23,364 | – | 23,583 |
| **Reconciliation of carrying amount:** | | | | | |
| Balance as at 31 March 2020 | – | **110,924** | 71,392 | **114,008** | 73,451 |
| Transfer from investment in associate | **98,838** | – | – | **98,838** | – |
| Share of profit of joint venture, net of tax | – | **38,091** | 23,364 | **37,886** | 23,583 |
| Dividends declared by joint venture | – | **(10,825)** | – | **(10,825)** | – |
| Elimination of unrealised profits | – | **(102)** | 469 | **(624)** | 1,169 |
| Reclassified to assets held for sale | **(98,838)** | **(123,492)** | – | **(224,350)** | – |
| Foreign currency translation | – | **(14,596)** | 15,699 | **(14,933)** | 15,805 |
| **Balance as at 31 March 2021** | – | – | 110,924 | – | 114,008 |

# Notes to the annual consolidated financial statements (continued)

*for the year ended 31 March 2021*

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| **25. Inventories** | | |
| Raw materials | **24,680** | 44,243 |
| Finished goods | **2,450,285** | 4,635,249 |
| - Capital equipment | **157,274** | 617,156 |
| - Spares and accessories | **237,579** | 1,720,097 |
| - Engineering consumables and tools | **1,920,822** | 2,066,252 |
| - Conveyor belt and related components | **40,819** | 44,748 |
| - Tools and equipment | **71,771** | 142,855 |
| - Other * | **22,020** | 44,141 |
| Work in progress | **21,593** | 29,844 |
| Goods in transit | **79,093** | 178,385 |
| Right of return assets | **1,071** | 1,458 |
| Allowance for obsolete inventory | **(427,540)** | (667,422) |
| **Total** | **2,149,182** | **4,221,757** |
| The cost of inventories recognised as cost of sales in respect of write-downs of inventory to net realisable value | **13,319** | 20,667 |
| Inventory recognised as cost of sales in profit or loss | **4,033,254** | 6,895,812 |

* Other inventory includes plastic pipe ware and components.

The 2021 closing balance excludes R730.4 million that was transferred to held for sale.

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| **26. Trade and other receivables** | | |
| Trade receivables | **1,053,070** | 1,692,966 |
| Loss allowance | **(78,755)** | (169,927) |
| Prepaid expenses* | **18,022** | 54,078 |
| Forward exchange contract assets | **–** | 40,741 |
| Other receivables ** | **110,390** | 256,325 |
| **Total** | **1,102,727** | 1,874,183 |

*Included in 'Prepaid expenses' is Software license renewals, Nampo Harvest Day 2020, insurance, legal fees and rent.

** Included in 'Other receivables' is Value-Added Tax, supplier warranty claims, rebates receivable, trade creditors with debit balances, sundry debtors and miscellaneous receivables.

The 2021 closing balance excludes R512.4 million that was transferred to held for sale.

The directors consider that the carrying value of trade and other receivables approximates fair value at the reporting date.

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| **Movement in loss allowance** | | |
| Opening balance | **169,927** | 129,530 |
| Recognition on disposal of subsidiaries* | **6,315** | – |
| Amounts written off during the year, net of recoveries | **(6,706)** | (2,724) |
| Net remeasurement of loss allowance | **1,904** | 31,559 |
| Foreign currency translation | **(8,153)** | 11,562 |
| Transfer to assets held-for-sale | **(84,532)** | – |
| **Closing balance** | **78,755** | 169,927 |

* The underlying asset, which is still receivable, was previously intergroup and eliminated.

## 26. Trade and other receivables (continued)

| *Expected credit loss assessment for trade receivables* | Weighted average expected credit loss rate % | Estimated total gross carrying amount ^ R'000 | Expected credit loss R'000 |
|---|---|---|---|
| | 31 March | | |
| **2021** | | | |
| Less than 30 days | ***2%*** | **593,308** | **13,459** |
| 31 to 60 days | ***11%*** | **189,001** | **20,300** |
| 61 to 90 days | ***9%*** | **58,555** | **5,397** |
| 91 to 120 days | ***21%*** | **13,627** | **2,841** |
| More than 120 days | ***33%*** | **74,478** | **24,469** |
| Debtors handed over to legal | ***100%*** | **12,289** | **12,289** |
| **Closing balance** | ***8%*** | **941,258** | **78,755** |
| **2020** | | | |
| Less than 30 days | 3% | 927,331 | 30,140 |
| 31 to 60 days | 6% | 318,052 | 20,621 |
| 61 to 90 days | 2% | 88,071 | 1,818 |
| 91 to 120 days | 6% | 59,409 | 3,607 |
| More than 120 days | 35% | 247,698 | 86,029 |
| Debtors handed over to legal | 83% | 33,300 | 27,712 |
| **Closing balance** | 10% | 1,673,861 | 169,927 |

^ *This amount differs from total trade receivables as insured receivables are excluded from the table above.*

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

All trade receivables which are not insured are provided for based on expected credit losses, determined predominantly by use of a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors, including, inflation, interest and exchange rates, state infrastructure spend, expected GDP growth and extended payment terms granted.

The impact of the COVID-19 pandemic has been considered across the Group, where applicable the historical credit loss experience applied in the provision matrix has been adjusted for the increased risk of non-recovery.

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

Trade receivables which have been written off are still subject to enforcement activity.

| 27. Cash and cash equivalents | 31 March 2021 R'000 | 2020 R'000 |
|---|---|---|
| Bank and cash balances | **896,900** | 1,131,704 |
| Bank overdrafts | **(253,926)** | (309,071) |
| Cash and cash equivalents in the statement of cash flows | **642,974** | 822,633 |

The 2021 closing balance excludes R355.0 million that was transferred to held for sale.

| | 31 March | | | |
|---|---|---|---|---|
| | **Bank** | **Trading** | Bank | Trading |
| | **2021** | | 2020 | |
| **Banking and trading facilities** | **R'000** | **R'000** | R'000 | R'000 |
| Gross facility balances | **396,694** | **4,485,817** | 428,221 | 5,239,071 |
| Facilities utilised | **(253,926)** | **(2,180,730)** | (309,071) | (3,125,136) |
| Facilities available | **142,768** | **2,305,087** | 119,150 | 2,113,935 |

Banking facilities include overdrafts and overnight loans. Trade facilities include letters of credit, vehicle and asset financing, trade financing commitments, forward exchange contract commitments and non-recourse facilities. These facilities may be cancelled by notice from the relevant facility provider and are secured by cross-sureties and/or cross-guarantees from Group companies. The directors are of the view that there are adequate facilities in place to operate for the next 12 months.

| 28. Share capital and premium | 31 March 2021 R'000 | 2020 R'000 |
|---|---|---|
| **Authorised** | | |
| 134 000 000 (2020: 134 000 000) ordinary shares of 5 cents each | **6,700** | 6,700 |
| **Issued** | | |
| 111 494 738 (2020: 108 494 738) ordinary shares of 5 cents each | **5,574** | 5,424 |
| **Unissued shares**<br>22 505 262 (2020:25 505 262) unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting. | | |
| **Share premium** | | |
| Ordinary share premium | **2,679,310** | 2,653,151 |
| **Treasury shares** | | |
| Share Capital on 1 541 823 (2020: 1 541 823) ordinary shares of 5 cents each | **(77)** | (77) |
| Share premium on 1 541 823 (2020: 1 541 823) ordinary shares | **(49,329)** | (49,329) |
| **Closing balance** | **(49,406)** | (49,406) |

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| **29.** | **Ordinary dividends** | **R'000** | R'000 |
| | Dividends distributed by The Humulani Employee Investment Trust | **2,253** | 2,526 |

The Board has approved a final dividend of 60 cents following the good cash flow generation that has reduced the gearing of the Group significantly. This is based on the normal dividend policy of 2.75 times dividend cover excluding results from discontinued operations, profit and loss from disposals and impairments.

| | | | |
|---|---|---|---|
| **30.** | **Preference shares** | | |
| | **Authorised**<br>18 000 000 (2020: 18 000 000) cumulative, non-participating preference shares of a par value of R100 each | **1,800,000** | 1,800,000 |
| | **Issued**<br>7 500 000 (2020: 7 500 000) cumulative, non-participating preference shares of R100 each | **750,000** | 750,000 |

The Group declared a final preference dividend of 436.46918 cents (2020: 617.06943 cents) per share and an interim preference dividend of 314.88134 cents (2020: 484.34717 cents) per share.

