ZEDER

INVESTMENTS LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

REGISTRATION NUMBER: 2006/019240/06

JSE SHARE CODE: ZED

ISIN CODE: ZAE000088431

CONTENTS

CONSOLIDATED AND STANDALONE ANNUAL FINANCIAL STATEMENTS

These annual financial statements were compiled under the supervision of JH le Roux, financial director of the group and Chartered Accountant (SA), and audited by the group’s external auditor PricewaterhouseCoopers Inc., as set out in the audit report on pages 9 to 16.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Zeder Investments Limited ("Zeder") Audit and Risk Committee ("the committee") is an independent statutory committee appointed by the board of directors in terms of section 94 of the Companies Act of South Africa, 71 of 2008 (as ammended) ("the Companies Act"). The committee also acts as the statutory audit committee of public company subsidiaries that are legally required to have such a committee.

The committee performed the following duties in respect of the year under review:

- Satisfied itself that the external auditor is independent of Zeder, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Limited Listings Requirements ("JSE Listings Requirements");
- Ensured that the appointment of the external auditor complied with the Companies Act and any other legislation relating to the appointment of an auditor;
- In consultation with management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2019 financial year;
- Approved the nature and extent of non-audit services that the external auditor may provide;
- Nominated for re-election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditor, that the risk management processes and systems of internal financial controls are effective and forms a basis for the preparation of reliable financial statements;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that Zeder be regarded as a going concern;
- Reviewed the formal policy for and calculation of Zeder's ordinary dividend proposed at year-end, and recommended it to the board of directors for approval;
- Reviewed the accounting policies and financial statements for the year ended 28 February 2019 and, based on the information provided to the committee, considers that the company and group complies, in all material respects, with the requirements of International Financial Reporting Standards ("IFRS"); the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the Companies Act; and the JSE Listings Requirements;
- Considered the JSE Limited's ("JSE") latest report on the proactive monitoring of financial statements for compliance with IFRS;
- Satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the Zeder financial director, as well as the group finance function, has the appropriate expertise and experience; and
- Undertook the prescribed functions in terms of section 94(7) of the Companies Act, on behalf of the subsidiary companies of the group.

PricewaterhouseCoopers Inc. has served as external auditor of Zeder Investments Limited for the past 13 years, while the designated external audit partner has served in such capacity for the past 4 years. The committee remains satisfied with the quality of the external audit performed by PricewaterhouseCoopers Inc., however, the potential early adoption of mandatory audit firm rotation, as set out in the rules of the Independent Regulatory Board of Auditors, is currently receiving the committee's attention.

Chris Otto

Chris Otto
Chairman

16 April 2019
Stellenbosch

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company and group. The external auditor is responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal financial controls. Such controls provide assurance that the company and group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements have been prepared in accordance with the requirements of IFRS; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the requirements of the Companies Act of South Africa; and the JSE Listings Requirements, and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The audit and risk committee meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the audit and risk committee.

The annual financial statements are prepared on the going-concern basis, since the directors have every reason to believe that the company and group have adequate resources to continue for the foreseeable future.

The annual financial statements set out on pages 4 to 115 were approved by the board of directors of Zeder Investments Limited and are signed on its behalf by:

Chris Otto

Chris Otto
Chairman

N Celliers
Chief executive officer

JH le Roux
Financial director

16 April 2019
Stellenbosch

DECLARATION BY THE COMPANY SECRETARY

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act of South Africa and that all such returns are true, correct and up to date.

Zeder Corporate Services Proprietary Limited
Per: L van der Merwe
Company secretary

16 April 2019
Stellenbosch

DIRECTORS' REPORT

OVERVIEW

Zeder Investments Limited ("Zeder") is an investor in the broad agribusiness and adjacent industries, with a historical focus on the food and beverage sectors.

OPERATING RESULTS

The operating results and state of affairs of the group and company are set out in the attached income statements and statements of financial position, comprehensive income, changes in equity and cash flows, as well as the segment report and the notes to the aforementioned.

Noteworthy transactions

- During the year, Capespan Group Limited ("Capespan") disposed of its entire shareholding in the Joy Wing Mau Group in China. Net cash of R988m was received and this enabled Capespan to inject capital into its core fruit and farming divisions and reduce debt levels.
- Furthermore, Capespan separated and unbundled its logistics division on 2 January 2019 and this division now operates independently as The Logistics Group Proprietary Limited ("The Logistics Group"). The fruit and farming operations remain within Capespan. Zeder also transferred its investment in the logistics application business, The Logistic Company Proprietary Limited, to The Logistics Group, to ensure The Logistics Group benefits from the logistics-related technology developed within.

Sum-of-the-Parts ("SOTP")

- Zeder's *SOTP value* per share, calculated using the quoted market prices for all JSE-listed investments, and market-related valuations for unlisted investments, decreased by 28,2% during the reporting period to R5,64 as at 28 February 2019 (2018: R7,85).

Earnings performance

- *Recurring* headline earnings per share of 27,7 cents (2018: 27,6 cents) in line with prior year mainly due to a recovery in earnings from most of its underlying investee companies, except for Capespan.
- Headline earnings per share increased by 81,9% to 45,1 cents mainly due to the upward fair value adjustment reflecting the disposal value of Capespan's investment in Joy Wing Mau.
- Attributable earnings per share decreased by 64,9% to 5,2 cents mainly due to the significant impairment charge recognised by Zeder on its associate investment Pioneer Foods, following the decline in its share price.
- Profit for the year amounted to R121,8m (2018: R208,4m), while the earnings attributable to equity holders of the group amounted to R89,2m (2018: R253,9m).

STATED CAPITAL

No ordinary shares were issued or purchased and cancelled during the year under review.

During the prior year 15 335 527 ordinary shares were purchased in the open market at an average price of R6,13 per share, in accordance with the general authority obtained from its shareholders at the Annual General Meeting on 23 June 2017 and cancelled these shares with JSE obtained approval.

During the prior year, treasury shares, allocated to executive directors in terms of a share incentive scheme, were recognised on loans granted on or prior to 28 February 2018. In terms of the accounting standard, the loans receivable has been accounted for in terms of IFRS 2 *Share-based Payment*.

Details regarding the authorised and issued share capital, as well as the treasury shares, are disclosed in note 14 to the annual financial statements.

DIRECTORS' REPORT

DIVIDENDS

On 16 April 2019, the company declared a final dividend of 11,0 cents (2018: 11,0 cents) per share from income resources in respect of the year ended 28 February 2019, which is payable on 13 May 2019.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are unaware of any matter or event which is material to the financial affairs of the group that have occurred between the reporting date and the date of approval of these annual financial statements.

SECRETARY

The secretary of the company is Zeder Corporate Services Proprietary Limited. The business and postal addresses are 2nd Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600 and PO Box 7403, Stellenbosch, 7599 respectively.

AUDITOR

At the date of this report, PricewaterhouseCoopers Inc. held office in accordance with the Companies Act of South Africa.

TRANSFER SECRETARY

The transfer secretary of the company is Computershare Investor Services Proprietary Limited and its business and postal addresses are Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 and PO Box 61051, Marshalltown, 2107 respectively.

SPONSOR

The sponsor of the company is PSG Capital Proprietary Limited.

DIRECTORS

The directors of the company at the date of this report were:

Executive	
N Celliers (Chief executive officer)	(Appointed 23 July 2012)
JH le Roux (Financial director)	(Appointed 8 September 2016)
Non-executive	
WL Greeff	(Appointed 21 May 2009)
JF Mouton	(Appointed 21 August 2006; Retired 20 November 2018)
PJ Mouton	(Appointed 30 April 2012)
Independent non-executive	
CA Otto (Chairman)	(Appointed 21 August 2006; Appointed as chairman 29 January 2019)
GD Eksteen	(Appointed 1 September 2009)
RM Jansen	(Appointed 29 January 2019)
ASM Karaan	(Appointed 6 April 2016)
N Mjoli-Mncube	(Appointed 1 June 2016)

DIRECTORS' REPORT

DIRECTORS' SHAREHOLDING

Audited	Beneficial Direct	Beneficial Indirect	Non-beneficial Indirect	Total shareholding 2019 Number	Total shareholding 2019 %	Total shareholding 2018[1] Number	Total shareholding 2018[1] %
N Celliers		**7 340 499**		**7 340 499**	**0,429**	7 253 114	0,424
JH le Roux		**1 045 838**		**1 045 838**	**0,061**	1 045 838	0,061
GD Eksteen		**6 427 512**	**506 073**	**6 933 585**	**0,405**	6 933 585	0,405
WL Greeff		**80 000**		**80 000**	**0,005**	80 000	0,005
N Mjoli-Mncube	**48 983**			**48 983**	**0,003**	48 983	0,003
CA Otto			**80 000**	**80 000**	**0,005**	80 000	0,005
	48 983	**14 893 849**	**586 073**	**15 528 905**	**0,908**	15 441 520	0,903

1 *During the prior year, Mr JF Mouton donated his ordinary shares to the Jannie Mouton Foundation. These shares were still held by the Foundation at the reporting date. Mr JF Mouton retired on 20 November 2018.*

All or part of the above shares, held by the executive directors, serve as security for loans granted to them with regards to the share options allocated to executive directors, in terms of a share incentive scheme, on or before 28 February 2018 (refer to note 14 to the annual financial statements).

Also refer to page 115 in the annual financial statements detailing the shareholder analysis.

There has been no changes in the shareholding of directors between year-end and the date of this report.

DIRECTORS' EMOLUMENTS

Directors' remuneration:

The table below provides information on the total remuneration of Zeder's executive directors:

	Short-term remuneration Base salary				Long-term remuneration	
Audited	**Approved R'000**	**Deferred for 12 months[2] R'000**	**Prior year deferred paid R'000**	**Paid during the year[3] R'000**	**Non-cash gains from exercise of share options R'000**	**Total remuneration R'000**
28 February 2019						
Executive						
N Celliers	**7 208**	**(2 162)**	**2 190**	**7 236**	**2 899**	**10 135**
JH le Roux	**4 500**	**(1 350)**	**1 208**	**4 358**	**47**	**4 405**
	11 708	**(3 512)**	**3 398**	**11 594**	**2 946**	**14 540**

DIRECTORS' REPORT

DIRECTORS' EMOLUMENTS continued

Director's remuneration: continued

Audited	Short-term remuneration Base salary Approved R'000	Deferred for 12 months[2] R'000	Prior year deferred paid R'000	Paid during the year[3] R'000	Long-term remuneration Non-cash gains from exercise of share options R'000	Total remuneration R'000
28 February 2018						
Executive						
N Celliers	6 800	(2 040)		4 760	1 957	6 717
JH le Roux	3 750	(1 125)		2 625	855	3 480
	10 550	(3 165)	–	7 385	2 812	10 197

2 *30% of the executive director's annual base salary was deferred for a period of 12 months, and is payable in monthly contributions in the ensuing year. This was the first year that the prior year's deferred portion was paid over to the respective executive directors. The deferred payments carries interest at the SARS official rate to compensate for loss in time value of money and is subject to malus/clawback provisions which could lead to the repayment by the executive director of the deferred component of the salary amount received during the preceding 12 months. Included in the total cost-to-company, are minor deductions made to group life cover, membership to a retirement fund and membership to a medical aid scheme (where applicable).*

3 *To help drive a long-term focus and decision-making with the ultimate objective of sustainable shareholder wealth creation, thereby better aligning the interests of management with those of shareholders and other stakeholders, the executives no longer qualify for short-term discretionary bonuses.*

The table below provides information on the total remuneration of Zeder's non-executive directors:

Audited	Total remuneration 2019 R'000	Total remuneration 2018 R'000
Non-executive		
GD Eksteen	**450**	268
WL Greeff[4]		
RM Jansen[5]		
ASM Karaan	**300**	200
N Mjoli-Mncube	**400**	258
JF Mouton[4,5]		
PJ Mouton[4]		
CA Otto[6]	**500**	328
	1 650	1 054

4 *These directors do not receive any emoluments for services rendered to the company and only receive emoluments from PSG Corporate Services Proprietary Limited ("PSGCS") for services rendered to PSG Group Limited and its investee companies (including the Zeder group). The Zeder group pays a strategic fee to PSGCS for services rendered to the company, refer to note 28 to the annual financial statements.*

5 *Mr RM Jansen was appointed 29 January 2019 and Mr JF Mouton retired 20 November 2018.*

6 *Mr CA Otto was appointed as the Chairman of the Zeder board of directors, effective from 29 January 2019. Previously the Chairman's fee was included in the PSG Strategic Input Fee, therefore no Chairman's fee was approved by the shareholders at the 2018 AGM.*

DIRECTORS' REPORT

DIRECTORS' EMOLUMENTS continued

Directors' remuneration continued

Members of the Zeder Executive Committee ("Exco") are regarded as being the prescribed officers of the company. The Exco comprises Messrs N Celliers (Chairman), JH le Roux (Financial director), WL Greeff, JF Mouton (until 20 November 2018) and PJ Mouton. Messrs N Celliers and JH le Roux's remuneration is included above and the other Exco members' remuneration is disclosed in PSG Group Limited's annual report.

Equity-based remuneration:

The table below provides information on Zeder's executive directors' unvested share options:

Audited	Number of share options as at 28 Feb 2018	Number of share options during the year: Granted	Vested/ Exercised[7]	Forfeited[8]	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 28 Feb 2019	Cost to participant at vesting price R	Market value to participant as at 28 Feb 2019 R	Unrealised gains to participant as at 28 Feb 2019 R
Zeder Investments Limited share options granted by the Zeder Group Share Incentive Trust											
N Celliers	337 837		(337 837)		4,70	3,33	28/02/2013				
	2 496 950		(1 248 476)		4,70	4,10	28/02/2014[9]	**1 248 474**	**5 118 743**	**5 281 045**	**162 302**
	393 969			(131 323)		7,71	28/02/2015	**262 646**			
	789 990			(197 497)		4,97	29/02/2016	**592 493**			
	1 792 402					7,29	28/02/2017	**1 792 402**			
	4 016 442					6,41	28/02/2018	**4 016 442**			
		6 468 828				4,36	28/02/2019	**6 468 828**			
	9 827 590	6 468 828	(1 586 313)	(328 820)				**14 381 285**	**5 118 743**	**5 281 045**	**162 302**
JH le Roux	304 878					4,10	28/02/2014	**304 878**	**1 250 000**	**1 289 634**	**39 634**
	97 276			(32 426)		7,71	28/02/2015	**64 850**			
	279 835					4,97	29/02/2016	**279 835**			
	1 787 037					7,29	28/02/2017	**1 787 037**			
	2 319 528					6,41	28/02/2018	**2 319 528**			
		3 503 451				4,36	28/02/2019	**3 503 451**			
	4 788 554	3 503 451	–	(32 426)				**8 259 579**	**1 250 000**	**1 289 634**	**39 634**
Total	14 616 144	9 972 279	(1 586 313)	(361 246)				**22 640 864**	**6 368 743**	**6 570 679**	**201 936**
PSG Group Limited share options granted by the PSG Group Limited Supplementary Share Incentive Trust											
N Celliers	6 096		(6 096)		233,00	61,50	28/02/2013				
	4 054		(2 028)		233,00	83,23	28/02/2014	**2 026**	**168 624**	**526 314**	**357 690**
	7 399		(2 467)		233,00	136,84	28/02/2015	**4 932**	**674 895**	**1 281 235**	**606 340**
	7 341		(1 835)		233,00	178,29	29/02/2016	**5 506**	**981 665**	**1 430 349**	**448 684**
	24 890	–	(12 426)	–				**12 464**	**1 825 184**	**3 237 898**	**1 412 714**
JH le Roux	3 467		(867)		233,00	178,29	29/02/2016	**2 600**	**463 554**	**675 428**	**211 874**
Total	28 357	–	(13 293)	–				**15 064**	**2 288 738**	**3 913 326**	**1 624 588**

7 *The participants have not yet elected to exercise their right in terms of the provisions of the share incentive schemes to exercise their share options that became exercisable on 28 February 2019. Such right will be exercised within the 180-day exercise window. Share options exercised during the year represented the share options that became exercisable on 28 February 2018 and that were exercised within the approved exercise window.*

8 *Share options forfeited during the year were with regards to share options that became exercisable on 28 February 2018, but due to the fact that it was out-of-the-money share options during the exercisable window, the participants opted not to exercise the share options.*

9 *Included in the 28 February 2014 share option allocation is a once-off allocation of 4 500 000 Zeder Investments Limited share options, which was made to appropriately incentivise the aforementioned director. Retention of the director's services are considered key to Zeder Investments Limited's continued success. During the year under review, 25% (2018: 25%) of these share options vested.*

Independent auditor's report

To the shareholders of Zeder Investments Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Zeder Investments Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Zeder Investments Limited's consolidated and separate financial statements set out on pages 17 to 114 comprise:

- the consolidated and separate statements of financial position as at 28 February 2019;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and appendices.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

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Chief Executive Officer: T D Shango

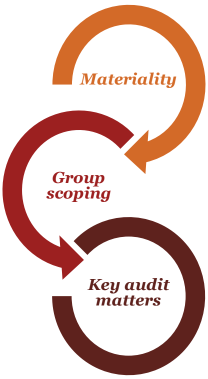
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.

Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Our audit approach

Overview



Overall group materiality

- R22.7 million, which represents 5% of consolidated profit before tax, after adjusting for the once-off impairments of associates and joint ventures and the once-off fair value gain realised on sale of equity securities.

Group audit scope

- We conducted an audit of the components that are in scope which include the financially significant components of the Group. The main indicators used to identify significant components were profit before tax and total assets.

Key audit matters

- Impairment of goodwill relating to Agrivision Africa
- Accounting for investment in ordinary shares of associates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	**R22.7 million**
How we determined it	*5% of consolidated profit before tax, adjusted for the one-off impairments of associates and joint ventures and the once-off realised on gain realised on sale of equity securities.*

Rationale for the materiality benchmark applied	*We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Profit before tax was adjusted for the once-off impairments of associates and joint ventures and the once-off fair value gain realised on sale of equity securities. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We conducted an audit of all financially significant subsidiaries and associates of the Group. A full scope audit was also performed on the financial information of the parent company, Zeder Investments Limited, as it is subject to a statutory audit in South Africa. Throughout the audit we maintained continual interaction with the associates audit teams and involvement in their work. The Group audit team centrally performed audit procedures over the Group consolidation, performed specified procedures over the significant associates where the year-ends do not coincide with the Group and analytical review procedures over non-significant components in order to obtain sufficient audit evidence over the consolidated numbers.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components by us, as the Group engagement team, and by component auditors from other PwC network firms and non-PwC firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the financial statements as a whole.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of goodwill relating to Agrivision Africa *Refer to the following sections in the consolidated financial statements that relate to this key audit matter:* • *Note 7.1, 8 and 29.1 of the accounting policies, and* • *Note 2 to the financial statements.* Impairment of goodwill relating to the Agrivision Africa cash-generating unit ("CGU") amounting to R 49 million was considered to be a matter of most significance to our current year audit as the valuation technique applied in determining the impairment requires a significant amount of judgement to be applied. Goodwill is tested for impairment annually by comparing the carrying value to the recoverable amount of the cash-generating units ("CGU's) to which the goodwill belongs. The recoverable amount was based on a market-related valuation of all property, plant and equipment. The fair value less cost to sell of Agrivision Africa's two farming CGU's, namely Mkushi Estates and Somawhe Estate is based on the net realizable value of the underlying assets, with reference to the fair value of land, buildings and other tangible assets.	We assessed the control environment in which the impairment reviews are performed and are satisfied that the final impairment calculations, including assumptions used, were approved by the appropriate management. We obtained and assessed managements impairment calculations and tested the reasonableness of the fair values of the underlying assets used in the determination of the fair value less costs to sell, by comparing the values of the underlying assets per the valuation report to independent sources and found these to be within a reasonable range. We also assessed the objectivity, competency and capabilities of the valuation expert and noted no aspects requiring further consideration. We assessed the projected future cash flows, operating margins, working capital and requirements used in the models by understanding the process followed by management to determine these forecasts and agreeing the forecasted information to management approved budgets and business plans. In order to test the robustness of management's projections and estimates, we compared actual results for 2018 to the 2018 forecasted information included in the prior year forecast. We determined that the actual results were within an acceptable range when compared to the forecasted information, after allowing for changes in economic assumptions and other relevant variables.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for investments in ordinary shares of associates *Refer to the following sections in the consolidated financial statements that relate to this key audit matter:* • *Notes 3.4 and 29.2 of the accounting policies, and* • *Note 4.1 to the financial statements.* The group accounts for its investments in associates by applying the equity method of accounting. Investments in associates include both listed and unlisted companies. The Group's share of the after-tax profits of equity accounted investments for the year ended 28 February 2019 was R627 million and the carrying value of the Group's equity accounted investments was R6 270 million at 28 February 2019. Some of the equity accounted investments have year-ends which do not coincide with that of the Group. These investments are equity accounted based on results for financial years ended within three months before the Group's financial year. Any significant transactions that occur between the equity accounted investments' year-end and the Group's year-end are accounted for in the consolidated financial statements for the Group at year-end.	We evaluated the identified audit risks at the associates level and the audit approach throughout all phases of the audit process, examined working papers and performed cross-review procedures in evaluating the results of the work. We also evaluated the impact of the key audit matters of the associates. We obtained the equity accounted results and movements recorded by the group and agreed them to the audited financial results of the associates. We evaluated the consistency of the associates accounting policies to the group, we found no material inconsistencies. We re-performed management's calculation of the effective interest in each of the equity accounted investments. We agreed the inputs to management's calculation to the number of shares held by the Group and the issued share capital of the investee company. We noted no material differences. For investments which have year-ends that do not coincide with the Group, the following procedures were performed:

