NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE EFFECTIVE DURING THE YEAR

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

During the current year, the Group adopted the following revised standards for the first time which did not have a material impact on the annual financial statements:

- IAS 7 Cash Flow Statements (Amendments).

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group chose not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 September 2018 or later periods:

IFRS 16 Leases

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

The Group assessed the requirements of IFRS 16 during the financial year and considered the impact to be immaterial due to the changes of presentation on the statement of financial position and the statement of financial performance.

The effective date of this standard is for years beginning on or after 1 January 2019.

The Group expects to adopt this standard for the first time in the 2020 annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities, including a new impairment model which will result in earlier recognition of losses. Under IFRS 9 financial assets will be classified as measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

During the financial year, an assessment was done, which will result in financial assets specifically other loans receivable having to be classified as measured at amortised cost. As per the categories required by IFRS 9, the Company has not identified any significant impacts on the measurement of its financial assets and financial liabilities as a result of the classification and measurement requirements of the new standard. For financial liabilities, the existing classification and measurement of IAS 39 will remain the same.

The Group is in the process of finalising its detailed assessment of the impact of the application of IFRS 9 on its financial statements. The current findings indicate that there are no major deviations in the current classification of financial assets as they are largely in line with IFRS 9 and other loan receivables are not considered material. There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities as financial liabilities are accounted for at amortised cost.

The Group has identified that the most significant impact that IFRS 9 will have on the Group relates to the expected credit loss impairment model. The financial assets impairment requirements of IFRS 9 introduce a forward-looking expected credit loss model that results in earlier recognition of credit losses than the incurred loss model of IAS 39. The Group is in the process of performing a detailed assessment. However, the impact is likely to be immaterial as the Group uses cash flow forecasts for a five-year period when performing impairment tests annually.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time in the 2019 annual financial statements.

The impact of this standard has been assessed above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE EFFECTIVE DURING THE YEAR (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and all existing other requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases and financial instruments.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the necessary steps in terms of IFRS 15.

In assessing the impact of IFRS 15 on the Group, the activities that generate revenue were assessed in determining whether they fall within the scope of the new revenue standards. The Group generates revenue from various sources, of which a detailed assessment has been done during the year whereby contracts were analysed within each division and the impact would result in additional disclosures as a result of classification per performance obligations.

Based on the assessment performed during the year, the Group has assessed the potential impact on the annual financial statements and the new standard does not have a significant impact on the amount and timing of the Group's revenue recognition. It has identified that enhanced revenue disclosure may be required for the performance obligations of the contract once IFRS 15 is effective.

The new standard does not include guidance on the accounting for dividend income. Instead, guidance that is consistent with the existing requirements of IAS 18 has been incorporated into the financial instruments standards. Although dividend income arises in the ordinary course of the Group's activities, it does not arise from contracts with customers and therefore may not be presented as revenue in the Group.

The effective date of the standard is for years beginning on or after 1 January 2018. The Group expects to adopt the standard for the first time in the 2019 annual financial statements.

Upon initial application, the Group plans to adopt the standard retrospectively by using the cumulative effect of initial application as an adjustment to the opening balance of retained earnings, in accordance with the specified transition method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
GROUP	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Broadcast mast	5 392	(1 653)	3 739	5 392	(1 113)	4 279
Buildings	47 330	(1 518)	45 812	6 027	(1 185)	4 842
Computer equipment	5 401	(3 771)	1 630	9 719	(7 201)	2 518
Computer software	348	(337)	11	2 316	(2 017)	299
Furniture and fixtures	3 856	(3 056)	800	4 949	(3 754)	1 195
Laboratory equipment	7 626	(6 499)	1 127	7 626	(5 769)	1 857
Land	3 470	–	3 470	3 470	–	3 470
Leasehold improvements	27 280	(20 535)	6 745	28 630	(20 429)	8 201
Motor vehicles	8 896	(5 298)	3 598	10 756	(7 217)	3 539
Office equipment	1 916	(1 428)	488	2 513	(2 253)	260
Plant and machinery	194 834	(103 383)	91 451	144 382	(99 192)	45 190
Studio and electronic equipment	3 144	(1 903)	1 241	4 177	(1 275)	2 902
Vessels	301 106	(136 989)	164 117	175 684	(99 709)	75 975
Total	610 599	(286 370)	324 229	405 641	(251 114)	154 527

COMPANY						
Carrying value						
Furniture and fixtures	50	(16)	34	50	(10)	40
Motor vehicles	353	(347)	6	353	(276)	77
Office equipment	95	(24)	71	4	(4)	–
IT equipment	191	(170)	21	102	(94)	8
Computer software	33	(33)	–	33	(33)	–
Total	722	(590)	132	542	(417)	125

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Deemed disposal of subsidiary R'000	Transfers R'000	Depreciation R'000	Total R'000
Broadcast mast	4 279	–	–	–	–	–	(540)	3 739
Buildings	4 842	40 243	–	–	–	1 060	(333)	45 812
Computer equipment	2 518	1 692	–	(13)	(1 767)	–	(800)	1 630
Computer software	299	196	–	–	(180)	–	(304)	11
Furniture and fixtures	1 195	179	–	–	(341)	–	(233)	800
Laboratory equipment	1 857	–	–	–	–	–	(730)	1 127
Land	3 470	–	–	–	–	–	–	3 470
Leasehold improvements	8 201	589	107	–	(776)	–	(1 376)	6 745
Motor vehicles	3 539	429	1 753	–	(1 552)	–	(571)	3 598
Office equipment	260	211	250	–	(114)	–	(119)	488
Plant and machinery	45 190	48 677	3 059	(354)	(1 273)	(356)	(3 492)	91 451
Studio and electronic equipment	2 902	7	–	–	(726)	–	(942)	1 241
Vessels	75 975	28 378	73 816	(175)	–	–	(13 877)	164 117
	154 527	120 601	78 985	(542)	(6 729)	704	(23 317)	324 229

Reconciliation of property, plant and equipment – Group – 2017

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Assets under construction R'000	Depreciation R'000	Total R'000
Broadcast mast	4 818	–	–	–	–	(539)	4 279
Buildings	4 365	631	–	–	–	(154)	4 842
Computer equipment	1 880	1 324	662	(302)	–	(1 046)	2 518
Computer software	902	334	–	(65)	–	(872)	299
Furniture and fixtures	1 061	77	237	(13)	–	(167)	1 195
Laboratory equipment	2 578	–	–	–	–	(721)	1 857
Land	3 470	–	–	–	–	–	3 470
Leasehold improvements	9 498	312	–	(23)	–	(1 586)	8 201
Motor vehicles	939	239	3 661	–	–	(1 300)	3 539
Office equipment	314	94	54	(9)	–	(193)	260
Plant and machinery	41 699	2 216	1 509	(540)	4 519	(4 213)	45 190
Studio and electronic equipment	2 413	1 647	–	(5)	–	(1 153)	2 902
Vessels	73 149	18 698	–	(130)	–	(15 742)	75 975
	147 086	25 572	6 123	(1 087)	4 519	(27 686)	154 527

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Company – 2018

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Computer equipment	8	88	(75)	21
Furniture and fixtures	40	–	(6)	34
Motor vehicles	77	–	(71)	6
Office equipment	–	91	(20)	71
	125	179	(172)	132

Reconciliation of property, plant and equipment – Company – 2017

	Opening balance R'000	Disposals R'000	Depreciation R'000	Total R'000
Computer equipment	13	–	(5)	8
Computer software	3	(3)	–	–
Furniture and fixtures	46	–	(6)	40
Motor vehicles	147	–	(70)	77
	209	(3)	(81)	125

PLEDGED AS SECURITY

The following assets have been encumbered as security for the secured long-term borrowings:

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Pledged as security				
Broadcast mast	3 739	4 279	–	–
Motor vehicles (subject to finance lease)	197	348	–	–
Studio and electronic equipment	1 241	1 862	–	–
Vessels	18 765	14 065	–	–
Capital commitments				
Refer to note 45 for details relating to capital commitments.				
Assets subject to finance lease				
Carrying value of motor vehicle	197	348	6	77
	24 139	20 902	6	77

DETAILS OF PROPERTIES

15 Mail Street, Epping, Cape Town and measures 463 m^2 (Sectional title unit 753), Title Deed ST25977/2008.
Overstrand Municipality, Erf 1727 measuring 3.7 hectares, Title Deed T455052/2002.
Overstrand Municipality, Erf 3819 measuring 6 hectares, Title Deed T160/1938.

A register containing the information required by regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

INSURANCE

Comprehensive cover is taken out in relation to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

4. GOODWILL

GROUP	2018 Cost R'000	2018 Accumulated impairment R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated impairment R'000	2017 Carrying value R'000
Goodwill	**100 259**	**(14 058)**	**86 201**	97 379	(14 439)	82 940

Reconciliation of goodwill – Group – 2018

	Opening balance R'000	Additions through business combinations R'000	Disposals through business divesture R'000	Impairment loss R'000	Total R'000
Goodwill	**82 940**	**51 964**	**(41 723)**	**(6 980)**	**86 201**

Reconciliation of goodwill – Group – 2017

	Opening balance R'000	Additions through business combinations R'000	Disposals through business divesture R'000	Total R'000
Goodwill	56 832	30 739	(4 631)	82 940

Goodwill acquired through business combinations have been allocated to individual cash-generating units (CGU) for impairment testing as follows:

	GROUP 2018 R'000	GROUP 2017	COMPANY 2018	COMPANY 2017
CGU (per division)				
Biotechnology	**9 921**	16 901	**–**	–
Events and tourism	**6 151**	6 151	**–**	–
Fishing and brands	**70 129**	18 165	**–**	–
Technology	**–**	41 273	**–**	–
	86 201	82 490	**–**	–

The technology division amount is nil in the current year due to the deemed disposal. Refer to note 28 for further detail.

The Group performs an annual impairment test on goodwill based on respective CGUs. The recoverable amount of each of the CGUs to which goodwill is allocated has been determined based on a value-in-use calculation which uses cash flow projections on financial forecasts approved by the Board of directors over a five-year period.

The cash flow projections over the five-year budget term are based on the assumption of the same expected gross margin and price inflation over the period.

On 9 May 2018, the Group acquired an effective 50.31% shareholding in Talhado Fishing Enterprises (Pty) Ltd (Talhado) for a consideration of R89m. Talhado was acquired for its squid fishing rights, brand, processing facilities and in order to enhance the Group's footprint in the squid sector. Goodwill arising from the acquisition has been disclosed in the note above.

Refer to note 29 for details of impairment testing.

Refer to note 50 for details of business combinations that occurred during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

5. INTANGIBLE ASSETS

GROUP	2018 Cost R'000	2018 Accumulated amortisation R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated amortisation R'000	2017 Carrying value R'000
Biosimilar drug under development	156 596	(79 936)	76 660	156 596	(3 276)	153 320
Distribution rights	34 921	–	34 921	44 797	–	44 797
Fishing quotas, permits and web development	33 668	(12 087)	21 581	1 273	(1 242)	31
Licences and technologies	20 074	(16 583)	3 491	21 223	(16 138)	5 085
Novel compound	135 107	(40 781)	94 326	135 152	(28)	135 124
Brands, patents and trademarks	21 934	(127)	21 807	4 709	(120)	4 589
Pharmaceutical dossiers	30 741	(15 370)	15 371	33 284	(1 133)	32 151
Radio licence	8 795	–	8 795	8 795	–	8 795
Software development	1 316	(415)	901	12 695	(12 560)	135
Total	443 152	(165 299)	277 853	418 524	(34 497)	384 027

COMPANY	2018 Cost R'000	2018 Accumulated amortisation R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated amortisation R'000	2017 Carrying value R'000
Trademarks	51	(28)	23	51	(26)	25

Reconciliation of intangible assets – Group – 2018

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Deemed disposal of subsidiary R'000	Amortisation R'000	Impairment loss	Total
Biosimilar drug under development	153 320	–	–	–	–	–	(76 660)	76 660
Distribution rights	44 797	5 058	–	–	(14 934)	–	–	34 921
Fishing quotas, permits and web development costs	31	900	23 225	–	–	(2 575)	–	21 581
Licences and technologies	5 085	996	–	–	(2 145)	(445)	–	3 491
Novel compound	135 124	–	–	(17)	–	–	(40 781)	94 326
Brands, patents and trademarks	4 589	196	17 028	–	–	(6)	–	21 807
Pharmaceutical dossiers	32 151	–	–	–	(1 410)	–	(15 370)	15 371
Radio licence	8 795	–	–	–		–	–	8 795
Software development	135	929	15	(3)	(71)	(104)	–	901
	384 027	8 079	40 268	(20)	(18 560)	(3 130)	(132 811)	277 853

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

5. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets – Group – 2017

	Opening balance R'000	Additions R'000	Additions through business combi-nations R'000	Other changes, movements R'000	Amorti-sation R'000	Total R'000
Biosimilar drug under development	153 320	–	–	–	–	153 320
Distribution rights	–	–	44 797	–	–	44 797
Fishing quotas, permits and web development costs	49	–	–	–	(18)	31
Licences and technologies	4 413	1 149	–	–	(477)	5 085
Novel compound	135 139	–	–	–	(15)	135 124
Brands, patents and trademarks	3 943	654	–	–	(8)	4 589
Pharmaceutical dossiers	32 850	56	–	–	(755)	32 151
Radio licence	8 795	–	–	–	–	8 795
Software development	131	–	–	1	3	135
	338 640	1 859	44 797	1	(1 270)	384 027

Reconciliation of intangible assets – Company – 2018

	Opening balance R'000	Amorti-sation R'000	Total R'000
Brands, patents and trademarks	**25**	**(2)**	**23**

Reconciliation of intangible assets – Company – 2017

	Opening balance R'000	Amorti-sation R'000	Total R'000
Brands, patents and trademarks	28	(3)	25

Other information

Software development

The prior year consisted of software development done within the technology division, relating to developing software for ambulances, the eCCR system and a billing system is included under software development. However upon loss of control during the current year, these intangible assets have been derecognised. The software is a programme for ambulances in order to assess the availability of beds at hospitals and if there are no available beds in the hospital the patient will be taken to a hospital with an available bed. Costs of R1 149 056 were capitalised previously (while the technology division was a subsidiary) to software development in relation to the ambulance software. The software was still under development and was not ready for use, therefore not amortised during the year under review. Amortisation of the software will commence once the programme is available for use.

Additionally, the eCCR system was internally developed and the product went live on 1 March 2016. Phase 2 started in the 2016 financial year, which entailed further development of the product. Management assessed the eCCR system which had a useful life of three years. The eCCR system has been derecognised upon the loss of control of the technology division during the year under review.

Software development costs have a remaining amortisation period of between one and 10 years. The actual useful life is 10 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

5. INTANGIBLE ASSETS (CONTINUED)

Fishing quotas

The fishing quotas relate to a right to catch west coast rock lobster which was acquired from other rights holder. These were held in the fishing and brands division. Fishing quotas have a useful life of 10 years.

Permits

The permits are in relation to the right to catch squid. The duration of the permit is up to 2020 when the right to catch expires. Permits have a useful life of 4 years in line with the expiry of the permit.

Biosimilar drug under development

Development costs were incurred for the improvement in the production process of erythropoietin under the brand name of Repotin. A biosimilar drug under development, granulocyte-colony stimulating factor technology (G-CSF), was acquired through business combination of Genius Biotherapeutics. This product is still under development and is not ready for pharmaceutical use, therefore not amortised. Amortisation will commence when the product is ready to be launched into the market, therefore tested for annually for impairment.

No development costs were incurred in developing an improved yield for the recombinant human erythropoietin production process during the financial year under review. Internally generated intangible assets were recognised through business combination of Genius Biotherapeutics in prior years which included the recombinant human erythropoietin and human granulocyte-colony stimulating factor (G-CSF). This product is still under development and is not yet ready for use, therefore not amortised. Amortisation will commence when the product is ready to be launched into the market, therefore tested annually for impairment (refer to note 29).

During the period under review these biosimilar drugs under development have been impaired as a result of the decrease in the recoverable amount below the carrying amount due to milestones from these drugs not being achieved in the current year. Refer to note 29 for impairments.

Licences and technologies

The Group acquired the right to develop, manufacture and market a portfolio of biosimilar therapeutic proteins for global and local markets. This includes the G-CSF technologies which do not have indefinite useful lives and the remaining period is 91 months.