| | | | |
|---|---|---|---|
| **31.** | **Other reserves** | | |
| | *Common control reserve* | **(125,413)** | (126,024) |
| | This relates to the buy-out of minority interests in the Kian Ann Group and various other entities. | | |
| | *Share appreciation rights reserve* | **12,656** | 9,090 |
| | This relates to the executive director long-term share incentive schemes. | | |
| | *Other statutory reserves* | **14,610** | 14,392 |
| | These reserves are legal requirements in Indonesia and China. | | |
| | **Total** | **(98,147)** | (102,542) |

| 32. Borrowings | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| **Secured borrowings** | | |
| *Mortgage bonds*<br>The mortgage bonds are repayable over 122 months. The mortgage bonds attract interest at a prime linked rate. These bonds are secured by certain land and buildings (refer to note 13). | **246,565** | 236,380 |
| *Loans from DBS Bank and May Bank*<br>The loans bear interest at an aggregate of the variable swap offer rate and the applicable margin rate which varies between 2.13% and 3.45% per annum. The loans are repayable in 20 quarterly instalments. The quarterly instalments commenced in March 2019 and will mature in March 2024. These loans are secured by property in Kian Ann Engineering (Pte) Ltd. | **–** | 210,786 |
| *US Dollar loan from Standard Bank*<br>The loan bears interest at a fixed rate and is repayable by February 2022. The loan is secured by cross-sureties provided by Group companies. | **370,878** | 445,707 |
| *Nedbank term loan*<br>The Group has a R500 million revolving credit facility avaliable until December 2022, and which bears interest at a rate linked to three-month Jibar. The facility was not utilised at year end. The facility is secured by cross-sureties provided by Group companies. | **–** | 513,782 |
| *ABSA term loans*<br>A R300 million loan which bears interest at a rate linked to three-month Jibar. The loan is repayable by March 2023. A R225 million loan which bears interest at a rate linked to three-month Jibar and is repayable in three instalments between December 2021 and December 2023. The loans are secured by cross-sureties provided by Group companies. | **525,000** | 600,000 |
| *Standard Bank term loans*<br>R250 million loan which bore interest at a rate linked to three-month Jibar, was settled during the current year. | **–** | 250,850 |
| *ABSA USD loan*<br>The loan bears interest at a fixed rate and matures in February 2023. The loan is secured by cross-sureties provided by Group companies. | **106,336** | 128,812 |
| **Unsecured borrowings** | | |
| *Borrowings from various lenders*<br>The amounts payable are unsecured, bear interest at a range of between 3.3% and 8.75%, and have varying repayment terms. The loans are long-term in nature and from a diverse range of lenders. | **37,691** | 43,631 |
| *Trust receipts and bills payable*<br>Trust receipts and bills payable are unsecured, bear interest at a range of 1.68% to 4.06% per annum and have an average maturity of three months from the reporting period date. | **–** | 98,405 |
| **Total borrowings** | **1,286,470** | 2,528,353 |
| ***Less*: Current borrowings** | **(548,836)** | (201,620) |
| **Non-current borrowings** | **737,634** | 2,326,733 |

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| **32.** | **Borrowings** (continued) | **R'000** | R'000 |
| | *Gross carrying amount of borrowings are repayable as follows:* | | |
| | Due within one year | **639,616** | 322,433 |
| | Due in the second to fifth years inclusive | **752,017** | 2,398,289 |
| | Due in more than five years | **67,986** | 168,294 |
| | | **1,459,619** | 2,889,016 |
| | Unearned finance costs | **(173,149)** | (360,664) |
| | **Total** | **1,286,470** | 2,528,352 |
| | *Net carrying amount of borrowings are repayable as follows:* | | |
| | Due within one year | **548,836** | 201,620 |
| | Due in the second to fifth years inclusive | **677,105** | 2,200,483 |
| | Due in more than five years | **60,529** | 126,250 |
| | **Total** | **1,286,470** | 2,528,353 |

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

The 2021 closing balance excludes R105.0 million that was transferred to held for sale.

| | | | |
|---|---|---|---|
| **33.** | **Right-of-use lease liabilities** | | |
| | Carrying amount at the beginning of the year | **530,261** | 549,069 |
| | Right of use lease liability recognised | **52,625** | 70,716 |
| | Interest accrued | **38,752** | 43,860 |
| | Lease modification | **(1,259)** | 336 |
| | Payments | **(121,339)** | (129,225) |
| | Rental discount received | **(1,273)** | - |
| | Disposal of subsidiaries | **(22,111)** | - |
| | Right of use lease liability derecognised | **(33,926)** | (25,785) |
| | Transfer to assets held for sale | **(111,683)** | - |
| | Foreign currency translation | **(20,654)** | 21,290 |
| | **Total right-of-use lease liabilities** | **309,393** | 530,261 |
| | ***Less:* Current portion of right-of-use lease liabilities** | **(71,761)** | (86,831) |
| | **Non-current right-of-use lease liabilities** | **237,632** | 443,430 |
| | *Gross carrying amount of right of use lease liabilities is as follows:* | | |
| | Due within one year | **97,559** | 123,111 |
| | Due in the second to fifth years inclusive | **239,757** | 345,297 |
| | Due in more than five years | **52,749** | 263,541 |
| | | **390,065** | 731,949 |
| | Unearned interest costs | **(80,672)** | (201,688) |
| | **Total** | **309,393** | 530,261 |
| | *Net carrying amount of right of use lease liability is as follows:* | | |
| | Due within one year | **71,761** | 86,831 |
| | Due in the second to fifth years inclusive | **190,212** | 262,498 |
| | Due in more than five years | **47,420** | 180,932 |
| | **Total** | **309,393** | 530,261 |

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

All known lease extension options have been accounted for in terms of IFRS 16.

| | 31 March | |
|---|---|---|
| | **2021** | 2020 |
| **34. Finance lease liabilities** | **R'000** | R'000 |
| *Gross carrying amount of the finance lease liabilities is as follows:* | | |
| Due within one year | **73,989** | 73,328 |
| Due in the second to fifth years inclusive | **48,208** | 71,007 |
| | **122,197** | 144,335 |
| Unearned interest on finance lease liabilities | **(5,994)** | (8,876) |
| **Total** | **116,203** | 135,459 |
| *Net carrying amount of the finance lease liabilities is as follows:* | | |
| Due within one year | **69,917** | 67,265 |
| Due in the second to fifth years inclusive | **46,286** | 68,194 |
| **Total** | **116,203** | 135,459 |

The finance lease liabilities bear interest at a variable interest rate of between 9% and 10.5% and these liabilities are repayable over a period varying from 36 to 60 months.

## 35. Financial liabilities

| | | |
|---|---|---|
| *Profit share liability* | **79,624** | 75,287 |
| The liability for the payment of branch profit share bonuses is based on a percentage of the branch profit before tax. The liability is recognized at its fair value, adjusted throughout the reporting period through the statement of profit and loss. | | |
| **Total** | **79,624** | 75,287 |

## 36. Trade and other payables

| | | |
|---|---|---|
| Trade payables | **809,917** | 1,350,795 |
| Other payables* | **212,325** | 308,819 |
| Deferred income | **–** | 6,654 |
| Forward exchange contract liabilities | **10,995** | 26 |
| Refund liabilities | **1,430** | 1,884 |
| Employee benefit accruals - leave pay accrual | **40,313** | 50,327 |
| **Total** | **1,074,980** | 1,718,505 |

* Other payables comprise of VAT payable, transport, agency commission, royalty and rebate accruals, debtors with credit balances and accrued expenses.

The 2021 closing balance excludes R256.4 million that was transferred to held for sale.

The directors are of the opinion that trade and other payables approximate fair value.