Key audit matter	*How our audit addressed the key audit matter*
At each reporting date the group determines whether there is any objective evidence that the investment in associate balance may be impaired. The carrying value of investments in ordinary shares of associates was reduced by an amount of R647 million relating to impairment of the groups investment in Pioneer Food Group Limited and Quantum Food Holdings Limited. This was due to a decline in the JSE listed share prices for these investments. The accounting for the Group's investments in ordinary shares of associates was considered a matter of most significance to our current year audit due to the magnitude of the carrying value of these investments, some associates having year-ends that do not coincide with that of the Group, as well as the magnitude of the impairments recognised in the current year.	• We read and examined minutes of board meetings, management accounts and held discussions with the Group's nominated directors in order to identify any significant or abnormal transactions that occurred since the associates' year end to 28 February 2019, being the period not equity accounted by the Group, which could have had a material effect on the results and carrying value of the equity accounted investments at 28 February 2019. No adjustments other than those recorded by management were identified through our procedures performed. For the impairments recognised: • We obtained management's impairment calculations and tested the mathematical accuracy thereof and noted no material exceptions. • We assessed the listed market price of the shares at the valuation date and agreed it to independent sources.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Zeder Investments Limited Annual Financial Statements for the year ended 28 February 2019*, which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the sections of the *Zeder Investments Limited Annual Report 2019*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor

Stellenbosch
16 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2019

	Notes	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
ASSETS					
Non-current assets		**9 492**	10 298	**8 292**	8 282
Property, plant and equipment	1	**1 699**	1 626		
Intangible assets	2	**669**	606		
Biological assets (bearer plants)	9.1	**426**	406		
Biological assets (agricultural produce)	9.2	**15**			
Investment in subsidiary	3			**8 292**	8 282
Investment in ordinary shares of associates	4.1	**6 270**	6 619		
Loans to associates	4.2	**166**	132		
Investment in ordinary shares of joint ventures	5.1	**21**	17		
Loans to joint ventures	5.2		4		
Equity securities	6	**30**	688		
Deferred income tax assets	16	**74**	61		
Employee benefits	7	**43**	39		
Loans and advances	8	**79**	100		
Current assets		**3 300**	3 103	**1**	1
Biological assets (agricultural produce)	9.2	**151**	152		
Loans to associates	4.2	**6**			
Loans and advances	8	**16**	38		
Inventories	10	**1 218**	1 286		
Trade and other receivables	11	**1 416**	1 274	**1**	1
Current income tax assets		**60**	27		
Cash, money market investments and other cash equivalents	12	**433**	326		
Non-current assets held for sale	13	**1**	7		
Total assets		**12 793**	13 408	**8 293**	8 283

STATEMENTS OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2019

		GROUP		COMPANY	
	Notes	2019 Rm	2018 Rm	2019 Rm	2018 Rm
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Stated capital	14	**7 060**	7 060	**7 060**	7 060
Treasury shares		**(72)**	(73)		
Other reserves	15	**(397)**	(348)	**13**	4
Retained earnings		**1 505**	1 630	**(186)**	3
		8 096	8 269	**6 887**	7 067
Non-controlling interests		**316**	327		
Total equity		**8 412**	8 596	**6 887**	7 067
Non-current liabilities		**2 101**	2 276	**–**	–
Deferred income tax liabilities	16	**93**	222		
Borrowings	17	**1 880**	1 939		
Derivative financial liabilities	18	**25**	24		
Employee benefits	7	**103**	91		
Current liabilities		**2 280**	2 536	**1 406**	1 216
Borrowings	17	**1 192**	1 428	**1 401**	1 212
Trade and other payables	19	**993**	994	**5**	4
Derivative financial liabilities	18	**1**	15		
Current income tax liabilities		**31**	34		
Employee benefits	7	**63**	65		
Total liabilities		**4 381**	4 812	**1 406**	1 216
Total equity and liabilities		**12 793**	13 408	**8 293**	8 283

INCOME STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
Revenue	20	**7 641**	8 485		
Cost of sales	21	**(6 154)**	(6 996)		
Gross profit		**1 487**	1 489	**–**	–
Income					
Change in fair value of biological assets	9.2	**194**	195		
Investment income	22	**90**	77		
Net fair value gains	23	**469**	45		
Other operating income	24	**34**	116		
Total income		**787**	433	**–**	–
Expenses					
Marketing, administration and other expenses	25	**(1 734)**	(1 671)	**(1)**	(1)
Reversal of impairment/(impairment) of trade and other receivables		**6**			
Total expenses		**(1 728)**	(1 671)	**(1)**	(1)
Net income from associates and joint ventures					
Share of profits of associates and joint ventures	4 & 5	**636**	472		
Impairment of associates and joint ventures	4 & 5	**(647)**	(1)		
Net gain/(loss) on dilution of interest in associates and joint ventures	4 & 5	**21**	(29)		
Net income from associates and joint ventures		**10**	442	**–**	–
Profit/(loss) before finance costs and taxation		**556**	693	**(1)**	(1)
Finance costs	26	**(324)**	(289)		
Profit/(loss) before taxation		**232**	404	**(1)**	(1)
Taxation	27	**(110)**	(196)		
Profit/(loss) for the year		**122**	208	**(1)**	(1)
Profit/(loss) attributable to:					
Owners of the parent		**89**	254	**(1)**	(1)
Non-controlling interests		**33**	(46)		
		122	208	**(1)**	(1)
Earnings per share (cents)	31				
Attributable – basic		**5,2**	14,8		
Attributable – diluted		**3,8**	14,0		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2019

	GROUP		COMPANY	
	2019 Rm	**2018 Rm**	**2019 Rm**	**2018 Rm**
Profit/(loss) for the year	**122**	208	**(1)**	(1)
Other comprehensive loss for the year, net of taxation	**(90)**	(16)	**–**	–
Items that may be reclassified to profit or loss				
Currency translation adjustments	**(48)**	(100)		
Share of other comprehensive income of associates and joint ventures	**(39)**	64		
Items that may not be reclassified to profit or loss				
(Losses)/gains from changes in financial and demographic assumptions of post-employment benefit obligations	**(3)**	20		
Total comprehensive income/(loss) for the year	**32**	192	**(1)**	(1)
Attributable to:				
Owners of the parent	**11**	257	**(1)**	(1)
Non-controlling interests	**21**	(65)		
	32	192	**(1)**	(1)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

GROUP	Stated capital Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	Non-controlling interests Rm	Total Rm
Balance at 1 March 2017	7 154	(50)	(372)	1 559	407	8 698
Total comprehensive (loss)/income	–	–	(17)	274	(65)	192
Profit for the year			–	254	(46)	208
Other comprehensive (loss)/income			(17)	20	(19)	(16)
Transactions with owners	(94)	(23)	41	(203)	(15)	(294)
Shares issued					8	8
Shares purchased and cancelled	(94)					(94)
Treasury shares purchased		(27)				(27)
Treasury shares sold		4				4
Share-based payment costs – employees			10		2	12
Transactions with non-controlling interests			38	(20)	(5)	13
Transfer between reserves			(7)	7		–
Dividends paid				(190)	(20)	(210)
Balance at 28 February 2018 - previously reported	7 060	(73)	(348)	1 630	327	8 596
Adjustment due to initial application of IFRS 9[1]				(22)	(2)	(24)
Balance at 28 February 2018	**7 060**	**(73)**	**(348)**	**1 608**	**325**	**8 572**
Total comprehensive (loss)/income	**–**	**–**	**(76)**	**87**	**21**	**32**
Profit for the year				**89**	**33**	**122**
Other comprehensive loss			**(76)**	**(2)**	**(12)**	**(90)**
Transactions with owners	**–**	**1**	**27**	**(190)**	**(30)**	**(192)**
Shares issued					**11**	**11**
Treasury shares sold		**1**				**1**
Share-based payment costs - employees			**16**		**2**	**18**
Transactions with non-controlling interests			**15**	**(6)**	**(21)**	**(12)**
Transfer between reserves			**(4)**	**4**		**–**
Dividends paid				**(188)**	**(22)**	**(210)**
Balance at 28 February 2019	**7 060**	**(72)**	**(397)**	**1 505**	**316**	**8 412**

[1] *Refer accounting policy note 1.1.*

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

COMPANY	Stated capital Rm	Other reserve[2] Rm	Retained earnings Rm	Total Rm
Balance at 1 March 2017	7 154	1	194	7 349
Loss and total comprehensive loss for the year			(1)	(1)
Shares purchased and cancelled (refer note 14)	(94)			(94)
Share-based payment costs – employees		3		3
Dividend paid			(190)	(190)
Balance at 28 February 2018	**7 060**	**4**	**3**	**7 067**
Loss and total comprehensive loss for the year			**(1)**	**(1)**
Share-based payment costs – employees		**9**		**9**
Dividend paid			**(188)**	**(188)**
Balance at 28 February 2019	**7 060**	**13**	**(186)**	**6 887**

Final dividends per share[3]

- 2018: 11 cents (declared on 17 April 2018 and paid on 14 May 2018)
- 2019: 11 cents (declared on 16 April 2019 and payable on 13 May 2019)

[2] *Comprise fully share-based payment reserve.*

[3] *Dividends are not accounted for until they have been approved by the company's board of directors.*

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
Cash flow from operating activities		**(137)**	312	**–**	–
Cash generated from operations	30.1	**79**	267		
Interest received		**73**	66		
Dividends received		**312**	276		
Interest paid		**(317)**	(233)		
Taxation paid	30.2	**(284)**	(64)		
Cash flow from investment activities		**843**	(413)	**–**	–
Acquisition of subsidiaries	30.3	**(44)**			
Cash acquired from acquisition of subsidiary	30.3	**3**	1		
Proceeds from disposal of subsidiary/subsidiaries' operations	30.4	**4**	27		
Acquisition of associates and joint ventures			(183)		
Loans repaid by associates and joint ventures		**7**			
Loans granted to associates and joint ventures		**(55)**	(52)		
Additions to property, plant and equipment		**(177)**	(213)		
Proceeds from disposal of property, plant and equipment		**19**	25		
Additions to intangible assets		**(116)**	(97)		
Acquisition of equity securities		**(1)**	(6)		
Proceeds from disposal of equity securities		**1 161**	9		
Proceeds from sale of assets held for sale		**7**			
Loans and advances granted		**(75)**	(4)		
Repayment of loans and advances		**110**	80		
Cash flow from financing activities		**(593)**	(5)	**–**	–
Capital contributions by non-controlling interests		**6**	4		
Transactions with non-controlling interests		**(11)**	(10)		
Shares purchased and cancelled			(94)		(94)
Purchase of treasury shares			(27)		
Treasury shares sold		**1**	5		
Dividends paid to shareholders of the parent		**(188)**	(190)	**(188)**	(190)
Dividends paid to non-controlling interests		**(22)**	(20)		
Borrowings repaid	30.5	**(1 030)**	(1 333)	**(2)**	(8)
Borrowings drawn	30.5	**651**	1 660	**190**	292
Net increase/(decrease) in cash and cash equivalents		**113**	(106)	**–**	–
Cash and cash equivalents at beginning of year		**326**	422		
Exchange (losses)/gains on cash and cash equivalents		**(6)**	10		
Cash and cash equivalents at end of year	12	**433**	326	**–**	–

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY 2019

The principal accounting policies applied in the preparation of these consolidated and standalone financial statements are set out below. The accounting policies applied in the preparation of these financial statements are consistent in all material respects with those used in the prior financial year. However, the group adopted the various revisions to IFRS, refer accounting policies note 1, which were effective for its financial year ended 28 February 2019, but, these revisions have not resulted in material changes to the group's reported results or disclosures in these financial statements, except for the adoption of the new standard IFRS 9 *Financial Instruments*.

1. BASIS OF PREPARATION

The consolidated and standalone financial statements have been prepared on the going concern basis and in accordance with International Financial Reporting Standards ("IFRS"); the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the Companies Act of South Africa and the JSE Limited Listings Requirements. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments), employee defined benefit assets and liabilities, and biological assets, as well as investments in associates and joint ventures being accounted for according to the equity method of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and standalone financial statements are disclosed in accounting policy note 29 below.

1.1 Adoption of IFRS 9 *Financial Instruments* ("IFRS 9")

IFRS 9 is the new standard governing the classification, recognition and measurement of financial instruments, and replaces IAS 39 Financial Instruments: Recognition and Measurement. The year ended 28 February 2019 is the first period during which IFRS 9 was applied, thus the group transitioned to IFRS 9 on 1 March 2018. IFRS 9 was adopted without restating comparative information, thus any differences in the carrying amounts of financial instruments will be made to opening retained earnings as at the start of the current financial year, in accordance with the new standard's transitional arrangements. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 28 February 2018, but are recognised in the opening statement of financial position on 1 March 2018.

Classification and measurement:

IFRS 9, *inter alia*, replaces the multiple classification and measurement models in IAS 39 with a single model that has only two categories: amortised cost and fair value. On 1 March 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets and financial liabilities held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. There were no effects with regards to the changes in categories of financial assets and financial liabilities, except for Money market funds classified as fair value through profit and loss.

Change in measurement:

IFRS 9 establishes a new approach for financial assets carried at amortised cost – an "expected credit loss" model that focuses on the risk that a loan or trade debtor will default rather than whether a loss has been incurred. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loans and receivables.

The group has four types of financial assets that are subject to IFRS 9's new expected credit loss model: loans to associates and joint ventures; loans and advances; trade and other receivables; and cash and cash equivalents. The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table below.

1. BASIS OF PREPARATION continued

1.1 Adoption of IFRS 9 *Financial Instruments* ("IFRS 9") continued

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Statement of financial position *(extract)*	Previously reported 28 Feb 2018 Rm	Adjustment due to initial application of IFRS 9 Rm	Restated 1 Mar 2018 Rm
Assets			
Investment in ordinary shares of associates[1]	6 619	(3)	6 616
Loans to associates	132	(2)	130
Investment in ordinary shares of joint ventures[1]	17		17
Loans to joint ventures	4		4
Loans and advances	138	(1)	137
Deferred income tax assets	61	4	65
Trade and other receivables	1 274	(22)	1 252
Total assets	8 245	(24)	8 221
Equity and liabilities			
Ordinary shareholders' equity	8 269	(22)	8 247
Non-controlling interests	327	(2)	325
Total equity	8 596	(24)	8 572

[1] *IFRS 9 also has an impact on the financial assets and liabilities of the group's underlying associates and joint ventures. The equity method of accounting applied in terms of IAS 28* Investments in Associates and Joint Ventures *requires the group to account for its share of post-acquisition movements in other comprehensive income and other equity movements are recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Due to the aforementioned, an estimation calculation was performed on the adjustment due to the initial application of IFRS 9 on the underlying associates and joint ventures financial assets and liabilities.*

1.2 Adoption of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 sets out a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. IFRS 15 introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time. IFRS 15 replaces IAS 18 which covers revenue arising from the sale of goods and the rendering of services, IAS 11 which covers construction contracts, and related interpretations.

The year ended 28 February 2019 is the first period during which IFRS 15 was applied, thus the group transitioned to IFRS 15 on 1 March 2018. IFRS 15 was adopted without restating comparative information through the modified retrospective approach, resulting in insignificant changes in accounting policies and no adjustments to the amounts recognised in the financial statements, in accordance with the new standard's transitional arrangements. There was thus no impact on the group's retained earnings at the date of initial application.

ACCOUNTING POLICIES

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

2.1 New standards, interpretations and amendments adopted by the group during the year

The following new standards, interpretations or amendments, which are relevant to the group's operations, became effective for application during the year:

- Annual improvements 2014 – 2016 cycle:

  Amendments to IAS 28 *Investments in Associated and Joint Ventures* – This amendment seeks to clarify that a venture capital organisation, mutual fund, unit trust or similar entities may elect to measure investments in associates and joint ventures at fair value through profit and loss, separately for each investment.

- Amendments to IFRS 2 *Share-based payments* – Clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018)

  This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- IFRS 9 *Financial Instruments* (effective 1 January 2018)

  This new standard replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The standard, *inter alia*, encompasses requirements in the following areas: Classification and measurement (replaces the multiple classification and measurement models with a single model that has only two categories: amortised cost and fair value); Impairment (introduces an 'expected credit loss' model for the measurement of the impairment of financial assets); Hedge accounting (introduces a new model that align hedge accounting more closely with an entity's risk management); Derecognition (carried forward from IAS 39). Refer to accounting policy note 1.1.

- IFRS 15 *Revenue from Contracts with Customers* (effective 1 January 2018)

  This new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Refer to accounting policy note 1.2.

- Amendments to IFRS 15 *Revenue from Contracts with Customers* – (effective 1 January 2018)

  The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. Additional practical expedients related to transition to the new revenue standard are also included.

- Amendments to IAS 40 *Investment property* – Transfers of investment property (effective 1 January 2018)

  This amendment clarifies that to transfer to, or from, investment properties there must be a change in use.

- IFRIC 22 *Foreign currency transactions and advance consideration* (effective 1 January 2018)

  This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS continued

2.2 New standards, interpretations and amendments not currently relevant to the group's operations

The following new standards, interpretations and amendments had no impact on the measurement of amounts or disclosures in the current or prior year:

- IFRS 4 *Insurance contracts* – Regarding the implementation of IFRS 9 Financial instruments (effective 1 January 2018)

  These amendments introduced the following: (a) temporary exemption from IFRS 9 granted to insurers that meet specified criteria; and (b) an optional accounting policy choice to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9.

- IFRS 17 *Insurance contracts* (effective 1 January 2021)[3]

  This standard replaces IFRS 4 *Insurance contracts*. IFRS 17 created one accounting model for all insurance contracts in the jurisdictions that apply IFRS. The framework requires an entity to measure insurance contracts using estimated and updates that reflects the timing of cash flows. Insurance contracts are required to recognise profits as services are delivered as opposed to on receipt of premiums.

2.3 New standards, interpretations and amendments that are not yet effective

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2019 or later periods and have not been early adopted by the group:

- Amendments to IFRS 3 Business Combinations – Regarding the definition of a business (effective 1 January 2020)[2]

  These amendments: (a) clarified that a business must include substantive inputs and a process and must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Amendments to IFRS 9 *Financial Instruments – Regarding prepayment features with negative compensation* (effective 1 January 2019)[2]

  The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.

- IFRS 16 *Leases* (effective 1 January 2019)[4]

  This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

- Amendments to IFRS 1 *Presentation of Financial Statements* – Disclosure Initiative (effective 1 January 2020)[2]

  The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS continued

2.3 New standards, interpretations and amendments that are not yet effective continued

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Disclosure Initiative (effective 1 January 2020)[2]

  The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

- Amendments to IAS 19 *Employee Benefits* – Plan Amendment, Curtailment or Settlement (effective 1 January 2019)[2]

  The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

- Amendments to IAS 28 *Investments in associates and joint ventures* – Long-term interest in Associates and Joint Ventures (effective 1 January 2019)[1]

  The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

- IFRIC 23 *Uncertainty over Income Tax Treatments* – (effective 1 January 2019)[2]

  The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

- Annual improvements cycle 2015–2017 (1 January 2019)[2]

  Amendments to IFRS 3 *Business combination* – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

  Amendments to IFRS 11 *Joint arrangements* – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  Amendments to IAS 12 *Income taxes* – The amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

  Amendments to IAS 23 *Borrowing costs* – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2.4 Effect of new standards, interpretations and amendments that are not yet effective

1 *Management has assessed the impact of these standards, interpretations and amendments on the reported results of the group and company and do not foresee any significant impact.*

2 *Management has assessed the impact of these amendments on the reported results of the group and company and foresee only minor disclosure changes.*

3 *Management has assessed the impact of these amendments on the reported results of the group and company and foresee no impact on the measurement of amounts or disclosure.*

4 *The group will apply the standard from its mandatory adoption date of 1 March 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for operating leases within the scope of the standard will be measured on transition date as if the new rules had always been applied.*

Management has assessed all of the group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R1,00bn.

For the remaining lease commitments the group expects to recognise right-of-use assets of approximately R212,1m on 1 March 2019, lease liabilities of R527,3m (after adjustments for prepayments and accrued lease payments recognised as at 28 February 2019).

The group expects that net profit after tax will decrease by approximately R60,9m for 2020 as a result of adopting the new rules.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3. CONSOLIDATION

3.1 Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the income statement.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment, being the incremental costs relating to acquire the investment such as professional fees for legal services, transfer taxes and other transaction costs.

3.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. CONSOLIDATION continued

3.3 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.4 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income and other equity movements are recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as an impairment in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associates are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising from investments in associates are recognised in the income statement.

Loans to associates, not forming part of the group's investment in same, is classified as financial assets carried at amortised cost on the basis set out under the financial instruments accounting policy below.

3.5 Joint arrangements

In terms of IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses, movements in other comprehensive income and other equity movements. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

3. CONSOLIDATION continued

3.5 Joint arrangements continued

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

4. SEGMENT REPORTING

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

5. FOREIGN CURRENCY TRANSLATION

5.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate ("functional currency"). The consolidated and separate financial statements are presented in South African rand, being the company's functional and presentation currency.

5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within "fair value gains and losses".