This project has been evaluated and it was decided that this project it is not feasible to continue investing in for two products. We are in negotiations with an international partner to bring in new technology for six products.

During the period under review these G-CSF technologies were impaired as a result of the decrease in the recoverable amount below the carrying amount due to milestones not being achieved in the current year as mentioned above. Refer to note 29 for impairments.

Novel compounds

Intangible assets that were internally generated and were acquired through the business combination of Genius Biotherapeutics in prior years include the dendritic cell vaccines (DCV).

Funding in relation to the project is being discussed in order to attend to human safety trials which resulted in delays of milestones being achieved. This project has shown progress with progression of the breast cancer treatment entering into Phase 1 human trials planned for early 2019. However, it was met with many delays from a regulatory aspect for ethics as well as a new IP development which was required.

As a result of the aforementioned, the recoverable amount decreased below the carrying amount, therefore impaired during the current year under review. Refer to note 29 for impairments.

Pharmaceutical dossiers

Additionally, in the 2014 financial year, through the business combination of Genius Biotherapeutics, a pharmaceutical dossier was acquired under the registered product Repotin. As the project milestones have not been met as reflected above, these dossiers have been fully impaired as they are not in the process of being used.

These have been tested for impairment annually. Refer to note 29 for impairments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

5. INTANGIBLE ASSETS (CONTINUED)

Brands, patents and trademarks

In the 2016 financial year, the Group acquired a patent formulation in the health and beauty division amounting to R2 520 000 with the consideration being an equity interest in Sekunjalo Health and Medical Commodities (Pty) Ltd. This patent enables the business unit to be positioned as a global manufacturer and distributor from its principal.

The trademarks are attributable to the registration costs of the South Atlantic Lobster and Sea Diamond brands. These brands are well established in the United States of America, Europe and East Asian markets. The trademarks are amortised over an estimated useful life of 4 to 15 years.

During the year under review the Group acquired the Talhado brand as part of the acquisition of Talhado. The Talhado brand has been determined to have an indefinite useful life and will be assessed annually for impairment. Refer to note 29 for impairments.

Radio licence

The radio licence is recorded as an asset for rights acquired under the licence agreement. Licences acquired in a business combination are recognised at fair value at acquisition date. The radio licence is carried at cost and is not subject to amortisation, as it is considered to have an indefinite useful life. Radio broadcasting licences are issued by the Independent Broadcasting Authority of South Africa (ICASA). The stations directly own the radio licence as awarded by ICASA. Due to restrictions under South African legislation, these licences are not transferable. The carrying values of this licence is tested annually for impairment.

The licence is granted by ICASA for a period of 10 years and is renewable thereafter. There is no limit on the number of times the licence can be renewed and ICASA has in its history never revoked a radio licence or denied a renewal of a radio licence. The cost to renew the broadcast licence is insignificant in relation to the economic benefits that are expected to arise from such licence. The licence operating agreement is expected to be renewed without any cost and therefore has an indefinite useful life.

Distribution rights

Distribution rights arose in the prior year from the business combinations of Orleans Cosmetics (Pty) Ltd in the health and beauty division and Kalula Communications (Pty) Ltd in the technology division.

The distribution rights obtained in relation to the health and beauty division arise from four contracts with international suppliers, which provide the Group with the ability to be the sole distributor of these skincare products.

The technology division obtained the distribution right concluded between Computer Aided Telephony Systems Ltd (CATS) incorporated in Switzerland and Plantronics B.V., a private limited liability company incorporated in the Netherlands. This distribution right regulates the purchase of Plantronics products by CATS for resale by the Group. As the Group lost control of the technology division in the current year, the distribution rights have been derecognised respectively.

There is no limit on the number of times the above distribution rights can be renewed and based on historical information no distribution rights have never been revoked. Additionally, the cost to renew the distribution rights is insignificant in relation to the economic benefits that are expected to arise from the assets and the distribution rights are expected to be renewed without any cost and therefore have an indefinite useful life.

Refer to note 29 for details on impairment tests and note 51 in relation to the fair value information.

Intangible assets with indefinite useful lives or not yet in use

The brands, radio licence and distribution rights were fair valued at the date of acquisition of Talhado Fishing (Pty) Ltd, Magic 828 (Pty) Ltd, Orleans Cosmetics (Pty) Ltd and Kalula Communications (Pty) Ltd resulting in the recognition of the intangible asset mentioned above in the prior year.

Refer to note 29 for details on impairment tests and note 41 in relation to the fair value information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

6. INVESTMENTS IN SUBSIDIARIES

The investments in subsidiaries have been designated at fair value through profit and loss.

Company

	Carrying amount 2018 R'000	Carrying amount 2017 R'000
Investment in subsidiaries	**1 807 762**	2 303 034

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Breakdown of investment in subsidiaries are as follows:				
AYO Technology Solutions Ltd	**–**	–	**–**	385 607
African Biotechnological and Medical Innovation Investments (Pty) Ltd	**–**	–	**189 907**	225 349
AEEI Events and Tourism (Pty) Ltd	**–**	–	**27 026**	19 432
Premier Fishing and Brands Ltd (listed – level 1)	**–**	–	**543 400**	593 450
Kilomax (Pty) Ltd	**–**	–	**832 825**	864 419
Sekunjalo Consumer Products (Pty) Ltd	**–**	–	**66 852**	103 821
Afrinat (Pty) Ltd (previously known as Wynberg Pharmaceuticals (Pty) Ltd)	**–**	–	**19 055**	15 000
Orleans Cosmetics (Pty) Ltd	**–**	–	**33 646**	34 830
Opispex (Pty) Ltd	**–**	–	**6 223**	4 225
AEEI Properties (Pty) Ltd	**–**	–	**3 606**	3 822
Magic 828 (Pty) Ltd	**–**	–	**16 112**	3 504
Bowwood and Main No 180 (Pty) Ltd	**–**	–	**69 110**	49 575
	–	–	**1 807 762**	2 303 034

Subsidiaries with less than 50% share capital held

The Group holds less than 50% of the issued share capital in Magic 828 (Pty) Ltd. The Group consolidated Magic 828 (Pty) Ltd as the Group has the ability to use its power over the investee to affect the amount of the investor's return as it controls the Company. The effective holding in Magic 828 (Pty) Ltd is 40% (2017: 40%).

Refer to information on subsidiaries in note 49.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

6. INVESTMENTS IN SUBSIDIARIES (continued)

Changes in ownership interest which did not result in loss of control

The following schedule represents the impact of changes in ownership interest of subsidiaries where control was not lost, on the equity attributable to owners of the Group:

	GROUP		COMPANY	
	2018 R'000	**2017 R'000**	**2018 R'000**	**2017 R'000**
AYO Technology Solutions Ltd As part of the consideration for the purchase of Kalula Communications (Pty) Ltd t/a Headsets Solutions the sellers obtained 6.5 million ordinary shares in AYO on 1 September 2016. Additionally, as a contingent acquisition consideration paid to the sellers of Puleng Technologies (Pty) Ltd, the Group would issue 3.6 million ordinary shares in AYO on 1 October 2016. These items resulted in the Group's shareholding being diluted from 84.03% to 80.01%	**–**	(4 252)	**–**	–
African Biotechnological and Medical Innovation Rights issue resulted in the Group obtaining an additional 9 027 shares in Bioclones (Pty) Ltd from a non-controlling interest, increasing ownership interest from 49.99% to 73.69%	**–**	19 118	**–**	–
Premier Fishing and Brands Ltd Dilution of shareholding in Premier Fishing and Brands Ltd to minority interest, reducing ownership from 100% to 55%. This was as a result of listing Premier Fishing and Brands Ltd on the JSE in March 2017	**–**	(106 221)	**–**	–
AEEI Events and Tourism (Pty) Ltd On 3 November 2017, AEEI acquired an additional 24.5% shares in espAfrika (Pty) Ltd from an existing shareholder by exercising its pre-emptive rights. The cash consideration amounted to R6 500 000 payable	**(4 826)**	–	**–**	–
AYO Technology Solutions Ltd (AYO) The Group held an 80% equity interest in AYO as at 31 August 2017. Prior to the listing of AYO, a decision was made to issue 10% of its shares to a B-BBEE Consortium, which resulted in a dilution of the Group's investment in AYO to 69.55%	**(1 323 592)**	–	**–**	–
Refer to additional changes below.	**(1 328 418)**	(91 355)	**–**	–

Subsidiaries for which control was lost during the year

The Group held an 80.01% equity interest in AYO as at 31 August 2017. Prior to the listing of AYO on 21 December 2017, a decision was made to issue 10% of its shares to a B-BBEE Consortium, which resulted in a dilution of the Group's investment in AYO to 69.55%. On 21 December 2017, AYO listed on the main board of the JSE, whereby AYO issued shares under a private placement, resulting in a further dilution of the Group's shareholding to 49.36%.

Subsequent to 24 August 2018, this investment became an associate as the Group relinquished control over AYO, whereby AEEI lost its ability to direct the relevant activities of the business from this date.

Refer to note 7 for further detail on investment in associates.

Refer to note 28 for the effect of the deemed disposal of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

6. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to inter-company eliminations.

Subsidiary	Country of incorporation	% ownership interest held by non-controlling interest 2018	2017
Software Tech Holdings (Pty) Ltd (previously Saratoga Software (Pty) Ltd)	RSA	–	42.5
Genius Biotherapeutics	RSA	26	26
Magic 828 (Pty) Ltd	RSA	60	60
Puleng Technologies (Pty) Ltd	RSA	–	43
Kalula Communications (Pty) Ltd	RSA	–	49
Premier Fishing and Brands Ltd	RSA	45	45

The country of incorporation and the principal place of business are the same in all cases.

The percentage ownership interest and the percentage voting rights of the non-controlling interests were the same in all cases except for the companies within the technology division above which has been recognised as an associate as at 31 August 2018.

2018

Summarised statement of financial position	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount of non-controlling interest R'000
Magic 828 (Pty) Ltd	8 267	7 304	15 571	–	37 059	37 059	9 080
Genius Biotherapeutics	187 731	6 889	194 620	151 701	4 666	156 367	23 518
Premier Fishing and Brands Ltd	509 625	599 460	1 109 085	116 134	130 515	246 649	708 685
Total	705 623	613 653	1 319 276	267 835	172 240	440 075	741 283
Non-controlling interest in all other subsidiaries							14 075
Non-controlling interest per statement of financial position							755 358

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

6. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries with material non-controlling interests (continued)

The difference between the carrying amount of non-controlling interest and the non-controlling interest's proportionate share of the net assets of the subsidiary is represented by goodwill.

Summarised statement of profit or loss and other comprehensive income	Revenue R'000	Profit/(loss) before tax R'000	Tax expense R'000	Profit/(loss) R'000	Total comprehensive income R'000	Profit/(loss) allocated to non-controlling interest R'000
Magic 828 (Pty) Ltd	9 726	(8 345)	2 319	(6 026)	(6 026)	(3 850)
Genius Biotherapeutics	–	(170 687)	40 363	(130 324)	(130 324)	(6 750)
Premier Fishing and Brands Ltd	490 870	129 013	(33 672)	95 341	95 341	49 181
Total	500 596	(50 019)	9 010	(41 009)	(41 009)	38 581
Profit or loss allocated to non-controlling interest of other subsidiaries						76 749
Total profit allocated to non-controlling interest						115 330

Summarised statement of cash flows	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/(decrease) in cash flow R'000
Magic 828 Pty Ltd	(9 728)	(324)	10 590	538
Genius Biotherapeutics	(17 250)	17 961	–	711
Premier Fishing and Brands Ltd	62 272	(193 267)	(42 359)	(173 354)
Total	35 294	(175 630)	(31 769)	(172 105)

2017

Summarised statement of financial position	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount contribution R'000
Software Tech Holdings (Pty) Ltd (previously Saratoga Software (Pty) Ltd)	9 569	37 221	46 790	81	13 643	13 724	20 120
Genius Biotherapeutics	348 007	3 292	351 299	174 128	3 989	178 117	34 320
Magic 828 (Pty) Ltd	6 389	3 457	9 796	23 023	1 877	24 900	(5 230)
Puleng Technologies (Pty) Ltd	977	98 091	99 068	–	79 473	79 473	8 426
Kalula Communications (Pty) Ltd	4 017	22 428	26 445	2 808	18 065	20 873	6 214
Premier Fishing and Brands Ltd	230 157	730 806	960 963	82 310	107 556	189 866	642 055
Total	599 116	895 295	1 494 361	282 350	224 603	506 953	705 905
Non-controlling interest in all other subsidiaries							54 722
Non-controlling interest per statement of financial position							760 627

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

6. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income	Revenue R'000	Profit before tax R'000	Tax expense R'000	Profit/ (loss) R'000	Other compre-hensive income R'000	Total compre-hensive income R'000	Profit/ (loss) allocated to non-con-trolling interest R'000
Software Tech Holdings (Pty) Ltd (previously Saratoga Software (Pty) Ltd)	68 967	11 954	(3 132)	8 822	(4)	8 818	7 137
Genius Biotherapeutics	99	(24 983)	–	(24 983)	–	(24 983)	(5 849)
Magic 828 (Pty) Ltd	4 339	(7 072)	1 980	(5 092)	–	(5 092)	(3 055)
Puleng Technologies (Pty) Ltd	251 134	17 844	(4 996)	12 848	–	12 848	5 524
Kalula Communications (Pty) Ltd	67 207	926	(272)	654	–	654	320
Premier Fishing and Brands Ltd	410 733	94 843	(26 743)	68 100	–	68 100	22 318
Total	802 479	93 512	(33 163)	60 349	(4)	60 345	26 395
Profit or loss allocated to non-controlling interest of other subsidiaries							25 188
Total profit allocated to non-controlling interest							51 583

Summarised statement of cash flows	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/ (decrease) in cash flow R'000	Dividend paid to non-controlling interest R'000
Software Tech Holdings (Pty) Ltd (previously Saratoga Software (Pty) Ltd)	12 121	(1 334)	(8 170)	2 617	4 870
Genius Biotherapeutics	(20 132)	(82 369)	102 933	432	–
Magic 828 (Pty) Ltd	(8 263)	2 427	5 602	(234)	–
Puleng Technologies (Pty) Ltd	17 589	(261)	(2 613)	14 715	1 106
Kalula Communications (Pty) Ltd	(1 329)	(19)	(1 063)	(2 411)	–
Premier Fishing and Brands Ltd	41 558	(45 692)	504 551	500 417	–
Total	41 544	(127 248)	601 240	515 536	5 976

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

7. INVESTMENT IN ASSOCIATES

The following table lists all the associates in the Group:

GROUP

Name of company	Held by	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018 R'000	Carrying amount 2017 R'000
BT Communication Services South Africa (Pty) Ltd	Kilomix (Pty) Ltd	**30.00**	30.00	**819 726**	780 559
AYO Technologies Solutions Ltd	African Equity Empowerment Investments Ltd	**49.36**	–	**4 756 271**	–
				5 575 997	780 559

The percentage ownership interest is equal to the percentage voting rights in all cases.

On 24 August 2018, the board of directors of AYO was restructured to reflect a majority of independent non-executive directors, resulting in AEEI no longer unilaterally directing the relevant activities of the business from this date. Significant judgement has been applied in determining the classification of investments as associates rather than subsidiaries. We refer specifically to the investment in AYO, in which AEEI holds an interest of less than 50% of the voting rights, over which the Group may have *de facto* control. The directors concluded that AEEI does not control AYO as the operating and financial activities are directed by AYO's board of directors. AEEI has significant influence as all the criteria in terms of IAS 28 have been met.

Refer to note 28 for further details on the gain on deemed disposal recognised during the year.

Furthermore, as a result of the deemed disposal of AYO as a subsidiary, the investment has been recognised as discontinued operation as the requirements in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations have been met, resulting in the prior year profit or loss items being restated. Refer to note 17 for discontinued operations and note 52 for the reclassification of the prior year figures.

The investment in BT Communication Services South Africa (Pty) Ltd has been accounted for as an investment in associate as the requirements of IAS 28 have been met.