## 37. Provisions

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| Employee benefit provisions | **132,496** | 123,798 |
| Warranty provisions | **6,925** | 18,434 |
| **Total** | **139,421** | 142,232 |
| **Movements in provisions** | | |
| ***Employee benefit provisions*** | | |
| Balance at the beginning of the year | **123,799** | 136,944 |
| Recognised in profit or loss * | **103,764** | 120,146 |
| Utilised during the current year | **(72,797)** | (136,116) |
| Disposal of subsidiary | **(7)** | – |
| Transfer to liabilities associated with assets held-for-sale | **(16,937)** | – |
| Transfer to other payables | **(3,020)** | 93 |
| Foreign currency translation | **(2,306)** | 2,732 |
| **Balance at the end of the year** | **132,496** | 123,799 |

The provisions for employee benefits represent the estimated amount that the Group has a present obligation to pay for employee bonus incentives provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| ***Warranty provisions*** | | |
| Balance at the beginning of the year | **18,434** | 24,530 |
| Recognised in profit or loss * | **(754)** | 12,125 |
| Utilised during the current year | **(644)** | (18,256) |
| Disposal of subsidiary | **(1,321)** | – |
| Transfer from other payables | **(8,750)** | – |
| Foreign currency translation | **(40)** | 35 |
| **Balance at the end of the year** | **6,925** | 18,434 |

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

* Recognised in Selling, administration and distribution costs

## 38. Reconciliation of profit before tax to cash generated from operations

| | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---|---|
| Profit/(loss) before tax | **585,988** | (496,062) |
| Adjusted for: | | |
| Depreciation | **214,096** | 229,528 |
| Amortisation | **34,729** | 22,436 |
| Impairment of property, plant and equipment | **3,396** | 146,594 |
| Impairment of investment property | **–** | 49,228 |
| Impairment of goodwill | **21,456** | 639,588 |
| Expected credit loss on receivables | **(8,643)** | 17,456 |
| Fair value adjustment on assets held for sale | **76,864** | – |
| Rental concession discount | **(1,273)** | – |
| Fair value adjustment on profit share liability | **4,557** | (5,527) |
| Profit on disposal of property, plant and equipment | **(1,996)** | (3,075) |
| Profit on disposal of investments and businesses | **(98,596)** | (5,817) |
| Profit on derecognition of right of use asset | **(7,241)** | (6,524) |
| Loss on disposal of property, plant and equipment | **4,507** | – |
| Loss on disposal of investments | **4,126** | – |
| Lease smoothing | **(688)** | – |
| Prescription of dividend liability | **–** | (11,775) |
| Distributable reserve recognised ** | **(38)** | (188) |
| Revaluation of derivatives | **7,699** | (33,533) |
| Finance costs | **194,526** | 289,745 |
| Finance cost on financing transactions | **7,999** | 12,649 |
| Dividend received | **(2,230)** | (2,188) |
| Finance income | **(53,482)** | (86,106) |
| Finance income from financing transactions | **(19,160)** | (22,943) |
| Share-based payment expenses - equity settled | **3,565** | 2,718 |
| Share of profits of associate | **(40,218)** | (31,273) |
| Share of profits of joint venture | **(37,886)** | (23,583) |
| Dividend received from associate | **–** | 18,987 |
| Elimination of unrealised losses/(profits) in associates and joint ventures | **489** | (1,315) |
| Cash generated before movements in working capital (carried forward) | **892,546** | 699,020 |
| Working capital changes: | **964,390** | 260,871 |
| Decrease in inventories | **558,366** | 438,974 |
| Decrease/(increase) in trade and other receivables | **166,348** | (327) |
| Increase/(decrease) in trade and other payables | **212,811** | (151,309) |
| Increase/(decrease) in provisions | **12,929** | (12,260) |
| Decrease/(increase) in finance lease receivables * | **13,936** | (14,207) |
| **Cash generated from operations** | **1,856,936** | 959,891 |

** The Group finances certain capital equipment transactions to customers at market related interest rates, resulting in the recognition of a finance lease receivable (refer to note 20). The financed asset consequently serves as security for the lease transactions. As a result, the cash flow implications of the finance lease receivable are considered to be cash flows from operations.*

***Statutory reserve raised in China where a portion of the profit is taken to a reserve.*

| | | 31 March | |
|---|---|---|---|
| | | **2021** | 2020 |
| **39.** | **Dividends paid to Group shareholders** | **R'000** | R'000 |
| | Amounts unpaid at the beginning of the year | **(35,058)** | (47,263) |
| | Dividends accrued | **(2,253)** | (2,526) |
| | Preference dividends accrued | **(58,450)** | (81,465) |
| | Prescription of dividend liability | **–** | 11,775 |
| | Amounts unpaid at the end of the year | **27,386** | 35,058 |
| | **Total** | **(68,375)** | (84,421) |

| | | | |
|---|---|---|---|
| **40.** | **Tax paid** | | |
| | Amounts unpaid at the beginning of the year | **(218,532)** | (329,288) |
| | Recognised in profit or loss | **(200,931)** | (176,979) |
| | Derecognised on disposal of subsidiary | **(175)** | 152 |
| | Amounts unpaid at the end of the year | **(5,883)** | 218,532 |
| | **Total** | **(425,521)** | (287,583) |
| | **Comprising of:** | | |
| | Payment of specific tax expense | **(200,000)** | (100,000) |
| | Current and withholding tax paid | **(225,521)** | (187,583) |
| | **Total** | **(425,521)** | (287,583) |

During 2018, the Board of Invicta had noted both stakeholder and market commentary over the potential tax consequences of certain transactions which Invicta entered into several years ago, and which were referred to by the Independent Auditors in their report on the 2017 consolidated financial statements ("the transactions").

The Company has reached settlement with SARS, in terms of which Invicta will pay a total amount of R750 million.

At the date of this report R750 million (2020: R550 million) has been paid.

| 41. Changes in liabilities arising from financing activities | Borrowings R'000 | Finance lease liability R'000 | Financial Liabilities R'000 | Total R'000 |
|---|---|---|---|---|
| **Carrying amount at 31 March 2019** | 3,084,099 | 164,164 | 79,890 | 3,328,153 |
| Funds raised | 550,826 | 78,379 | – | 629,205 |
| Interest accrued | 148,323 | 11,952 | – | 160,275 |
| Payments | (1,403,896) | (117,085) | (2,009) | (1,522,990) |
| Adjustment on initial application of IFRS 16 | (9,386) | (2,537) | – | (11,923) |
| Fair value adjustment through OCI | 1,400 | – | – | 1,400 |
| Profit share liability raised | – | – | 2,933 | 2,933 |
| Revaluation of profit share liability | – | – | (5,527) | (5,527) |
| Other non-cash items | (3,681) | – | – | (3,681) |
| Foreign currency translation | 160,668 | 586 | – | 161,254 |
| **Carrying amount at 31 March 2020** | **2,528,353** | **135,459** | **75,287** | **2,739,099** |
| Funds raised | **208,654** | **120,190** | **–** | **328,844** |
| Interest accrued | **109,013** | **7,116** | **–** | **116,129** |
| Payments | **(1,245,516)** | **(132,528)** | **–** | **(1,378,044)** |
| Fair value adjustment through OCI | **1,410** | **–** | **–** | **1,410** |
| Revaluation of profit share liability | **–** | **–** | **4,557** | **4,557** |
| Disposal of subsidiary / businesses | **–** | **(9,123)** | | **(9,123)** |
| Classified as held for sale | **(187,796)** | **(4,463)** | | **(192,259)** |
| Other non-cash items | **4,836** | **–** | **–** | **4,836** |
| Foreign currency translation | **(132,484)** | **(448)** | **(220)** | **(133,152)** |
| **Carrying amount at 31 March 2021** | **1,286,470** | **116,203** | **79,624** | **1,482,297** |
| **2020** | | | | |
| Non- Current | 2,326,733 | 68,194 | – | 2,394,927 |
| Current | 201,620 | 67,265 | 75,287 | 344,172 |
| **Total** | 2,528,353 | 135,459 | 75,287 | 2,739,099 |
| **2021** | | | | |
| Non- Current | **737,634** | **46,286** | **–** | **783,920** |
| Current | **548,836** | **69,917** | **79,624** | **698,377** |
| **Total** | **1,286,470** | **116,203** | **79,624** | **1,482,297** |

## 42. Disposal of businesses and subsidiaries

**CEG Agricultural businesses**

In July 2020 an agreement was reached to dispose of the net assets excluding cash, interest-bearing debt and non-trading assets and liabilities of a number of the Capital Equipment Group's ("CEG") operating divisions, namely CSE, Northmec, NHSA and Landboupart, to CNH Industrial SA Proprietary Limited (CNHi). The rationale for the Invicta Group was to consider applying the disposal consideration in the short-term, to reduce the most expensive debt of the Group, hereby realigning its funding and enabling the Group to focus on other strategic initiatives and its core operations. The conditions were all met and the transaction took effect on 31 December 2020.