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instrument at fair value through other comprehensive income (2018: available-for-sale) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity securities classified as at fair value through profit or loss, are recognised in the income statement as part of "fair value gains and losses". Translation differences on non-monetary financial assets, such as equity securities classified at fair value through other comprehensive income (2018: equity securities classified as available-for-sale), are included in other comprehensive income.

5.3 Group companies

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

5. FOREIGN CURRENCY TRANSLATION continued

5.3 Group companies continued

Group entities with functional currencies other than the presentation currency, mainly have the following functional currencies:

	2019		2018	
	Average rand per foreign currency unit	Closing rand per foreign currency unit	Average rand per foreign currency unit	Closing rand per foreign currency unit
British pound	**17,8**	**18,7**	17,1	16,3
Chinese yuan renminbi			2,0	2,2
Euro	**15,8**	**16,0**	15,1	17,0
Hong Kong dollar	**1,7**	**1,8**	1,7	1,5
Japanese yen	**0,1**	**0,1**	0,1	0,1
Mozambique new metical	**0,2**	**0,2**	0,2	0,2
United States dollar	**13,5**	**14,1**	13,1	11,8
Zambian kwacha	**1,3**	**1,2**	1,3	1,2
Zimbabwe RTGS		**5,4**		

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item of property, plant and equipment.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which it is incurred.

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce carrying values to estimated residual values over the useful lives of the assets, as follows:

Land and buildings	25 – 75 years
Motor vehicles	4 – 5 years
Plant	5 – 15 years
Office equipment (includes computer equipment)	3 – 10 years

Land is not depreciated, except for land held under leasehold rights, which is depreciated over the relevant leasehold term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Gains and losses on disposals of property, plant and equipment are determined by comparing the asset's proceeds with its carrying value and are included in the income statement.

7. INTANGIBLE ASSETS

7.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, joint venture or associate at the date of acquisition. Goodwill on the acquisition of a subsidiary is reported in the statement of financial position as an intangible asset. Goodwill on the acquisition of a joint venture or associate is included in the respective investment's carrying amount. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary, joint venture or associate at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisition is recognised as a gain on bargain purchase in profit or loss.

7.2 Trademarks

Acquired patents, trademarks and licences are shown at cost less accumulated amortisation and impairment. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

7.3 Customer lists

Acquired customer lists are shown at cost less accumulated amortisation and impairment. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

7.4 Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when all of the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

7.5 Capitalised product development costs

Research costs undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred. Development costs are expensed when incurred, unless they result in projects that are technically and commercially feasible and the group has sufficient resources to complete development, in which event these development costs are capitalised and amortised over the estimated useful life of the project. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses.

7. INTANGIBLE ASSETS continued

7.6 Amortisation of intangible assets

Amortisation is calculated on the straight-line method at rates considered appropriate to reduce carrying values to estimated residual values over the useful lives of the assets, as follows:

Capitalised product development costs	3 – 10 years
Customer lists	4 – 5 years
Trademarks	3 – 5 years
Computer software	5 – 15 years

8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

9. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, loans to associates and joint ventures, loans and advances, trade and other receivables, cash, money market investments and other cash equivalents, as well as financial liabilities, consisting of borrowings, derivative financial liabilities and trade and other payables.

There are group companies that are parties to derivative financial instruments that reduce exposure to financial risks. These instruments mainly comprise forward currency exchange contracts and hedge accounting was applied in some instances. Group companies that do not apply hedge accounting, recognise changes in the fair value of these and other derivative instruments in profit or loss in the period in which they arise. Until 28 February 2018, gains and losses arising from cash flow hedges are recognised through other comprehensive income, while those arising from fair value hedges are recognised in profit or loss in the period in which they arise.

10. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

11. FINANCIAL ASSETS

From 1 March 2018, the group classifies its financial assets in the following measurement categories: those to be measured at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

11. FINANCIAL ASSETS continued

11.1 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired and the group has transferred substantially all the risks and rewards of ownership.

11.2 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) *At fair value through profit or loss*

- *Equity instruments at FVPL*

  The group classifies its financial assets as FVPL if the financial assets are equity investments that are held for trading or equity investments for which the entity has not elected to recognise FVOCI.

  The group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

- *Money market funds at FVPL*

  The group classifies its investments in money market funds as FVPL, due to the underlying investments held by the money market funds that are periodically sold and thus the net asset value of the money market fund includes gains/losses from the sale of the underlying investments.

  The group subsequently measures all investments in money market funds at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Interest earned from such investments continue to be recognised as part of investment income in the income statement.

(b) *At amortised cost*

- *Trade receivables*

  Trade receivables, measured in accordance with IFRS 9, are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The group and company applies the IFRS 9 simplified approach to measuring expected credit losses that uses a lifetime expected loss allowance for trade receivables.

- *Other financial assets at amortised cost*

  The group classifies its financial assets as at amortised cost only if both of the following criteria is met: the asset is held within a business model whose objective is to collect the contractual cash flows; and the contractual terms give rise to cash flows that are solely payments of principal and interest.

  Other financial assets at amortised cost include the following: other receivables, loans and advances and loans to associates and joint ventures and cash, money market investments and other cash equivalents.

  Other financial assets are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value. All other financial assets, those classified as at amortised cost, are carried at amortised cost using the effective-interest method.

11. FINANCIAL ASSETS continued

11.2 Measurement continued

For cash and other cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and other cash equivalents are domiciled.

11.3 Valuation techniques used to determine fair values

The fair value of financial assets carried at FVPL or FVOCI is determined using techniques as set out in note 32.5.

11.4 Impairment

From 1 March 2018, the group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost under IFRS 9. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due criterion. The expected credit loss rates for trade receivables are mainly determined using a provision matrix. The provision matrix used is based on each individual company within the group’s historical default rates observed over the expected life of the receivables, an equivalent credit rating and adjusted as appropriate for current observable data and forward-looking estimates relating to the individual company within the group.

For all other financial assets at amortised cost, the group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition, which is determined by: (a) a review of overdue amounts; (b) comparing the risk of default at the reporting date and at the date of initial recognition; and (c) an assessment of relevant historical and forward-looking quantitative and qualitative information. If the credit risk on the financial asset has not increased significantly since initial recognition, the group measures the loss allowance for that financial asset at an amount equal to 12-months expected credit loss, which comprises the expected lifetime loss from the instrument were a default to occur within 12 months of the reporting date.

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The group considers an event of default has materialised, and the financial asset is credit impaired, when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the group without taking into account any collateral held by the group or if the financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Impairment losses on financial assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

11.5 Accounting policies applied until 28 February 2018

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group’s previous accounting policy.

11. FINANCIAL ASSETS continued

11.5 Accounting policies applied until 28 February 2018 continued

Until 28 February 2018 the group classified its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

11.6 Classification (until 28 February 2018)

(a) *Financial assets at fair value through profit or loss*

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. Derivatives are categorised as held for trading.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

11.7 Recognition and measurement of financial assets (until 28 February 2018)

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses.

Interest on available-for-sale securities calculated using the effective-interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payment is established.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

11. FINANCIAL ASSETS continued

11.7 Recognition and measurement of financial assets (until 28 February 2018) continued

Loans and receivables are subsequently carried at amortised cost using the effective-interest method. Specific provisions are made against identified doubtful receivables.

Loans advanced to associated companies, joint ventures and subsidiaries, which are interest-free with no repayment terms, are carried at amortised cost using the effective-interest method.

11.8 Impairment of financial assets (until 28 February 2018)

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and receivables may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses are recognised in and reversed through the income statement.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are classified as at fair value through profit or loss and are measured as set below. Fair values of over-the-counter traded derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

12.1 Non-controlling interest put option liabilities

IFRS requires the group to account for written put options held by non-controlling shareholders of the group's subsidiaries. Such options provide them with the right to require the group to acquire their shareholding in the respective subsidiary. IFRS 9 requires that in the circumstances described above, the present value of the future redemption amount be reclassified from equity to financial liabilities and that the financial liability so reclassified subsequently be measured in accordance with IFRS 9. In accordance with IFRS 9, all subsequent changes in the fair value of the liability together with the related interest charges arising from present valuing the future liability, shall be recognised in profit or loss.

12.2 Derivative financial instruments and hedging activities

The group uses derivative financial instruments to hedge its exposure to foreign exchange risk arising from operational activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition, derivatives are measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Until 28 February 2018, where a derivative financial instrument is used to hedge the variability in cash flows of the foreign exchange exposure of a recognised asset or liability or a highly probable forecast transaction, hedge accounting may be applied. These derivatives are designated as cash flow hedges.

12. DERIVATIVE FINANCIAL INSTRUMENTS continued

12.3 Cash flow hedges (until 28 February 2018)

Hedge relationships are formally documented at inception. The documentation includes identification of the hedged item and the hedging instrument, details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in off-setting changes in fair value or cash flows attributable to the hedge risk, consistent with the documented risk management strategy, hedge accounting is discontinued. Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognised asset or liability or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The ineffective portion is recognised in profit or loss. When the forecast transaction results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified from other comprehensive income in the same period in which the hedged forecast cash flow/hedged item affects profit or loss. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in profit or loss at the same time as the hedge transaction.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset's cost. For example, the deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment. Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; if the hedging instrument expires or is sold, terminated or exercised; if the forecast transaction is no longer expected to occur; or if the hedge designation is revoked. On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in profit or loss when the forecast transaction occurs and affects profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative gain or loss is recognised immediately in profit or loss.

13. BIOLOGICAL ASSETS

13.1 Agricultural produce

Agricultural produce are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs and incremental selling costs, including auctioneers' fees and commission paid to brokers and dealers. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise. Refer note 9 for further details regarding the valuation of biological assets.

Agricultural produce is transferred at the prevailing fair value less cost to sell value to inventory upon harvest.

13.2 Bearer plants

Biological assets that meet the definition of bearer plants are measured at cost less accumulated depreciation and impairment losses. Bearer plants are measured at accumulated costs until maturity, similar to the accounting for a self-constructed item of property, plant and equipment.

Subsequent production and borrowing costs are included in the bearer plant's carrying value only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

13. BIOLOGICAL ASSETS continued

13.2 Bearer plants continued

The lifespan of the bearer plant begins the day same is planted in the ground. Depreciation is calculated on the straight-line method at rates considered appropriate to reduce carrying values to estimated residual values over the useful lives of the assets. The useful life is determined in collaboration with the technical department, and is as follows:

Apples	36 years
Pears	36 years
Grapes	18 years
Oranges and lemons	30 years

A distinction is made between non-bearing and partially-bearing bearer plants and when the transformation has been sustainably completed (i.e. full-bearing orchards/vineyards). In collaboration with the technical department, the bearer plants (i.e. orchards/vineyards) are deemed to be full bearing when they reach the following ages:

Apples	6 years
Pears	6 years
Grapes	3 years
Oranges and lemons	7 years

All costs relating to the development of an orchard/vineyard are capitalised to the respective orchard/block of vineyard planted. The establishment costs are allocated per orchard/block of vineyard based on establishment costs allocated per hectare.

Production costs, capital expenditure and borrowing costs are capitalised to the bearer plant until the plant has reached the age of full bearing. Income that is received related to the orchard/vineyard prior to it becoming full bearing is credited to the capitalised costs.

Depreciation in respect of orchards/vineyards is calculated from the date the orchard/vineyard reaches the state of full bearing and calculated by taking the cost per orchard/vineyard and dividing by the relevant remaining life.

All orchards/vineyards to be removed during a financial year will be deemed to be removed from the date the last crop was harvested from the orchard/vineyard. No depreciation will be charged from that date for the specific orchard that is to be removed. The value of the orchards/vineyards removed is the book value of the orchard/vineyard at the deemed date of removal.

14. INVENTORY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and relevant selling expenses.

15. TRADE AND OTHER RECEIVABLES

From 1 March 2018, the group recognise trade and other receivables in accordance with accounting policy note 11.2(b). Until 28 February 2018, trade and other receivables were initially measured at fair value and subsequently recognised at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the amount of the provision were recognised in the income statement.

16. CASH, MONEY MARKET INVESTMENTS AND OTHER CASH EQUIVALENTS

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position. For further information on the recognition of cash and cash equivalents, refer to accounting policy 11.2.

17. STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

17.1 Treasury shares

The cost of treasury shares acquired are debited to the treasury share reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

Where any group company purchases the company's equity share capital (i.e. treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profits for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

17.2 Share trust

Certain of the group's remuneration schemes are operated through the Zeder Group Share Incentive Trust. The share trust is considered to be a special-purpose entity controlled by the group and is therefore consolidated.

18. FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities, classified as financial liabilities at amortised cost, include borrowings, derivative financial liabilities and trade and other payables.

18. FINANCIAL LIABILITIES continued

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

18.1 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance cost.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the group during the construction period. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

18.2 Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

19. TAXATION

19.1 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by

19. TAXATION continued

19.1 Current and deferred income tax continued

the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

19.2 Dividend withholding tax

Dividend withholding tax is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Services is included in trade and other payables in the statement of financial position.

20. EMPLOYEE BENEFITS

The group operates various post-employment schemes, including both defined benefit and defined contribution pension and medical plans.

20.1 Post-retirement pension and medical plans

A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension or medical obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

20. EMPLOYEE BENEFITS continued

20.2 Share-based compensation

Subsidiaries of the group operates equity-settled share-based payment schemes.

For the share-based payment schemes, the fair value of the employee services received in exchange for the grant of the scheme share options is recognised as an expense. The total amount to be expensed over the vesting periods, which are between four and five years, is determined by reference to the fair value of the scheme share options granted, excluding the impact of any non-market vesting conditions. For share options granted on or after 28 February 2018, the fair value included assumptions on market performance conditions. Non-market vesting conditions are included in assumptions concerning the number of scheme share options that are expected to become exercisable. Market performance conditions include assumptions with regards to the entity's total shareholder return. At each reporting date, the entity revises its estimates of the number of scheme share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The share-based payment expense is recognised in the income statement and a share-based payment reserve is recognised in equity as part of other reserves and represents the fair value at grant date of the share options that will be delivered on vesting.

20.3 Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

20.4 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

20.5 Profit sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

20.6 Other short-term employee benefits

The cost of all other short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Accruals for employee entitlements to wages, salaries and bonuses represent the amount which the group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

21. PROVISIONS AND CONTINGENT LIABILITIES

21.1 Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

21. PROVISIONS AND CONTINGENT LIABILITIES continued

21.1 Provisions continued

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

21.2 Contingent assets and liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

22. LEASES

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

23. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

24. REVENUE RECOGNITION

From 1 March 2018, the group has adopted IFRS 15, which introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

24.1 Revenue recognition

It is the group's policy to recognise revenue from a contract with customers when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

24. REVENUE RECOGNITION continued

24.1 Revenue recognition continued

Revenue is recognised at the amount of the transaction price that is allocated to that performance obligation excluding amounts collected on behalf of third parties. Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Control of an asset or service refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset. Refer note 20 for further detail on the recognition of revenue.

Royalty income is recognised when the right to receive payment has been established, it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest income is recognised using the effective interest rate method and is included as part of investment income in the income statement.

Dividend income is recognised when the right to receive payment is established and is included as part of investment income in the income statement.

24.2 Disaggregation of revenue from contract with customers

The group's activities comprise the sale of agricultural produce (eg. grains, fruit, etc.), agricultural products (eg. seed, milled grains, etc.), logistics services (eg. port charges, shipping and related services, etc.) and royalty income received on the sale of internally generated agricultural seeds. Refer note 20 for further detail regarding the disaggregation of revenue from contracts with customers.

24.3 Accounting policies applied until 28 February 2018

The group has applied IFRS 15 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Revenue comprises the fair value of the consideration received or receivable for goods sold or services rendered in the ordinary course of the group's activities. The group's activities comprise the sale of fruit, agricultural seed/produce, port charges, shipping and related services.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or the extent of progress toward completion of services, then estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that gave rise to the revision became known by management.

24.4 Sale of goods (until 28 February 2018)

Sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

24. REVENUE RECOGNITION continued

24.5 Services rendered (until 28 February 2018)

Revenue arising from services is recognised on an accrual basis in accordance with the substance of the relevant agreements. Revenue from the operation of vessels is recognised on a proportionate basis where voyages have not terminated at year-end.

24.6 Interest income (until 28 February 2018)

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding discount as interest income. Interest income is included as part of investment income in the income statement.

24.7 Dividend income (until 28 February 2018)

Dividend income is recognised when the right to receive payment is established. Dividend income is included as part of investment income in the income statement.

25. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

26. EARNINGS PER SHARE

26.1 Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

26.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the dilutive earnings from the subsidiaries or associates due to the additional ordinary shares of that subsidiary or associates that would have been outstanding assuming the conversion of all dilutive potential ordinary shares of that subsidiary or associate; and
- by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

27. GOVERNMENT GRANTS

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the group will comply with all the attached conditions. Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit and loss on a straight-line basis over the expected useful lives of the related assets.

28. ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities are addressed below.

29.1 Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value less cost to sell calculations. These calculations require the use of estimates (see note 2 for further detail and disclosure of estimates used).

29.2 Impairment of investment in associates

An impairment of associates is considered when the fair value is below its carrying value. In determination of whether there is objective evidence of impairment, the following factors may be considered: normal volatility in share price, the financial health of the investee, sector performance, changes in operational and financing cash flow.

An impairment loss is recognised for the amount by which the investment in associated company's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Refer to note 4.1.

29.3 Acquisition of associates

Details regarding significant new investments in associates acquired in the prior year are disclosed in note 4.1. Furthermore during the prior year, the group's interest in certain already existing associates were also increased. In accounting for these transactions management had to apply judgement in allocating the purchase price to the identifiable assets and liabilities of the associates acquired, or the portion acquired when an additional interest was acquired.

29.4 Recognition of intangible assets

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset specific risks. During the year under review, no businesses were acquired with intangible assets.

Trademarks and customers' lists acquired through business combinations or acquisitions are valued on acquisition using discounted cash flow methodology based on assumptions and estimates regarding future revenue growth, weighted cost of capital, marketing costs and other economic factors affecting the value in use of these intangible assets. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management.

The cost of the trademarks and customer lists are amortised over their estimated useful lives. The remaining useful lives of intangible assets are re-assessed annually. If the estimate of the remaining useful lives changes, the remaining carrying values are amortised prospectively over that revised remaining useful life.

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

29.4 Recognition of intangible assets continued

The main assumptions used in the valuation of key customer lists are the useful lives of these assets and the future profitability and cancellation rate of the underlying revenue streams. The useful life of a key customer list is estimated based on the cancellation experience of the existing business and the useful life of customer lists of other players in the market.

Product development costs are capitalised by the group when product projections indicates that the product would be a success and the cost can be reliably determined. The projections are based on the expected margin that would realise on the sale of the products in the future, the expected life cycle of the product, as well as the market share that the company expect to gain with the specific product.

If useful lives were increased/decreased by 10%, the intangible assets recognised would have been approximately R3,3m (2018: approximately R2,6m) higher/lower. Future profit margins used in determining customer contracts and relationships values were consistent with the margins applied in determining the fair value of the related investment.

Refer to the intangible asset accounting policy and note 2 for further detail.

29.5 Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated over their estimated useful lives to their estimated residual values. The remaining useful lives and residual values of property, plant and equipment are re-assessed annually. If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates. Refer to the property, plant and equipment accounting policy and note 1 for further detail.

29.6 Fair value of biological assets

The fair value of these biological assets were determined using a discounted cash flow model, which incorporates significant variable inputs i.e. discount rate and useful life of the biological assets. Where an insignificant level of biological transformation had taken place since planting, the biological assets are valued at cost (refer note 9 for further details).

29.7 Money market funds

Cash and cash equivalents disclosed on the statement of financial position includes investments in money market funds, being short-term highly liquid investments with maturities of three months or less. Money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The classification of money market funds as cash equivalents is only judgemental for purposes of disclosure and judgement applied could not have any impact of disclosed amounts of assets or liabilities.

29.8 Recoverability of trade and other receivables

Each entity in the group makes assumptions on the recoverability of its financial assets. These instruments mainly cover trade and other receivables and production loans. From 1 March 2018, the group measures the loss allowance for trade receivables by applying the simplified approach, which is prescribed by IFRS 9 and in accordance with accounting policy note 11, using a provision matrix. Until 28 February 2018, where the recoverability of these instruments is considered to be doubtful, management applies judgement in the calculation of the amount to be impaired.

29.9 Deferred tax

Each group entity determines the recoverability of deferred tax assets and the recognition of estimated tax losses.