Material associates

The following associates are material to the Group:

	Country of incorporation	Method	% Ownership interest 2018	% Ownership interest 2017
BT Communication Services South Africa (Pty) Ltd	RSA	Equity	**30.00**	30.00
AYO Technology Solutions Ltd	RSA	Equity	**49.36**	–

The country of incorporation is the same as the principal place of business for all associates. The percentage voting rights is equal to the percentage ownership for all associates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

7. INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of associates

Summarised statement of profit or loss and other comprehensive income	BT Communication Services South Africa (Pty) Ltd 2018 R'000	BT Communication Services South Africa (Pty) Ltd 2017 R'000	AYO Technology Solutions Ltd 2018 R'000	AYO Technology Solutions Ltd 2017 R'000	Total 2018 R'000	Total 2017 R'000
Revenue	**1 416 185**	1 038 210	**638 893**	–	**2 055 078**	1 038 210
Other income and expenses	**(1 138 527)**	(880 191)	**(442 898)**	–	**(1 581 425)**	(880 191)
Profit before tax	**277 658**	158 019	**195 995**	–	**473 653**	158 019
Tax expense	**(84 612)**	(55 307)	**(48 040)**	–	**(132 652)**	(55 307)
Profit/(loss) from continuing operations	**193 046**	102 712	**147 955**	–	**341 001**	102 712
Dividends received from associate	**18 746**	16 183	**–**	–	**18 746**	16 183

Summarised statement of financial position	BT Communication Services South Africa (Pty) Ltd 2018 R'000	BT Communication Services South Africa (Pty) Ltd 2017 R'000	AYO Technology Solutions Ltd 2018 R'000	AYO Technology Solutions Ltd 2017 R'000	Total 2018 R'000	Total 2017 R'000
Assets						
Non-current	**208 403**	218 228	**72 781**	–	**281 184**	218 228
Current	**725 767**	857 820	**4 598 349**	–	**5 324 116**	857 820
Total assets	**934 170**	1 076 048	**4 671 130**	–	**5 605 300**	1 076 048
Liabilities						
Non-current	**–**	42 631	**575**	–	**575**	42 631
Current	**161 402**	356 527	**201 578**	–	**359 951**	356 527
Total liabilities	**161 402**	399 158	**202 153**	–	**360 526**	399 158

Reconciliation of net assets to equity-accounted investments in associates	BT Communication Services South Africa (Pty) Ltd 2018 R'000	BT Communication Services South Africa (Pty) Ltd 2017 R'000	AYO Technology Solutions Ltd 2018 R'000	AYO Technology Solutions Ltd 2017 R'000	Total 2018 R'000	Total 2017 R'000
Profit for the year	**57 914**	30 814	**–**	–	**57 914**	30 814
Portion of net assets	**761 812**	749 745	**4 756 271**	–	**5 518 083**	749 745
Carrying value of investment in associate	**819 726**	780 559	**4 756 271**	–	**5 575 997**	780 559
Deemed cost upon change in ownership	**780 559**	765 928	**4 756 271**	–	**5 536 829**	765 928
Share of profit	**57 914**	30 814	**–**	–	**57 914**	30 814
Dividends received from associate	**(18 746)**	(16 183)	**–**	–	**(18 746)**	(16 183)
Investment at end of period	**819 727**	780 559	**4 756 271**	–	**5 575 997**	780 559

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the Group and the associate.

Restrictions relating to associates

There are currently no restrictions relating to the associates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

8. JOINT ARRANGEMENTS

Joint operations

The following joint operations are material to the Group:

Joint operation	Country of incorporation	% ownership interest 2018	% ownership interest 2017
Premier – BCP Hake	South Africa	**48**	48
Premier – Seacat	South Africa	**50**	50
Bloudam	South Africa	**38**	38

The Premier – BCP Hake is a jointly controlled operation with Blue Continental Products (Pty) Ltd. The operation is engaged in the catching, processing and marketing of Premier Fishing SA (Pty) Ltd's hake fishing rights together with that of the joint operation partner.

The Premier – Seacat is a jointly controlled operation with Seacat Fishing (Pty) Ltd. Premier Fishing SA (Pty) Ltd and Seacat Fishing (Pty) Ltd jointly own and operate a fishing vessel which catches and processes squid.

Bloudam is a jointly controlled operation in which Premier Fishing SA (Pty) Ltd owns a share in a fishing vessel with external quota holders. The fishing vessel catches WCRL on behalf of Premier Fishing SA (Pty) Ltd and the external quota holders.

Joint ventures

The following table lists all of the joint ventures in the Group:

GROUP

Name of company	Held by	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018 R'000	Carrying amount 2017 R'000
Premier Select (Pty) Ltd	Premier Fishing SA (Pty) Ltd	**50.00**	50.00	**–**	–
Exaro HST Ltd	Health Systems Technologies (Pty) Ltd	**–**	50.00	**–**	–
Contronics (Pty) Ltd	Afrinat (Pty) Ltd (previously Wynberg Pharmaceuticals (Pty) Ltd)	**50.00**	50.00	**–**	–
				–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

8. JOINT ARRANGEMENTS (continued)

Summarised financial information of joint ventures

2018

Summarised statement of comprehensive income	Profit/(loss) from continuing operations R'000	Total compre-hensive income R'000
Premier Select (Pty) Ltd	(7)	(7)

Summarised statement of financial position

Assets	Non-current assets R'000	Cash and cash equivalents R'000	Other current assets R'000	Total current assets R'000	Total assets R'000
Premier Select (Pty) Ltd	6	85	107	192	198

Liabilities	Non-current financial liabilities* R'000	Total non-current liabilities R'000	Current financial liabilities* R'000	Total current liabilities R'000	Total liabilities R'000
Premier Select (Pty) Ltd	722	722	45	45	767

* *Current and non-current financial liabilities are expressed in the table above, excluding trade and other payables and provisions. Trade and other payables and provisions are included in other non-current liabilities and other current liabilities.*

Reconciliation of net assets to equity-accounted investments in joint ventures	Interest in joint venture at % ownership	Accu-mulated unrecog-nised losses	Investment in joint venture
Premier Select (Pty) Ltd	(568)	(568)	(1 136)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

8. JOINT ARRANGEMENTS (continued)

2017

Summarised statement of comprehensive income	Profit/(loss) from continuing operations R'000	Total comprehensive income R'000
Exaro HST Ltd	(7)	(7)

Summarised statement of financial position

Assets	Non-current assets R'000	Cash and cash equivalents R'000	Other current assets R'000	Total current assets R'000	Total assets R'000
Premier Select (Pty) Ltd	12	86	107	193	205

Liabilities	Non-current financial liabilities* R'000	Total non-current liabilities R'000	Current financial liabilities* R'000	Total current liabilities R'000	Total liabilities R'000
Premier Select (Pty) Ltd	722	722	44	44	766

* *Current and non-current financial liabilities are expressed in the table above, excluding trade and other payables and provisions.*

Reconciliation of net assets to equity-accounted investments in joint ventures	Interest in joint venture at % ownership	Accumulated unrecognised losses R'000	Investment in joint venture R'000
Premier Select (Pty) Ltd	(277)	(277)	(554)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

8. JOINT ARRANGEMENTS (continued)

Summary of Group's interest in joint operations	2018 R'000	2017 R'000
Premier – BCP Hake		
Revenue	**65 608**	65 020
Cost of sales	**(36 812)**	(33 803)
Other operating income	**484**	2 454
Operating expenses	**(10 753)**	(8 282)
Interest income	**820**	1 196
Total comprehensive income	**19 347**	26 585
Share of total comprehensive income	**9 287**	12 761
Current assets		
Inventories	**621**	4 521
Trade and other receivables	**23 167**	10 959
Cash and cash equivalents	**1 732**	18 180
Total current assets	**25 520**	33 660
Current liabilities		
Trade and other payables	**(12 788)**	(9 913)
Total current liabilities	**(12 788)**	(9 913)
Net assets	**12 732**	23 747
Share of net assets	**6 111**	11 399
Premier – Seacat		
Revenue	**15 014**	11 104
Cost of sales	**(4 301)**	(3 641)
Operating expenses	**(5 197)**	(4 559)
Other income	**5**	202
Interest income	**120**	76
Total comprehensive income	**5 641**	3 182
Share of total comprehensive income	**2 821**	1 591
Current assets		
Inventories	**1 505**	419
Trade and other receivables	**3 111**	1 549
Cash and cash equivalents	**1 920**	1 789
Total current assets	**6 536**	3 757
Current liabilities		
Trade and other payables	**(895)**	(575)
Total current liabilities	**(895)**	(575)
Net assets	**5 641**	3 182
Share of net assets	**2 821**	1 591
Bloudam		
Revenue	**–**	894
Cost of sales	**(25)**	(484)
Operating expenses	**(933)**	(1 442)
Total comprehensive loss	**(957)**	1 032
Share of total comprehensive income	**(364)**	(392)
Current assets		
Other financial assets	**1 895**	1 113
Total current assets	**1 895**	1 113
Current liabilities		
Other financial liabilities	**(2 852)**	(2 123)
Trade and other payables	**–**	(22)
Total current liabilities	**(2 852)**	(2 145)
Net assets	**(957)**	(1 032)
Share of net assets	**(364)**	(392)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

9. LOANS TO/(FROM) GROUP COMPANIES

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loans to subsidiaries				
Loans from subsidiaries	–	–	(94 142)	(89 962)
Loans to subsidiaries			109 376	231 178
Loans to subsidiaries	–	–	208 814	233 495
Impairment of loans to subsidiaries	–	–	(99 438)	(2 317)
	–	–	15 234	141 216
Non-current assets			63 669	142 019
Current assets			45 707	89 159
Non-current liabilities			(94 142)	(89 962)
			15 234	141 216

The above loans are unsecured, certain loans bear interest at rates determined between parties from time to time and have no fixed terms of repayment.

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Payments to be received and paid have been deferred for 12 months as follows:				
Loans from subsidiaries	–	–	(94 142)	(89 962)
Loans to subsidiaries	–	–	63 669	142 019
	–	–	(30 473)	52 057

Credit quality of loans to Group companies

The loans are advanced to Group companies for either capital investment, or working capital requirements. All advances are in line with approved divisional budgets. The risk of default is therefore based on the success of the division's performance.

Other than loans that have been impaired which have low credit quality, credit quality on all other loans is high.

Fair value of loans to and from Group companies

The carrying value of the above loans approximates fair value and the amount demandable for the loans.

Reconciliation of provision for impairment of loans to Group companies

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Opening balance	–	–	2 317	36 904
Net impairment/(impairment reversals)	–	–	97 121	(34 587)
	–	–	99 438	2 317

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Loans are considered to be impaired to the extent to which the recoverability of the loan in a five-year period cannot be demonstrated to the satisfaction of the directors of the Company. During the year under review deemed interest has been charged on interest-free loans amounting to R6 848 491 (2017: R14 721 102) from the effect of discounting. The recoverable amounts were determined by projecting estimated future cash flows and discounting them at the original effective interest rate. Refer to note 29.

The following assumptions were used:

- Pre-tax discount rates: 15% – 30%
- Number of years: 5 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

9. LOANS TO/(FROM) GROUP COMPANIES (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Applicable rates				
Interest free	–	–	77 968	145 027
Prime overdraft rate	–	–	(63 164)	(4 352)
Prime overdraft rate plus 1%		–	2 617	–
Prime overdraft rate less 1.5%		–	–	(9 343)
Prime overdraft rate less 2%	–	–	40 529	28 606
Prime overdraft rate plus 3%	–	–	6 450	17 728
Prime overdraft rate plus 2%	–	–	46 025	24 895
Prime overdraft rate plus 5%	–	–	1 432	(61 402)
Prime overdraft rate plus 7%	–	–	2 815	2 374
	–	–	114 672	143 533

Loans subordinated

Loans amounting to R125 415 486 (2017: R15 111 248) have been subordinated until such time as the assets fairly valued exceed their liabilities.

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Reconciliation of cash flows				
Loans advanced to Group companies	–	–	(58 212)	(30 657)
Receipts of loans from Group companies	–	–	39 928	21 186
Non-cash amounts included in loans to/(from) Group companies	–	–	(144 881)	18 214
Non-cash interest capitalised and dividends received	–	–	28 590	(30 000)
Loans to Group companies repaid	–	–	94 933	–
Repayment of loans from Group companies	–	–	(86 340)	(1 552)
	–	–	(125 982)	(22 809)

10. OTHER LOAN RECEIVABLES

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Non-interest-bearing loans	15 026	39 740	12 506	18 574
The above loans are unsecured and are repayable on demand. The effect of discounting is insignificant for the year under review.				
	15 026	39 740	12 506	18 574
Impairment of loans	(135)	(4 603)	–	(7 581)
	14 891	35 137	12 506	10 993
Non-current assets	11 808	8 366	12 506	9 343
Current assets	3 083	26 771	–	1 650
	14 891	35 137	12 506	10 993

Credit quality of other loan receivables

The credit quality of loans receivable that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No defaults have occurred in the past. Credit quality is considered to be high for interest-bearing loans and low for non-interest-bearing loans.

Fair value of other loan receivables

The carrying value of the loans approximates fair value as market-related interest rates are charged on outstanding amounts. Non-interest-bearing loans have been impaired to the recoverable amount which approximates the fair value of the amounts receivable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

10. OTHER LOAN RECEIVABLES (continued)

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Breakdown of non-interest-bearing loans				
New Promex Corporation	–	8 105	–	8 105
SA Components CC	–	2 724	–	–
Cape Media Corporation	–	1 126	–	1 126
Sekunjalo Investment Holdings (Pty) Ltd	9 524	7 276	9 404	8 067
Bloudam	910	797	–	–
Afrozaar CC	–	29	–	–
Alacrity Technologies	–	15 729	–	–
Outside quota holders	1 652	1 391	–	–
Other	2 940	2 563	3 102	1 276
	15 026	39 740	12 506	18 574
Reconciliation of provision for impairment of other loans receivable				
Opening balance	7 581	34 044	7 581	5 276
Net impairment and write offs	(7 446)	(26 463)	(7 581)	2 305
	135	7 581	–	7 581

Loan receivables are impaired to the extent to which recoverability of the asset over a five-year period cannot be demonstrated to the satisfaction of the directors of the Group.

11. FINANCIAL ASSETS

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
At fair value through profit or loss – designated				
Investments in unlisted public companies A fair value gain of R10 881 775 relating to African Legend Investments Ltd was recognised during the year as a result of an increase in the value.	36 113	25 231	36 113	25 231
Investment in unlisted private companies A fair value gain was recognised during the year of R16 802 510 relating to from Saab Grintek Defence (Pty) Ltd as a result of the increase in earnings and decrease in capital expenditure	181 051	164 248	–	–
Investment in listed public companies A fair value decrease of R33 097 829 was recognised in the current year for the Group of which R33 769 796 related to Pioneer Foods and R671 996 to Sygnia for the Company.	202 201	235 298	26 879	26 207
Cadiz Life Investment Enterprise Development Fund Investment is due to mature on 31 July 2020.	–	747	–	–
Engeli Enterprise Development Fund	140	–	140	–
Anela Capital	400	–	400	–
	419 905	425 524	63 532	51 438
Non-current assets				
Fair value through profit and loss designated	419 905	425 524	63 532	51 438

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

11. FINANCIAL ASSETS (continued)

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts. The fair value of the listed investments is based on the quoted market price as at 31 August 2018.

Refer to note 51 for details on assumptions and methods used to determine fair values for unlisted investments.