**Minor subsidiaries**

The Group disposed of a number of minor subsidiaries during the current year. A.T. Group Holdings Co., Ltd. and A.T. Truck & Bus Parts Co., Ltd were disposed of on 1 October 2020. Controlling interests in AME Lephalale (Pty) Ltd and AME eMalahleni (Pty) Ltd (previously Alpha Bearings (Pty) Ltd) were disposed of on 1 October 2020 and 1 March 2021 respectively. The transactions were deemed disposals of the subsidiaries and have subsequently been recognised as investments in associates, refer to note23.

**Spring Lights**

On 1 December 2019, the Group disposed of its 75% interest in the issued share capital of Spring Lights 149 (Pty) Ltd in an arm's length transaction to Tile Mile Properties (Pty) Ltd.

| | 31 March | | | |
|---|---|---|---|---|
| | CEG Agricultural businesses | Minor subsidiaries | Total | Spring Lights and total |
| | | 2021 | | 2020 |
| A summary of the financial impact of the disposal is | R'000 | R'000 | R'000 | R'000 |
| **Fair value of net assets disposed of** | | | | |
| Property, plant and equipment | **14,484** | **592** | **15,076** | 19,875 |
| Right of use assets | **15,663** | **582** | **16,245** | – |
| Other intangible assets | **–** | **1,911** | **1,911** | – |
| Finance lease receivables | **9,677** | **–** | **9,677** | – |
| Loans and receivables | **–** | **–** | **–** | 103 |
| Deferred tax asset | **–** | **336** | **336** | – |
| Inventories | **657,182** | **118** | **657,300** | – |
| Trade and other receivables | **136,385** | **8,256** | **144,641** | 208 |
| Current tax assets | **–** | **175** | **175** | – |
| Bank and cash | **–** | **5,079** | **5,079** | 140 |
| Finance lease liabilities | **(9,123)** | **–** | **(9,123)** | – |
| Right of use lease liabilities | **(21,513)** | **(598)** | **(22,111)** | – |
| Trade and other payables | **(616,111)** | **(10,540)** | **(626,651)** | (203) |
| Provisions | **(1,321)** | **(7)** | **(1,328)** | – |
| Deferred tax liability | **–** | **–** | **–** | (206) |
| Current tax liability | **–** | **–** | **–** | (152) |
| Non-controlling interests | **–** | **2,842** | **2,842** | (6,312) |
| **Fair value of net assets disposed** | **185,323** | **8,746** | **194,069** | 13,453 |
| Proceeds received | **89,300** | **–** | **89,300** | 19,270 |
| Interest in associate acquired on disposal | **–** | **1,503** | **1,503** | – |
| Proceeds receivable | **172,787** | **24,949** | **197,736** | – |
| Fair value of net assets disposed | **(185,323)** | **(8,746)** | **(194,069)** | (13,453) |
| **Profit on disposal** | **76,764** | **17,706** | **94,470** | 5,817 |
| Fair value of net assets disposed | **185,323** | **8,746** | **194,069** | 13,453 |
| Profit on disposal | **76,764** | **17,706** | **94,470** | 5,817 |
| Proceeds receivable and associate acquired | **(172,787)** | **(26,452)** | **(199,239)** | – |
| Bank and cash disposed | **–** | **(5,079)** | **(5,079)** | (140) |
| **Total cash inflow on disposal** | **89,300** | **(5,079)** | **84,221** | 19,130 |

## 43. Directors' emoluments

**Fees and employment benefits**

| | 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Directors' fees | Audit and Remuneration Committee fees | Salary and benefits | Retirement benefits | Performance related remuneration | Total |
| **2021** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| **Executive directors *** | | | | | | |
| S. Joffe | – | – | **5,708** | **319** | **997** | **7,024** |
| C. Barnard | – | – | **3,100** | **287** | **1,257** | **4,644** |
| A.M. Sinclair | – | – | **3,763** | **177** | **2,315** | **6,255** |
| GM. Pelser | – | – | **5,177** | **283** | **981** | **6,441** |
| N. Rajmohamed | – | – | **2,911** | **163** | **440** | **3,514** |
| | – | – | **20,659** | **1,229** | **5,990** | **27,878** |
| **Non-executive directors** | | | | | | |
| C.H. Wiese | **950** | **68** | – | – | – | **1,018** |
| D.I. Samuels *** | **65** | **144** | – | – | – | **209** |
| J.D. Wiese | **228** | – | – | – | – | **228** |
| L.R. Sherrell | **165** | **26** | – | – | – | **191** |
| R.A. Wally | **213** | **315** | – | – | – | **528** |
| M. Makwana ** | **197** | **175** | – | – | – | **372** |
| F. Davidson ** | **131** | **77** | – | – | – | **208** |
| I. van Heerden ** | **150** | **4** | – | – | – | **154** |
| B. Nichles *** | **29** | – | – | – | – | **29** |
| | **2,128** | **809** | – | – | – | **2,937** |
| Total | **2,128** | **809** | **20,659** | **1,229** | **5,990** | **30,815** |

** The directors' emoluments paid to the executive directors are paid by a subsidiary of Invicta Holdings Limited.*
*** M. Makwana, F. Davidson and I. van Heerden were appointed as non-executive directors with effect from 1 May 2020.*
**** D.I. Samuels and B. Nichles resigned as non-executive directors with effect from 31 July 2020 and 1 May 2020 respectively.*

| 2020 | | | | | | |
|---|---|---|---|---|---|---|
| Executive directors * | | | | | | |
| S. Joffe ** | – | – | 1,539 | 115 | – | 1,654 |
| A. Goldstone *** | – | – | 4,712 | 365 | – | 5,077 |
| C. Barnard | – | – | 3,349 | 337 | 126 | 3,812 |
| A.M. Sinclair | – | – | 4,081 | 329 | – | 4,410 |
| GM. Pelser | – | – | 5,510 | 538 | 1,800 | 7,848 |
| N. Rajmohamed | – | – | 3,147 | 233 | – | 3,380 |
| | – | – | 22,338 | 1,917 | 1,926 | 26,181 |
| Non-executive directors | | | | | | |
| C.H. Wiese | 918 | 43 | – | – | – | 961 |
| D.I. Samuels | 124 | 473 | – | – | – | 597 |
| J.D. Wiese | 109 | – | – | – | – | 109 |
| L.R. Sherrell | 124 | 135 | – | – | – | 259 |
| R.A. Wally | 179 | 257 | – | – | – | 436 |
| B. Nichles | 95 | – | – | – | – | 95 |
| | 1,549 | 908 | – | – | – | 2,457 |
| Total | 1,549 | 908 | 22,338 | 1,917 | 1,926 | 28,638 |

** The directors' emoluments paid to the executive directors are paid by a subsidiary of Invicta Holdings Limited.*
*** S. Joffe was appointed as an executive director with effect from 1 January 2020.*
**** A. Goldstone resigned as an executive director with effect from 31 December 2019.*

## 43. Directors' emoluments

**Equity-settled share-based payments**

| 2021 | Outstanding rights beginning of year | Strike price | Granted during the year | Lapsed and cancelled during the year | Exercised during the year | Outstanding rights end of year | Date granted/ adjusted | Option value - Black Scholes (Rands) |
|---|---|---|---|---|---|---|---|---|
| | 31 March | | | | | | | |
| **S. Joffe** | – | | 1,585,000 | – | – | 1,585,000 | | |
| | – | 17.93 | 985,000 | – | – | 985,000 | 17 Feb 21 | 7.60 |
| | – | 17.93 | 600,000 | – | – | 600,000 | 17 Feb 21 | 7.06 |
| **C. Barnard** | 298,024 | | 343,000 | (78,028) | – | 562,996 | | |
| | 156,055 | 54.30 | – | (78,028) | – | 78,027 | 27 Jun 17 | 16.02 |
| | 141,969 | 37.90 | – | – | – | 141,969 | 25 Jun 18 | 10.46 |
| | – | 17.93 | 343,000 | – | – | 343,000 | 17 Feb 21 | 7.60 |
| **A.M. Sinclair** | 383,391 | | 368,000 | (82,709) | – | 668,682 | | |
| | 165,418 | 54.30 | – | (82,709) | – | 82,709 | 27 Jun 17 | 16.02 |
| | 217,973 | 37.90 | – | – | – | 217,973 | 25 Jun 18 | 10.46 |
| | – | 17.93 | 368,000 | – | – | 368,000 | 17 Feb 21 | 7.60 |
| **N. Rajmohamed** | 75,834 | | 314,000 | – | – | 389,834 | | |
| | 75,834 | 35.82 | – | – | – | 75,834 | 06 Jul 18 | 9.89 |
| | – | 17.93 | 314,000 | – | – | 314,000 | 17 Feb 21 | 7.60 |
| **G.M. Pelser** | 268,247 | | 501,000 | (62,422) | – | 706,825 | | |
| | 124,844 | 54.30 | – | (62,422) | – | 62,422 | 27 Jun 17 | 16.02 |
| | 143,403 | 37.90 | – | – | – | 143,403 | 25 Jun 18 | 10.46 |
| | – | 17.93 | 501,000 | – | – | 501,000 | 17 Feb 21 | 7.60 |