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1. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land Rm	Buildings Rm	Vehicles, plant and equipment Rm	Office equipment Rm	Total Rm
At 28 February 2019					
Cost	**432**	**1 042**	**1 048**	**136**	**2 658**
Accumulated depreciation and impairment	**(36)**	**(280)**	**(541)**	**(102)**	**(959)**
	396	**762**	**507**	**34**	**1 699**
Reconciliation					
Balance at beginning of year	**358**	**751**	**483**	**34**	**1 626**
Additions	**2**	**66**	**107**	**15**	**190**
Disposals	**(4)**	**(17)**	**(3)**		**(24)**
Transferred to assets held for sale		**(1)**			**(1)**
Depreciation	**(5)**	**(46)**	**(99)**	**(15)**	**(165)**
Impairment		**(13)**			**(13)**
Exchange rate movements	**25**	**6**	**11**	**(1)**	**41**
Subsidiaries acquired	**24**	**16**	**8**	**1**	**49**
Subsidiaries sold	**(4)**				**(4)**
Balance at end of year	**396**	**762**	**507**	**34**	**1 699**
At 28 February 2018					
Cost	389	998	945	129	2 461
Accumulated depreciation and impairment	(31)	(247)	(462)	(95)	(835)
	358	751	483	34	1 626
Reconciliation					
Balance at beginning of year	381	718	501	40	1 640
Additions	1	91	119	9	220
Disposals		(10)	(11)		(21)
Transfers to non-current assets held for sale			(7)		(7)
Depreciation	(5)	(41)	(96)	(15)	(157)
Impairment	(2)	(2)	(9)		(13)
Exchange rate movements	(17)	(3)	(11)		(31)
Subsidiaries acquired			1		1
Subsidiaries sold		(2)	(4)		(6)
Balance at end of year	358	751	483	34	1 626

Details of land and buildings are available at the registered offices of the relevant group companies. Refer note to 17 for details regarding property, plant and equipment that serve as security for borrowings.

The current year impairment relates to the Northern Cape grape farms where over-capitalisation occurred on the improvements made to the packing infrastructures.

The prior year impairment relates to the restructure of an United Kingdom operation as well as the restructure of port infrastructure in Cape Town harbour that resulted in a change in operational nature.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Zaad Holdings Limited's general borrowings during the year, in this case 0% (2018: 10,35%). Included in the additions to buildings is Rnil (2018: R0,78m) borrowing costs capitalised.

2. INTANGIBLE ASSETS

GROUP	Capitalised product development costs Rm	Customer lists Rm	Trademarks, computer software and other Rm	Goodwill Rm	Total Rm
At 28 February 2019					
Cost	**525**	**33**	**115**	**204**	**877**
Accumulated amortisation and impairment	**(109)**	**(33)**	**(66)**		**(208)**
Balance at end of year	**416**	**–**	**49**	**204**	**669**
Reconciliation					
Balance at beginning of year	**304**	**1**	**58**	**243**	**606**
Additions	**123**		**3**		**126**
Amortisation	**(18)**	**(1)**	**(14)**		**(33)**
Impairment	**(1)**		**(1)**	**(64)**	**(66)**
Exchange rate movement	**8**		**3**	**17**	**28**
Subsidiaries acquired				**8**	**8**
Balance at end of year	**416**	**–**	**49**	**204**	**669**
At 28 February 2018					
Cost	393	32	111	243	779
Accumulated amortisation and impairment	(89)	(31)	(53)		(173)
Balance at end of year	304	1	58	243	606
Reconciliation					
Balance at beginning of year	234	4	71	357	666
Additions	86		16		102
Disposals			(1)		(1)
Amortisation	(14)	(2)	(11)		(27)
Impairment	(6)		(7)	(110)	(123)
Exchange rate movement	4	1		(4)	1
Subsidiaries sold		(2)	(10)		(12)
Balance at end of year	304	1	58	243	606

The current year impairment relates to goodwill on the investment in Agrivision Africa of R49,4m, as a result of tough trading conditions in Zambia, goodwill on Klein Karoo Seed Marketing's subsidiary companies of R7,3m, due to a decline in recent performance, goodwill recognised on the recently acquired 52% in Sonkwasdrif Proprietary Limited of R7,7m due to it being a loss making entity, additional impairment on the computer software at the restructured United Kingdom operation and intellectual property at Klein Karoo Seed Marketing, where there is no foreseeable future commercialisation of the specific seed line, were incurred during the year.

The prior year impairment relates to computer software at a restructured United Kingdom operation, intellectual property at Klein Karoo Seed Marketing, where there is no foreseeable future commercialisation of the specific seed line, and on goodwill at Mpongwe Milling, following two consecutive loss making years.

2. INTANGIBLE ASSETS continued

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Zaad Holdings Limited' general borrowings during the year, in this case 8,98% (2018: 10,35%). Included in additions to capitalised product development costs is R7,8m (2018: R5,4m) borrowing costs capitalised.

Included in intangible assets other than goodwill are the following significant intangible assets and their remaining amortisation periods:

GROUP	Remaining amortisation period 2019	Remaining amortisation period 2018	Carrying value 2019 Rm	Carrying value 2018 Rm
Zaad				
– Capitalised product development costs[1]	**<7 years**	<7 years	**416**	304
Capespan				
– Software development	**1 – 7 years**	5 – 7 years	**32**	38
			448	342

[1] *Capitalised product development costs are internally generated and in respect of plant and seed breeding operations within the subsidiaries of Zaad Holdings Limited. Each product needs to go through its normal plant life cycle to generate seed, which can vary between 4 to 8 months. Some plants are seasonal and can only be grown once a year. Line development normally takes up to 7 cycles before a product can be released for commercial testing and future commercialisation. Included in cost under capitalised product development costs are intangibles in use amounting to R138,9m (2018: R141,3m) which are currently being amortised.*

Goodwill allocation

Goodwill is allocated to cash-generating units ("CGUs"), being each operating subsidiary. A summary of the goodwill allocation is as follows:

GROUP	2019 Rm	2018 Rm
Zaad		
– Agricol	**52**	52
– Klein Karoo Seed Marketing	**66**	75
– Agriseeds	**11**	5
Agrivision Africa		
– Mkushi Estates	**1**	31
– Somawhe Estates	**50**	56
The Logistics Group		
– Contour Logistics	**10**	10
– Port Services	**13**	13
– The Logistic Company	**1**	1
	204	243

Goodwill is tested for impairment annually by comparing the carrying value to the recoverable amount of the CGUs, being the higher of value-in-use and fair value less cost to sell. Therefore, should the recoverable amount exceed the carrying value, goodwill is considered adequately supported.

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2. INTANGIBLE ASSETS continued

Zaad – Agricol and Klein Karoo Seed Marketing

A definite value distinction can be made between earnings on own Intellectual Property ("IP") and earnings from the various seed trading operations. The IP operation commands a much higher profit margin and due to significant research and development costs and long development timeframes, also means a considerable higher barrier to entry. Fair value less cost to sell of each of Klein Karoo Seed Marketing Group's CGU's is determined using unobservable inputs (level 3), by applying a range of price/earnings ratios to the various parts of the operations, equating to an effective group price/earnings ratio of 14 (2018: 12). The price/earnings ratio applied was determined with reference to similar listed companies, adjusted for entity specific considerations. Had the price/earnings ratio been decreased by 10%, the recoverable amount would still exceed the carrying value.

Zaad – Agriseeds

Fair value less cost to sell of Agriseeds was determined during the year, using unobservable inputs (level 3), by applying a price/earnings ratio of 12 (2018: 12). The price/earnings ratio was determined with reference to similar listed companies, adjusted for entity specific considerations. Had the price/earnings ratio been decreased by 10%, the recoverable amount would still exceed the carrying value.

Agrivision Africa – Farming operations

The fair value less cost to sell of Agrivision Africa's two farming CGUs, namely Mkushi Estates and Somawhe Estates, is determined based on the net realisable value of the underlying assets, with reference to the fair value of land, buildings and other tangible assets (level 3 unobservable inputs). This was based mainly on a market-related valuation of all property, plant and equipment that was performed by an independent valuation specialist during the 2016 financial year, at an average selling price between US$6 178 – US$6 500 per irrigated hectare of land. Had the price per irrigated hectare been adjusted downward by 10%, the recoverable amount would still exceed the carrying value.

The Logistics Group – Contour Logistics, Port Services & The Logistics Company

The value-in-use of Contour Logistics & Port Services is determined using a discounted cash flow model, management-approved budgets and the following key inputs:

	2019	2018
Discount rate	**17,9%**	13,8%
Terminal growth rate	**2,0%**	2,0%
Tax rate	**28,0%**	28,0%

The directors are satisfied that the carrying value of goodwill is adequately supported.

	COMPANY	
	2019 Rm	2018 Rm
3. INVESTMENT IN SUBSIDIARY		
Unlisted shares at cost	**8 292**	8 282

The company holds 100% (2018: 100%) of the issued share capital of Zeder Financial Services Limited, who in turn holds the group's investments in the underlying subsidiaries and associates. Refer to Annexure A.

	GROUP	
	2019 Rm	2018 Rm
4. INVESTMENT IN ASSOCIATES		
4.1 Investment in ordinary shares of associates		
– Listed	**5 687**	6 125
– Unlisted	**583**	494
	6 270	6 619
Reconciliation of ordinary share investments:		
Balance at beginning of year	**6 616**	6 824
– Previously reported	**6 619**	6 824
– Adjustment due to initial application of IFRS 9[1]	**(3)**	
Acquisitions		
– Cash[2]		183
– Other[2]		26
Equity accounting		
– Share of profits of associates[3]	**627**	462
– Dividends received	**(308)**	(273)
– Other comprehensive income	**(29)**	64
Impairment of associates[4]	**(647)**	(1)
Gain on dilution[5,6]	**21**	2
Loss on dilution[6]		(31)
Net transfer to equity securities[7]	**–**	(685)
– Transfer to equity securities		(700)
– Fair value gain on transfer of associate to equity security		15
Transfer from subsidiaries[8]		26
Transfer to subsidiaries[8]	**7**	
Exchange rate movement	**(17)**	22
Balance at end of year	**6 270**	6 619
Market value of listed investments	**5 864**	9 282

1 *IFRS 9 Financial Instruments also has an impact on the financial assets and liabilities of the group's underlying associates and joint ventures. The equity method of accounting applied in terms of IAS 28* Investments in Associates and Joint Ventures *requires the group to account for its share of post-acquisition movements in other comprehensive income and other equity movements are recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Due to the aforementioned, an estimation calculation was performed on the adjustment due to the initial application of IFRS 9 on the underlying associates and joint ventures financial assets and liabilities.*

2 *During the prior year, the group, through Zaad Holdings Limited ("Zaad"), acquired a 35% interest in May-Agro Tohumculuk Sanayi ve Ticaret Anonim Sirketi ("May Seed"), a Turkish seed company, for R140,8m (including deferred purchase consideration of R26,8m), and through Zeder Financial Services Limited ("ZFS"), a 34,4% interest in Clean Air Nurseries Agri Global Proprietary Limited for R100. The group, through ZFS, also bought additional shares in Kaap Agri Limited to the value of R40m and through Capespan Group Limited ("Capespan"), an additional interest in Joy Wing Mau ("JWM") (previously Golden Wing Mau) for R27,7m.*

3 *Equity accounted earnings as per the income statement of R635,5m (2018: R471,9m) includes the equity accounted earnings from the investment in joint ventures of R9,1m (2018: R10,4m) (refer note 5.1).*

4 *The current year impairment relates to the recent drop in the JSE listed share price of the investments in Pioneer Food Group Limited ("Pioneer Foods") and Quantum Foods Holdings Limited ("Quantum Foods").*

5 *During the current year the group incurred dilution gains on Pioneer Foods, Quantum Foods and Kaap Agri Limited due to the share-buy-back within the underlying companies.*

4. INVESTMENT IN ASSOCIATES continued

4.1 Investment in ordinary shares of associates continued

[6] *During the prior year the group incurred a dilution gain on Quantum Foods due to the share buy-back process and the group's interest in Pioneer Foods and JWM diluted due to changes in shareholding in the management and other share incentive schemes.*

[7] *After the reduction in interest in JWM, in the prior year, due to the issue of shares to management and together with careful considerations of other factors, it became evident that Capespan no longer has significant influence over JWM and thus the interest in associate were transferred to equity securities carried at fair value.*

[8] *During the current year, Capespan acquired the remaining 52% interest in the pome farm, Sonkwasdrif for R1. Sonkwasdrif was carried at a negative value within associates. During the prior year, the group, through Capespan merged its Asian operations with JWM to form JWM Asia. Capespan therefore sold 70% of its Japan (Capespan Japan Limited) and Hong Kong (Metspan Hong Kong Limited) business operations to JWM Asia and retained a 30% shareholding in JWM Asia.*

Further information

Refer to Annexure B for further details regarding the investment in associates.

	GROUP	
	2019 Rm	**2018 Rm**
4.2 Loans to associates		
– GAP Chemicals Proprietary Limited ("GAP Chemicals")[9]	**60**	60
– JWM Asia[10]	**30**	26
– Sonkwasdrif Proprietary Limited ("Sonkwasdrif")[11]		18
– Clean Air Nurseries Agri Global Proprietary Limited[12]	**17**	3
– Clean Air Nurseries Agri Global Proprietary Limited[13]	**50**	8
– Tradekor Holdings Proprietary Limited ("Tradekor")[9]	**6**	9
– Sorghum Solutions Africa Proprietary Limited[10]	**1**	5
– Klein Karoo Akademie Proprietary Limited ("Klein Karoo Akademie")[11]		3
– DLF Seeds Proprietary Limited[9]	**4**	
– Hygrotech Zambia Limited[10]	**4**	
	172	132
Current	**6**	
Non-current	**166**	132
	172	132

[9] *These loans are unsecured, carry interest at prime with no repayment terms, except for Tradekor loan that is repayable in 20 annual instalments. GAP Chemicals loan balance are shown net of a provision of impairment of R0,3m (adjustment due to initial application of IFRS 9).*

[10] *These loans are unsecured, interest-free with no repayment terms.*

[11] *These loans are secured, carries interest at prime plus 2% with no repayment terms. The opening carrying value adjustment to due to initial application of IFRS 9 of R2m (refer accounting policy note 1.1), realted to the Klein Karoo Akademie loan that was repaid during the current year, and thus the loss allowance was subsequently reversed. During the current year, Sonkwasdrif was transferred to investments in subsidiaries.*

[12] *These loans are unsecured, carries interest at prime plus 1% and repayable in bi-annual instalments commencing after 31 May 2020.*

[13] *This loan is unsecured, carries interest at prime plus 1% and is repayable in bi-annual instalments commencing 15 January 2020.*

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	GROUP 2019 Rm	GROUP 2018 Rm
5. INVESTMENT IN JOINT VENTURES		
5.1 Investment in ordinary shares of joint ventures	**21**	17
Reconciliation of ordinary share investment:		
Balance at beginning of year	**17**	9
Equity accounted earnings	**9**	10
Other comprehensive income	**(9)**	
Exchange rate movement	**4**	(2)
Balance at end of year	**21**	17
5.2 Loans to joint ventures[1]	**–**	4

[1] *This loan with Noord Kaap Saad Verwerking Proprietary Limited was unsecured, interest-free and fully repaid during the current year.*

	GROUP 2019 Rm	GROUP 2018 Rm
6. EQUITY SECURITIES		
At fair value through profit or loss		
– Listed		9
– Unlisted but quoted	**1**	
– Unquoted	**29**	679
	30	688

GROUP	Available-for-sale Rm	Fair value through profit or loss Rm	Total Rm
Reconciliation of equity securities			
Balance at 1 March 2017	7	39	46
Net fair value gains		11	11
Transfer from loans and advances		6	6
Transfer from associate		700	700
Disposals	(1)	(7)	(8)
Exchange rate movement	(6)	(61)	(67)
Balance at 28 February 2018	–	**688**	**688**
Additions		**1**	**1**
Net fair value gains		**473**	**473**
Disposals		**(1 186)**	**(1 186)**
Exchange rate movement		**54**	**54**
Balance at 28 February 2019	–	**30**	**30**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. EQUITY SECURITIES continued

During September 2018, the group, through Capespan Group Limited, disposed of its investment in the Joy Wing Mau Group ("JWM") in China for an aggregate purchase consideration of ¥566 million, amounting to R1,18bn, at the exchange rate at the time.

During the prior year, the investment in JWM (previously accounted for as an investment in associates) were transferred to equity securities (refer note 4.1).

During the prior year, the listed equity securities, PSG Group Limited shares, were recognised on the loans granted on or before 28 February 2018, to an executive director, Mr N Celliers. These shares were obtained through the vesting of PSG Group Limited share options previously allocated to Mr N Celliers. In terms of the accounting standard, the loans receivable has been accounted for in terms of IFRS 2 *Share-based Payment*.

As at 28 February 2019, R18,9m (2018: R25,5m) of the unquoted equity securities include advances which are linked to equity instruments. In terms of these agreements, the group is entitled to the majority of the increase in the market value of the underlying equity securities and the dividends received on these securities. The advances are impaired to the value of the underlying instruments should the market value of the instruments fall below the current carrying value of the advances (refer to note 32.5 for fair value disclosures).

7. EMPLOYEE BENEFITS

Assets and liabilities relating to the group's employee benefits can be summarised as follows:

GROUP	2019 Assets Rm	2019 Liabilities Rm	2019 Net Rm	2018 Assets Rm	2018 Liabilities Rm	2018 Net Rm
Short-term employee benefits						
Performance-based remuneration		**(26)**	**(26)**		(22)	(22)
Leave pay		**(31)**	**(31)**		(30)	(30)
Post-employment defined benefit plans	**43**	**(103)**	**(60)**	39	(91)	(52)
Termination employee benefits		**(6)**	**(6)**		(13)	(13)
	43	**(166)**	**(123)**	39	(156)	(117)
Non-current portion	**43**	**(103)**	**(60)**	39	(91)	(52)
Current portion		**(63)**	**(63)**		(65)	(65)

Short-term employment benefits

These benefits comprise performance-based bonus and leave pay accruals.

Post-employment defined benefit plans (Capespan medical benefits)

The group, through Capespan Group Limited ("Capespan"), provides for post-employment medical aid benefits in respect of certain retired employees. This liability is for a relatively small group of staff and their dependants who were already retired from International Harbour Services Proprietary Limited, Outspan International Limited ("Outspan") and Unifruco Limited ("Unifruco") prior to the merger between Unifruco and Outspan in 1999. To qualify for the scheme they had to be permanently employed, be a member of the company designated scheme at retirement and remain resident in South Africa until their retirement. The obligation was quantified by an independent actuary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. EMPLOYEE BENEFITS continued

Post-employment defined benefit plans (Capespan pension benefits)

The group, through Capespan, operates a number of externally funded defined benefit pension schemes across various countries. These schemes are set up under trusts and the assets of the schemes are therefore held separately from those of the group.

The Capespan pension benefits can be divided into the following three plans: South African Co-operative Citrus Exchange ("SACCE"), Capespan Continent NV ("CCNV") and Capespan Germany GmbH ("CGG"). These schemes are all closed to new employees.

The accompanying disclosures relate to the group's most significant defined benefit pension schemes across the United Kingdom, continental Europe and South Africa.

Actuarial valuations were carried out by independent actuaries for the various schemes using the projected unit credit method.

The respective employee defined benefit plan deficits can be analysed as follows:

	2019 Capespan medical benefits			2018 Capespan medical benefits		
GROUP	**Assets Rm**	**Liabilities Rm**	**Net Rm**	**Asset Rm**	**Liabilities Rm**	**Net Rm**
Present value of funded obligations		**(24)**	**(24)**		(25)	(25)
Opening balance		**(25)**	**(25)**		(25)	(25)
Interest expense		**(2)**	**(2)**		(2)	(2)
Gains from changes in financial and demographic assumptions		**1**	**1**			–
Employer contributions		**2**	**2**		2	2
Balance at end of year	**–**	**(24)**	**(24)**	–	(25)	(25)

	2019 Capespan pension benefits			2018 Capespan pension benefits		
GROUP	**Asset[1] Rm**	**Liabilities Rm**	**Net Rm**	**Asset[1] Rm**	**Liabilities Rm**	**Net Rm**
Fair value of plan assets	**43**		**43**	39		39
Present value of funded obligations		**(79)**	**(79)**		(66)	(66)
	43	**(79)**	**(36)**	39	(66)	(27)
Balance at beginning of year	**39**	**(66)**	**(27)**	37	(92)	(55)
Interest expense		**(8)**	**(8)**		(10)	(10)
Return on plan assets	**8**		**8**	8		8
(Losses)/gains from changes in financial and demographic assumptions		**(4)**	**(4)**		24	24
Settlements			**–**		6	6
Exchange differences	**(4)**	**(1)**	**(5)**	(6)	6	–
Balance at end of year	**43**	**(79)**	**(36)**	39	(66)	(27)

[1] *For the CCNV pension benefits, the assets are represented by a reinsurance policy.*

7. EMPLOYEE BENEFITS continued

Principal actuarial assumptions at the reporting date (expressed as weighted averages) are presented below:

GROUP	Capespan medical benefits	Capespan pension benefits SACCE	CCNV	CGG
28 February 2019				
Discount rate	**9,3%**	**2,8%**	**1,0%**	**1,8%**
Future salary increases			**3,0%**	
Future medical costs increases	**10,0%**			
Inflation	**10,0%**	**2,4%**	**2,0%**	**1,7%**
28 February 2018				
Discount rate	8,5%	2,4%	1,3%	1,8%
Future salary increases			3,0%	
Future medical costs increases	9,0%			
Inflation	9,0%	2,3%	2,0%	2,2%

A sensitivity analysis for each significant actuarial assumption (i.e. what impact would a change in the actuarial assumption have on the net defined benefit obligation):

GROUP	Capespan medical benefits Change in assumption	Increase Rm	Decrease Rm	Capespan pension benefits Change in assumption	Increase Rm	Decrease Rm
28 February 2019						
Discount rate	**0,5%**	**1**	**(1)**	**0,5%**	**26**	**(26)**
Future salary increases				**1,0%**	**4**	**(3)**
Medical costs trend	**1,0%**	**(1)**	**2**			
Inflation				**1,0%**	**(11)**	**15**
Future mortality	**1 year**	**(1)**	**1**	**1 year**	**(23)**	**23**
28 February 2018						
Discount rate	0,1%	1	(1)	0,5%	27	(27)
Future salary increases				1,0%	4	(3)
Medical costs trend	1,0%	(2)	2			
Inflation				1,0%	(10)	14
Future mortality	1 year	(1)	1	1 year	(22)	22

The exposure to the group, through the Capespan medical benefits, is that the life expectancy of the beneficiaries exceeds the life expectancy applied by the actuaries or that the medical inflation exceeds the percentage provided for the valuation.