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Reconciliation of cash flows				
The cash flow effect of other financial assets is as follows:				
Purchase of financial assets	**(85 056)**	(14 118)	**(350)**	(13 477)
Non-cash amounts included in other financial assets	**90 675**	(416 929)	**12 444**	30 212
	5 619	(431 047)	**12 094**	16 735

12. DEFERRED TAX

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Deferred tax liability				
Accelerated capital allowances on property, plant and equipment	**(57 422)**	(21 921)	**(6)**	(11)
Shipping allowance	**(45 543)**	(39 651)	**–**	–
Prepaid expenses	**(1 526)**	(1 516)	**(25)**	(47)
Fair value adjustments on other financial assets and subsidiaries	**(47 443)**	(36 086)	**(340 279)**	(446 519)
Fair value adjustments on biological assets	**(19 046)**	(15 210)	**–**	–
Fair value adjustment on loan	**–**	(2 793)	**–**	–
Operating lease	**(34)**	(396)	**–**	–
Fair value adjustments on investments in subsidiaries		–	**–**	–
Fair value adjustments on investments in associates	**(1 065 405)**	–	**(1 065 405)**	–
Intangible assets acquired through business combinations	**(64 200)**	(106 426)	**–**	–
Deferred tax liability	**(1 300 618)**	(223 999)	**(1 405 715)**	(446 577)
Deferred tax asset to be set off against deferred tax liability	**22 361**	12 953		
Net deferred tax liability	**(1 278 257)**	(211 046)		
Deferred tax asset				
Provisions	**5 830**	7 499	**1 696**	2 114
Income received in advance	**1 105**	839	**–**	–
Operating lease liabilities	**94**	348	**–**	–
Prior period deferred tax		191		
Deferred tax balance from temporary differences other than unused tax losses	**7 029**	8 877	**1 696**	2 114
Tax losses available for set off against future taxable income	**24 490**	21 654	**–**	–
	31 519	30 531	**1 696**	2 114
Deferred tax liability to be set off against deferred tax asset	**(22 361)**	(12 953)	**(1 696)**	(2 114)
Total deferred tax liability net of valuation allowance recognised	**9 158**	17 578	**–**	–
The deferred tax assets and the deferred tax liability have been presented in the statement of financial position as follows:				
Deferred tax liability	**(1 278 257)**	(211 046)	**(1 404 019)**	(446 577)
Deferred tax asset	**9 158**	17 578	**–**	–
Total net deferred tax liability	**(1 269 099)**	(193 468)	**(1 404 019)**	(446 577)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

12. DEFERRED TAX (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Reconciliation of deferred tax asset/(liability)				
At the beginning of the year	**(193 468)**	(281 792)	**(446 577)**	(422 846)
Accelerated capital allowances on property, plant and equipment	**(35 501)**	1 336	**–**	2
Fair value adjustments on other financial assets	**(8 564)**	99 012	**(121 491)**	–
Fair value adjustments on associate	**(1 065 405)**	–	**(943 914)**	–
Fair value adjustments on subsidiaries			**108 354**	(21 636)
Intangible assets through business combinations	**42 226**	(12 280)	**5**	–
Operating lease liability/asset	**108**	123	**–**	–
Prepaid expenses	**(10)**	(289)	**22**	(11)
Provisions	**(1 668)**	654	**(418)**	(529)
Shipping allowance	**(5 892)**	(1 550)	**–**	–
Tax losses available for set off against future taxable income	**2 836**	5 552	**–**	–
Fair value adjustments on biological assets	**(3 836)**	(1 723)	**–**	–
Investment property	**–**	(6)	**–**	–
Income received in advance	**266**	252	**–**	–
Prior period under provision	**(191)**	(2 757)	**–**	(1 557)
	(1 269 099)	(193 468)	**(1 404 019)**	(446 577)

13. INVENTORIES

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Raw materials	**11 918**	3 652	**–**	–
Work in progress	**554**	418	**–**	–
Finished goods	**37 158**	54 425	**–**	–
Consumables	**7 297**	5 686	**–**	–
Other inventories for sale	**51**	–	**–**	–
	56 978	64 181	**–**	–

Finished goods amounting to R8 065 (2017: R672 016) was written down to net realisable value during the year under review.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

14. BIOLOGICAL ASSETS

GROUP – **2018**	Opening balance R'000	Purchases R'000	Sales R'000	Changes in fair value, births and deaths R'000	Total R'000
Abalone	**54 323**	**520**	**(22 330)**	**35 508**	**68 021**

GROUP – **2017**	Opening balance R'000	Purchases R'000	Sales R'000	Transfers to inventory R'000	Changes in fair value, births and deaths R'000	Total R'000
Abalone	48 169	–	(37 852)	–	44 006	54 323

Non-financial information

Quantities of each biological asset

Abalone – kgs	144 736	126 490	–	–

Pledged as security

The total carrying value of biological assets is pledged as security to Absa Bank Ltd. Refer to note 6 for further details.

Methods and assumptions used in determining fair values

For fair value information refer to note 51.

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2018 R'000	**2017 R'000**	**2018 R'000**	**2017 R'000**
Trade receivables	**103 662**	138 142	**9 674**	6 657
Employee costs in advance	**2 159**	208	**–**	–
Prepayments	**5 617**	4 681	**89**	168
Deposits	**8 314**	1 572	**–**	–
Value added tax	**17 649**	8 154	**3 940**	–
Claims	**462**	260	**–**	–
Sundry customers	**1 461**	6 407	**–**	–
Other receivables	**24 833**	35 626	**–**	251
	164 157	195 050	**13 703**	7 076
Split between non-current and current portions				
Current assets	**164 157**	195 050	**13 703**	7 076

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

15. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R81 059 000 (2017: R46 459 000) of the Group. At year-end the overdraft amounted to R35 000 000 (2017: R35 000 000).

Credit quality of trade and other receivables

68% of the Group's trade and other receivables stem from sales within the fishing and brands division. This division performs ongoing credit evaluations of the financial position of its customers. Before a new customer is approved for credit, a thorough credit check is performed by an independent external credit agency. The agency provides credit scores and credit ratings on each of its customers. In addition, a recommended credit limit is provided by the credit agency. Additional internal ratings and credit limit procedures are performed by management and the directors before a final credit limit is approved. The credit quality of trade and other receivables that are neither past due nor impaired is assessed by management, based on historical information about counterparty default ratings. Any customer that has exceeded its credit limit may not purchase goods unless full payment has been received. The customer base consists of both foreign and local customers. Credit risk is low.

11% of the Group's trade and other receivables stem from sales within the health and beauty division. The credit risk was assessed as low by divisional management at year-end based on recent payment history.

The events and tourism division contributes 10% of the Group's trade and other receivables, of which 27% stem from sales within Tripos Travel (Pty) Ltd. The nature, terms and conditions of these sales made by the travel agents mitigate the risk of bad debt due to available credit facilities. The balance is from espAfrika (Pty) Ltd in respect of festivals managed locally. Credit quality of debtors in espAfrika (Pty) Ltd was assessed as low as some amounts have not been recovered. Ongoing evaluation of all the debtors takes place on an overall basis with the exception of debtors in espAfrika (Pty) Ltd which have been impaired due to non-payment. Credit risk has been assessed as low by divisional management.

The balance is the aggregate of trade and other receivables in the smaller Group companies. Ongoing evaluation of the debtors takes place. The credit risk was assessed as low by divisional management at year-end. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group customer base consists of both foreign and local trade and other receivables. The overall credit quality is considered to be high.

Other receivables

Other receivables primarily comprise of amounts accrued to the Group for amounts due from outside quota holders and contracted fishermen from the fishing and brands division amounting to R18.9m.

Fair value of trade and other receivables

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade and other receivables	**164 157**	195 050	**13 703**	7 076

The fair value of trade and other receivables approximates their carrying value due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

15. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2018, R19 144 000 (2017: R98 422 000) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Health and beauty division				
Three months past due	481	411	–	–
Events and tourism				
One month past due	199	–	–	–
Two months past due	5 973	–	–	–
Three months past due	2 919	–	–	–
Technology division				
One month past due	–	15 266	–	–
Two months past due	–	78 584	–	–
Three months past due	–	2 298	–	–
Corporate division				
One month past due	5 973	1 703	5 973	1 703
Three months past due	3 599	160	3 599	160
	19 144	98 422	9 572	1 863

Trade and other receivables impaired

As of 31 August 2018, trade and other receivables of R3 370 653 (2017: R15 624 908) were impaired and provided for.

Trade and other receivables currency denominated

The carrying amount of trade and other receivables are denominated in the following currencies:

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Rand	118 912	180 185	13 703	7 076
US dollar	17 929	12 146	–	–
Euro	27 316	2 719	–	–
	164 157	195 050	13 703	7 076

Reconciliation of allowance for impairment of trade and other receivables

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Opening balance	15 625	12 024	–	–
Net provision for impairment/impairment reversals	(4 168)	8 709	–	–
Amounts written off as uncollectible	3 370	(5 108)	–	–
Deemed disposal of subsidiary	(11 456)	-	–	–
	3 371	15 625	–	–

The amounts above that have been impaired consist of amounts outstanding for more than three months. The creation and release of allowance for impaired receivables have been included in operating expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

16. CASH AND CASH EQUIVALENTS

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Cash and cash equivalents consist of:				
Cash on hand	**110**	248	**–**	–
Bank balances	**362 608**	624 776	**5 258**	1 084
Bank overdraft	**(35 783)**	(44 522)	**(35 783)**	(23 427)
	326 935	580 502	**(30 525)**	(22 343)
Current assets	**362 718**	625 024	**5 258**	1 084
Current liabilities	**(35 783)**	(44 522)	**(35 783)**	(23 427)
	326 935	580 502	**(30 525)**	(22 343)

The bank overdrafts in the Group are secured by:

- Unlimited suretyship by Marine Growers (Pty) Ltd, supported by a cession of loan account;
- Unlimited suretyship by African Equity Empowerment Investments Limited supported by a cession on all loan accounts;
- Unlimited suretyship by Paul Thompson;
- Unlimited suretyship by Steve James;
- Unlimited guarantee by AYO Technology Solutions Ltd;
- Unlimited guarantee by Premier Fishing SA (Pty) Ltd;
- Limited guarantee by Health Systems Technologies (Pty) Ltd for R5 700 000;
- Limited suretyship by Mr AS Brown;
- Limited suretyship by Communication Products (Pty) Ltd;
- Limited suretyship by Bitton Music Production (SA) Ltd; supported by a first, second and third covering mortgage bond registered over Erf 14290, Somerset West;
- Limited suretyship by African Equity Empowerment Investments Ltd;
- Negative pledge undertaking not to increase external borrowings;
- Pledge and cession of shares in AYO Technology Solutions Ltd;
- Pledge and cession of Discovery life policy 5130643247;
- Cession of loan account by AYO Technology Solutions Ltd and Health Systems Technologies (Pty) Ltd;
- Cession of loan accounts by Premier Fishing SA (Pty) Ltd
- Cession of debtors by Puleng Technologies (Pty) Ltd;
- Cession of fire and Sasria policy for fishing vessels with a carrying value of R55 591 382;
- First Maritime Bond registered over the following additional vessels:
  - Southern Victor for R8 400 000;
  - Southern Star for R2 200 000;
  - Southern Patriot for R6 295 000;
  - Portia 1 for R5 800 000;
  - Ebhayi for R5 482 000;
  - Southern Raider for R5 400 000;
  - Southern Fighter for R2 100 000;
  - Southern Knight for R1 600 000;
  - Southern Horizon for R1 850 000;
  - Mizpah for R1 900 000
  - Lubbetjie for R1 200 000;

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

16. CASH AND CASH EQUIVALENTS (continued)

The bank overdrafts in the Group are secured by (continued):

- First Continuing Covering Mortgage Bond Number B28343/2008 for R10 000 000 over Erf 11 St Helena Bay held under Deed of Transfer Number T46847/2002;
- Second Maritime Bond for R4 400 000 by Premier Fishing SA (Pty) Ltd registered over fishing vessel Lubbetjie;
- Second Maritime Bond for R6 100 000 by Premier Fishing SA (Pty) Ltd registered over fishing vessel Mizpah;
- Special Notarial Bond Number BN23802/2008 for R3 450 000 by Premier Fishing SA (Pty) Ltd over fishing vessels
- Southern Knight and Southern Horizon; and
- General Notarial Bond Number BN23803/2008 for R50 000 000 by Premier Fishing SA (Pty) Ltd over stock, movable assets, plant and equipment and vessel equipment.

Guarantees are as follows:

- Nedbank Ltd: R182 000;
- Absa: R2 000 000 in favour of First National Bank Ltd;
- Other securities: Cession of Nedbank Ltd call counts and agreement to set off current account and foreign advance accounts;
- Joint guarantee of R7 300 000 by African Equity Empowerment Investments Ltd and Magic 828 (Pty) Ltd in favour of Absa Bank Ltd in relation to the instalment sale agreement; and
- First National Bank Ltd: R98 794.

A bank overdraft is with Absa Bank Ltd and is secured with unlimited cross-suretyship between African Equity Empowerment Investments Ltd, Health System Technologies (Pty) Ltd and Premier Fishing SA (Pty) Ltd supported by cession of loan accounts.

The following facilities were also held with Absa Bank Ltd:

- Primary lending = R10 000 000;
- Term loan = R5 800 000;
- Credit card = R350 000;
- Forward exchange contract (nominal value) = R10 000 000; and
- Foreign exchange settlement = R5 000 000.

The following facilities were also held with Investec Bank Ltd:

- Revolving credit facility = R34 100 000

The Standard Bank of South Africa Ltd overdraft facility of R400 000 and a VISA credit card of R100 000 is secured as follows:

- Suretyship/cession loan dd 3/11/04, restricted to R100 000 by LOA Burt;
- Suretyship/cession loan dd 25/10/07, restricted to R200 000 by LOA Burt;
- Suretyship/cession loan dd 25/10/07, restricted to R100 000 by LOA Burt; and
- Suretyship/cession loan dd 28/08/08, restricted to R200 000 by LOA Burt.

Financial covenants applicable to the entity are as follows:

- Interest cover ratio;
- Leverage ratio; and
- Guarantor contribution test.

No breaches to financial covenants occurred during the year.

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

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Cash and cash equivalents are held with reputable banking service providers. Absa Bank Ltd provides the majority of banking services used by the Group and it is rated AA+ and A-1+ in the long term and short term respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

16. CASH AND CASH EQUIVALENTS (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Credit rating				
Absa Bank Ltd Baa3	**347 636**	568 061	**(509)**	84
Nedbank Ltd Baa3	**3 326**	4 792	**1 216**	4
Standard Bank Ltd BB+	**1 952**	11 699	**–**	–
First National Bank Ltd BB+	**5 020**	35 822	**–**	–
Investec BB+	**(31 172)**	1 416	**(31 231)**	996
Other	**–**	2 831	**–**	–
HSBC – A2	**–**	155	**–**	–
	326 762	624 776	**(30 524)**	1 084

17. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

The investment in AYO was accounted for as a subsidiary up to and including 24 August 2018 with its financial results being consolidated up to this date, whereafter the investment became an associate as the Group relinquished control over AYO by restructuring the AYO board to comprise a majority of independent non-executive directors resulting in AEEI no longer unilaterally directing the operating activities of the business from this date.

The Group therefore accounted for the technology division as a discontinued operation.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Profit and loss				
Group total revenue	**645 548**	475 587	**–**	–
Expenses and other items	**(441 843)**	(426 033)	**–**	–
Net profit before tax	**203 705**	49 554	**–**	–
Tax	**(44 172)**	(11 291)	**–**	–
Net profit after tax	**159 533**	38 263	**–**	–
Profit from previous discontinued operations	**–**	2 810	**–**	–
Profit for the year	**159 533**	41 073	**–**	–
Liabilities of disposal group				
Other liabilities	**–**	360	**–**	–
Reconciliation of cash flows				
Profit before tax	**203 705**	49 554	**–**	–
Add/(deduct) non-cash items	**4 966**	(2 955)	**–**	–
Profit before tax of discontinued operations	**208 671**	46 599	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

18. SHARE CAPITAL

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Authorised				
10 000 000 "A" class ordinary shares of no par value (unlisted)	**100**	100	**100**	100
1 000 000 000 "B" class ordinary shares of no par value (listed)	**20**	20	**20**	20
518 660 516 unissued ordinary shares are under the control of the directors in terms of a resolution members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.	**–**	–	**–**	–
Upon a poll, in determining the total votes in the Company, each "B" ordinary no par value share shall be deemed to entitle the holder thereof to one vote and each "A" ordinary no par value share shall be deemed to entitle the holder thereof to 500 votes.				
	120	120	**120**	120
Issued				
491 339 434 (2017: 491 339 434) "B" class ordinary	**30**	30	**30**	30
share premium	**403 147**	403 147	**403 147**	403 147
	403 177	403 177	**403 177**	403 177

19. RESERVES

A capital redemption reserve fund arose when a subsidiary had a share buy-back in the prior years.

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Capital redemption reserve fund	**8 034**	8 034	**–**	–
Foreign currency translation reserve	**–**	(4)	**–**	–
	8 034	8 030	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

20. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Held at amortised cost				
Bank borrowings	**27 147**	64 990	**20 833**	50 833

Included in bank borrowings are the following:

A loan facility amount of R50m was drawn by the Company during the year under review. The loan amount is secured by R50m guarantees from Premier Fishing SA (Pty) Ltd, AYO Technology Solutions Ltd and Health Systems Technologies (Pty) Ltd, bears interest at one-month Johannesburg inter-bank agreed rate (Jibar) with a margin of 3.75% (five-year tenure) per annum. The loan is repayable within five years.