There were no share appreciation rights exercised by the directors in 2021 (2020: nil).

| 2020 | Outstanding rights beginning of year | Strike price | Granted during the year | Lapsed and cancelled during the year | Exercised during the year | Outstanding rights end of year | Date granted/ adjusted | Option value - Black Scholes (Rands) |
|---|---|---|---|---|---|---|---|---|
| | 31 March | | | | | | | |
| A. Goldstone* | 492,208 | | – | (492,208) | – | – | | |
| | 234,082 | 54.30 | – | (234,082) | – | – | 27 Jun 17 | 16.02 |
| | 258,126 | 37.90 | – | (258,126) | – | – | 25 Jun 18 | 10.46 |
| C. Barnard | 298,024 | | – | – | – | 298,024 | | |
| | 156,055 | 54.30 | – | – | – | 156,055 | 27 Jun 17 | 16.02 |
| | 141,969 | 37.90 | – | – | – | 141,969 | 25 Jun 18 | 10.46 |
| A.M. Sinclair | 383,391 | | – | – | – | 383,391 | | |
| | 165,418 | 54.30 | – | – | – | 165,418 | 27 Jun 17 | 16.02 |
| | 217,973 | 37.90 | – | – | – | 217,973 | 25 Jun 18 | 10.46 |
| N. Rajmohamed | 75,834 | | – | – | – | 75,834 | | |
| | 75,834 | 35.82 | – | – | – | 75,834 | 06 Jul 18 | 9.89 |
| G.M. Pelser | 268,247 | | – | – | – | 268,247 | | |
| | 124,844 | 54.30 | – | – | – | 124,844 | 27 Jun 17 | 16.02 |
| | 143,403 | 37.90 | – | – | – | 143,403 | 25 Jun 18 | 10.46 |

* A. Goldstone resigned as an executive director with effect from 31 December 2019.

There were no share appreciation rights exercised by the directors in 2020 (2019: nil).

## 43. Directors' emoluments (continued)

**Equity-settled share-based payments** (continued)

| | 31 March | | | |
|---|---|---|---|---|
| | Number of awards | Weighted average incentive rights cost (Black Scholes) Rand | Number of awards | Weighted average incentive rights cost (Black Scholes) Rand |
| | | **2021** | | 2020 |
| Outstanding at the beginning of the year | **1,025,496** | **–** | 1,517,704 | – |
| Awarded during the year | **3,111,000** | **7.50** | – | – |
| Lapsed and cancelled during the year | **(223,159)** | **–** | (492,208) | – |
| Outstanding at the end of the year | **3,913,337** | **–** | 1,025,496 | – |

| | Tranche 13 | Tranche 14 | Tranche 15 | Tranche 16 | Tranche 17 |
|---|---|---|---|---|---|
| Number of grants | **680,399** | **761,471** | **75,834** | **600,000** | **2,511,000** |
| Cancelled | **(457,241)** | **(258,126)** | **–** | **–** | **–** |
| Grant date | **27 Jun 17** | **25 Jun 18** | **06 Jul 18** | **17 Feb 21** | **17 Feb 21** |
| Grant price | **R 54.30** | **R 37.90** | **R 35.82** | **R 17.93** | **R 17.93** |
| Option value - Black Scholes | **R 16.02** | **R 10.46** | **R 9.89** | **R 7.06** | **R 7.60** |

| **Vesting period** | **Within 3 years** | **Within 3 years** | **Within 3 years** | **2 years** | **3 years** |
|---|---|---|---|---|---|
| | **%** | **%** | **%** | **%** | **%** |
| Expected volatility (daily) | **2,3** | **2,1** | **2,1** | **4,4** | **4,0** |
| Dividend yield | **3,0** | **3,1** | **3,1** | **1,65** | **2,18** |
| Risk free rate | **7,5** | **7,9** | **7,8** | **6,97** | **6,97** |

The expected volatility is determined by considering the average historical share price movement over a period equal to the option vesting period.

All Tranches are equity settled with Tranches 13 to 15 based on share appreciation, while Tranches 16 and 17 additionally includes performance targets. In all instances the recipient must be in the employment of the Group at vesting. The employees in each instance will pay tax on vesting at the maximum marginal rate.

| **Options exercisable at year end** | Tranche 13 | Tranche 14 | Tranche 15 | Tranche 16 | Tranche 17 |
|---|---|---|---|---|---|
| Number | **111,579** | **251,673** | **37,917** | **–** | **–** |
| Price | **R 54.30** | **R 37.90** | **R 35.82** | **–** | **–** |

## 44. Directors' interest in the shares of the Company

| | 31 March | | | |
|---|---|---|---|---|
| | **Direct interest** | **Indirect interest** | Direct interest | Indirect interest |
| | **Number of shares held 2021** | | Number of shares held 2020 | |
| **Ordinary shares** | | | | |
| C. Barnard | **–** | **511,536** | – | 511,536 |
| S.B. Joffe | **–** | **3,399,402** | – | – |
| D.I. Samuels* | **–** | **–** | 1,061,876 | 1,105,233 |
| L.R. Sherrell | **30,801** | **7,612,723** | 30,801 | 7,612,723 |
| A.M. Sinclair | **602,329** | **–** | 598,956 | – |
| J.D. Wiese | **–** | **1,691,531** | – | 1,691,531 |
| G.M. Pelser | **65,536** | **–** | 65,536 | – |
| C.H. Wiese | **–** | **42,307,228** | – | 42,307,228 |
| **Preference shares** | | | | |
| C. Barnard | **–** | **22,708** | – | 12,968 |
| S.B. Joffe | **–** | **17,123** | – | – |
| A.M. Sinclair | **10,000** | **–** | 10,000 | – |
| J.D. Wiese | **–** | **1,390,323** | – | 611,800 |
| C.H. Wiese | **–** | **645,598** | – | 1,381,598 |

*D.I. Samuels resigned as a non-executive director with effect from 1 July 2020.

All directors' share transactions have been disclosed via a SENS announcement.

There have been no changes in directors' shareholding between 31 March 2021 and the date of this Report.

I. van Heerden holds an indirect interest in Invicta Holdings through a participatory preference share in Titan Nominees held by Oryx Partners (Pty) Ltd, of which he is a director and shareholder.

## 45. Financial risk management

The Group is exposed, directly and indirectly, to market risk, including, primarily, changes in interest rates and currency exchange rates and uses derivatives and other financial instruments in connection with its risk management activities. The Board of Directors carries the ultimate responsibility for the overseeing of the group’s risk management framework and is accountable for designing, implementing and monitoring the process of risk management and integrating it into the daily activities of the Group.

### Capital risk management

Capital is managed to ensure that operations are able to continue as a going concern, whilst maximising return to stakeholders through an appropriate debt and equity structure. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, preference shares and equity. Capital risk is continuously reviewed by the board and risks are mitigated accordingly.  The treasury function is administered at group level where strategies for the funding of working capital requirements and capital expenditure projects are implemented, taking into account cash flow projections and expected movements in interest rates.

| | 31 March | |
|---|---|---|
| | **2021 R’000** | **2020 R’000** |
| Total interest-bearing debt | **1,712,066** | **3,394,073** |
| Less: Cash and cash equivalents | **(642,974)** | **(822,633)** |
| Net interest-bearing debt | **1,069,092** | **2,571,440** |
| Total equity | **4,726,088** | **4,634,517** |
| **Net debt to equity ratio** | **23%** | **55%** |

## 45. Financial risk management (continued)

**Interest rate risk management**

The Group is exposed to interest rate risk on its variable rate borrowings. The exposure to interest rate risk is managed using derivatives, where it is considered appropriate, and through a closely monitored cash management system.