The group, through Capespan, reviewed the contributions and benefit structures of its medical schemes, to ensure that these are well positioned against steeply rising healthcare costs and to establish the existence and extent of any future obligations towards current retired employees.

The Capespan pension benefit plans exposes the group, through Capespan, to actuarial risks, such as longevity risks, currency risks, interest rate risks and market (investment) risk.

7. EMPLOYEE BENEFITS continued

For the CCNV pension benefits, the pension assets are represented by a reinsurance policy. The insurance contracts in place are intended to fully cover the benefits as they are defined in the pension plans. Due to the nature of the coverage, there is no residing liability or risk, except if the insurer should no longer be able to perform its obligations. As long as Capespan pays the regular premium amount, the insurance will pay its contractual benefit to company.

Biometric risk relates to human life conditions, eg death, disability and longevity. In terms of the active and vested members, premature pensionable events and longevity risks are reinsured. Financial risk exists due to implemented reinsurance contracts and the employer is obliged to finance premiums.

The group is also exposed to providing the employee with pension capital at retirement based on a predetermined formula. The exposure exists due to the difference between the asset and the liability where investment returns are exposed to market volatility.

	GROUP	
	2019 Rm	2018 Rm
8. LOANS AND ADVANCES		
Secured loans	**79**	122
Unsecured loans	**16**	16
	95	138
Current	**16**	38
Non-current	**79**	100
	95	138

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

8. LOANS AND ADVANCES continued

The secured loans has the following terms:

GROUP

Subsidiary	Counterparty	Security	Interest rate %	Repayment terms	2019 Rm	2018 Rm
Capespan	Capespan Group Limited ("Capespan") staff	Capespan ordinary shares	SARS official interest rate	Five years from inception date	**32**	32
Zaad	Zaad Holdings Limited ("Zaad") non-controlling shareholders	Zaad ordinary shares	Prime	Five to seven years from inception date	**25**	35
Zaad	Nichebrands Proprietary Limited	Guarantees and assets pledged	Interest-free	Fixed repayment schedule	**17**	33
Zaad	Progene Private Limited	Zambian treasury bills	Interest-free	No repayment term		18
Capespan	Valley Grain Inc	Property, plant and equipment	5%	Fixed repayment schedule	**5**	4
					79	122

Unsecured loans and advances comprise mainly advance payments made for lease, office and other deposits.

During the year, R0,1m of the opening carrying value adjustment due to initial application of IFRS 9 (refer accounting policies note 1.1) of R0,6m were reversed and the loss allowance at reporting date amounted to R0,5m.

	GROUP	
	2019 Rm	**2018 Rm**
9. BIOLOGICAL ASSETS		
9.1 Bearer plants[1]		
Orchards	**239**	214
Vineyards	**187**	192
	426	406
Reconciliation:		
Balance at beginning of year	**406**	364
Subsidiaries acquired	**10**	
Additions	**44**	62
Disposals	**(12)**	
Depreciation	**(21)**	(20)
Impairment	**(1)**	
Balance at end of year	**426**	406

[1] *Bearer plants are carried at cost less accumulated depreciation and impairment losses.*

		GROUP	
		2019 Rm	2018 Rm
9.	**BIOLOGICAL ASSETS continued**		
9.2	**Biological assets – agricultural produce**		
	Non-current	**15**	
	Current	**151**	152
		166	152
	Maize[2]	**5**	7
	Soya[2]	**43**	28
	Orchards[3]	**45**	55
	Vineyards[3]	**54**	51
	Timber[4]	**15**	11
	Sorghum and other[3]	**4**	
		166	152
	Reconciliation:		
	Balance at beginning of year	**152**	122
	Subsidiaries acquired	**2**	
	Exchange rate movement	**3**	(2)
	Additions	**126**	117
	Harvests	**(311)**	(280)
	Change in fair value of biological assets	**194**	195
	Balance at end of year	**166**	152

2 *These current biological assets are valued at cost, since an insignificant level of biological transformation has taken place since planting.*

3 *These current biological assets, which comprise the fruit on the orchards, grapes on the vineyards, sorghum and other biological assets have been valued using the following assumptions and inputs:*
– expected sales realisation at free on board value for export fruit and net value for local fruit sales;
– budgeted costs to harvest and sell the fruit as per management-approved budgets;
– packing and cooling costs as per the management-approved budgets; and
– overheads directly attributable to the operations for the year.

4 *This non-current biological asset is valued using the discounted cash flow valuation model to consider the present value of the net cash flows expected to be generated. The group determined the harvesting cycles and age groups of the current forestry fields using industry standards and historic data. The quantity of timber to be harvested is based on an average of 1 050 poles and 350 mature trees per hectare over the lifetime of the plantation. The price per harvesting cycle is determined by using historic data and industry standards. A weighted average cost of capital of 18,5% (2018: 14,2%) after tax was used to discount the future cash flows of forestry.*

9. BIOLOGICAL ASSETS continued

9.2 Biological assets – agricultural produce continued

The abovementioned fair value of agricultural produce has been calculated using unobservable inputs (level 3). The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of fair value assumption fluctuations, mainly driven by commodity prices. The analysis is based on the assumption that the fair value increase/decrease by 10% (2018: 10%) at the reporting date:

	2019		2018	
GROUP	10% increase Rm	10% decrease Rm	10% increase Rm	10% decrease Rm
Impact on post-tax profit	**17**	(17)	**15**	(15)

Biological assets comprised of the following:

	Included in carrying value at reporting date		Harvested crops during the year	
GROUP	2019 Hectares	2018 Hectares	2019 Cartons/Tons	2018 Cartons/Tons
Maize	**420**	729	**6,2 mt**	9,4 mt
Soya	**6 283**	5 806	**12,8 mt**	18,5 mt
Wheat	**15**		**26,4 mt**	27,9 mt
Apples and pears	**568**	563	**1,2 mc**	1,2 mc
Citrus	**287**	306	**0,5 mc**	0,6 mc
Grapes	**952**	948	**2,8 mc**	3,1 mc
Timber plantations	**887**	720		

10. INVENTORIES

	GROUP	
	2019 Rm	2018 Rm
Raw materials	**123**	112
Work in progress	**14**	29
Finished goods	**1 081**	1 145
	1 218	1 286

Inventory to the value of R9,9m (2018: R17,1m) was written off during the year.

Inventories recognised as an expense during the year amounted to R1,48bn (2018: R1,37bn) and were included in cost of sales.

Raw materials consist of packaging material, consumables, fertilizer and seeds held for planting on the farms, wheat and maize held for milling and other inputs. Work in progress consist of seeds in the cleaning process prior to packaging the finished product. Finished goods include fruit produced, packaged seeds ready for sale and milled wheat and maize packaged.

11. TRADE AND OTHER RECEIVABLES

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Trade receivables	**1 108**	958		
Loss allowance of trade receivables[1]	**(49)**	(47)		
Value added tax[2]	**63**	35		
Prepayments and sundry receivables[2]	**294**	328	**1**	1
	1 416	1 274	**1**	1

[1] *Refer note 32.3 for the reconciliation of the loss allowance.*

[2] *Total non-financial assets of R160,0m (2018: R186,6m) for the group and R0,3m (2018: R0,3m) for the company is included in above.*

12. CASH, MONEY MARKET INVESTMENTS AND OTHER CASH EQUIVALENTS

	Group 2019 Rm	Group 2018 Rm
Bank balances	**181**	216
Money market fund	**252**	110
	433	326

The money market fund earned interest at money market rates during the year under review. Money market funds are invested in highly liquid instruments with a weighted average maturity of less than 90 days.

13. NON-CURRENT ASSETS HELD FOR SALE

	Group 2019 Rm	Group 2018 Rm
Carrying value at beginning of year	**7**	
Transfer from property, plant and equipment	**1**	7
Disposed	**(7)**	
Carrying value at end of year	**1**	7

Non-current assets held for sale of R0,6m at reporting date comprise the expected sale of a property in Gauteng. In the prior year, it included property, plant and equipment within the Capespan UK operations, amounting to R7,1m, subsequently sold during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

	GROUP		COMPANY	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
14. STATED CAPITAL				
14.1 Ordinary shares				
Authorised				
3 000 000 000 (2018: 3 000 000 000) ordinary shares with no par value.				
Issued				
Balance at beginning of year	**7 060**	7 154	**7 060**	7 154
Shares repurchased and cancelled		(94)		(94)
Balance at end of year	**7 060**	7 060	**7 060**	7 060
Number of shares in issue ('000)				
In issue (gross of treasury shares)	**1 715 179**	1 715 179	**1 715 179**	1 715 179
Held by share incentive trust	**(5 001)**	(5 001)		
Held by executives through loan funding advanced	**(8 299)**	(8 299)		
In issue (net of treasury shares)	**1 701 879**	1 701 879	**1 715 179**	1 715 179

Unissued shares, limited to 10% of the company's number of shares in issue as at 14 May 2018 (amounting to 171 517 900 ordinary shares), have been placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and the JSE Listings Requirements.

No ordinary shares were issued or purchased and cancelled during the year under review.

During the prior year 15 335 527 ordinary shares were purchased in the open market at an average price of R6,13 per share, in accordance with the general authority obtained from its shareholders at the Annual General Meeting on 23 June 2017 and cancelled with JSE obtained approval.

During the prior year, treasury shares, allocated to executive directors in terms of a share incentive scheme, were recognised on loans granted on or prior to 28 February 2018. In terms of accounting standards, the loans receivable were eliminated on consolidation, accounted for in terms of IFRS 2 *Share-based Payment* and the Zeder shares accounted for as treasury shares (refer note 28).

Previously, a loan in the amount of R9,9 million was advanced to a company controlled by a director, in order to acquire 2 635 933 JSE-listed Zeder ordinary shares ("the Zeder shares"). The group acquired the loan, amounting to R12,6m, from PSG Corporate Services Proprietary Limited ("PSGCS") (an indirect subsidiary of the ultimate holding company, PSG Group Limited). In terms of accounting standards, the loans receivable were eliminated on consolidation, accounted for in terms of IFRS 2 *Share-based Payment* and the Zeder shares accounted for as treasury shares (refer note 28).

14.2 Cumulative, non-redeemable, non-participating preference shares

Authorised

250 000 000 (2018: 250 000 000) shares with no par value

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. STATED CAPITAL continued

14.3 Share incentive schemes

During the year, the company operated a single equity-settled share incentive scheme, being the share option scheme. In terms of the scheme, share options are granted to executive directors and senior management. Other share option schemes operated by subsidiaries include that of Agrivision Africa and Capespan Group Limited.

In terms of the aforementioned schemes, share options are allocated to participants on grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the shares granted occurs on vesting.

The total equity-settled share-based payment amounted to R18,4m (2018: R12,0m). This charge, net of the related tax effect, was recognised in the income statement and credited to other reserves (refer note 25).

i) Share option scheme

The Zeder SIT currently holds 5 001 469 (2018: 5 001 469) ordinary shares, with 24 139 026 (2018: 15 229 241) share options having been allocated and unvested at a total consideration of R131,2m (2018: R92,5m).

The weighted average strike price of share options exercised in terms of this equity-settled share scheme during the year under review was R4,46 (2018: R3,40) per ordinary share.

The maximum number of ordinary shares which may be offered in terms of the scheme is 173 051 465 shares, while the maximum number of shares that may be offered to any single participant is 34 610 293 shares. To date, 4 914 897 (2018: 3 328 584) shares have been exercised by way of the scheme and accordingly a further 168 136 568 (2018: 169 722 881) shares may be exercised in future by way of the scheme.

Reconciliation of outstanding share options:	2019 Number	2018 Number
Number of share options allocated at beginning of the year	**15 229 241**	9 449 649
Number of share options vested during the year	**(1 586 313)**	(835 900)
Number of share options forfeited during the year	**(436 430)**	
Number of share options allocated during the year	**10 932 528**	6 615 492
Number of share options allocated at end of the year	**24 139 026**	15 229 241

Outstanding share options per tranche allocated:	Number of shares	Price R	Volatility %[1]	Dividend yield %	Risk-free rate %	Fair value R[2]
28 February 2014	**1 553 352**	4,10	32,70%	1,10%	7,60	1,29
28 February 2015	**446 172**	7,71	28,60%	0,50%	6,80	2,27
29 February 2016	**919 863**	4,97	35,60%	2,80%	8,20	1,48
28 February 2017	**3 671 619**	7,29	27,38%	1,48%	7,46	1,99
28 February 2018	**6 615 492**	6,41	29,90%	1,70%	7,00	2,61
28 February 2019	**10 932 528**	4,36	30,20%	2,50%	7,30	1,80
	24 139 026					

[1] *The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.*

[2] *Due to a change in vesting conditions with regards to share options issued on or after 28 February 2018, the value of those options was calculated using a Binominal Model and a Black-Scholes model was used for share options issued before 28 February 2018.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. STATED CAPITAL continued

14.3 Share incentive schemes continued

For options granted on or after 28 February 2018, 50% of the amount of options that will vest, depends on Zeder's total shareholder return ("TSR"), that includes share price growth and dividend returns. Once vested, the options remain exercisable for a period of 180 days.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Analysis of outstanding scheme shares by financial year of maturity:	2019 Weighted average strike price (R)	2019 Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019			5,04	5 023 708
29 February 2020	**6,04**	**6 102 448**	6,62	3 101 483
28 February 2021	**5,48**	**5 611 534**	6,54	2 878 402
28 February 2022	**5,51**	**5 304 910**	6,72	2 571 778
28 February 2023	**5,13**	**4 387 002**	6,41	1 653 870
29 February 2024	**4,36**	**2 733 132**		
		24 139 026		15 229 241

ii) Material subsidiary share incentive schemes

Agrivision Africa

During the year under review, 28 695 (2018: 23 799) share options were granted to participants at a total consideration of R3,5m (2018: R4,7m). Each share option awarded entitles the participant to acquire one ordinary share in the issued share capital of Agrivision Africa. The maximum number of shares which may be offered to participants is currently unlimited but based on a formula relating to remuneration.

Reconciliation of outstanding share options:	2019 Number	2018 Number
Number of share options allocated at beginning of the year	**83 472**	103 772
Number of share options forfeited during the year	**(23 587)**	(44 099)
Number of share options allocated during the year	**28 695**	23 799
Number of share options allocated at end of the year	**88 580**	83 472

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

14. STATED CAPITAL continued

14.3 Share incentive schemes continued

Analysis of outstanding scheme shares by financial year of maturity:	2019 Weighted average strike price (USD)	2019 Number	2018 Weighted average strike price (USD)	2018 Number
2018/19			54,62	20 578
2019/20	**54,62**	**14 226**	54,62	15 229
2020/21	**54,62**	**20 181**	54,62	21 184
2021/22	**50,77**	**27 110**	54,62	18 548
2022/23	**48,65**	**17 498**	54,62	7 933
2023/24	**43,70**	**9 565**		
		88 580		83 472

Outstanding share options per trance allocated:	Number of shares	Price USD	Volatility %[3]	Risk-free rate %	Fair value USD[4]
1 January 2015	**7 250**	54,62	26,80	7,90	15,63
1 January 2016	**28 836**	54,62	23,60	10,10	15,63
1 January 2017	**23 799**	54,62	27,30	11,10	9,61
1 January 2018	**28 695**	43.70	27,60	9,70	8,62
	88 580				

[3] *The expected price volatility is based on the historic volatility of averages of companies operating in similar markets with publicly available information.*

[4] *The value of the options was calculated in USD, Agrivision's functional currency, using the Black-Scholes-Merton model.*

Capespan Group Limited

During the year under review, 941 620 (2018: 14 165 636) share options were granted to participants at a total consideration of R3,0m (2018: R45,0m). Each share option awarded entitles the participant to acquire one ordinary share in the issued share capital of Capespan Group Limited. The maximum number of shares which may be offered to participants is 38 818 693. During the year under review, the Capespan Group Share Incentive Trust acquired 2 211 177 (2018: 1 652 171) ordinary shares in Capespan Group Limited in order to assist in meeting its obligations in terms of the share options granted.

Reconciliation of outstanding share options:	2019 Number	2018 Number
Number of share options allocated at beginning of the year	**22 450 091**	20 845 350
Number of share options allocated during the year	**941 620**	14 165 636
Number of share options vested during the year	**(2 211 177)**	(2 764 572)
Number of share options forfeited during the year	**(3 403 312)**	(9 796 323)
Number of share options allocated at end of the year	**17 777 222**	22 450 091

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

14. STATED CAPITAL continued

14.3 Share incentive schemes continued

Analysis of outstanding scheme shares by financial year of maturity:	2019 Weighted average strike price (R)	2019 Number	2018 Weighted average strike price (R)	2018 Number
2018/19			3,59	3 432 407
2019/20	**3,59**	**6 415 464**	3,59	6 973 816
2020/21	**5,62**	**4 262 262**	5,62	4 533 605
2021/22	**5,81**	**3 738 242**	5,81	3 968 853
2022/23	**3,19**	**3 361 254**	3,19	3 541 410
		17 777 222		22 450 091

Outstanding share options per tranche allocated:	Number of shares	Price R	Volatility %[5]	Dividend yield %	Risk-free rate %	Fair value R[6]
1 January 2014	**564 201**	0,99	29,0	6,1	6,8 – 7,3	2,07
1 January 2014	**331 451**	1,08	29,0	6,1	6,8 – 7,3	2,00
1 January 2014	**659 230**	1,45	29,0	6,1	6,8 – 7,3	1,72
1 January 2014	**598 320**	3,31	29,0	6,1	6,8 – 7,3	0,73
1 January 2015	**521 724**	4,00	29,0	6,1	6,8 – 7,3	0,72
1 January 2015	**526 316**	5,85	29,0	6,1	6,8 – 7,3	0,32
1 January 2016	**1 130 965**	5,81	32,5	4,5	7,9 – 8,7	1,42
1 January 2017	**12 503 755**	3,19	32,1	4,7	7,4 – 7,8	1,67
1 January 2017	**941 260**	3,19	32,1	4,7	7,4 – 7,8	1,67
	17 777 222					

[5] *The expected price volatility is based on the historic volatility of averages of companies operating in similar markets with publicly available information.*

[6] *The fair value of the options was calculated using the Black-Scholes model.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

15. OTHER RESERVES

GROUP	Available-for-sale Rm	Foreign currency translation Rm	Share-based payment Rm	Other[1] Rm	Total Rm
Balance at 1 March 2017	1	(261)	21	(133)	(372)
Currency translation adjustments		(81)			(81)
Share of other comprehensive income of associates				64	64
Share-based payment costs – employees			10		10
Transfer between reserves	(1)		(8)	2	(7)
Transactions with non-controlling interests				38	38
Balance at 28 February 2018	**–**	**(342)**	**23**	**(29)**	**(348)**
Currency translation adjustments		**(38)**			**(38)**
Share of other comprehensive income of associates				**(38)**	**(38)**
Share-based payment costs – employees			**16**		**16**
Transfer between reserves			**(4)**		**(4)**
Transactions with non-controlling interests				**15**	**15**
Balance at 28 February 2019	**–**	**(380)**	**35**	**(52)**	**(397)**

[1] *Relates mainly to other comprehensive income attributable to associates, a cash flow hedge reserve and the initial remeasurement of written put options held by non-controlling shareholders of a subsidiary.*

COMPANY

The company's other reserves comprise fully of share-based payment reserve.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. DEFERRED INCOME TAX

	GROUP 2019 Rm	GROUP 2018 Rm
Deferred income tax assets	**74**	61
Deferred income tax liabilities	**(93)**	(222)
Net deferred income tax liability	**(19)**	(161)
Deferred income tax assets		
To be recovered within 12 months	**6**	8
To be recovered after 12 months	**68**	53
	74	61
Deferred income tax liabilities		
To be recovered within 12 months	**(16)**	(18)
To be recovered after 12 months	**(77)**	(204)
	(93)	(222)

GROUP	Tax losses Rm	Provisions Rm	Unrealised profits Rm	Intangible assets and other differences Rm	Total Rm
Balance at 1 March 2017	97	35	(3)	(167)	(38)
Credited/(charged) to profit and loss	52	(14)	(150)	(22)	(134)
Charged to other comprehensive income			4	1	5
Subsidiaries sold	(3)	(1)		(1)	(5)
Exchange rate movements	(2)	(1)	19	(5)	11
Balance at 28 February 2018	**144**	**19**	**(130)**	**(194)**	**(161)**
Opening carrying value adjustment due to initial application of IFRS 9		**4**			**4**
Credited/(charged) to profit and loss	**(36)**	**8**	**159**	**9**	**140**
Charged to other comprehensive income			**(1)**	**(1)**	**(2)**
Subsidiaries acquired	**8**	**1**		**(2)**	**7**
Exchange rate movements	**(1)**	**(5)**	**(12)**	**11**	**(7)**
Balance at 28 February 2019	**115**	**27**	**16**	**(177)**	**(19)**

The deferred tax assets include a total amount of R55,9m (2018: R104,9m), R57,0m (2018: R32,0m) and R2,6m (2018: R7,3m) for Capespan Group Limited, Zaad Holdings Limited and Agrivision Africa, respectively, which relates to the carried forward tax losses of the underlying subsidiaries within the group. Deferred tax on tax losses are mainly only recognised on a subsidiaries' tax loss, when the underlying subsidiaries support a profit history of at least two years and then only will the group limit the recognition of a deferred tax asset to three years. The group has concluded that

16. DEFERRED INCOME TAX continued

the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries. The subsidiaries are expected to generate taxable income from financial year 2020 onwards which will reduce the tax loss. Most of the losses can be carried forward indefinitely and have no expiry date, except for losses within Agrivision Africa relating to Mpongwe Milling amounting to R111,0m (2018: R4,0m) that will expire from 2020 to 2022 and which was not provided for.