Financial covenants applicable to the entity are as follows:

- Interest cover ratio;
- Leverage ratio; and
- Guarantor contribution test.

No breaches to financial covenants occurred during the year.

An instalment sale agreement with a balance of R2.5m is secured by a guarantee for R7.3m jointly by African Equity Empowerment Ltd and Magic 828 (Pty) Ltd, as well as the assets with a carrying amount of R6 139 889 (2017: R5 275 858) (refer to note 3) will serve as collateral in relation to the agreement. The loan bears interest at the prime lending rate amounting to R324 232 (2017: R437 274) and is repayable in instalments of R113 520 inclusive of capital and interest. The loan is repayable on 1 October 2020.

Project finance with a balance of R6.3m (2017: R8.7m) was obtained in the prior year. The interest rate charged on the loan at 31 August 2017 is 9.952%. The loan is repayable in monthly instalments of R203 333 ending on 31 March 2021. African Equity Empowerment Investments Ltd has provided a limited guarantee for the loan to Absa Bank Ltd.

A loan facility of R20m was drawn in the prior year with Absa in order to fund the technology division's acquisitions. The interest rate charged on the loan at 31 August 2017 is quarterly at Jibar + 3.64%. The loan amount was secured by R20m guarantees from African Equity Empowerment Investments Ltd. The loan has been fully repaid during the year.

Financial covenants applicable to the entity are as follows:

- Interest cover ratio;
- EBITDA; and
- Guarantor contribution test.

No breaches to financial covenants occurred during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

20. OTHER FINANCIAL LIABILITIES (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Held at amortised cost (continued)				
Redeemable cumulative preference shares	**173 769**	186 190	**–**	-
The A preference shares to Rand Merchant Bank accrued interest at 82.5% of the prime interest rate with a balance of R109m.				
The B preference shares to Pioneer Foods accrued interest at 99% of the prime interest rate with a balance of R109m (2017: R105m). Interest accrued is R9.7m (2017: R9.5m).				
In the prior year, Investec Bank Ltd subscribed to 213 019 cumulative preference shares in Bowwood and Main No 180 (Pty) Ltd. Effective date of the transaction was the date of signature, reflected as 29 October 2015. Preference share dividend rate is equal to 80% of the prime interest rate. Default preference share dividend rate is 2.3% above the Preference Share Dividend Rate should a trigger event occur and not be remedied. The balance is R6.5m (2017: R81m), interest R6.6m (2017: R8.5m).				
A voluntary redemption of 31 541 shares occurred on 2 July 2017 amounting to R15 565 500 (2017: R15 770 500) The remaining preference shares held as at 31 August 2018 amounted to R64 281 500.				
RVB Distributors and Orleans Distributors	**6 690**	23 155	**–**	–
The loans are because of purchases of shares and stock in subsidiaries. The loans are repayable in three tranches from June 2017.				
The portion of the loans relating to shares is charged interest at prime rate at 31 August 2018. The interest rate on the upcoming tranches is paid at prime. The tranches are repayable in May 2019.				
The portion of the loan relating to stock is charged interest at prime at 31 August 2018. The first tranche payment, made during the year, was at an interest rate of 6% per annum. The tranches are repayable in May 2018 and May 2019.				
RAC Investment Holdings (Pty) Ltd	**12 790**	–	**–**	–
The loans are unsecured, bear interest at prime rate and have no fixed repayment terms.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

20. OTHER FINANCIAL LIABILITIES (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Held at amortised cost (continued)				
Loans from minorities	**846**	9 952	**1 820**	4 383
The loans are unsecured, bear interest at rates agreed between parties and have no fixed repayment terms.				
Kaqala Media (Pty) Ltd	**–**	6 107	**–**	–
The loan is unsecured, bears no interest and has no fixed terms of repayment. The loan has been taken over by RAC Investment Holdings (Pty) Ltd during the year.				
Other borrowings	**5 478**	2 460	**43**	54
Other borrowings are unsecured, bear interest at rates agreed between parties, have no fixed repayment terms and consist of loans to directors and other entities.				
Included in the amount is a liability in relation to medical aid costs of retired employees. This is calculated taking into account the current medical aid contribution, the life expectancy of the employees and a discount rate of 6% to calculate the present value of the obligation.				
	226 720	292 854	**22 696**	55 270
Non-current liabilities				
Non-current portion of financial liabilities	**208 392**	245 622	**10 833**	34 946
Current liabilities				
Current portion of financial liabilities	**18 328**	47 232	**11 863**	15 941
	226 720	292 854	**22 696**	50 887
Secured	**207 607**	257 288	**20 833**	50 833
Unsecured	**19 113**	35 566	**43**	54
	226 720	292 854	**20 876**	50 887
The following represents the carrying value of the security for those borrowings:				
Property, plant and equipment	**23 801**	149 832	**–**	–
Biological assets	**68 021**	54 323	**–**	–
Trade and other receivables	**121 678**	81 981	**–**	–
Floating rates	**33 838**	175 128	**20 876**	50 887
Fixed rates	**173 769**	105 315	**–**	–
Interest free	**8 144**	12 411	**–**	–
Weighted average effective interest rate (%)	**13**	10	**92**	37

At 31 August 2018, the carrying amount of borrowings approximates their fair value. Non-current interest-free borrowings approximate the amounts demandable. The effect of discounting is immaterial.

There were no loan defaults during the year, nor in the prior year. Funding in relation to preference shares reflected above are ring fenced.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

20. OTHER FINANCIAL LIABILITIES (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Reconciliation of cash flows				
The cash flow effect of other financial liabilities are as follows:				
Repayment of other financial liabilities	**(80 573)**	(44 787)	**(33 923)**	(14 880)
Proceeds from other financial liabilities	**20 492**	45 519	**13 000**	19 995
Finance costs and other	**(6 053)**	26 531	**(11 651)**	4 903
Movement	**(66 134)**	27 263	**(32 574)**	10 018

21. FINANCE LEASE LIABILITIES

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Minimum lease payments due				
– within one year	**–**	425	**–**	–
– in second to fifth year inclusive	**–**	2 714	**–**	–
	–	3 139		–
Less: future finance charges	**–**	(331)	**–**	–
Present value of minimum lease payments	**–**	2 808		
Present value of minimum lease payments due				
– within one year	**–**	259	**–**	–
– in second to fifth year inclusive	**–**	2 549	**–**	–
	–	2 808	**–**	–
Non-current liabilities	**–**	2 549	**–**	–
Current liabilities	**-**	259	**–**	–
	–	2 808	**–**	–

It is Group policy to purchase certain motor vehicles under finance leases.

The average lease term is two to five years and the average effective borrowing rate is 10.5% (2017: 10.5%). Interest rates are linked to prime bank overdraft interest rate at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. It is Group policy to lease certain property motor vehicles and equipment under finance leases.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The carrying amount of the motor vehicles under finance lease amounts to R197 000 (2017: R348 000).

Defaults and breaches

There have been no defaults of breaches during the year under review.

22. OPERATING LEASE LIABILITY

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Non-current liabilities	**(213)**	(1 274)	**–**	–
Current liabilities	**–**	(226)	**–**	–
	(213)	(1 500)	**–**	–

The lease accrual is based on lease smoothing of rental amounts for premises utilised by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

23. PROVISIONS

Reconciliation of provisions – Group – 2018

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Provision for facilitation fees	4 952	–	(4 952)	–	–
Provision for VAT	2 405	–	–	–	2 405
Maintenance provision	1 249	–	(625)	–	624
Provision for leave pay	6 495	–	(4 631)	–	3 292
Provision for salary bonuses	9 498	7 786	(10 309)	–	7 786
Profit warranties	473	–	–	(473)	–
Other provisions	3 381	13 285	–	(3 381)	13 285
	28 543	21 071	(20 517)	(3 854)	27 392

Reconciliation of provisions – Group – 2017

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Provision for facilitation fees	6 271	–	(1 319)	–	4 952
Provision for VAT	2 216	189	–	–	2 405
Provision for maintenance	–	1 249	–	–	1 249
Provision for leave pay	6 314	5 514	(5 240)	(93)	6 495
Provision for salary bonuses	9 212	7 193	(6 907)	–	9 498
Profit warranties	424	446	–	(397)	473
Other provisions	3 383	3 467	(3 969)	–	3 381
	28 320	18 058	(17 435)	(490)	28 453

* *Other provisions in the current year mainly relates to commission and maintenance, as well as sundry provisions raised in the fishing and brands division.*

Reconciliation of provisions – Company – 2018

	Opening balance	Additions	Utilised during the year	Total
Provision for facilitation fees	4 952	–	(4 952)	–
Provision for leave pay	353	371	–	724
Provision for salary bonuses	1 459	3 683	(1 469)	3 673
	6 764	4 054	(6 421)	4 397

Reconciliation of provisions – Company – 2017

	Opening balance	Additions	Utilised during the year	Total
Provision for facilitation fees	6 271	–	(1 319)	4 952
Provision for leave pay	375	353	(375)	353
Provision for salary bonuses	2 000	1 459	(2 000)	1 459
	8 646	1 812	(3 694)	6 764

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

23. PROVISIONS (CONTINUED)

Profit warranties are provisions relating to the acquisition of investments where there are contingent payments based on profit targets.

The provision for VAT relates to an ongoing VAT dispute with the South African Revenue Service for an amount that may potentially be paid at an unknown time.

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to reporting date and the Group's leave policy. The above provisions represent management's best estimate of the Group's liability based on prior experience.

The provision for bonuses is provided for when they accrue to employees with reference to services rendered up to the statement of financial position date. The provision represents management's best estimate of the Group's liabilities based on prior experience.

Other provisions mainly comprise municipal electricity, rates and levies relate to expenses incurred by the Group for electricity usage, rates and taxes. The actual bill was not yet received at year-end, therefore management estimated the amount of the provision based on estimated usage and charge rates from the previous month. The provision represents management's best estimate of the Group's liability on expected cash flows as at 31 August 2018.

24. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade payables	50 715	116 495	5 080	5 768
Amounts due to related parties	68	–	–	–
Amounts received in advance	4 425	7 133	–	–
Value added tax	2 912	6 875	–	242
*Other payables	35 107	19 059	12	161
Accrued expenses	12 588	20 107	3 903	3 418
Deferred income	178	315	–	–
	105 993	169 984	8 995	9 589

Fair value of trade and other payables

The fair value of trade and other payables approximates the carrying value due to their short-term nature.

* *Other payables consist of amounts owing to the South African Revenue Service and contract accruals.*

25. REVENUE

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Sale of goods	573 442	456 227	–	–
Rendering of services	95 819	90 324	13 270	29 186
Interest income	–	–	21 453	26 204
Dividends income	31 435	30 056	42 563	46 122
Discount allowed	(5)	–	–	–
	700 691	576 607	77 286	101 512

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

26. COST OF SALES

	Note	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Sales of goods					
Cost of goods sold		**235 545**	174 725	**–**	–
Rendering of services					
Cost of goods sold		**111 154**	115 080	**–**	–
Other					
Employee costs – salaried staff and other costs		**63 493**	48 821	**–**	–
		410 192	338 626	**–**	–

27. OTHER INCOME

	Note	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Administration and management fees received		**4 173**	191	**–**	–
Bad debts recovered		**4**	–	**–**	–
Recoveries		**1 187**	1 250	**–**	–
Other income*		**3 227**	300	**57 736**	6 068
Discounts received		**–**	4	**–**	–
Profit on exchange differences		**2 876**	–	**–**	–
		11 467	1 745	**57 736**	6 068

* *Other income for Company includes R57m from corporate finance fees.*

28. GAIN ON DEEMED DISPOSAL OF SUBSIDIARY

After the AYO listing date, 21 December 2017, AEEI had the ability to control the relevant activities of AYO based on its representation on the AYO board up to 21 February 2018, where after discussions were held with the shareholders of AYO to restructure the board to comprise majority independent non-executive directors from this date. AEEI management therefore accounted for the deemed disposal as at 21 February 2018 as the Company no longer had the ability to unilaterally direct the relevant activities over AYO. However, the above facts and events were not conclusive as a result of the delay in the board being restructured and a final deemed disposal date of 24 August 2018 was considered as the loss of control date when the board of directors was reconstituted.

On 24 August 2018, the AYO investment became an associate as the Group relinquished control over AYO and was equity accounted from this date when all the criteria in relation to significant influence under IAS 28 have been met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

28. GAIN ON DEEMED DISPOSAL OF SUBSIDIARY (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
The deemed disposal is as follows:				
Carrying value of assets disposed				
Property, plant and equipment	(7 170)	–	–	–
Intangible assets	(17 742)	–	–	–
Goodwill	(33 562)	–	–	–
Investment in joint venture	(33)	–	–	–
Other financial assets	(80 000)	–	–	–
Loans and receivables	(11 908)	–	–	–
Inventories	(12 378)	–	–	–
Trade and other receivables	(195 259)	–	–	–
Bank	(4 303 642)	–	–	–
Current tax receivable	(80)	–	–	–
Other financial liabilities	2 094	–	–	–
Deferred tax	(5 833)	–	–	–
Operating lease liability	19	–	–	–
Trade payables	138 466	–	–	–
Current tax payable	37 438	–	–	–
Provisions	14 759	–	–	–
Total net assets derecognised	(4 474 831)	–	–	–
Amended as follows:				
Derecognise non-controlling interest	5 767 589	–	–	–
Fair value of remaining interest	4 756 271	–	–	–
Gain on deemed disposal of subsidiary	6 049 029	–	–	–
Reconciliation of cash flow:				
Cash flows from investing activities:				
Gain on deemed disposal	(4 303 642)	507 518*	–	–
Cash flows from financing activities:				
AYO proceeds on share issue	4 343 594	–	–	–
Listing costs capitalised	(78 314)	–	–	–
Inter-group listing cost	57 700	–	–	–
Change in ownership	4 322 980	507 518	–	–

* *This was not a deemed disposal, reflected for cash flow purposes, however reflects capital raised.*

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

29. NET IMPAIRMENT AND IMPAIRMENT REVERSALS

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Material impairment losses (recognised)/reversed				
Loans to Group companies	**–**	–	**(98 113)**	(1 740)
The Group assesses the recoverability of loans by performing annual cash flow forecasts for its subsidiaries (CGUs) over a five-year period. This process forms the basis of testing the recoverability of loans advanced to Group companies.				
The recoverable amounts for African Biomedical and Medical Innovation, Bioclones (Pty) Ltd, Ribotech (Pty) Ltd, Tripos Travel (Pty) Ltd and loans to Group companies were less than their carrying amounts and were therefore impaired.				
The recoverable value was based on the present value of expected cash inflows over a five-year period. Management's key assumptions include stable profit margins, based on past experience in the market with reference to cash flow assumptions. The Group's management believes that this is the best available input for the purposes of forecasting the cash flows.				
The following assumptions were used:				
Pre-tax discount rates: 19.31% – 35.21% Number of years: 0 – 5 years Growth rate: 4.5%				
Loans to Group companies	**–**	–	**2 253**	36 133
The impairment reversal relates to Afrinat (Pty) Ltd (previously Wynberg Pharmaceuticals (Pty) Ltd) in the current year and African Biotechnological and Medical Innovation Investments (Pty) Ltd in the prior year. The reversal was due to the recoverable amount exceeding the carrying amount of these loans.				
The same assumptions were applied as reflected above.				
Other loans receivable	**(528)**	(2 605)	**(1 789)**	(2 605)
Current year and prior year impairment reversal relates to previous amount impaired being recovered and written off during the current year, which resulted in the reversal of impairment of the health care assets and the loan with Cape Media Corporation CC has been written off during the current period under review upon their shares being purchased by RAC Investment Holdings (Pty) Ltd.				
	(528)	(2 605)	**(97 646)**	31 788

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

29. NET IMPAIRMENT AND IMPAIRMENT REVERSALS (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Significant goodwill or significant intangible assets with indefinite useful lives				
Goodwill	**(6 979)**	–	**–**	–

The Group performs an annual impairment test on goodwill based on CGUs. The recoverable amount for each of the CGUs to which goodwill is allocated has been determined based on the value in use using the discounted cash flow method. Goodwill has been allocated to each CGU as indicated in note 4. During the current period under review the intangible assets of the biotechnology division were impaired and the recoverable amount of the CGU for the biotechnology division is now less than the carrying amount.