The impact of a change in the interest rate of 1% with all other variables held constant will have the following effect:

| | 31 March | | |
|---|---|---|---|
| | Carrying amount at year end | Change in interest rate | Effect on profit before tax |
| | | % | R'000 |
| **2021** | | | |
| **Variable interest debt** | **1,712,066** | **1%** | **17,121** |
| 2020 | | | |
| Variable interest debt | 3,394,073 | 1% | 33,941 |

Details of interest rate derivatives at the reporting date:

| | 31 March | | | |
|---|---|---|---|---|
| | Swap maturity | Nominal Amount | Fixed swap rate | Fair value |
| | | R'000 | % | R'000 |
| **2021** | | | | |
| Swap 53014578 had a fixed rate of 3.99% | **11 September 2023** | **100,000** | **3.99%** | **1,512** |
| Swap 53014582 had a fixed rate of 4.48% | **09 September 2024** | **100,000** | **4.48%** | **2,128** |
| Swap 53014781 had a fixed rate of 5.03% | **09 September 2025** | **100,000** | **5.03%** | **2,565** |

The applicable interest rates during the period were as follows:

| | 31 March | |
|---|---|---|
| | 2021 | 2020 |
| | % | % |
| **Average** | | |
| Prime interest rate | **7.18%** | **10.02%** |
| Three-month JIBAR | **3.70%** | **6.73%** |
| **Closing** | | |
| Prime interest rate | **7.00%** | **8.75%** |
| Three-month JIBAR | **3.68%** | **5.61%** |

**Credit risk management**

Potential areas of credit risk consist of trade accounts receivable, long-term receivables, financial lease receivables and short-term cash investments. Trade accounts receivable consist of a widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. Allowance is made for expected credit losses and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee or a loss allowance therefore a 12 month has been used for the expected credit loss assessment. It is Group policy to deposit short-term cash investments with only the major banks. The credit rating is BB- for cash and cash equivalents which are invested across the major South African banks.

## 45. Financial risk management (continued)

**Currency risk management**

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

| | 31 March | | | | |
|---|---|---|---|---|---|
| | ZAR | SGD | USD | Other | Total |
| **2021** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| **Foreign currency monetary assets and liabilities** | | | | | |
| Total assets | **5,537,026** | **2,544,075** | **148,850** | **444,354** | **8,674,305** |
| Total liabilities | **(2,685,303)** | **(621,357)** | **(499,469)** | **(142,088)** | **(3,948,217)** |
| **Total** | **2,851,723** | **1,922,718** | **(350,619)** | **302,266** | **4,726,088** |
| **2020** | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Foreign currency monetary assets and liabilities** | | | | | |
| Total assets | 6,895,657 | 2,957,927 | 79,929 | 489,754 | 10,423,267 |
| Total liabilities | (4,272,773) | (799,018) | (602,799) | (114,160) | (5,788,750) |
| **Total** | 2,622,884 | 2,158,909 | (522,870) | 375,594 | 4,634,517 |

The companies denominated in USD include an investment holding company where investments have been eliminated to show the Group's true exposure to foreign currency.

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

| | 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Value in foreign currency | Spot rate at year-end | Increase in foreign currency rate | Effect on profit before tax | Decrease in foreign currency rate | Effect on profit before tax |
| | SGD'000 | SGD to ZAR | % | R'000 | % | R'000 |
| **2021** | | | | | | |
| **Profit before tax** | **4,403** | **10.99** | **10.00%** | **4,838** | **(10.00%)** | **(4,838)** |
| 2020 | | | | | | |
| Profit before tax | 6,320 | 12.50 | 10.00% | 7,899 | (10.00%) | (7,899) |

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

The Group is mainly exposed to foreign currencies in US Dollar, Euro, Yen and British Pounds and uses forward foreign exchange contracts ("FECs") to cover specific foreign currency exposures.

At reporting period, open forward exchange contracts are marked-to-market and the gains and losses arising on the contracts are recognised in profit or loss. The estimated net fair values have been determined at the reporting period, using available market information and appropriate valuation methodologies.

## 45. Financial risk management (continued)

**Currency risk management** (continued)

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

| | 31 March | | |
|---|---|---|---|
| | Foreign currency | Average exchange rate | ZAR |
| | '000 | | R'000 |
| **2021** | | | |
| US Dollar | **6,422** | **14.8217** | **95,185** |
| Euro | **3,082** | **17.3923** | **53,603** |
| Yen* | **108,300** | **7.4618** | **14,514** |
| British Pound | **402** | **20.3582** | **8,184** |
| 2020 | | | |
| US Dollar | 9,979 | 17.9760 | 179,383 |
| Euro | 3,087 | 19.7114 | 60,849 |
| Yen* | 84,056 | 6.0568 | 13,878 |
| British Pound | 235 | 22.3149 | 5,244 |

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

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

| | 31 March | | | |
|---|---|---|---|---|
| | Value in ZAR | Spot rate at reporting | Change in foreign currency rate | Effect on profit before tax |
| **2021** | R'000 | ZAR | % | R'000 |
| US Dollar | **95,185** | **14.77** | **(17%)** | **(16,181)** |
| Euro | **53,603** | **17.33** | **(11%)** | **(5,896)** |
| Yen | **14,514** | **7.46** | **23%** | **3,338** |
| British Pound | **8,184** | **20.35** | **(8%)** | **(655)** |
| 2020 | | | | |
| US Dollar | 179,383 | 17.82 | 24% | 43,052 |
| Euro | 60,849 | 19.52 | 20% | 12,170 |
| Yen | 13,878 | 6.08 | (21%) | (2,914) |
| British Pound | 5,244 | 22.11 | 17% | 891 |

## 45. Financial risk management (continued)

**Fair value disclosure**

An analysis of the financial instruments that are measured subsequent to initial recognition at fair value is represented in the tables below Assets held for sale that are measured at fair value less costs to sell refer note 12 .

They are grouped into levels 1 to 3 based on the extent to which the fair value is observable, they are classified as follows:
Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities
Level 2 – fair value is determined using directly observable inputs other than Level 1 inputs
Level 3 – fair value is determined on inputs not based on observable market data

| | | 31 March | | | | |
|---|---|---|---|---|---|---|
| | | Balance at reporting date | Valuation techniques and key inputs | | | |
| **2021** | **Note** | **R'000** | | **Level 1** | **Level 2** | **Level 3** |
| ***Financial assets at fair value*** | | | | | | |
| Put Option asset* | 12 | **1,048** | **4** | **–** | **–** | **1,048** |
| Call Option asset* | 12 | **16,529** | **4** | **–** | **–** | **16,529** |
| Financial investments- unlisted securities | 16 | **972** | **5** | **–** | **–** | **972** |
| Interest rate swaps | 19 | **6,205** | **2** | **–** | **–** | **6,205** |
| ***Financial liabilities at fair value*** | | | | | | |
| Profit share liability | 35 | **79,624** | **3** | **–** | **–** | **79,624** |
| Derivative foreign exchange contract liability | 36 | **10,995** | **2** | **–** | **10,995** | **–** |
| 2020 | | | | | | |
| ***Financial assets at fair value*** | | | | | | |
| Derivative forward exchange contract asset | 26 | 40,741 | 2 | – | 40,741 | – |
| Put Option asset | 19 | 4,063 | 4 | – | – | 4,063 |
| Call Option asset | 19 | 31,510 | 4 | – | – | 31,510 |
| Financial investments- unlisted securities | 16 | 1,181 | 5 | – | – | 1,181 |
| ***Financial liabilities at fair value*** | | | | | | |
| Other financial liabilities | 35 | 75,287 | 3 | – | – | 75,287 |
| Derivative foreign exchange contract liability | 36 | 26 | 2 | – | 26 | – |

Valuation technique(s) and key inputs
1.Quoted price
2.Expected settlement value
3.Earnings multiple valuation
4.Monte Carlo Simulation Technique along with the Geometric Brownian Motion Model
5.Net asset value

* These items are included in assets held for sale, please refer to note 12.

The key inputs for the call option are share volatility and dividend yield. A 3% increase/decrease in the volatility changes the value by R1.4mil. A 1% increase in the dividend yield decreases the value by R459 901, and a 1% decrease increases the value by R467 818.