Deferred income tax on temporary differences relating to equity securities that are classified at fair value through profit or loss and available-for-sale, is calculated using South Africa's effective capital gains tax rate of 22,4% (2018: 22,4%). Deferred income tax was otherwise calculated on temporary differences using the applicable tax rate as per the tax jurisdiction it relates to.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and liabilities are shown separately in the Statement of Financial Position but combined in the reconciliation to the net deferred tax balance.

	GROUP		COMPANY	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
17. BORROWINGS				
Non-current	**1 880**	1 939	**–**	–
Secured redeemable preference shares	**1 500**	1 000		
Secured loans	**186**	413		
Unsecured loans	**194**	464		
Bank overdrafts		62		
Current	**1 192**	1 428	**1 401**	1 212
Secured loans	**188**	179		
Unsecured loans	**35**	134	**1 401**	1 212
Bank overdrafts	**969**	1 115		
Total	**3 072**	3 367	**1 401**	1 212

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

17. BORROWINGS continued

These borrowings have the following terms:

GROUP

Subsidiary	Counterparty	Security/ Overdraft facility	Interest rate %	Repayment terms	2019 Rm	2018 Rm
Secured redeemable preference shares						
Zeder	FirstRand Bank	Investments in associates of R5,50bn (2018: R4,8bn)	Fixed nominal annual dividend rate range between 7,73% and 8,11% compounded quarterly (2018: Fixed nominal annual dividend rate of 8,11% compounded quarterly)	Redeemable during October 2022	**1 500**	1 000
Secured loans						
Capespan	ABSA instalment sale discounting facility	Property, plant and equipment of R22,1m	Prime - 1,85%	Monthly instalments	**22**	
Capespan	Capital Harvest Proprietary Limited	Total bonds of R110m over fixed and moveable assets and Capespan provided an irrevocable and unconditional demand guarantee of R100m	Prime - 0,3%	120 monthly instalments		81
Capespan	Capespan Capital Proprietary Limited	Total bonds of R60m over fixed and moveable assets and Capespan has provided an irrevocable and unconditional demand guarantee of R50m	Prime - 0,5%	120 monthly instalments		50
Zaad	Standard Bank[1]	Shareholding in Zaad International as security	3M USD LIBOR + 4,3%	Repayable by 30 September 2019	**72**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

17. BORROWINGS continued

Subsidiary	Counterparty	Security/ Overdraft facility	Interest rate %	Repayment terms	2019 Rm	2018 Rm
Zaad	First National Bank	General covering mortgage bond over immovable property of R52,0m (2018: R80,1m)	Prime (2018: Prime - 0,25%)	Monthly instalments	**90**	110
Zaad	Gro Capital Afgri	Mortgage bond of R27,4m	Prime + 0,25%	Monthly instalments	**22**	
Zaad	ABN Amro Bank[3]	Property, plant and equipment of EUR3,7m	2,15% – 1M EURIBOR	Monthly instalments	**46**	
Agrivision	African Agriculture and Trade Investment Fund[1]	Moveable and immovable property of USD3,4m (2018: R45,7m)	6M LIBOR + 7% (2018: 3M LIBOR + 7%)	Repayable within four years	**60**	72
Agrivision	Standard Bank Mauritius[1]	Immovable assets, together with a floating charge over all moveable assets, inventories and debtors	LIBOR + 2,95% (2018: 3,2% - 7,2%)	Repayable in 15 quarterly instalments	**15**	141
Agrivision	Standard Bank Mauritius[1]	Mortgage asset debenture and insurance policies	7%	Semi-annual instalments due by June 2020	**20**	
Agrivision	Standard Bank Isle of Man[1]	Mortgage asset debenture and insurance policies	6,6%	Repayable within one year	**22**	
Unsecured loans						
Capespan	HSBC	Unsecured	JIBAR + 2,8%	Repayable in 2020[2]	**20**	97
Capespan	ABSA	Unsecured	JIBAR + 2,3%	Quarterly instalments of 10 quarterly repayments (2018: Quarterly instalments of R7,5m)[2]	**150**	218
Capespan	HSBC[3]	Unsecured	JIBAR + 2,3% (2018: JIBAR + 2,1%)	Quarterly instalments of R5m[2]	**5**	40
Capespan	HSBC[3]	Unsecured	EURIBOR + 2,2%	Quarterly instalments[2]		39
Capespan	Investec[3]	Unsecured	JIBAR + 2,2% (2018: JIBAR + 2,75%)	Full payment due by March 2020 (2018: Quarterly instalments of R5m)[2]	**17**	180

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17. BORROWINGS continued

Subsidiary	Counterparty	Security/ Overdraft facility	Interest rate %	Repayment terms	2019 Rm	2018 Rm
Zaad	Roodesen Beleggings Proprietary Limited	Unsecured	9%	Repayable with 12 months from demand	**12**	
Bank overdrafts						
Zeder	First National Bank	Facility of R100,0m (2018: Facility of R175m)	Prime			
Zaad	ABN Amro Bank[3]	Overdraft facility	2,2% - 1M EURIBOR		**60**	49
Zaad	First National Bank	Overdraft facility	10,3% - 10,9%		**423**	407
Zaad	First National Bank[4]	Overdraft facility	13,3%		**9**	
Zaad	ABSA Bank	Overdraft facility	Prime - 0,75%		**15**	
Zaad	Standard Bank Mauritius[1]	Overdraft facility	3M USD LIBOR + 4,3%		**22**	62
Capespan	Standard Bank	Overdraft facility	8.5%			108
Capespan	CITI Bank[1]	Overdraft facility	7,8%		**52**	100
Capespan	HSBC[3]	Overdraft facility	1M EURIBOR or 1%		**80**	172
Capespan	Investec	Overdraft facility	8.4%			23
Agrivision	Standard Bank Mauritius & Zambia[1, 4]	Overdraft facility	3M LIBOR + 5,9%		**200**	126
Other insignificant borrowings					**138**	292
					3 072	**3 367**

1 *USD denominated loans/bank overdrafts and values represent the ZAR equivalent.*
2 *On a Capespan group level, these borrowings are secured by a guarantee from Capespan Group Limited.*
3 *EUR denominated loans/bank overdrafts and values represent the ZAR equivalent.*
4 *ZMW denominated bank overdrafts and values represent the ZAR equivalent.*

Effective interest rates

The effective interest rates applicable to borrowings range between 1,8% and 22,5% (2018: 2,2% and 35,5%).

COMPANY

The loans are unsecured, interest-free and have no fixed repayment terms.

As of 28 February 2018 the loan from Zeder Financial Services Limited ("ZFS") has been subordinated in favour of the creditors of the company. In terms of the subordination agreement ZFS may not demand repayment of the subordinated amount until such time that the company's assets, fairly valued, exceeds its liabilities.

	GROUP 2019 Rm	GROUP 2018 Rm
18. DERIVATIVE FINANCIAL LIABILITIES		
18.1 Derivative financial liabilities		
Current	**(1)**	(15)
Forward currency exchange contracts	**(1)**	
Non-controlling interests' put option liabilities		(15)
Non-current	**(25)**	(24)
Non-controlling interests' put option liabilities	**(25)**	(24)
	(26)	(39)

Written put options entered into with Zaad Holdings Limited non-controlling shareholders, which granted them the right to put their shareholding to the group at a fixed price/earnings multiple that was market-related at the date of issue. During the year, one put option expired. The remaining put options become exercisable in September 2021. The carrying value at the reporting date represents the present value of the possible exercise price.

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
19. TRADE AND OTHER PAYABLES				
Trade payables[1]	**974**	900	**5**	4
Sundry payables	**15**	17		
Purchase consideration payable	**4**	77		
	993	994	**5**	4

[1] *Includes non-financial liabilities of R19,9m (2018: R16,9m) for the group.*

For the company, trade payables comprise mainly of unclaimed dividends payable.

	GROUP 2019 Rm	GROUP 2018 Rm
20. REVENUE		
Agricultural produce	**4 960**	6 179
Agricultural products	**1 840**	1 700
Logistics services	**837**	606
Royalty income	**4**	
	7 641	8 485

20. REVENUE continued

Agricultural produce

The group, through Capespan and Agrivision Africa, harvest various fresh produce (mainly fruit and grains) in southern Africa and sell it at local and export markets. Sales are recognised upon collection or delivery of the produce to the customer and where there is no unfulfilled obligation that could affect the customer's acceptance of the produce. Delivery abroad occurs when the products have been shipped to the customer at a specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions, if any, have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied. The standard payment terms are usually within 14 to 60 days from delivery and invoice date at a fixed price, except for consignment and minimum price guarantee deals that may contain variable consideration based on market prices available at that time.

Agricultural products

The group, through Zaad and Agrivision Africa, produce and sell various agricultural products (mainly a broad range of agricultural seeds and milled grains) in Africa, Europe and other international emerging markets. Sales are recognised upon collection or delivery of the produce to the customer and where there is no unfulfilled obligation that could affect the customer's acceptance of the produce. The standard payment terms are usually upfront upon collection or within 30 to 90 days from delivery and invoice date at a fixed price, and may include discounts, depending on the type of customer.

Logistics services

The group, through The Logistics Group (previously the logistics division within Capespan), owns and operates several strategic logistics and terminal assets in southern Africa and earn revenue from providing logistics services (eg port charges, shipping and related services). Revenue from providing logistics services is recognised in the accounting period in which the services are rendered. Handling revenue and storage revenue are billed and accrued separately. Handling revenue are accounted for as and when services are rendered and storage revenue are accounted for as storage days are satisfied. The standard payment terms are usually within 30 days from invoice date at a fixed price, depending on the type of customer.

Royalty income

The group, through Zaad, owns and develops a broad range of internally developed agricultural seeds in Africa, Europe and other international emerging markets. Revenue, in the aforementioned markets, is recognised once sales, which give rise to the royalty income, has been determined and verified on a monthly basis. The standard payment terms are usually within 30 days from invoice date at a fixed price, depending on the type of customer.

Revenue from other sources

Revenue from other sources comprise mainly investment income (note 22), and other operating income (note 24).

Interest income is recognised using the effective interest rate method and dividend income is recognised when the right to receive payment is established. Both are included as part of investment income in the income statement.

Other operating income comprise mainly of management and other fee income, profit on sale of property, plant and equipment and other assets, as well as other incidental income included in sundry income.

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

	GROUP	
	2019 Rm	2018 Rm
21. COST OF SALES		
Changes in finished goods	**5 755**	6 588
Raw material and consumables used	**346**	389
Transportation expenses	**43**	13
Employment cost	**10**	6
	6 154	6 996
22. INVESTMENT INCOME		
Interest income	**84**	75
Loans and advances	**19**	19
Trade and other receivables	**6**	
Cash, money market investments and other cash equivalents	**59**	56
Dividend income	**6**	2
Equity securities held at fair value through profit or loss	**6**	2
	90	77
23. NET FAIR VALUE GAINS		
Unrealised net fair value (losses)/gains	**2**	41
Equity securities – at fair value through profit or loss	**(1)**	11
Fair value gain on transfer of associate to equity security		15
Gains on derivative financial instruments	**3**	15
Realised net fair value gains	**474**	–
Equity securities – at fair value through profit or loss	**474**	
Foreign exchange (losses)/gains	**(7)**	4
	469	45
24. OTHER OPERATING INCOME		
Management and other fee income	**3**	2
Profit on sale of property, plant and equipment	**15**	5
Profit on sale of subsidiary		85
Government grant income	**3**	1
Rental income	**4**	
Sundry income	**9**	23
	34	116

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

	GROUP		COMPANY	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
25. MARKETING, ADMINISTRATION AND OTHER EXPENSES				
Depreciation	**186**	177	**–**	–
– Land	**5**	5		
– Buildings	**46**	41		
– Vehicles, plant and equipment	**99**	96		
– Office equipment	**15**	15		
– Biological assets (bearer plants)	**21**	20		
Amortisation of intangible assets	**33**	27		
Operating lease rentals	**149**	141	**–**	–
– Properties	**122**	112		
– Equipment	**27**	29		
Auditors' remuneration	**18**	18	**–**	–
– Audit services – current year	**15**	14		
– Audit services – previous year	**1**	1		
– Other services	**2**	3		
Employee costs[1]	**736**	702	**–**	–
– Salaries, wages and allowances	**682**	657		
– Equity-settled share-based payment costs	**18**	12		
– Pension costs – defined contribution and benefit plans	**28**	28		
– Medical costs – defined contribution and benefit plans	**8**	5		
Impairment losses	**80**	136	**–**	–
– Property, plant and equipment	**13**	13		
– Biological assets (bearer plants)	**1**			
– Intangible assets	**66**	123		
Loss on sale of property, plant and equipment	**4**	2		
Repairs, maintenance and vehicle costs	**67**	119		
Marketing and administration costs	**50**	31	**1**	1
– Marketing	**49**	30		
– Administration	**1**	1	**1**	1
Professional fees	**45**	34		
Insurance costs	**24**	27		
Communication costs	**20**	15		
Commission paid	**26**	23		
Research costs incurred	**9**	4		
Other costs	**287**	215		
	1 734	1 671	**1**	1

1 *Refer to the directors' report for further information with regards to directors' emoluments.*

26. FINANCE COSTS

	GROUP 2019 Rm	GROUP 2018 Rm
Redeemable preference shares	**113**	43
Secured loans	**42**	52
Unsecured loans	**57**	113
Bank overdrafts	**96**	74
Trade and other payables and employee benefits	**12**	
Other	**4**	7
	324	289

27. TAXATION

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
South Africa current taxation				
– Current year	**120**	39		
– Previous year	**3**	(3)		
South Africa deferred taxation				
– Current year	**(13)**	(18)		
Foreign current taxation				
– Current year	**139**	26		
– Previous year	**(12)**			
Foreign deferred taxation				
– Current year	**(127)**	152		
	110	196	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

27. TAXATION continued

	GROUP		COMPANY	
	2019	2018	**2019**	2018
Reconciliation of effective tax rate:	**%**	%	**%**	%
South African standard tax rate	**28.0**	28.0	**28.0**	28,0
Adjusted for:				
– Non-taxable income	**(4.0)**	(7.5)		
– Non-deductible charges	**134.1**	13.0	**(28.0)**	(28,0)
– Net income from associates and joint ventures	**(27.9)**	(31.6)		
– Foreign tax rate differential	**(72.7)**	2.9		
– Capital gains tax rate differential	**(24.9)**			
– Special tax allowances	**(2.1)**	(0.8)		
– Deferred tax assets written off/not recognised	**24.0**	5.5		
– Deferred tax liability not previously recognised		37.2		
– Effect of tax losses utilised	**(5.7)**	(1.1)		
– Prior period adjustments	**(1.3)**	2.1		
– Other		0.8		
Effective tax rate	**47.5**	48.5	**–**	–
Tax charges relating to components of other comprehensive income	**Rm**	Rm	**Rm**	Rm
– Currency translation movements	**(1)**	4		
– Losses/(gains) from changes in financial and demographic assumptions of post-employment benefit obligations	**1**	(4)		
	–	–	**–**	–

Non-taxable income relates mainly to dividend income, while non-deductible charges relate mainly to impairment charges, share-based payment costs and preference share funding (i.e. preference dividends paid).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

28. RELATED-PARTY TRANSACTIONS AND BALANCES

The following related parties were identified with which the company and/or group transacted during the year, and/or balances were outstanding at year-end:

Party	Relationship
PSG Group Limited ("PSG Group")	Ultimate holding company
Zeder Financial Services Limited ("ZFS")	Wholly-owned subsidiary
Zeder Corporate Services Proprietary Limited	Wholly-owned subsidiary of ZFS
Zeder Management Services Proprietary Limited	Wholly-owned subsidiary of ZFS
Zeder Africa Proprietary Limited ("ZA")	Wholly-owned subsidiary of ZFS
Zaad Holdings Limited	Subsidiary of ZFS
Capespan Group Limited	Subsidiary of ZFS
The Logistics Group Proprietary Limited	Subsidiary of ZFS
Agrivision Africa	Subsidiary of ZA
Pioneer Food Group Limited ("Pioneer Foods")	Associate of ZFS
Kaap Agri Limited ("Kaap Agri")	Associate of ZFS
Quantum Foods Holdings Limited ("Quantum Foods")	Associate of ZFS
Clean Air Nurseries Agri Global Proprietary Limited	Associate of ZFS
PSG Corporate Services Proprietary Limited ("PSGCS")	Indirect subsidiary of PSG Group
PSG Fundco Proprietary Limited	Indirect subsidiary of PSG Group
PSG Online Securities Proprietary Limited	Indirect subsidiary of PSG Group
PSG Money Market Fund	Indirect subsidiary of PSG Group
Grayston Elliot Proprietary Limited	Indirect subsidiary of PSG Group
N Celliers and JH le Roux	Executive directors of the company

Related-party transactions during the year under review included dividends received from associates (refer note 22), various administration expenses and professional fees (refer note 25), interest income (refer note 22) and interest paid (refer note 26).

Included in the group's revenue are R8,7m (2018: R10,5) goods sold to Kaap Agri and its subsidiaries, R0,9m (2018: R1,5m) goods sold to Pioneer Foods and its subsidiaries and R2,7m (2018: R1,9m) sold to Quantum Foods and its subsidiaries (refer note 20). Included in cost of sales is R65,2m (2018: R61,0m) in respect of purchases from Kaap Agri and its subsidiaries, R11,2m (2018: Rnil) from Pioneer Foods and its subsidiaries (refer note 21).

Included in the group's interest income is Rnil (2018: R0,2m) received from PSG Online Securities Proprietary Limited and R18,1m (2018: R4,1m) received from PSG Money Market Fund.

Dividend income included in the group's investment in ordinary shares of associates consist mainly of the following: R212,6m (2018: R212,6m) received from Pioneer Foods, R35,4m (2018: R33,7m) received from Kaap Agri and R55,5m (2018: R21,0m) received from Quantum Foods.

Included in the group's marketing, administration and other expenses is professional fees of R0,2m (2018: R0,4m) paid to PSG Capital (a division of PSGCS) and R0,2m (2018: R0,4m) paid to Grayston Elliot Proprietary Limited for corporate finance and tax services relating to acquisitions made and tax advice during the year. Also included in the group's marketing, administration and other expenses is R7,0m (2018: R6,5m) paid to PSGCS for strategic, payroll, IT services and rent.

Brokerage and administration fees of Rnil (2018: R1 000) were paid to PSG Online Securities (Proprietary) Limited. These fees related to trades that took place via the group's share trading accounts.

Included in the group's interest paid is Rnil (2018: R43,0m) paid to PSG Fundco Proprietary Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28. RELATED-PARTY TRANSACTIONS AND BALANCES continued

Details of the audited directors' emoluments and shareholdings and the prescribed officers' remuneration are included in the directors' report.

As at 28 February 2019, R21,1m (2018: R22,4m) relates to loans, including accrued interest, granted to Mr N Celliers and R5,3m (2018: R4,7m) to Mr JH le Roux, both with regards to shares obtained through the vesting of Zeder ordinary shares previously allocated to Messrs N Celliers and JH le Roux, respectively. The loans carry interest at the SARS' official interest rate (2018: SARS' official interest rate) and are repayable seven years from the respective date of advance. At the reporting date, 4 704 566 (2018: 4 617 181) and 1 045 838 (2018: 1 045 838) Zeder ordinary shares served as security for Mr N Celliers' loan and Mr JH le Roux's loan respectively. During the prior year, treasury shares were recognised on the loans granted on/before 28 February 2018. These loans were previously included under Loans and advances. In terms of the accounting standard, the loans receivable has been accounted for in terms of IFRS 2 *Share-based Payment*. R2,0m (2018: Rnil) were recognised during the year, through the group's profit and loss, for the above mentioned loans. The charges were calculated using a Binominal valuation model with the following inputs:

Price (R)	6,41
Volatility (%)	29,9
Dividend yield (%)	1,7
Risk-free rate (%)	7,0

During the year, Mr N Celliers fully settled a loan (2018: R6,4m), including accrued interest, previously granted to him, with regards to shares obtained through the vesting of PSG Group share options previously allocated. The loan carried interest at the SARS' official interest rate (2018: SARS' official interest rate) and was repayable seven years from the respective date of advance. At the reporting date, nil (2018: 41 469) PSG Group ordinary shares served as security. During the year under review, the equity securities that was recognised on the loans granted on/before 28 February 2018 in the prior year, were sold to settle the loan. In terms of the accounting standard, the loan receivable have been accounted for in terms of IFRS 2 *Share-based Payment*. R0,4m (2018: Rnil) were recognised during the year, through the group's profit and loss, for the above mentioned loan, and released to reserves upon settlement of the loan. The charges were calculated using a Binominal valuation model with the following inputs:

Price (R)	236,13
Volatility (%)	33,8
Dividend yield (%)	2,0
Risk-free rate (%)	7,0

A loan in the amount of R12,6m was advanced to Mr N Celliers, with regards to his previous acquisition of 2 635 933 Zeder ordinary shares. The Zeder shares serve as security for the loan receivable, carry interest at prime less 1% (2018: prime less 1%) and is repayable during the financial year ending 28 February 2021. At the reporting date, the loans' carrying value amounted to R15,2m (2018: R14,2m). In terms of the accounting standard, the loans receivable has been accounted for in terms of IFRS 2 *Share-based Payment*, with the resultant charge to the group's profit and loss for the year, amounting to R0,3m (2018: R0,3m). The charge was calculated using a Black-Sholes valuation model with the following inputs:

Price (R)	5,76
Volatility (%)	26,15
Dividend yield (%)	1,2
Risk-free rate (%)	6,0

Included in trade and other receivables is an amount of R0,2m (2018: R1,3m) due by Kaap Agri, R9,8m (2018: Rnil) due by Pioneer Foods and R46 000 (2018: R0,3m) due by Quantum Foods (refer note 11) and included in trade and other payables is an amount payable of R37,8m (2018: R57,9m) to Kaap Agri, R0,2m (2018: Rnil) and R2,3m (2018: Rnil) to Quantum Foods (refer note 19).