The following are the principal assumptions that were used to calculate the recoverable amounts for each CGU, based on previous experience:

Management's key assumptions include stable profit margins, based on past experience in the market with reference to cash flow assumptions. The Group's management believes that this is the best available input for the purposes of forecasting the cash flows.

Fishing and brands division

Pre-tax discount rates: 15.01% – 22.79%
Number of years: 5
Growth rate: 4.5%

Events and tourism division

Pre-tax discount rates: 19.31% – 30.19%
Number of years: 5
Growth rate: 4.5%

Health and beauty division

Pre-tax discount rates: 16.11% – 30.25%
Number of years: 5
Growth rate: 4.5%

Biotechnology division

Pre-tax discount rates: 29.63%
Number of years: 5 – 10
Growth rate: 4.5%

For further details on segmental information refer to note 51.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

29. NET IMPAIRMENT AND IMPAIRMENT REVERSALS (continued)

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Intangible asset with indefinite useful life (name)	**(132 812)**	–	**–**	–
The following are the principal assumptions that were used to calculate the recoverable amounts for each CGU, based on previous experience:				
Management's key assumptions include stable profit margins, based on past experience in the market with reference to cash flow assumptions. The Group's management believes that this is the best available input for the purposes of forecasting the cash flows.				
Refer to note 4 for the allocation of the CGU's goodwill, which was specifically assessed per individual CGU for impairment.				
Fishing and brands division				
Pre-tax discount rates: 15.01% – 22.79% Number of years: 5 Growth rate: 4.5%				
Events and tourism division				
Pre-tax discount rates: 19.31% – 30.19% Number of years: 5 Growth rate: 4.5%				
Health and beauty division				
Pre-tax discount rates: 16.11% – 30.25% Number of years: 5 Growth rate: 4.5%				
Biotechnology division				
Pre-tax discount rates: 29.63% Number of years: 5 – 10 Growth rate: 4.5%				
For further details on segmental information refer to note 46.				
	(139 791)	–	**–**	–
Total impairment losses (recognised)/reversed	**(140 319)**	(2 605)	**(97 646)**	31 788

30. GAIN ON SALE OF BUSINESS

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Gain on sale of business	**1 985**	6 019	**–**	–

The gain on disposal represents the disposal of businesses in the technology division. Current year amounts relate to World Wide Creative (Pty) Ltd and Emergent Energy (Pty) Ltd. Prior year amounts related to Software Tech Holdings (Pty) Ltd (previously Saratoga Software (Pty) Ltd).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

31. GAIN ON BARGAIN PURCHASE

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Gain on bargain purchase	**952**	11 755	**–**	–

During the prior year, the Group acquired the going concern of both RVB Distributors CC and Orleans Distributors CC respectively. As the net assets acquired exceeded the consideration payable, a gain on bargain purchase was recognised.

In the current year, the gain related to the prior warranties for the acquisition of Orleans which was corrected in the current year.

32. FAIR VALUE ADJUSTMENTS

Breakdown of fair value adjustments	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Listed shares	**(33 098)**	(80 395)	**4 321 286**	(424 743)
Unlisted shares	**27 684**	615 478	**(48 733)**	521 330
	(5 414)	535 083	**4 272 553**	96 587

33. PROFIT BEFORE TAX

Profit before tax for the year is stated after charging/(crediting) the following material items, among others:

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Employee costs				
Salaries, wages, bonuses and other benefits	**161 243**	113 274	**15 079**	6 739
Total employee costs	**161 243**	113 274	**15 079**	6 739
Less: employee costs included in cost of merchandise sold and inventories	**(63 495)**	(48 821)	**–**	–
Total employee costs expensed	**97 748**	64 453	**15 079**	6 739

34. INVESTMENT INCOME

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Interest income				
Bank and other cash	**32 447**	20 496	**1 242**	68
Outside quota holders	**–**	651	**–**	–
Other interest	**974**	649	**583**	–
	33 421	**21 796**	**1 825**	**68**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

35. FINANCE COSTS

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Group companies	–	–	10 440	13 007
Shareholders	848	–	–	–
Non-current borrowings	743	510	–	–
Financial liabilities	21 241	23 651	4 103	5 022
Bank	7 823	2 375	4 358	645
Late payment of tax	125	1 013	–	–
Other interest paid	59	3	–	–
Total finance costs	30 839	27 552	18 901	18 674

36. TAXATION

Major components of the tax expense

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Current				
Local income tax – current period	33 298	27 658	1 064	138
Local income tax – recognised in current tax for prior periods	536	202	(123)	(140)
	33 834	27 860	941	(2)
Deferred				
Originating and reversing temporary differences	1 028 955	115 880	957 269	23 731
	1 062 789	143 740	958 210	23 729

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

36. TAXATION (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	GROUP		COMPANY	
	2018 %	2017 %	2018 %	2017 %
Applicable tax rate	**28.00**	28.00	**28.00**	28.00
Effect on associate profit or loss	**(0.96)**	(1.24)	**0.00**	0.00
Effect on capital gain inclusion in relation to fair value adjustments	**0.02**	(4.40)	**(6.77)**	(3.16)
Investment revenue	**(0.52)**	(0.57)	**(1.05)**	(9.01)
Net impairments	**2.20**	0.12	**2.40**	(4.85)
Legal fees	**0.08**	0.36	**0.02**	0.21
Audit and accounting fees	**0.00**	0.03	**0.01**	0.34
Donations and corporate social investment	**0.05**	0.02	**0.02**	0.08
Consulting fees	**0.10**	0.10	**0.03**	0.49
Circular fees	**0.00**	0.01	**0.01**	0.01
Secretarial fees	**0.00**	0.01	**0.00**	0.03
Listing fees	**0.00**	0.01	**0.01**	0.05
Sale of business	**0.00**	(0.05)	**0.00**	0.00
Deemed disposal of subsidiaries	**(11.30)**	0.00	**0.00**	0.00
Sponsorship fees	**0.00**	0.01	**0.00**	0.05
Fines and charges	**0.01**	0.00	**0.00**	0.01
Gain on bargain purchase	**0.00**	(0.49)	**0.00**	0.00
Prior period under/over provision	**0.00**	0.03	**0.01**	(0.11)
Enterprise development	**0.00**	0.00	**0.00**	0.04
Utilisation of tax losses	**0.00**	(0.06)	**0.00**	0.00
Prior year correction of deferred tax	**0.00**	0.00	**0.00**	0.76
Movement in unrecognised tax losses	**0.00**	0.88	**0.00**	0.00
Amount per income tax note	**17.68**	22.77	**22.69**	12.94

Taxation

Various subsidiaries have incurred operating losses which result in losses for tax purposes. Deferred tax assets have been raised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Deductible temporary differences, unused tax losses and unused tax credits for the Group in which no deferred tax asset has been recognised amount to R252 286 762 (2017: R289 526 281) and unrecognised deferred tax asset amounts to R70 640 293 (2017: R81 067 359).

The estimated tax loss for the Group available for set-off against future taxable income is R332 258 515 (2017: R301 550 212).

Reconciliation of movement in deferred tax

The following reflects the movement in deferred tax:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Balance sheet deferred tax movement	**(1 075 631)**	88 324	**(957 442)**	(23 731)
Business combinations	**35 888**	12 543	**–**	–
Deemed disposal of subsidiary	**5 833**	–	**–**	–
Prior year correction of deferred tax	**4 955**	(1 586)	**173**	–
Transfer of deferred tax to investment in associate	**–**	(213 283)	**–**	–
Amount per income tax note	**1 028 955**	114 002	**957 269**	23 731

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

37. EARNINGS PER SHARE

Basic earnings per share

		2018 Gross R'000	2018 Net R'000	2017 Gross R'000	2017 Net R'000
Earnings attributable to ordinary equity holders of the parent entity	IAS 33		**4 908 218**		453 523
Discontinued operations			**83 846**		23 562
Net earnings			**4 992 064**		477 085
Earnings attributable to ordinary equity holders of the parent			**4 992 064**		477 085
Reversal of impairment of intangible assets	IAS 38	**132 812**	**95 625**		–
Gain on disposal of associate	IAS 28	**(1 491)**	**(1 491)**		–
Loss on disposal of subsidiary		**1 985**	**1 985**		–
Gain on deemed disposal of subsidiary/business	IFRS 10	**(6 049 029)**	**(4 983 624)**	(6 019)	(4 334)
Gain on bargain purchase	IFRS 10	**(952)**	**(952)**	(11 898)	(8 567)
Loss on disposals of property, plant and equipment	IAS 16	**4 918**	**3 541**	2 844	2 048
Impairment of goodwill	IFRS 3	**11 937**	**11 937**		–
Headline earnings			**119 085**		466 232
Continued operations			**34 745**		442 670
Discontinued operations			**84 340**		23 562
Weighted average number of shares ('000)			**491 339**		491 339
Fully diluted weighted average number of shares ('000)			**491 339**		491 339
Based earnings and diluted earnings per (cents)			**1 016.01**		97.10
Continuing operations			**998.95**		92.30
Discontinued operations			**17.06**		4.80
Headlines earnings and diluted earnings and diluted earnings per share (cents)			**24.24**		94.89
Continuing operations			**7.07**		90.09
Discontinued operations			**17.17**		4.80

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

38. CASH GENERATED FROM/(USED IN) OPERATIONS

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Profit before taxation	**6 010 650**	631 338	**4 222 167**	183 426
Adjustments for:				
Depreciation and amortisation	**25 517**	22 281	**175**	85
Losses on disposals of assets	**266**	2 844	**–**	–
(Gains)/losses on foreign exchange	**(420)**	3 938	**–**	–
Income from equity-accounted investments	**(57 914)**	(30 203)	**–**	–
Dividend income	**(31 434)**	(30 064)	**(42 563)**	(46 122)
Non-cash dividends and interest received	**–**	–	**28 590**	–
Interest income	**(33 421)**	(23 902)	**(1 825)**	(68)
Finance costs	**31 217**	28 267	**18 901**	18 674
Fair value losses/(gains)	**5 414**	(535 083)	**(4 272 553)**	(96 587)
Gain on bargain purchase in a business combination	**(952)**	(11 755)	**–**	–
Impairment losses and reversals	**140 319**	2 605	**97 646**	(31 788)
Movements in operating lease assets and accruals	**(1 268)**	(1 382)	**–**	–
Movements in provisions	**3 962**	2 528	**(2 367)**	(1 882)
(Gain)/loss on disposal of business and subsidiary	**1 491**	(6 019)	**–**	–
Gain on disposal of subsidiary	**(1 985)**	–	**–**	–
Gain on deemed disposal of subsidiary	**(6 049 029)**	–	**–**	–
Profit before tax of discontinued operation*	**208 671**	46 599	**–**	–
Share-based payment transaction	**11 808**	–	**–**	–
Changes in working capital				
Inventories	**20 640**	(5 078)	**–**	–
Trade and other receivables	**(133 532)**	(47 376)	**(6 627)**	5 038
Prepayments	**1 659**	141	**–**	–
Biological assets	**(13 569)**	(6 154)	**–**	–
Trade and other payables	**36 173**	29 953	**(594)**	3 773
	174 263	73 478	**40 950**	34 549

39. TAX PAID

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Balance at the beginning of the year	**(30 915)**	(8 441)	**992**	86
Current tax for the year recognised in profit or loss	**(68 067)**	(41 027)	**(941)**	2
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	**2 094**	(1 093)	**–**	–
Balance at the end of the year	**19 801**	30 915	**(1 827)**	(992)
	(77 087)	(19 646)	**(1 776)**	(904)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

40. RELATED PARTIES

Relationships	
Holding company	Sekunjalo Investment Holdings (Pty) Ltd
Subsidiaries	Refer to note 49
Joint arrangements	Refer to note 47
Associates	Refer to note 48

Members of key management personnel:

Key management personnel include the members of the Board, members of the Group, executive committee, business executives and managers. Non-executive directors are included in the definition of key management personnel as well as any close family members of such persons and any entity over which key management exercises control, joint control or significant influence.

Associate of close family member of key management (common controlled entity)	Cape Sunset Villas Sekunjalo Development Foundation The Surve Family Foundation Independent Newspapers Foundation African News Agency (Pty) Ltd Independent News and Media (Pty) Ltd Sekunjalo Capital Pty Ltd 3 Laws Capital (Pty) Ltd

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Related party balances				
Loan accounts – owing (to)/by related parties				
Subsidiaries	**–**	–	**(94 142)**	(89 962)
Subsidiaries	**–**	–	**208 814**	233 496
Holding company	**9 524**	7 276	**9 404**	8 067
Key management	**–**	–	**(43)**	(54)
Joint arrangements	**–**	1 558	**–**	(169)
Key management	**–**	1 146	**–**	–
Amounts included in trade receivable/(trade payable) regarding related parties				
Holding company	**(6)**	(888)	**(6)**	(776)
Holding company	**21**	–	**21**	–
Subsidiaries	**–**	–	**(8 024)**	(3 442)
Subsidiaries	**–**	–	**5 311**	1 866
Common controlled entity	**(453)**	(65)	**(120)**	–
Common controlled entity	**145**	–	**7**	–
Associate	**4 315**	–	**4 315**	–
Joint arrangements		5 574	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

40. RELATED PARTIES (continued)

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Related party transactions				
Interest paid to/(received from) related parties				
Subsidiaries	–	–	(17 939)	(25 606)
Subsidiaries	–	–	10 440	13 007
Associate	–	–	766	–
Key management	–	–	1	–
Holding company	(793)	(598)	(793)	(598)
Administration fees and corporate finance fees paid to/(received from) related parties				
Subsidiaries	–	–	(6 101)	(29 644)
Associates	–	–	(64 903)	–
Other transactions with related parties				
Common controlled entities	5 060	10 868	(489)	528
Common controlled entities	(6 996)	(23 974)	859	(1 377)
Joint arrangements	–	(651)	–	–
Subsidiaries	–	–	(26 751)	20 871
Holding company	(1 653)	2 776	(1 653)	2 000
Subsidiaries	–	–	–	(7 771)
Key management		27	–	–
Compensation to directors and other key management				
Salaries and short-term employee benefits	44 241	47 692	8 324	5 604
Pension and provident fund contribution	1 783	1 341	969	661
Travel allowance	29	164	–	135
Bonus	5 928	2 835	3 871	1 635
Medical aid contributions	152	63	123	50

41. DIRECTORS' EMOLUMENTS

Executive

2018	Emoluments R'000	Bonus R'000	Provident fund R'000	Expense allowance R'000	Total R'000
K Abdulla	3 209	2 400	391	60	6 060
CR Ah Sing	1 210	245	171	18	1 644
CF Hendricks	899	412	189	17	1 517
AM Salie	1 687	814	218	28	2 747
	7 005	3 871	969	123	11 968

2017	Emoluments R'000	Bonus R'000	Provident fund R'000	Expense allowance R'000	Total R'000
K Abdulla	2 373	1 250	324	38	3 985
CR Ah Sing	1 152	180	157	15	1 504
CF Hendricks	801	205	180	15	1 201
	4 326	1 635	661	68	6 690

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

41. DIRECTORS' EMOLUMENTS (continued)

Service contracts

Non-executive

2018	Directors' fees	Total
Reverend Dr VC Mehana	425	425
*S Young	364	364
JM Gaomab	212	212
AB Amod	852	852
**Adv Dr NA Ramatlhodi	106	106
	1 959	1 959

Mr TT Hove and Ms Z Barends waived their non-executive director fees.

* *Mr S Young's remuneration only reflects his time served on the Board, from 1 September 2017 to 21 February 2018.*

** *Advocate Dr NA Ramatlhodi's remuneration only reflects his time served on the Board, from 7 March to 31 August 2018.*

2017	Directors' fees	Total
Reverend Dr VC Mehana	397	397
S Young	340	340
JM Gaomab	198	198
AB Amod	198	198
	1 133	1 133

Mr TT Hove and Ms Z Barends waived their non-executive director fees.

42. RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9, 10, 20 and 21 cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities.

Financial risk management

Fair value

The carrying amounts of the Group's financial instruments approximate their fair values as carried in the financial statements.

The directors monitor the fair value of financial assets by forecasting expected cash flows in respect of the financial assets. Where cash flows cannot be adequately demonstrated over a five-year period, the terms of the financial assets are reviewed and renegotiated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

42. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The following policy and procedures are in place to mitigate the Company's exposure to liquidity risk.