The key inputs for the put option are share volatility and dividend yield. A 3% increase in the volatility increases the value by R204 615; a 3% decrease lowers the valuation by R197 374. A 1% increase in the dividend yield increases the valuation by R87 731; a 1% decrease results in a R83 380 lower valuation.

The financial investments are denominated in USD. A sensitivity analysis indicates that a movement of plus R1 to the USD, and minus R1 to the USD will result in a respective increase/decrease of R65 840.

The interest rate swaps are sensitive to the change in interest rates. A 0.5% increase/decrease in the interest rate will increase/decrease the valuation by R4.3 million.

The other financial liabilities relate to the valuation of profit share liability that is based on historic earnings and contractually determined price earnings multiples; as such this valuation is not sensitive to a change in assumptions.

## 45. Financial risk management (continued)

**Fair value disclosure** (continued)

Movements in Level 3 financial assets and liabilities are as follows:

| | | 31 March | | | |
|---|---|---|---|---|---|
| | | Fair value at the beginning of the year | Fair value adjustment | Foreign currency translation | Fair value at the end of the year |
| **2021** | **Note** | **R'000** | **R'000** | **R'000** | **R'000** |
| ***Financial assets at fair value*** | | | | | |
| Put Option asset* | 12 | **4,063** | **(2,562)** | **(453)** | **1,048** |
| Call Option asset* | 12 | **31,510** | **(11,342)** | **(3,639)** | **16,529** |
| Financial investments- unlisted securities | 16 | **1,181** | **–** | **(209)** | **972** |
| Interest rate swaps | 19 | **–** | **6,205** | **–** | **6,205** |
| ***Financial liabilities at fair value*** | | | | | |
| Profit share liability | 35 | **75,287** | **4,337** | **–** | **79,624** |
| 2020 | | | | | |
| ***Financial assets at fair value*** | | | | | |
| Put Option asset* | 19 | – | 4,063 | – | 4,063 |
| Call Option asset* | 19 | – | 31,510 | – | 31,510 |
| Financial investments- unlisted securities | 16 | 958 | – | 223 | 1,181 |
| ***Financial liabilities at fair value*** | | | | | |
| Profit share liability | 35 | 79,890 | (4,603) | – | 75,287 |

* These items are included in assets held for sale, please refer to note 12.

**Liquidity risk management**

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

| | 31 March | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Total | months 1-3 | months 4-12 | year 2 | years 3-5 | more than 5 years |
| **2021** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| **Non-derivative financial liabilities** | | | | | | | |
| Borrowings | **1,286,470** | **1,459,618** | **19,558** | **620,059** | **452,802** | **241,301** | **125,898** |
| Right of use lease liabilities | **309,393** | **390,066** | **27,253** | **70,306** | **86,883** | **112,846** | **92,778** |
| Financial lease liabilities | **116,203** | **122,196** | **22,024** | **51,965** | **32,890** | **15,317** | **–** |
| Profit share liability | **79,624** | **79,624** | **–** | **79,624** | **–** | **–** | **–** |
| Bank overdrafts | **253,926** | **253,927** | **220,704** | **33,223** | **–** | **–** | **–** |
| Payables* | **942,687** | **942,687** | **731,438** | **211,249** | **–** | **–** | **–** |
| **Total** | **2,988,303** | **3,248,118** | **1,020,977** | **1,066,426** | **572,575** | **369,464** | **218,676** |
| **2020** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Borrowings | 2,528,353 | 2,889,015 | 163,901 | 158,532 | 521,052 | 1,877,237 | 168,293 |
| Right of use lease liabilities | 530,261 | 731,948 | 32,909 | 90,202 | 141,311 | 203,986 | 263,540 |
| Financial lease liabilities | 135,459 | 144,334 | 22,804 | 50,524 | 59,656 | 11,350 | – |
| Profit share liability | 75,287 | 75,287 | – | 75,287 | – | – | – |
| Bank overdrafts | 309,071 | 309,071 | 261,024 | 48,047 | – | – | – |
| Payables* | 1,506,814 | 1,506,814 | 1,037,113 | 469,701 | – | – | – |
| **Total** | 5,085,245 | 5,656,469 | 1,517,751 | 892,293 | 722,019 | 2,092,573 | 431,833 |

* Payables include trade payables and accrued expenses.

| | 31 March | |
|---|---|---|
| | **2021** | 2020 |
| **46. Commitments** | **R'000** | R'000 |
| *Commitments in respect of unexpired rental agreements for office equipment:* | | |
| Within 1 year | **1,227** | 1,785 |
| Within 2 to 5 years inclusive | **2,504** | 2,703 |
| **Total** | **3,731** | 4,488 |

Expenditure will be financed from existing cash facilities.

## 47. Related party transactions

**Relationships**

Related parties in the case of the Group include any shareholder who is able to exert a significant influence on the operating policies of the Group. Directors, their close family members and any employee who is able to exert significant influence on the operating policies of the Group are also considered to be related parties.

The fellow subsidiaries in the Group are identified in note 22 and the associates and joint ventures in notes 23 and 24, respectively. The directors are set out on pages 14 to 15 of the integrated report.

**Material related party balances and transactions**

The following balances and transactions are eliminated on consolidation:

Loans to/from subsidiaries, associates and joint ventures

Interest on the loans to/from subsidiaries, associates and joint ventures

Intercompany debtors and creditors

IFRS 16 leases

Administration fees

Dividends

Sales and cost of sales

| | 31 March | |
|---|---|---|
| | **2021** | 2020 |
| **Remuneration of key management personnel** | **R'000** | R'000 |
| Salary and benefits | **100,113** | 100,173 |
| Retirement benefits | **5,085** | 6,899 |
| Total | **105,198** | 107,072 |

Salary and benefits include basic, fringe benefits and performance related remuneration.

Retirement benefits comprise the company contributions to employee retirement funds.

| **Loans to associates** | | |
|---|---|---|
| Africa Maintenance Kathu (Pty) Ltd | **5,891** | 7,457 |
| Africa Maintenance Lephalale (Pty) Ltd | **5,525** | – |
| Africa Maintenance Mogale (Pty) Ltd | **3,071** | – |
| Africa Maintenance EMalahleni (Pty) Ltd | **22,343** | – |
| Keletso Imare Bindzue Procurement Services (Pty) | **–** | 2,575 |
| Shareholders of associates | **2,148** | – |
| **Total** | **38,978** | 10,032 |

The loans above are include loans and receivables refer to note 21 and other receivables

Keletso Imare Bindzue Procurement Services (Pty) Ltd has been consolidated as a subsidiary in terms of IFRS 10, refer to note 1.3 significant judgements and estimates for further explanation.

**Shares issued to directors**

The Group issued 3 million shares to the Invicta Group CEO amounting to additional share capital of R150 thousand and share premium of R26.1 million.

**Loans to directors**

A loan has been given to a director of a subsidiary and the terms of the loan are market related, refer to note 21. No other loans have been given to directors of companies within the Group.

## 48. Going concern as a basis for the preparation of the Annual Financial Statements

In preparing these annual consolidated financial statements, the directors have confirmed the group's ability to continue as a going concern. The following factors were considered:

**Financial performance**

The Group has generated strong cash flow resulting in significantly lower gearing levels, and is liquid and solvent. There is an approved budget for the following 12 months indicating sustained performance. There are sufficient facilities and/or access to cash to meet debt repayments due in the next 12 months and to continue in operational existence for the foreseeable future. The Group has taken adequate measures to align its cost structures to the current level of business, and to quickly adapt to new lockdown measures which the government may implement in the future. Management is cognisant of and monitoring the worldwide impact of the pandemic on shipping delays. Action has been taken to mitigate the impact of the worldwide steel shortage by securing orders. However this context is expected to prevail over the next 2-3 years.

**Debt covenants**

The Group has met the covenants applicable for the 2021 year.

| | Covenants | Bank 1 | | Bank 2,3 | | Achieved |
|---|---|---|---|---|---|---|
| 1 | Net Debt to EBITDA Ratio | 3.25 | < | 3.0 | < | 1.42 |
| 2 | Interest Cover Ratio | 3.0 | > | 3.5 | > | 5.81 |

## 49. Events after the reporting period

**The Kian Ann Group**

As described in note 13, the Group had entered into a series of transactions which will result in the Group reducing its shareholding in KAG from 100% to 48.81%, and KAG will hold 100% of each of KKB and MIH. MIH and KKB (currently recognised as joint ventures) will become fully owned subsidiaries of KAG. Agreements have been signed subsequent to year end. These are subject to various conditions precedent, and contain warranties and undertakings typical of transactions of this nature. Further acquiree detail is available in note 24.