28. RELATED-PARTY TRANSACTIONS AND BALANCES continued

Refer to note 4.2 and note 5.2 for related-party balances outstanding at year-end with associates and joint ventures respectively.

Related-party balances outstanding at the reporting date included cash invested with the PSG Money Market Fund amounting to R251,8m (2018: R110,2m) (refer note 12).

29. OPERATING LEASE AND CAPITAL COMMITMENTS, SURETYSHIPS AND CONTINGENT LIABILITIES

	GROUP	
	2019 Rm	2018 Rm
Operating lease commitments		
Premises operating leases		
– Due within one year	**113**	96
– Due within one to five years	**763**	442
– Due after more than five years	**81**	495
	956	1 033
Vehicles and plant operating leases		
– Due within one year	**6**	6
– Due within one to five years	**16**	11
	22	17
Equipment operating leases		
– Due within one year	**18**	16
– Due within one to five years	**24**	15
	42	31
Capital expenditure commitments		
Authorised but not yet contracted		
– Property, plant and equipment	**101**	234
– Intangible assets	**82**	60
– Biological assets	**22**	
	205	294
Contracted		
– Property, plant and equipment	**22**	13

Suretyships and other contingent liabilities

Other contingent liabilities

The group is subject to litigation in the normal course of its business. Appropriate provisions are made when losses are expected to materialise. There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the group is aware, which may have a material effect on the financial position of the group.

The group did not have any material contingent liabilities at the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

30. NOTES TO THE STATEMENTS OF CASH FLOWS

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
30.1 Cash generated from operations				
Profit/(loss) before taxation	**232**	404	**(1)**	(1)
Interest income	**(84)**	(75)		
Dividend income	**(6)**	(2)		
Finance costs	**324**	289		
Depreciation	**186**	177		
Amortisation	**33**	27		
Net profit on sale of property, plant and equipment	**(11)**	(3)		
Net (gain)/loss on dilution of interest in associate	**(21)**	29		
Net fair value gains	**(425)**	(41)		
Net profit on sale of interest in subsidiary company	**–**	(85)		
Change in fair value of biological assets	**(194)**	(195)		
Impairments	**727**	137		
Share of profits of associates and joint ventures	**(636)**	(472)		
Equity-settled share-based payment costs	**18**	12		
Net harvest short-term biological assets	**105**	60		
Non-cash translation movements	**(23)**	(20)		
Sub-total	**225**	242	**(1)**	(1)
Changes in working capital	**(146)**	25	**1**	1
(Increase)/decrease in trade and other receivables	**(258)**	52	**(1)**	(1)
Decrease in inventories	**284**	198		
Increase in biological assets	**(167)**	(179)		
Increase/(decrease) in trade and other payables	**2**	(35)	**2**	2
Decrease in employee benefits payable	**(7)**	(11)		
	79	267	**–**	–
30.2 Taxation paid				
Charged to profit or loss	**(250)**	(62)		
Movement in net taxation liability	**(34)**	(2)		
	(284)	(64)	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

30. NOTES TO THE STATEMENTS OF CASH FLOWS continued

30.3 Subsidiaries acquired

2019 acquisitions

Hygrotech Proprietary Limited ("Hygrotech")

On 1 August 2018 the Group, through Zaad Holdings Limited, acquired 100% interest in Hygrotech for a cash consideration of R43,7m. As reported in the condensed unaudited results for the six months, goodwill of R1m arose due to provisional accounting of the business combination. After finalising the accounting of the business combination, the identifiable net assets acquired increased with R1m, therefore reducing the goodwill previously recognised and in turn accounted for a gain on bargain purchase of R0,3m. Accounting for Hygrotech's business combination has now been finalised.

Sonkwasdrif Proprietary Limited ("Sonkwasdrif")

On 1 December 2018 the Group, through Capespan Group Limited, acquired the remaining 52% interest in the pome farm Sonkwasdrif for a R1 purchase consideration. The goodwill arose due to the fact that the 48% investment in associate was carried at a negative carrying value due to previously recognised losses. This has been subsequently impaired. Previously Sonkwasdrif had a R250m facility with the Land Bank and the Capespan group provided surety for the associate's facility in a maximum amount of R122,5m. The facility and security were settled before the acquisition of Sonkwasdrif. Accounting for Sonkwasdrif's business combination has been finalised.

The summarised assets and liabilities recognised at the respective acquisition dates were:

GROUP	Hygrotech Rm	Sonkwasdrif Rm	Total Rm
Property, plant and equipment	28	20	48
Biological assets (bearer plants)		10	10
Biological assets (agricultural produce)		2	2
Investment in preference shares of/loans granted to associates	3		3
Deferred income tax assets	7		7
Inventories	48		48
Trade and other receivables	40	1	41
Current income tax assets	1		1
Cash, money market investments and other cash equivalents	3		3
Borrowings	(69)	(31)	(100)
Trade and other payables	(17)	(17)	(34)
Total identifiable net assets	44	(15)	29
Transfer from investment in ordinary shares of associates		7	7
Goodwill recognised		8	8
Total consideration transferred	44	–	44
Cash consideration paid	(44)		(44)
Cash and cash equivalents acquired	3		3
Net cash flow on disposal of subsidiaries' operations	(41)	–	(41)

30. NOTES TO THE STATEMENTS OF CASH FLOWS continued

30.3 Subsidiaries acquired continued

The aforementioned business combinations does not contain any contingent consideration or indemnification asset arrangements and the acquisition-related costs expensed were insignificant.

Had Hygrotech been consolidated with effect from 1 March 2018 instead of its acquisition date, the consolidated income statement would have reflected additional revenue of R117,5m and loss after tax of R11,6m.

Had Sonkwasdrif been consolidated with effect from 1 March 2018 instead of its acquisition date, the consolidated income statement would have reflected additional revenue of R10,4m and loss after tax of R5,5m.

2018 acquisitions

The Logistic Company Proprietary Limited ("TLC")

During October 2017, Zeder invested in a start-up company in the technology, transport and logistics industries. TLC had limited operations prior to investment. Zeder paid R4m for a subscription of newly issued ordinary shares, representing 51% of the issued share capital of TLC. Goodwill (less than R1m) arose in respect of, inter alia, synergies pertaining to the integration of logistics activities within the Zeder group of companies. Accounting for TLC's business combination has been finalised.

The summarised assets and liabilities recognised at the acquisition date was:

GROUP	TLC Rm	Total Rm
Property, plant and equipment	1	1
Cash, money market investments and other cash equivalents	1	1
Borrowings	(1)	(1)
Trade and other payables	(1)	(1)
Total identifiable net assets	–	–
Subscription of newly issued ordinary shares	4	4
Total consideration transferred	4	4
Cash consideration paid with regards to subscription of newly issued shares	(4)	(4)
Shares issued	4	4
Cash and cash equivalents acquired	1	1
Net cash inflow from business combination	1	1

The aforementioned business combination does not contain any contingent consideration or indemnification asset arrangements and the acquisition-related costs expensed were insignificant.

Had TLC been consolidated with effect from 1 March 2017 instead of its acquisition date, the consolidated income statement would have reflected additional revenue of R1,6mm and profit after tax of R0,9m.

30. NOTES TO THE STATEMENTS OF CASH FLOWS continued

30.4 Subsidiary/Subsidiaries' operations sold

2019 disposals

Paternoster Pumphouse Proprietary Limited ("Paternoster Pumphouse")

During April 2018, Zeder Financial Services Limited, sold the 100% shareholding of Paternoster Pumphouse for a cash consideration of R3,5m.

The summarised assets and liabilities recognised at the disposal dates was:

GROUP	Paternoster Pumphouse Rm	Total Rm
Property, plant and equipment	4	4
Total identifiable net assets	4	4
Net cash flow on disposal of subsidiary	4	4

2018 disposals

Capespan Japan Limited ("Capespan Japan") and Metspan Hong Kong Limited ("Metspan")

During July 2017, the group, through Capespan Group Limited ("Capespan") merged its Asian operations with Golden Wing Mau to form JWM Asia. Capespan therefore sold 70% of its business operations to JWM Asia and retained a 30% shareholding in JWM Asia.

Capespan sold the business operations of Capespan Japan, a fruit marketing company situated in Japan, to JWM Asia, for a cash consideration of R3,0m.

Capespan sold the business operations of Metspan, a fruit marketing company situated in Hong Kong, to JWM Asia, for a cash consideration of R56,8m.

Nichebrands Proprietary Limited ("Nichebrands")

During January 2018, the group, through Zaad Holdings Limited, disposed of its 100% interest in Nichebrands for R1, resulting in a gain on disposal of R5,1m due to previously recognised losses.

30. NOTES TO THE STATEMENTS OF CASH FLOWS continued

30.4 Subsidiary/Subsidiaries' operations sold continued

The summarised assets and liabilities recognised at the respective disposal dates were:

GROUP	Capespan Japan Rm	Metspan Rm	Nichebrands Rm	Total Rm
Property, plant and equipment	1	1	4	6
Intangible assets	1	11		12
Deferred income tax assets			4	4
Loans and advances	1	1	(35)	(33)
Inventories	16	6	20	42
Trade and other receivables	73	82	11	166
Cash, money market investments and other cash equivalents	18	15		33
Borrowings			(1)	(1)
Trade and other payables	(34)	(63)	(8)	(105)
Current income tax liabilities		(1)		(1)
Total identifiable net assets	76	52	(5)	123
Transfer to investment in ordinary shares of associates		(26)		(26)
Transfer of loans to associates	(73)	(49)		(122)
Profit on sale of subsidiaries' operations		80	5	85
Cash proceeds on sale	3	57	–	60
Cash and cash equivalents given up	(18)	(15)		(33)
Net cash flow on disposal of subsidiaries' operations	(15)	42	–	27

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

30. NOTES TO THE STATEMENTS OF CASH FLOWS continued

30.5 Borrowings reconciliation

GROUP	Opening carrying value Rm	Financing cash flows: Borrowings repaid Rm	Financing cash flows: Borrowings drawn Rm	Business combination/ disposals Rm	Other changes[1] Rm	Closing carrying value Rm
28 February 2019						
Bank overdrafts	**1 177**	**(325)**	**74**	**43**		**969**
Redeemable preference shares	**1 000**		**500**			**1 500**
Unsecured loans	**598**	**(400)**	**11**	**20**		**229**
Secured loans	**592**	**(305)**	**66**	**6**	**15**	**374**
	3 367	**(1 030)**	**651**	**69**	**15**	**3 072**
28 February 2018						
Bank overdrafts	941		236			1 177
Redeemable preference shares	306	(349)	1 000		43	1 000
Unsecured loans	933	(824)	355	1	133	598
Secured loans	793	(160)	69	(1)	(109)	592
	2 973	(1 333)	1 660	–	67	3 367

[1] *Mainly accrued and unpaid finance costs and net of foreign currency exchange gains.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. EARNINGS PER SHARE

GROUP	2019 Rm	2018 Rm
The calculation of earnings per share is based on the following:		
Profit attributable to equity holders of the company	**89**	254
Net (gain)/loss on dilution of interest in associates	**(21)**	29
Net profit on sale of subsidiary companies	**–**	(84)
– Gross		(85)
– Non-controlling interests		1
Impairment of associated companies	**647**	1
Fair value gain resulting from transfer of associate to equity security	**–**	134
– Gross	**–**	(15)
– Non-controlling interests		(3)
– Tax effect		152
Impairment of intangible assets and goodwill	**65**	73
– Gross	**66**	123
– Non-controlling interests	**(1)**	(48)
– Tax effect		(2)
Net loss on sale and impairment of property, plant and equipment	**3**	11
– Gross	**2**	10
– Non-controlling interests		1
– Tax effect	**1**	
Non-headline items of associates and joint ventures	**(16)**	7
Headline earnings	**767**	425
The calculation of the weighted number of shares in issue is as follows:		
– Number of shares in issue at beginning of year ('000)	**1 701 879**	1 722 041
– Weighted number of shares purchased and cancelled during the year ('000)		(5 320)
– Net movement in treasury shares ('000)		363
– Weighted number of shares at end of year ('000)	**1 701 879**	1 717 084
– Number of bonus element shares to be issued in terms of share incentive scheme ('000)		1 671
– Diluted weighted number of shares at end of year ('000)	**1 701 879**	1 718 755
Basic		
Profit attributable to equity holders of the company	**89**	254
Headline earnings	**767**	425
Weighted number of shares at end of year ('000)	**1 701 879**	1 717 084
Attributable/basic earnings per share (cents)	**5,2**	14,8
Headline earnings per share (cents)	**45,1**	24,8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. EARNINGS PER SHARE continued

GROUP	2019 Rm	2018 Rm
Diluted		
Diluted earnings and diluted headline earnings per share are calculated using earnings and headline earnings adjusted for the effect of all dilutive potential ordinary shares throughout the group, as well as by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares on a group level (arising from the share-based payment arrangements set out in notes 14). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined using the annual volume weighted average JSE-listed share price of the company's shares) based on the monetary value of the shares/share options granted to participants.		
Diluted earnings attributable to ordinary shareholders	**65**	240
Diluted headline earnings	**743**	407
Diluted weighted number of shares at end of year ('000)	**1 703 910**	1 718 755
Diluted attributable earnings per share (cents)	**3,8**	14,0
Diluted headline earnings per share (cents)	**43,6**	23,7

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including price risk, cash flow and fair value interest rate risk and foreign exchange risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by each major entity within the group under policies approved by the respective boards of directors. Each entity identifies, evaluates and utilises derivative financial instruments to hedge financial risks as appropriate. Each major entity's board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Financial instruments are grouped into the classes set out below in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 *Financial Instruments – Disclosures.* The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

32. FINANCIAL RISK MANAGEMENT continued

32.1 Financial risk factors continued

GROUP	At fair value through profit or loss Rm	At amortised cost Rm	Total Rm
28 February 2019			
Financial assets			
– Loans to associates		**172**	**172**
– Equity securities	**30**		**30**
– Loans and advances		**95**	**95**
– Trade and other receivables		**1 256**	**1 256**
– Cash, money market investments and other cash equivalents	**252**	**181**	**433**
	282	**1 704**	**1 986**
Financial liabilities			
– Borrowings		**3 072**	**3 072**
– Derivative financial liabilities	**26**		**26**
– Trade and other payables		**973**	**973**
	26	**4 045**	**4 071**
28 February 2018			
Financial assets			
– Loans to associates		132	132
– Loans to joint ventures		4	4
– Equity securities	688		688
– Loans and advances		138	138
– Trade and other receivables		1 087	1 087
– Cash, money market investments and other cash equivalents		326	326
	688	1 687	2 375
Financial liabilities			
– Borrowings		3 367	3 367
– Derivative financial liabilities	39		39
– Trade and other payables		977	977
	39	4 344	4 383

32. FINANCIAL RISK MANAGEMENT continued

32.1 Financial risk factors continued

COMPANY

The company had no financial assets (2018: Rnil) at the reporting date. Borrowings and trade and other payables are classified as financial liabilities carried at amortised cost. The carrying amounts of financial assets and liabilities carried at amortised cost approximate their fair values.

32.2 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Price risk

The group is exposed to equity securities price risk because of investments held and classified on the statement of financial position as at fair value through profit or loss. The group manages price risk by investing in a portfolio of investments and monitoring equity securities' prices on a regular basis.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2018: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

	2019		2018	
GROUP	20% increase Rm	20% decrease Rm	20% increase Rm	20% decrease Rm
Impact on post-tax profit	**5**	**(5)**	107	(107)

The impact on post-tax other comprehensive income would have been insignificant.

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments, receivables and borrowings, which expose the group to cash flow interest rate risk if it is a variable rate instrument, or to fair value interest rate risk if it is a fixed rate instrument.

32. FINANCIAL RISK MANAGEMENT continued

32.2 Market risk continued

GROUP	2019 Rm	2018 Rm
Loans to associates	**172**	132
Floating rate	**137**	127
Fixed rate (including interest-free)	**35**	5
Loans to joint ventures	**–**	4
Fixed rate (including interest-free)		4
Loans and advances	**95**	138
Floating rate	**73**	67
Fixed rate (including interest-free)	**22**	71
Trade and other receivables	**1 256**	1 087
Floating rate	**49**	54
Fixed rate (including interest-free)	**1 207**	1 033
Cash, money market investments and other cash equivalents	**433**	326
Floating rate	**416**	282
Fixed rate (including interest-free)	**17**	44
Borrowings	**(3 072)**	(3 367)
Floating rate	**(1 469)**	(2 256)
Fixed rate (including interest-free)	**(1 603)**	(1 111)
Trade and other payables	**(973)**	(977)
Floating rate	**(11)**	
Fixed rate (including interest-free)	**(962)**	(977)
Total	**(2 089)**	(2 657)
Floating rate	**(805)**	(1 726)
Fixed rate	**(1 284)**	(931)

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable.

COMPANY

The company had no exposure to interest rate risk.

32. FINANCIAL RISK MANAGEMENT continued

32.2 Market risk continued

The table below summarises the sensitivity of the group's post-tax net profit for the year to interest rate fluctuations. The analysis is based on the assumption that interest rates were 1% (2018: 1%) higher/lower for the full year, with all other variables (e.g. effective tax rate, interest carrying balances) held constant.

GROUP	2019 1% increase Rm	2019 1% decrease Rm	2018 1% increase Rm	2018 1% decrease Rm
Impact on post-tax profit	(9)	9	(18)	18

Foreign exchange risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Management monitors this exposure and cover is used where appropriate.

The group's financial assets and liabilities denominated in foreign currency are analysed in the following table:

GROUP	British pound sterling Rm	United States dollar Rm	Euro Rm	Australian dollar Rm	Chinese yuan renminbi Rm	Sub-total A Rm
At 28 February 2019						
Financial assets						
– Trade and other receivables	59	201	143		2	405
– Cash and cash equivalents	35	28	43			106
Financial liabilities						
– Trade and other payables	(4)	(120)	(17)	(2)	(34)	(177)
– Borrowings		(25)				(25)
Total	90	84	169	(2)	(32)	309

	Sub-total A Rm	Mozambique new metical Rm	Zambian kwacha Rm	Malawi kwacha Rm	Total Rm
At 28 February 2019					
Financial assets					
– Trade and other receivables	405	10	1		416
– Cash and cash equivalents	106	26	2		134
Financial liabilities					
– Trade and other payables	(177)		(2)	(4)	(183)
– Borrowings	(25)				(25)
Total	309	36	1	(4)	342

32. FINANCIAL RISK MANAGEMENT continued

32.2 Market risk continued

GROUP	British pound sterling Rm	United States dollar Rm	Euro Rm	Australian dollar Rm	Chinese yuan renminbi Rm	Sub-total A Rm
At 28 February 2018						
Financial assets						
– Loans and advances		32	2			34
– Trade and other receivables	55	301	216		1	573
– Cash and cash equivalents	39	49	43			131
Financial liabilities						
– Trade and other payables	(11)	(175)	(31)	(1)	(5)	(223)
– Borrowings		(158)	(212)			(370)
Total	83	49	18	(1)	(4)	145

	Sub-total A Rm	Mozambique new metical Rm	Zambian kwacha Rm	New Zealand dollar Rm	Malawi kwacha Rm	Sub-total B Rm
At 28 February 2018						
Financial assets						
– Loans and advances	34					34
– Trade and other receivables	573	13	17		1	604
– Cash and cash equivalents	131	46	2			179
Financial liabilities						
– Trade and other payables	(223)	(1)	(6)	(1)		(231)
– Borrowings	(370)		(3)			(373)
Total	145	58	10	(1)	1	213

	Sub-total B Rm	Kenyan shilling Rm	Total Rm
At 28 February 2018			
Financial assets			
– Loans and advances	34		34
– Trade and other receivables	604	1	605
– Cash and cash equivalents	179		179
Financial liabilities			
– Trade and other payables	(231)		(231)
– Borrowings	(373)		(373)
Total	213	1	214

Capespan Group Limited has restated the 28 February 2018 information. The restatement had no impact on previously reported income statements and statements of financial position, comprehensive income, changes in equity and cash flows for the year then ended.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

32. FINANCIAL RISK MANAGEMENT continued

32.2 Market risk continued

COMPANY

The company had no exposure to foreign exchange risk.