The Group's liquidity risk is managed by holding financial assets for which there is a liquid market and holding deposits at recognised financial institutions to meet any negotiated upcoming liquidity requirements. There has been no change in the Group liquidity risk management policy.

GROUP

At 31 August 2018	Up to 1 year R'000	2 to 5 years R'000	Total R'000
Bank overdraft	35 783	–	35 783
Trade and other payables	105 993	–	105 993
Other financial liabilities	18 328	208 392	226 720

At 31 August 2017	Up to 1 year R'000	2 to 5 years R'000	Total R'000
Bank overdraft	44 522	–	44 522
Trade and other payables	169 984	–	169 984
Finance lease obligations	259	2 549	2 808
Other financial liabilities	47 232	245 622	292 854

COMPANY

At 31 August 2018	Up to 1 year R'000	2 to 5 years R'000	Total R'000
Bank overdraft	35 783	–	35 783
Trade and other payables	8 995	–	8 995
Other financial liabilities	11 863	10 833	22 696

At 31 August 2017	Up to 1 year* R'000	2 to 5 years R'000	Total R'000
Bank overdraft	23 427	–	23 427
Trade and other payables	9 589	–	9 589
Other financial liabilities	15 941	34 946	50 887

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

42. RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Company's exposure to market risk:

A Group market risk policy sets out the assessment and determination of what constitutes market risk for the Group. Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-linked liabilities. Limits are applied in respect of the exposure to asset classes and individual counters.

Compliance with the policy is monitored and exposures and breaches are reported.

Risk from biological assets

The Group is exposed to financial risks arising from diseases that may affect the abalone. Sufficient insurance cover is taken out to minimise any losses in the event of the above occurring.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group has no significant concentration of interest rate risk.

At 31 August 2018, if interest rates had been 0.1% higher or lower with all other variables held constant, post-tax profit for the year would have been R3 354 000 (2017: R1 985 584) lower or higher.

Cash flow interest rate risk

Inflation

The current assumed level of future expense inflation of 6%, after adjusting for internal and external factors, is based on the Reserve Bank's long-term inflation target of between 3% and 6%.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not hedge foreign exchange fluctuations.

At 31 August 2018, if the currency had been 10% higher or lower against the US dollar with all other variables held constant, post-tax profit for the year would have been R1 564 288 (2017: R2 506 614) higher or lower, mainly as a result of foreign exchange gains or losses on translation of US dollar-denominated trade receivables, financial assets at fair value through profit or loss.

Profit is more sensitive to movement in rand/US dollar exchange rates in 2018 than 2017 because of the increased amount of US dollar-denominated sales.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

42. RISK MANAGEMENT (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Foreign currency exposure at the statement of financial position date				
Current assets				
Trade debtors, USD102 830 (2017: USD71 395) receivable 31 August	**1 504**	926	**–**	–
Trade debtors, EUR148 269 (2017: EUR11 508)	**2 528**	177	**–**	–
Cash and cash equivalents, USD76 401 (2017: -USD104 096)	**1 114**	1 601	**–**	–
Cash and cash equivalents, -EUR586 (2017: -EUR1 885)	**10**	29	**–**	–
Liabilities				
Trade payables USD1 187 878 (2017: USD629 524)	**17 176**	8 175	**–**	–
Income in advance -USD40	**–**	3	**–**	–
Exchange rates used for conversion of foreign items were				
USD	12.97			
GBP	15.38			

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

Credit risk

Credit risk is managed on a Group basis.

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk consists mainly of cash deposits, cash equivalents, trade debtors and loans and other receivables. The Group only deposits cash with major banks having high-quality credit standing and limited exposure to any one counterparty. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Internal risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with criteria set by the Board. The utilisation of credit limits is regularly monitored.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board of directors. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty (i.e. limits are set for investments and cash deposits and minimum credit ratings for investments that may be held).
- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

Credit exposure

The maximum exposure to credit risk is the carrying amount of the financial assets as reflected on the statement of financial position at year-end as well as in relation to guarantees disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

43. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group – 2018	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Total R'000
Other financial assets	–	419 905	419 905
Trade and other receivables	164 157	–	164 157
Cash and cash equivalents	362 718	–	362 718
Other loans receivable	11 808	–	11 808
	538 683	419 905	958 588

Group – 2017	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Total R'000
Other financial assets	–	425 524	425 524
Trade and other receivables	195 050	–	195 050
Other loan receivables	35 137	–	35 137
Cash and cash equivalents	625 024	–	625 024
	855 211	425 524	1 280 735

Company – 2018	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Total R'000
Loans to Group companies	109 376	–	109 376
Other financial assets	–	63 669	63 669
Cash and cash equivalents	5 258	–	5 258
Investment in subsidiaries	–	1 807 762	1 807 762
Trade and other receivables	13 703	–	13 703
	128 337	1 871 431	1 999 768

Company – 2017	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Total R'000
Loans to Group companies	231 178	–	231 178
Other financial assets	–	51 438	51 438
Cash and cash equivalents	1 084	–	1 084
Investments in subsidiaries	–	2 303 034	2 303 034
Trade and other receivables	6 657	–	6 657
	238 919	2 354 472	2 593 391

Employee costs in advance, prepayments and VAT have been excluded from the trade receivables amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

44. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group – 2018	Financial liabilities at amortised cost R'000	Total R'000
Other financial liabilities	**226 720**	**226 720**
Trade and other payables	**105 993**	**105 993**
Bank overdraft	**35 783**	**35 783**
	368 496	**368 496**

Group – 2017	Financial liabilities at amortised cost R'000	Total R'000
Other financial liabilities	292 854	292 854
Trade and other payables	169 984	169 984
Bank overdraft	44 522	44 522
Finance lease obligation	2 808	2 808
	510 168	510 168

Company – 2018	Financial liabilities at amortised cost R'000	Total R'000
Loans from Group companies	**94 142**	**94 142**
Other financial liabilities	**22 696**	**22 696**
Trade and other payables	**8 995**	**8 995**
Bank overdraft	**35 783**	**35 783**
	161 616	**161 616**

Company – 2017	Financial liabilities at amortised cost R'000	Total R'000
Loans from Group companies	89 962	89 962
Other financial liabilities	50 887	50 887
Trade and other payables	9 589	9 589
Bank overdraft	23 427	23 427
	173 865	173 865

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

45. COMMITMENTS

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Authorised capital expenditure				
Already contracted for but not provided for				
– Authorised by directors and not yet contracted for	**101 757**	223 000	**–**	–
This committed expenditure relates to the abalone farm expansion and will be financed by available finance resources.				
Operating leases – as lessee/(expense)				
Smoothed lease payments due				
– within one year	**995**	6 798	**–**	–
– in second to fifth year inclusive	**2 170**	3 229	**–**	–
– later than five years	**–**	354	**–**	–
	3 165	10 381	**–**	–
Minimum lease payments due				
– within one year	**1 045**	7 753	**–**	–
– in second to fifth year inclusive	**2 522**	3 508	**–**	–
– later than five years	**–**	213	**–**	–

The fishing and brands division rents all its premises from Lexshell (Pty) Ltd and the Department of Public Works in terms of operating leases. The lease contract with Lexshell (Pty) Ltd is for a period of 25 years and escalating rentals are negotiated every five years. The lease contract with the Departments of Public Works is for a period of nine years and 11 months.

The events and tourism division operating lease payments represent rentals payable by the Company for certain of its office properties, and parking to Tripos Travel (Pty) Ltd and Magic 828 (Pty) Ltd. Leases are negotiated for an average term of five to 10 years and rentals are fixed, escalating at 7% to 10% per annum. No contingent rent is payable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

46. SEGMENTAL INFORMATION

2018	Fishing and brands R'000	Technology R'000	Telecommunication R'000	Combined technology and telecommunications R'000	Health and beauty R'000	Biotechnology R'000	Events and tourism R'000	Corporate R'000	Food R'000	Combined Corporate and Strategic Investments R'000	Group R'000
Revenue	490 870	–	–	–	46 961	–	123 716	110 624	6 661	117 286	778 833
External sales	490 859	–	–	–	46 961	–	121 576	34 634	6 661	41 295	700 691
Inter-group sales	11	–	–	–	–	–	2 140	75 991	–	75 991	78 142
Segment results											
Profit before tax	92 588	–	57 905	57 905	4 777	(153 285)	(6 321)	6 052 154	(37 168)	6 014 986	6 010 650
Profit from discontinued operations	–	159 533	–	159 533	–	–	–	–	–	–	159 533
Included in the segment results											
Net (impairments)/impairment reversals and write offs	–	–	–	–	(3)	(139 791)	–	(525)	–	(525)	(140 319)
Depreciation and amortisation	(14 685)	–	–	–	(198)	(2 226)	(211)	(2 658)	–	(2 658)	(19 978)
Gain on deemed disposal of subsidiary	–	–	–	–	–	–	–	6 049 029	–	6 049 029	6 049 029
Fair value adjustments	–	–	–	–	–	–	–	28 357	(33 771)	(5 414)	(5 414)
Investment revenue	31 186	–	–	–	115	19	243	1 857	–	1 857	33 421
Non-current assets	434 949	–	819 726	819 726	40 598	204 322	11 228	5 019 005	175 323	5 194 328	6 705 151
Current assets	614 575	–	20	20	19 775	(1 530)	17 611	6 568	106	6 674	657 125
Non-current liabilities	130 802	–	–	–	10 479	55 111	2 854	1 158 102	129 514	1 287 616	1 486 862
Current liabilities	147 744	–	24	24	8 595	746	11 393	41 863	–	41 863	210 365
Profit from associates	–	–	57 914	57 914	–	–	–	–	–	–	57 914
Capital expenditure	116 400	–	–	–	–	–	70	224	–	224	116 694

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

46. SEGMENTAL INFORMATION (continued)

2017	Fishing and brands R'000	Tech-nology R'000	Tele-commu-nication R'000	Com-bined tech-nology and tele-commu-nications R'000	Health and beauty R'000	Bio-tech-nology R'000	Events and tourism R'000	Corporate R'000	Food R'000	Com-bined Corporate and Strategic Invest-ments R'000	Group R'000
Revenue	410 694	–	–	–	14 886	99	124 235	130 611	5 889	136 500	686 414
External sales	407 814	–	–	–	14 886	99	118 813	29 106	5 889	34 927	576 607
Intergroup sales	2 880	–	–	–	–	–	5 422	101 578	–	101 573	109 880
Segmental results											
Profit before tax	94 745	–	569 963	569 963	10 647	(13 162)	(1 196)	49 440	(79 099)	(29 659)	631 338
Profit from discontinued operations	–	41 074	–	41 074	–	–	–	–	–	–	41 074
Included in the segment results											
Net (impairments)/impairment reversals and write offs	–	–	–	–	–	–	–	(2 605)	–	(2 605)	(2 605)
Depreciation and amortisation	(14 262)	–	–	–	(73)	(2 260)	(239)	(1 451)	–	(1 451)	(18 285)
Gain on bargain purchase	–	–	–	–	11 898	–	–	–	–	–	11 898
Gain on disposal of subsidiaries/business	–	–	–	–	–	–	–	–	–	–	–
Fair value adjustments	–	–	570 000	570 000	–	–	286	40 184	(75 387)	(35 203)	535 083
Investment revenue	21 340	2 098	–	2 098	15	8	304	89	–	89	23 854
Non-current assets	156 119	83 205	780 559	863 764	40 365	349 706	10 207	225 961	209 091	435 053	1 855 213
Current assets	706 873	213 958	6	213 964	17 756	3 337	19 160	5 806	44	5 850	966 940
Non-current liabilities	89 957	14 368	–	14 368	16 798	91 066	720	114 571	133 817	248 393	461 302
Current liabilities	88 181	142 506	34	142 540	19 245	3 955	16 090	52 360	–	52 360	322 371
Profit from associates	–	–	30 814	30 814	(82)	–	–		–	–	30 732
Capital expenditure	17 543	–	–	–	–	16	89	135	–	135	17 783

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

46. SEGMENTAL INFORMATION (continued)

SEGMENTAL ANALYSIS

Information on geographical regions

The operations of the Group are domiciled in South Africa. A total of 56% (2017: 28%) of external revenue is attributable to foreign sales from the Far East and United States of America 34% (2017: 22%) and Europe 22% (2017: 6%).

Information on customers

All of the Group's sales come from the private sector (2017: 64%). Major customers in the fishing and brands division account for 25% of the Group's revenue for the year.

Additional information

During the year, the Group purchased an investment forming part of the fishing and brands division.
Refer to note 50 – Business combinations.

47. INFORMATION ON JOINT ARRANGEMENTS

The Premier – BCP Hake Joint Venture is a jointly controlled operation with Blue Continental Products (Pty) Ltd. The operation is engaged in the catching, processing and marketing of Premier Fishing SA (Pty) Ltd's hake fishing rights together with that of the joint operation partner.

The Premier – Seacat Joint Venture is a jointly controlled operation with Seacat Fishing (Pty) Ltd. Premier Fishing SA (Pty) Ltd and Seacat Fishing (Pty) Ltd jointly own and operate a fishing vessel which catches and processes squid.

The Bloudam Joint Venture is a jointly controlled operation in which Premier Fishing SA (Pty) Ltd owns a share in a fishing vessel with external quota holders. The fishing vessel catches west coast rock lobster on behalf of Premier Fishing SA (Pty) Ltd and the external quota holders.

Premier Select (Pty) Ltd is a joint venture in which Premier Fishing owns a 50% equity share and was incorporated and operates principally in South Africa. The investment in joint venture is measured using the equity method.

48. INFORMATION ON ASSOCIATES

Name of associate	Date of acquisition	Effective % held	Nature of business
BT Communication Services South Africa (Pty) Ltd	27 November 2016	30.00	Telecommunications
AYO Technology Solutions (Pty) Ltd	24 August 2018	49.36	Information Technology

BT Communication Services South Africa (Pty) Ltd is a company incorporated and operates in South Africa. The investment in associate is measured using the equity method. The summarised information presented above reflects the financial statements of the associates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

49. INFORMATION ON SUBSIDIARIES

Name of subsidiary	Issued capital 2018	Issued capital 2017	Effective % held 2018	Effective % held 2017	Nature of business
AEEI Events and Tourism (Pty) Ltd	**100**	100	**100**	100	Events
AEEI Corporate Finance (Pty) Ltd	**100**	100	**100**	100	Financial advisory
AEEI Properties (Pty) Ltd	**100**	100	**100**	100	Properties
African Biotechnological and Medical Innovations Investments (Pty) Ltd	**100**	300	**100**	100	Biotechnology investments
Afrozaar Consulting (Pty) Ltd	**–**	100	**–**	32	Information technology
Atlantic Fishing Enterprises (Pty) Ltd	**100**	100	**100**	100	Fishing
Bioclones (Pty) Ltd	**188 547 191**	188 547 191	**74**	74	Biotechnology investments
Bowwood and Main No. 180 (Pty) Ltd	**60**	300 000	**60**	60	Investment holding
Business Venture Investment No 1581 (Pty) Ltd	**8 767**	8 767	**100**	100	Investments in food
Chapman's Peak Fisheries (Pty) Ltd	**18 000**	18 000	**100**	100	Fishing
Digital Matter (Pty) Ltd	**–**	100	**–**	32	Information technology
espAfrika (Pty) Ltd	**100**	100	**51**	51	Event management
Fish Drying Corporation (Pty) Ltd	**4**	4	**80**	80	Dormant
Health System Technologies (Pty) Ltd	**–**	2 000	**–**	80	Information technology
Voting	**–**	–	**80**	80	
Integrated Bioworks (Pty) Ltd	**100**	100	**60**	60	Biotechnology investments
John Overstone Ltd	**1 042 000**	1 042 000	**100**	100	Dormant company
John Quality (Pty) Ltd	**6 000**	6 000	**100**	100	Dormant company
Kuttlefish (SA) (Pty) Ltd	**10**	10	**100**	100	Dormant company
Kilomax (Pty) Ltd	**100**	100	**100**	100	Investment in telecommunication
Magic 828 (Pty) Ltd	**50**	100	**40**	40	Radio Station
Marine Growers (Pty) Ltd	**1 694 500**	1 694 500	**100**	100	Aquaculture
Opispex (Pty) Ltd	**65**	120	**65**	65	Leasing of broadcast and studio equipment
Orleans Cosmetics (Pty) Ltd	**90**	100	**90**	90	Health and beauty
Premier Fishing (SA) (Pty) Ltd	**100 000**	100 000	**100**	100	Fishing
Premier Fishing and Brands Ltd	**55**	507 516 652	**55**	55	Fishing
Premfresh Seafoods (Pty) Ltd	**100**	100	**100**	100	Fishing
Puleng Technologies (Pty) Ltd	**–**	100	**57**	57	Information technology