The transaction results in the deemed disposal of KAG as a subsidiary due to loss of control. It is expected that there will be a joint venture in terms of IFRS 11 "Joint Arrangements" and the Group will equity account its investment. Refer to the announcement on the Stock Exchange News Service ("SENS") dated 28 May 2021 and 10 June 2021 for more detail. This transaction is not effective at date of this report.

**CNH disposal**

The disposal of business to CNH was effective 1 January 2021 and the proceeds comprising Net Asset Value ("NAV") of R176.6 million and USD6 million of Goodwill were recognised. At year end the Group had received R74 million towards the net asset value and USD1 million of the goodwill portion of the proceeds. Subsequent to year end the Group received the balance due on the NAV. The balance of the goodwill is reflected as a long-term receivable in note 21.

**Disposal of the Samrand Property**

Subsequent to the reporting date, the Group received further non-refundable deposits of R3.5million.

**COVID-19 Third wave**

The group is taking action in response to the third wave of the pandemic currently sweeping the country. This includes shift work, work from home, no travel etc, and could include "no work, no pay" if government moves the country to a lockdown 4 or higher. We will again apply for certain services as applicable to be categorised as essential. The Group financial position is robust enough to withstand the short term impact.


Invicta
HOLDINGS LIMITED

# SHAREHOLDER INFORMATION

# Shareholder information

*for the year ended 31 March 2021*

## Ordinary shareholder analysis

| | 31 March | | | |
|---|---|---|---|---|
| **Shareholder Spread** | **Number of Shareholdings** | **%** | **Number of Shares** | **%** |
| 1 - 1 000 shares | 1,776 | 66.17 | 399,202 | 0.36 |
| 1 001 - 10 000 shares | 612 | 22.80 | 2,074,751 | 1.86 |
| 10 001 - 100 000 shares | 215 | 8.01 | 6,835,618 | 6.13 |
| 100 001 - 1 000 000 shares | 56 | 2.09 | 18,640,242 | 16.72 |
| 1 000 001 shares and over | 25 | 0.93 | 83,544,925 | 74.93 |
| **Totals** | **2,684** | **100.00** | **111,494,738** | **100.00** |

| **Distribution of shareholders** | | | | |
|---|---|---|---|---|
| Assurance & Insurance Companies | 2 | 0.07 | 115,976 | 0.10 |
| Brokers & Nominees | 19 | 0.71 | 2,160,597 | 1.94 |
| Close Corporations | 26 | 0.97 | 110,030 | 0.10 |
| Collective Investment Schemes | 41 | 1.53 | 23,888,362 | 21.43 |
| Control Accounts and Unclaimed Shares | 2 | 0.07 | 1,890 | – |
| Lending & Collateral Accounts | 2 | 0.07 | 2,019,405 | 1.81 |
| Non-SA Custodians | 8 | 0.30 | 1,776,070 | 1.59 |
| NPO & Charity Funds | 13 | 0.48 | 230,687 | 0.21 |
| Organs of State & Public Entities | 3 | 0.11 | 80,367 | 0.07 |
| Pooled & Mutual Funds | 24 | 0.89 | 3,408,980 | 3.06 |
| Private Companies | 85 | 3.19 | 53,132,581 | 47.66 |
| Public Companies | 1 | 0.04 | 10,000 | 0.01 |
| Retail Individuals | 2,221 | 82.75 | 11,173,834 | 10.02 |
| Retirement Benefit Funds | 80 | 2.98 | 6,175,517 | 5.54 |
| Treasury Holdings | 2 | 0.07 | 1,541,823 | 1.38 |
| Trusts & Investment Partnerships | 155 | 5.77 | 5,668,619 | 5.08 |
| **Totals** | **2,684** | **100.00** | **111,494,738** | **100.00** |

| **Public / Non-public shareholders** | | | | |
|---|---|---|---|---|
| **Non-public shareholders** | **7** | **0.26** | **60,075,018** | **53.88** |
| Directors and associates of the company holdings | 5 | 0.19 | 58,533,195 | 52.50 |
| Treasury stock | 2 | 0.07 | 1,541,823 | 1.38 |
| **Public shareholders** | **2,677** | **99.74** | **51,419,720** | **46.12** |
| **Totals** | **2,684** | **100.00** | **111,494,738** | **100.00** |

| **Top 10 Beneficial Shareholders** | | |
|---|---|---|
| Titan Share Dealers (Pty) Ltd | 23,106,141 | 20.72 |
| Dorsland Diamante (Pty) Ltd | 17,630,755 | 15.81 |
| Foord Asset Management | 7,476,278 | 6.71 |
| PSG Asset Management | 4,989,430 | 4.48 |
| Coronation Fund Managers | 4,946,130 | 4.44 |
| Lanmar Investments (Pty) Ltd | 4,559,323 | 4.09 |
| Sades Holdings (Pty) Ltd | 3,399,402 | 3.05 |
| The Sherrell Family Trust | 3,053,400 | 2.74 |
| Metal Industries Benefit Funds | 3,049,994 | 2.74 |
| Sherrell Delma Jean Mrs | 3,043,838 | 2.73 |
| **Totals** | **75,254,691** | **67.51** |

# Shareholder information

*for the year ended 31 March 2021*

## Preference shareholder analysis

| Shareholder spread | Number of Shareholdings | % | Number of Shares | % |
|---|---|---|---|---|
| | 31 March | | | |
| 1 - 1,000 | 378 | 46.72 | 161,601 | 2.15 |
| 1,001 - 10,000 | 344 | 42.52 | 1,186,684 | 15.82 |
| 10,001 - 100,000 | 75 | 9.27 | 2,280,280 | 30.40 |
| 100,001 - 1,000,000 | 11 | 1.36 | 2,477,096 | 33.03 |
| Over 1,000,000 | 1 | 0.13 | 1,394,339 | 18.60 |
| **Totals** | **809** | **100.00** | **7,500,000** | **100.00** |

| Distribution of shareholders | | | | |
|---|---|---|---|---|
| Assurance & Insurance Companies | 3 | 0.37 | 181,700 | 2.42 |
| Brokers & Nominees | 3 | 0.37 | 6,166 | 0.08 |
| Close Corporations | 19 | 2.35 | 232,516 | 3.10 |
| Collective Investment Schemes | 18 | 2.22 | 1,087,344 | 14.50 |
| Non-SA Custodians | 3 | 0.37 | 13,600 | 0.18 |
| NPO & Charity Funds | 15 | 1.85 | 138,759 | 1.85 |
| Organs of State & Public Entities | 1 | 0.12 | 1,800 | 0.02 |
| Private Companies | 66 | 8.18 | 3,310,377 | 44.14 |
| Public Companies | 1 | 0.12 | 3,600 | 0.05 |
| Retail Individuals | 566 | 69.96 | 2,046,494 | 27.29 |
| Trusts & Investment Partnerships | 114 | 14.09 | 477,644 | 6.37 |
| **Totals** | **809** | **100.00** | **7,500,000** | **100.00** |

| Public / Non-public shareholders | | | | |
|---|---|---|---|---|
| **Non-Public Shareholders** | **7** | **0.87** | **2,080,658** | **27.74** |
| Directors and Associates | 7 | 0.87 | 2,080,658 | 27.74 |
| **Public Shareholders** | **802** | **99.13** | **5,419,342** | **72.26** |
| **Totals** | **809** | **100.00** | **7,500,000** | **100.00** |

| Top 10 Beneficial Shareholders | | |
|---|---|---|
| Wikalox Investments (Pty) Ltd | 1,394,339 | 18.59 |
| Titan Premier Investments (Pty) Ltd | 552,863 | 7.37 |
| Nedbank | 492,041 | 6.56 |
| Goldstone Arnold Mr | 341,399 | 4.55 |
| Cuthman Holdings (Pty) Ltd | 295,639 | 3.94 |
| Rula Bulk Materials Handling (Pty) Ltd | 257,011 | 3.43 |
| Amplify Asset Management | 200,000 | 2.67 |
| Sherrell Delma Jean Mrs | 160,000 | 2.13 |
| Professional Provident Society | 127,306 | 1.70 |
| Blue Crest Holdings (Pty) Ltd | 126,700 | 1.69 |
| **Totals** | **3,947,298** | **52.63** |