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

49. INFORMATION ON SUBSIDIARIES (continued)

Name of subsidiary	Issued capital 2018	Issued capital 2017	Effective % held 2018	Effective % held 2017	Nature of business
Software Tech Holdings (Pty) Ltd (previously Saratoga Software (Pty) Ltd)	–	8 073	–	43	Information technology
Sekfish Investments (Pty) Ltd	8	8	100	100	Fishing investments
Sekunjalo Aquaculture (Pty) Ltd	100	200	100	100	Marine agriculture
Sekunjalo Consumer Products (Pty) Ltd	8 767	8 767	100	100	Investment in food
Sekunjalo Food and Fishing (Pty) Ltd	100	100	100	100	Fishing investments
AYO Technology Solutions Ltd	–	184 129 087	–	80	IT investment
Voting	–	–	80	80	
Sekunjalo Health and Medical Commodities (Pty) Ltd	100	100	76	76	Medical manufacturing
Sekunjalo Medical Services (Pty) Ltd	–	100	80	80	IT investment
Voting	–	–	80	80	
Sekunjalo Technology Solutions Group (Pty) Ltd	100	100	100	100	IT investment
South Atlantic Jazz Festival (Pty) Ltd	100	100	51	51	Media
Southern Ocean Fishing (Pty) Ltd	100	100	80	80	Dormant company
Tripos Travel (Pty) Ltd	100	100	56	56	Travel
World Wide Creative (Pty) Ltd	–	100	32	32	Information technology
Afrinat (Pty) Ltd (previously known as Wynberg Pharmaceuticals (Pty) Ltd)	100	100	100	100	Health
Voting	100	100	100	100	
Sekunjalo Empowerment Fund (Pty) Ltd	100	100	100	100	Empowerment initiatives
Sekunjalo Enterprise Development (Pty) Ltd	100	100	100	100	Enterprise development initiatives
AEEI Asset Managements (Pty) Ltd	100	100	100	100	Dormant
AEEI Financial Services	100	100	100	100	Dormant
AEEI Health and Biotherapeutics (Pty) Ltd	100	100	100	100	Dormant
AEEI Investments (Pty) Ltd	100	100	100	100	Dormant
AEEI Marine and Fishing (Pty) Ltd	100	100	100	100	Dormant
AEEI Strategic Investments (Pty) Ltd	100	100	100	100	Dormant
AEEI Technology Solutions (Pty) Ltd	100	100	100	100	Dormant
Tsharanang Media (Pty) Ltd	100	–	100	–	Media

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

50. BUSINESS COMBINATIONS

Talhado Fishing Enterprises (Pty) Ltd (Talhado)

The Group acquired the squid fishing rights, brand and related assets of Talhado for a total consideration of R89m for a 50.31% equity interest to enhance the Group's footprint in the squid sector. The purchase agreement had an effective date of acquisition of 30 November 2017. However, in terms of IFRS 3 Business Combinations, the date of acquisition has been determined as 9 May 2018.

The fair value of the acquired fishing rights, brand and assets are provisional upon the fair value determination of the fishing rights and the Talhado brand. The provisional fair values of the identifiable assets and liabilities are shown below:

Fair value of assets acquired and liabilities assumed

	GROUP 2018 R'000
Property, plant and equipment	78 987
Inventories	25 815
Intangible assets	40 268
Financial assets	1 510
Trade and other receivables	25 292
Cash and cash equivalents	28 085
Borrowings	(10 302)
Deferred tax	(35 888)
Provisions	(9 736)
Trade and other payables	(31 132)
Current tax payable	(19 871)
Bank overdraft	(5 007)
Total identifiable net assets	88 021
Non-controlling interest	(50 662)
Goodwill	51 964
	89 323
Consideration paid	
Cash	(89 323)
Net cash outflow on acquisition date	
Cash consideration	89 323
Cash acquired	(28 084)
	61 239

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

50. BUSINESS COMBINATIONS (continued)

Net cash outflow on acquisition date (continued)

The interest accrued on the purchase consideration between the legal acquisition date and the effective IFRS acquisition date amounting to R3 964 767 was included as part of the purchase consideration, which has been measured at fair value. All other acquisition related costs amounting to R1 790 052 have been expensed and are included in operating expenses in profit and loss.

Goodwill

Goodwill recognised on acquisition relates to the expected growth and cost synergies which cannot be separately recognised as an intangible asset.

Non-controlling interest

Non-controlling interest, which is a present ownership interest that entitles its holders to a proportionate share of the entity's net assets in the event of liquidation, is measured at the present ownership interest's proportionate share of the acquiree's identifiable net assets.

Revenue and profit or loss of Talhado Fishing Enterprises (Pty) Ltd

Revenue of R80m and profit of R29m of Talhado have been included in the Group's results since the date of acquisition.

Group revenue and profit for full year

Had all the business combinations taken place at the beginning of the reporting period, the revenue and profit for the Group would have been:

- Revenue: R683m
- Profit after tax: R134m

	R'000
Reconciliation of cash flow:	
Cash consideration less cash acquired	(61 239)
Additional shares purchased	(15 978)
	77 217

Additional shares were purchased during the year of R15.9m in the following entities:

Entity	% acquired
Dazelle Traders (Pty) Ltd	30
Rupetris Investments (Pty) Ltd	25
Manicwa Fishing (Pty) Ltd	10
MB Fishing (Pty) Ltd	60
Robberg Seafreese (Pty) Ltd	10

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

51. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets, financial liabilities and non-financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

Levels of fair value measurements

Level 1

Recurring fair value measurements

		GROUP		COMPANY	
Assets	Notes	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Financial assets designated at fair value through profit/(loss)	11				
Investment in listed public companies		**202 201**	235 298	**26 879**	26 207
Total		**202 201**	235 298	**26 879**	26 207
Level 3					
Recurring fair value measurements					
Biological assets					
Abalone		**68 021**	54 323	**–**	–
Financial assets designated at fair value through profit/(loss)					
Investments in unlisted private companies		**181 591**	164 995	**540**	–
Investments in unlisted public companies		**36 113**	25 231	**36 113**	25 231
Total financial assets designated at fair value through profit/(loss)		**217 704**	190 226	**36 653**	25 231
Total		**487 926**	479 847	**63 532**	51 438
Non-recurring fair value measurements					
Other					
Distribution rights Orleans Cosmetics (Pty) Ltd		**–**	34 921	**–**	–
Total		**–**	34 921	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

51. FAIR VALUE INFORMATION (continued)

Reconciliation of assets and liabilities measured at level 3

Group – 2018	Notes	Opening balance R'000	Gains/(losses) recognised in profit R'000	Purchases R'000	Disposals R'000	Transfers into level 3 R'000	Closing balance R'000
Assets							
Biological assets							
Biological assets		54 323	35 508	520	(22 330)	–	68 021
Financial assets designated at fair value through profit/(loss)	11						
Investments in unlisted private companies		164 995	16 803	540	(747)	–	181 591
Investments in unlisted public companies		25 231	10 882	–	–	–	36 113
Total financial assets designated at fair value through profit/(loss)		190 226	27 685	540	(747)	–	217 704
Total		244 549	63 193	1 060	(23 077)	–	285 725

Group – 2017	Notes	Opening balance R'000	Gains/(losses) recognised in profit R'000	Purchases R'000	Disposals R'000	Transfers into level 3 R'000	Closing balance R'000
Assets							
Biological assets							
Abalone		48 169	44 006	–	(37 852)	–	54 323
Financial assets designated at fair value through profit/(loss)	11						
Investments in unlisted private companies		537 390	607 212	–	(979 607)	–	164 995
Investments in unlisted public companies		16 965	8 266	–	–	–	25 231
Total financial assets designated at fair value through profit/(loss)		554 355	615 478	–	(979 607)	–	190 226
Other							
Distribution rights		–	–	34 921	–	–	34 921
Total		602 524	659 484	34 921	(1 017 189)	–	279 470

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

51. FAIR VALUE INFORMATION (continued)

Company – 2018	Notes	Opening balance R'000	Gains/ (losses) recognised in profit R'000	Purchases R'000	Disposals R'000	Transfers into (level 1) R'000	Closing balance R'000
Assets							
Investments in subsidiaries at fair value	6						
Investments in subsidiaries		**1 709 584**	**(59 615)**	**–**	**–**	**(385 607)**	**1 264 362**
Financial assets designated at fair value through profit/(loss)	11						
Investments in unlisted public companies		25 231	10 882	540	–	–	36 653
Total		**1 734 815**	**10 882**	**540**	**(645 054)**	**–**	**1 301 015**

Company – 2017	Notes	Opening balance R'000	Gains/ (losses) recognised in profit R'000	Purchases R'000	Disposals R'000	Transfers out level 1 R'000	Closing balance R'000
Assets							
Investments in subsidiaries at fair value	6						
Investments in subsidiaries		**2 106 544**	**513 065**	**103 159**	**–**	**(1 013 186)**	**1 709 582**
Investments in subsidiaries (listed) (level 1)		–	(419 735)	–		1 013 187	593 453
		2 106 544	93 330	103 159		1	2 303 034
Financial assets designated at fair value through profit/(loss)	11						
Investments in listed companies		16 965	8 266	–	–	–	25 231
Total		**2 123 509**	**101 596**	**103 159**	**–**	**1**	**2 328 265**

Gains and losses recognised in profit or loss for biological assets are included in cost of sales in the statement of profit or loss and comprehensive income.

Gains and losses recognised in profit or loss for investments in subsidiaries, investments in associates and other financial assets are included in fair value adjustments in the statement of profit or loss and comprehensive income.

Financial instruments measured at cost for which a fair value is disclosed

Financial assets that are not measured at fair value, namely trade and other receivables, cash and cash equivalents and loans receivable are categorised as loans and receivables. It has been concluded that the carrying amounts of these assets approximate their fair values. Refer to notes 10, 15 and 16.

Financial liabilities that are not measured at fair value, namely trade and other payables and other financial liabilities are categorised as other financial liabilities. It has been concluded that the carrying amounts of these liabilities approximate their fair values. Refer to notes 20 and 24.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

51. FAIR VALUE INFORMATION (continued)

Information about valuation techniques and inputs used to derive level 3 fair values

Fair value of distribution rights

The valuation method used in determining the fair value of the distribution rights in the prior year is the discounted cash flow technique. A capital asset pricing model is used in which the present value of the expected cash flows of the investment are determined. The expected cash flows are determined by considering the income generation and relevant expenditure in terms of advertising contracts.

The key unobservable inputs, together with the weighted average range of probabilities, are as follows: Other assets and liabilities approach.

Investments in subsidiaries and associates

The valuation method in subsidiaries and associates is determined by using the discounted cash flow technique. A capital asset pricing model is used in which the present value of the expected cash flows of the investment are determined. The expected cash flows are determined by considering the current and planned operational activities of each investment. Other assets and liabilities approach.

Significant assumptions	WACC 2018	WACC 2017
Technology division	–	16% – 25%
Corporate division	11%	10% – 24%
Health and beauty division	16% – 30%	15% – 25%
Biotechnology division	30%	24% – 30%
Events and tourism division	19% – 30%	22% – 30%
Target debt/equity ratio	0 – 65%	0% – 80%
Beta	1.00 – 1.52	1.00 – 1.52
Terminal growth rate	2% – 6%	5%

The potential effect of using reasonably possible alternative assumptions in the valuation, based on a change of 1% – 10% in the most significant input while holding all other variables constant, will result in the following changes in fair values.

Sensitivity	Change %	2018 R'000	2017 R'000
Cost of debt	1	32 926	24 397
Beta	0.1	21 851	67 683
Weighted average cost of capital	1	77 513	245 817
Specific risk premium	1	34 981	157 372
Target debt/equity ratio	10	44 343	128 944
Terminal growth	1	42 455	137 933
		254 069	762 146

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

51. FAIR VALUE INFORMATION (continued)

Other financial assets

The valuation method in other financial assets is determined by using the discounted cash flow technique. A capital asset pricing model is used in which the present value of the expected cash flows of the investment are determined. The expected cash flows are determined by considering the current and planned operational activities of each investment.

Significant assumptions	2018	2017
Weighted average cost of capital	**9.5%**	10% – 17.5%
Target debt/equity ratio	**186%**	20% – 30%
Beta	**1.3%**	1.00 – 1.30
Specific risk premium	**1%**	2%
Terminal growth rate	**2%**	5%

The potential effect of using reasonably possible alternative assumptions in the valuation, based on a change in the most significant input while holding all other variables constant, will result in the following changes in fair values.

Sensitivity	2018 R'000	2017 R'000
Cost of debt	**12 013**	24 978
Beta	**5 791**	83 566
Weighted average cost of capital	**25 060**	179 817
Specific risk premium	**9 094**	147 070
Target debt/equity ratio	**4 160**	84 287
Terminal growth rate	**14 304**	109 122
	70 422	628 840

Valuation processes applied by the Group

The fair valuation of various investments is performed by the Group's finance department and operations team, on a quarterly basis. The finance department reports to the group's chief financial officer (CFO). The valuation reports are discussed with the investment committee in accordance with the Group's reporting policies.

52. RECLASSIFICATION OF PRIOR YEAR FIGURES

Due to the deemed disposal of the technology division, the Group has reallocated the net revenues and expenses of the technology division to profit from discontinued operations in both the 2017 and 2018 financial years in terms of IFRS 5 – Non-current assets held for sale and discontinued operations. This resulted in a restatement of the 2017 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

52. RECLASSIFICATION OF PRIOR YEAR FIGURES (continued)

Group 2017

Consolidated statement of profit or loss	As previously stated R'000	Reclassification as a result of IFRS 5 classification R'000	Restated balance at 31 August 2018 R'000
Revenue	1 052 196	(475 589)	576 607
Cost of sales	(654 210)	315 584	(338 626)
Other income	3 960	–	1 745
Fair value adjustments	535 083	–	535 083
Net impairments, impairment reversals and write off	(2 605)	–	(2 605)
Operating expenses	(297 289)	11 691	(177 598)
Gain on bargain purchase	11 898	(143)	11 755
Loss on disposal of subsidiary	6 019	–	–
Investment revenue	23 902	(2 106)	21 796
Finance cost	(28 267)	715	(27 552)
Income from equity-accounted investments	30 203	529	30 732
Taxation	(155 029)	11 289	(143 740)
Profit from discontinued operation	2 810	38 264	41 074
Other comprehensive income	–	–	(4)
	528 671	(99 766)	528 667

53. DIVIDEND PAYABLE

A final dividend of 12.00 cents has been approved by the Board of directors on 9 November 2018 in South African currency in respect of the year ended 31 August 2018. The dividend is payable on 18 December 2018 to shareholders recorded in the register of the Company at close of business on 14 December 2018. An amount of R900 000 is payable at year-end.

54. GOING CONCERN

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

55. CONTINGENT LIABILITIES

There are no claims identified as at reporting date per attorney confirmations.

56. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end on 9 November 2018, the board approved a buy-back of shares, which management believe is trading at a discount, creating shareholder value.

A final gross dividend of 12.00 cents per share has been declared after the reporting period but before the financial statements were authorised for issue.

The directors are not aware of any other material facts or circumstances which occurred between the statement of financial position date and the date of this report that would require any adjustments to the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2018

57. DIVIDENDS PAID

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Dividends	**(43 238)**	(25 804)	**(43 238)**	(25 804)
Balance at the end of the year	**900**	–	**900**	–
	(42 338)	(25 804)	**(42 338)**	(25 804)

Dividends are distributed out of capital reserves.

58. NON-CONTROLLING INTERESTS

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Fishing and brands division	**691 236**	642 055	**–**	–
Technology division	**–**	60 656	**–**	–
Health and beauty division	**4 481**	4 220	**–**	–
Biotechnology division	**23 518**	34 830	**–**	–
Events and tourism division	**1 095**	2 519	**–**	–
Corporate division	**35 028**	16 347	**–**	–
	755 358	760 627	**–**	–