A cash flow hedge is a hedge of the exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction that is attributable to a particular risk and could affect profit or loss. Capespan Group Limited and Zaad Holdings Limited entered into forward currency exchange contracts in respect of import/export transactions. These transactions met the definition of a cash flow hedge and have accordingly been accounted for on the basis set forth in accounting policy note 12.3.

The group has entered into forward currency exchange contracts (some being designated as hedging instruments), which relate to specific foreign commitments in respect of the aforementioned transactions (hedged items). The carrying value of forward currency exchange contracts are set out in note 18. Details of forward currency exchange contracts outstanding at the reporting date are as follows:

GROUP	Foreign amount Rm	Average exchange rate	Rand exposure translated at closing rate Rm
2019			
Exports			
United States dollar	**1,6**	**14,3**	**23**
Euro	**0,7**	**16,3**	**11**
			34
Imports			
United States dollar	**0,6**	**14,4**	**10**
British pound sterling	**0,6**	**18,3**	**11**
Euro	**0,6**	**16,4**	**10**
			30
2018			
Exports			
United States dollar	2,2	12,4	27
British pound sterling	0,9	16,7	16
Euro	0,9	14,9	14
			57
Imports			
United States dollar	0,5	12,6	6
British pound sterling		17,3	1
Euro	0,5	15,1	7
			14

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT continued

32.2 Market risk continued

The table below shows the sensitivity of post-tax profits of the group to a 20% (2018: 20%) appreciation/depreciation in the South African rand exchange rate at year-end, with all other variables (e.g. effective tax rate) held constant.

GROUP	2019 20% appreciation Rm	2019 20% depreciation Rm	2018 20% appreciation Rm	2018 20% depreciation Rm
Translation of financial assets/liabilities from transaction to functional currency				
Impact on post-tax profit				
United States dollar	**(38)**	**38**	1	(1)
Euro	**1**	**(1)**	(2)	2
Hong Kong dollar			(1)	(1)
Chinese yuan renminbi	**5**	**(5)**	1	(1)
Zambian kwacha				
New Zealand dollar	**1**	**(1)**		
Australian dollar				
Translation from functional to presentation currency				
Impact on post-tax profit				
British pound	**(11)**	**11**	(8)	8
United States dollar	**39**	**(39)**	5	(5)
Euro	**(9)**	**9**		
Hong Kong dollar	**(3)**	**3**		
Chinese yuan renminbi			(13)	13
Japanese yen			(3)	3
Mozambique new metical	**9**	**(9)**	9	(9)
Zambian kwacha	**(1)**	**1**		
Impact on post-tax other comprehensive income				
British pound	**18**	**(18)**	17	(17)
United States dollar	**(37)**	**37**	15	(15)
Euro	**(28)**	**28**	62	(62)
Mozambique new metical	**4**	**(4)**	8	(8)
Zambian kwacha	**(4)**	**4**	(1)	1
Zimbabwe RTGS	**8**	**(8)**		

32. FINANCIAL RISK MANAGEMENT continued

32.3 Credit risk

Financial assets which potentially subject the group to credit risk, consist of loans to associates (refer note 4.2), loans and advances (refer note 8), trade and other receivables (refer note 11) and cash and cash equivalents (refer note 12). Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans and advances, management would take or insist on collateral or other form of securitisation as they deem fit.

The following tables provide information regarding the aggregated credit risk exposure for the financial assets:

GROUP	Aaa Moody's Rm	Aa Moody's Rm	A Moody's Rm	Baa Moody's Rm	Ba Moody's Rm	Sub-total A Rm
28 February 2019						
Trade and other receivables	2	65				67
Bank balances – cash and cash equivalents			87	1	24	112
	2	65	87	1	24	179

	Sub-total A Rm	B Moody's Rm	Caa Moody's Rm	Not rated Rm	Carrying value Rm
28 February 2019					
Loans to associates				172	172
Loans and advances				95	95
Trade and other receivables	67	2		1 187	1 256
Bank balances – cash and cash equivalents	112	36	30	3	181
Money market fund – cash and cash equivalents				252	252
	179	38	30	1 709	1 956

32. FINANCIAL RISK MANAGEMENT continued

32.3 Credit risk continued

	Aaa Moody's Rm	Aa Moody's Rm	A Moody's Rm	Baa Moody's Rm	Ba Moody's Rm	Sub-total A Rm
28 February 2018						
Trade and other receivables	24			45		69
Bank balances – cash and cash equivalents		1	106	6	11	124
	24	1	106	51	11	193

	Sub-total A Rm	B Moody's Rm	Caa Moody's Rm	Not rated Rm	Past due but not impaired assets Rm	Carrying value Rm
28 February 2018						
Loans to associates				132		132
Loans to joint ventures				4		4
Loans and advances				138		138
Trade and other receivables	69			806	212	1 087
Bank balances – cash and cash equivalents	124	89		3		216
Money market fund – cash and cash equivalents				110		110
	193	89	–	1 193	212	1 687

Loans to associates, loans to joint ventures and loans and advances consist of secured and unsecured assets. There are no significant concentrations of credit risk. The group assesses all counterparties for creditworthiness before transacting, and monitors creditworthiness on a regular basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

32. FINANCIAL RISK MANAGEMENT continued

32.3 Credit risk continued

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of receivables and, where appropriate, credit guarantee insurance cover is purchased. Risk control assess the credit quality of customers, taking into account its financial position, past experience and credit guarantee obtained. The utilisation of credit limits is regularly monitored.

The non-rated financial assets comprise mainly trade and other receivables. These balances mainly relate to Capespan and Zaad trade receivables. Capespan and Zaad performs ongoing credit evaluations regarding the financial condition of its trade receivables, and where appropriate, purchases credit guarantee insurance. Capespan's credit guarantee insurance is limited to an annual aggregate of R508m (2018: R507m) and Zaad's credit guarantee insurance is limited to an annual aggregate of R68m (2018: R69m).

The unquoted equity securities are impaired to the value of the underlying instruments should the market value of the instruments fall below the current carrying value.

The unrated cash and cash equivalents relate to the group's investment in money market funds of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act. The mandate of the fund is to invest in cash deposits and highly liquid, fixed-interest securities with a weighted average maturity of less than 90 days. A spread of investments in top-quality financial instruments and institutions moderates the risk through diversification.

Refer the foreign exchange risk note where the receivables denominated in foreign currencies are disclosed. These receivables are susceptible to credit risk and the currency denominations provide indication of their geographical area.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, each individual company's trade receivables have been grouped based on shared credit risk characteristics and the days past due criterion.

The expected credit loss rates for trade receivables are determined using a provision matrix. The provision matrix used is based on each individual company within the group's historical default rates observed over the expected life of the receivables, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both the current and forecast direction of the market at the reporting date, including time value for money, where appropriate.

The loss allowance as at 28 February 2019 was determined as follows:

GROUP	Current Rm	More than 30 days past due Rm	More than 60 days past due Rm	More than 90 days past due Rm	Total Rm
Gross carrying amount - trade receivable	794	84	41	189	1 108
Loss allowance	4	3	2	40	49
Expected loss rate (%)	0,5	3,6	4,9	21,2	4,4

32. FINANCIAL RISK MANAGEMENT continued

32.3 Credit risk continued

The closing loss allowances for trade receivables as at 28 February 2019 reconcile to the opening allowances as follows:

	Performing Rm	Non-performing Rm	Total Rm
Opening balance	**(7)**	**(41)**	**(48)**
Opening carrying value adjustment to due to initial application of IFRS 9	**(2)**	**(20)**	**(22)**
Charge to profit or loss			
In respect of financial assets originated during the year	**1**	**2**	**3**
In respect of financial assets originated during the prior years		**3**	**3**
Amounts written off		**19**	**19**
Subsidiaries acquired	**(1)**	**(4)**	**(5)**
Other movements		**1**	**1**
	(9)	**(40)**	**(49)**

The table below gives an age analysis of trade and other receivables that are past due but not impaired as at 28 February 2018 in terms of IAS 39. The other classes of financial assets do not contain assets that are past due but not impaired.

GROUP	0-2 months Rm	2-6 months Rm	6-12 months Rm	Total Rm
At 28 February 2018	86	70	56	212

Reconciliation of allowance for impairment of trade receivables:	2018 Rm
Balance at beginning of year	31
Amounts written off	(26)
Net impairment provision	42
Balance at end of year	47

COMPANY

The company had no exposure to credit risk.

32. FINANCIAL RISK MANAGEMENT continued

32.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group and standalone company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available to meet future cash flow requirements.

All financial liability balances of the company are due within 12 months and thus the impact of discounting is not significant. The tables below analyses the group companies' financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

GROUP	Less than one year Rm	One to five years Rm	Over five years Rm	Carrying value Rm
28 February 2019				
– Borrowings	**1 300**	**2 241**	**35**	**3 072**
– Derivative financial liabilities	**1**	**25**		**26**
– Trade and other payables	**973**			**973**
	2 274	**2 266**	**35**	**4 071**
28 February 2018				
– Borrowings	1 451	1 887	84	3 367
– Derivative financial liabilities	15	24		39
– Trade and other payables	977			977
	2 443	1 911	84	4 383

COMPANY

All financial liability balances are due within 12 months and thus the impact of discounting is not significant.

32.5 Fair value estimation

Financial assets and liabilities carried at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

32. FINANCIAL RISK MANAGEMENT continued

32.5 Fair value estimation continued

Level 2

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over-the-counter traded financial instruments. Since level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs in determining an instrument's fair value are observable, the instrument is included in level 2.

Instrument	Valuation technique	Main inputs
Derivative financial assets and liabilities	Exit price on recognised over-the-counter platforms	Not applicable - prices available publicly
Equity securities	Closing price on recognised over-the-counter platforms	Not applicable - prices available publicly

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

Certain equity securities included in level 3 of the fair value hierarchy as at the most recent reporting date consisted of the unquoted equity securities set out in note 6. The unquoted equity securities include advances which are linked to equity securities traded in over-the-counter markets. In terms of these agreements, the group is entitled to the majority of the increase in the market value of the underlying over-the-counter traded equity securities and the dividends received on these securities. The advances are carried at the fair value of the underlying over-the-counter traded equity securities. Based on the assumption that the over-the-counter prices of the traded equity securities were 20% (2018: 20%) higher/lower for the full year, the fair value would have been R3,8m (2018: R5,1m) higher/lower than the current fair value.

Other derivative liabilities included in level 3 relate to put options held by non-controlling interests against the group. These fair values are calculated by applying the contractually agreed price/earnings multiple to the relevant subsidiary's board-approved budgeted profits and discounting it at a market-related interest rate. Based on the assumption that the interest rates were 1% (2018: 1%) higher/lower for the full year, with all other variables (e.g. the relevant subsidiary's board-approved budgeted profits) held constant, the fair value would have been R0,7m (2018: R0,1m) higher/lower than the current fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

32. FINANCIAL RISK MANAGEMENT continued

32.5 Fair value estimation continued

The fair value of financial assets and liabilities carried at amortised cost approximates their fair value.

The following financial assets are measured at fair value:

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
28 February 2019				
Assets				
Money market fund – cash and cash equivalents	**252**			**252**
Equity securities		**1**	**29**	**30**
	252	**1**	**29**	**282**
Liabilities				
Derivative financial liabilities		**1**	**25**	**26**
28 February 2018				
Assets				
Equity securities	9		679	688
Liabilities				
Derivative financial liabilities			39	39

Fair value movements in respect of aforementioned equity securities are considered to be "recurring", as defined by IFRS 13 Fair Value Measurement. Please find below the reconciliation in respect of movements in the carrying value of financial assets included in level 3 of the fair value hierarchy.

	Level 3	
GROUP	2019 Rm	2018 Rm
Reconciliation of financial assets:		
Opening balance	**679**	44
Transfer from subsidiaries to equity securities		700
Disposal	**(1 177)**	(7)
Fair value gains	**473**	8
Exchange differences	**54**	(66)
Closing balance	**29**	679
Reconciliation of financial liabilities:		
Opening balance	**39**	94
Disposals	**(15)**	(47)
Fair value gains	**(3)**	(15)
Finance costs	**4**	7
Closing balance	**25**	39

32. FINANCIAL RISK MANAGEMENT continued

32.5 Fair value estimation continued

COMPANY

At the reporting date the company had no financial assets or liabilities measured at fair value.

Capital 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 to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. 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.

Zeder Investments Limited's capital management is performed at a group level, giving consideration to, inter alia, the group's sum-of-the-parts value. When funding is required management will consider the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider raising additional capital or utilising debt. The directors have authority to issue ordinary shares up to 10% of the number of shares in issue.

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are unaware of any matter or event which is material to the financial affairs of the group that have occurred between the reporting date and the date of approval of these annual financial statements.

ANNEXURE A – SIGNIFICANT SUBSIDIARIES

FOR THE YEAR ENDED 28 FEBRUARY 2019

Subsidiary	Country of incorporation[1]	Nature of business
Zeder Financial Services Limited	South Africa	Investment holding
Zaad Holdings Limited ("Zaad")	South Africa[3]	Agricultural seed production/marketing
Capespan Group Limited ("Capespan")	South Africa[4]	Fruit and farming
The Logistics Group Proprietary Limited ("TLG")[7]	South Africa[5]	Logistics
Agrivision Africa ("Agrivision")	Mauritius[6]	Farming and milling
The Logistic Company Proprietary Limited ("TLC")	South Africa	Logistics
Total		

1 *Principle place of business is the country of incorporation, unless otherwise stated.*
2 *Economic interests equal voting rights.*
3 *Operating via subsidiaries in Southern Africa, Europe and the Middle East.*
4 *Operating via various subsidiaries throughout the world.*
5 *Operating via subsidiaries in Southern Africa.*
6 *Operating via subsidiaries in Zambia.*
7 *During the year Capespan unbundled its logistics division and formed TLG. The Fruit & Farming operations remain within Capespan. Zeder also transferred its investment in the logistical application business, TLC, to TLG to ensure TLG benefits from the logistics-related technology developed within TLC.*

Subsidiary	Profit from continuing operations 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm	Profit from continuing operations 2018 Rm	Total comprehensive income for the year 2018 Rm	Revenue 2018 Rm
Zaad[8]	**117**	**(67)**	**1 635**	120	89	1 409
Capespan[9]	**164**	**210**	**5 557**	(27)	(42)	6 619
Agrivision[9]	**(14)**	**(3)**	**406**	(161)	(192)	466

	Dividends paid					
Subsidiary	**To non-controlling interests 2019 Rm**	**To owners of the parent 2019 Rm**	**Total 2019 Rm**	**To non-controlling interests 2018 Rm**	**To owners of the parent 2018 Rm**	**Total 2018 Rm**
Zaad[8]		**6**	**6**			–
Capespan[9]			**–**	20	38	58
Agrivision[9]			**–**			–

ANNEXURE A – SIGNIFICANT SUBSIDIARIES

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

Economic interest held directly or indirectly[2] 2019 %	Economic interest held directly or indirectly[2] 2018 %	Profit or loss attributable to non-controlling interests 2019 Rm	Profit or loss attributable to non-controlling interests 2018 Rm	Carrying value of non-controlling interests 2019 Rm	Carrying value of non-controlling interests 2018 Rm
100,0	100,0				
95,3	93,2	**9**	9	**61**	95
97,4	97,5	**30**	17	**46**	66
97,4				**38**	
56,0	56,0	**(6)**	(71)	**171**	169
	51,0		(1)		(3)
		33	(46)	**316**	327

Subsidiary	Assets Non-current 2019 Rm	Assets Current 2019 Rm	Assets Total 2019 Rm	Assets Non-current 2018 Rm	Assets Current 2018 Rm	Assets Total 2018 Rm
Zaad[8]	**1 195**	**1 514**	**2 709**	1 014	1 472	2 486
Capespan[9]	**1 456**	**898**	**2 354**	2 659	1 270	3 929
TLG[9]	**506**	**325**	**831**			–
Agrivision[9]	**536**	**236**	**772**	465	299	764

Subsidiary	Liabilities Non-current 2019 Rm	Liabilities Current 2019 Rm	Liabilities Total 2019 Rm	Liabilities Non-current 2018 Rm	Liabilities Current 2018 Rm	Liabilities Total 2018 Rm
Zaad[8]	**211**	**1 115**	**1 326**	258	1 071	1 329
Capespan[9]	**130**	**494**	**624**	858	1 207	2 065
TLG[9]	**186**	**297**	**483**			–
Agrivision[9]	**108**	**320**	**428**	153	268	421

8 *Represents the year ended 31 January 2019 (2018: 31 January 2018).*
9 *Represents the year ended 31 December 2018 (2018: 31 December 2017).*

ANNEXURE B – SIGNIFICANT ASSOCIATES

FOR THE YEAR ENDED 28 FEBRUARY 2019

Associate	Country of incorporation[1]	Nature of business
Pioneer Food Group Limited ("Pioneer Foods")	South Africa[3]	Food and beverage distributer
Kaap Agri Limited ("Kaap Agri")	South Africa[3]	Agricultural
Quantum Foods Holdings Limited ("Quantum Foods")	South Africa[3]	Feeds and poultry business
May Seed[4]	Turkey	Agricultural
Other immaterial associated companies (aggregated)		
Total		

[1] *Principle place of business is the country of incorporation, unless otherwise stated.*

[2] *Economic interests equal voting rights, except for Pioneer Foods and Kaap Agri where voting interest amounts to 27.1% and 41.1% (2018: 27.0% and 40.9%), respectively.*

[3] *Operating via various subsidiaries throughout Southern Africa.*

[4] *During the prior year, Zaad Holdings Limited acquired a 35% interest in May-Agro Tohumculuk Sanayi ve Ticaret Anonim Sirketi ("May Seed"), a Turkish seed company.*

	Profitability (100%)					
Associate	Profit for the year 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm	Profit for the year 2018 Rm	Total comprehensive income for the year 2018 Rm	Revenue 2018 Rm
Pioneer Foods[5]	**1 077**	**1 101**	**20 152**	726	871	19 575
Kaap Agri[5,6]	**249**	**249**	**6 549**	241	242	6 416
Quantum Foods[5]	**362**	**331**	**4 122**	128	134	4 052
May Seed[7]	**53**	**52**	**516**	7	5	458

	Profitability (Group's interest)			
Associate	Profit for the year 2019 Rm	Total comprehensive income for the year 2019 Rm	Profit for the year 2018 Rm	Total comprehensive income for the year 2018 Rm
Pioneer Foods[5]	**325**	**318**	234	224
Kaap Agri[5,6]	**108**	**104**	98	93
Quantum Foods[5]	**99**	**99**	50	50
May Seed[7]	**19**	**18**	2	2

ANNEXURE B – SIGNIFICANT ASSOCIATES

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

Economic interest held directly or indirectly[2] 2019 %	Economic interest held directly or indirectly[2] 2018 %	Dividends received during the year 2019 Rm	Dividends received during the year 2018 Rm	Carrying value at year-end 2019 Rm	Carrying value at year-end 2018 Rm	Market value of quoted investments at year-end 2019 Rm	Market value of quoted investments at year-end 2018 Rm
31,0	31,2	**213**	213	**4 689**	5 204	**4 689**	7 660
43,0	43,1	**35**	34	**783**	714	**959**	1 376
29,0	27,7	**55**	21	**216**	207	**216**	246
34,4	34,4			**146**	154		
		5	5	**436**	340		
		308	273	**6 270**	6 619	**5 864**	9 282

Associate	Other income statement line items (100%)							
	Interest income 2019 Rm	Depreciation and amortisation 2019 Rm	Finance cost 2019 Rm	Income tax expense 2019 Rm	Interest income 2018 Rm	Depreciation and amortisation 2018 Rm	Finance cost 2018 Rm	Income tax expense 2018 Rm
Pioneer Foods[5]	**17**	**(438)**	**(197)**	**(31)**	19	(387)	(197)	(259)
Kaap Agri[5,6]	**116**	**(51)**	**(83)**	**(96)**	113	(43)	(69)	(91)
Quantum Foods[5]	**25**	**(71)**	**(1)**	**(136)**	8	(62)	(2)	(50)
May Seed[7]		**(20)**	**(10)**	**(10)**		(20)	(15)	(53)

Associate	Assets							
	Cash and cash equivalents 2019 Rm	Non-current 2019 Rm	Current 2019 Rm	Total excluding cash 2019 Rm	Cash and cash equivalents 2018 Rm	Non-current 2018 Rm	Current 2018 Rm	Total excluding cash 2018 Rm
Pioneer Foods[5]	**1 129**	**7 953**	**6 588**	**13 412**	431	7 448	5 505	12 522
Kaap Agri[5,6]	**40**	**1 305**	**2 622**	**3 887**	35	1 077	2 333	3 375
Quantum Foods[5]	**422**	**1 092**	**1 423**	**2 093**	262	1 077	1 178	1 993
May Seed[7]	**4**	**329**	**610**	**935**	15	211	325	521

ANNEXURE B – SIGNIFICANT ASSOCIATES

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

	Liabilities					
Associate	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm	Non-current 2018 Rm	Current 2018 Rm	Total 2018 Rm
Pioneer Foods[5]	**2 396**	**3 730**	**6 126**	1 645	3 275	4 920
Kaap Agri[5,6]	**76**	**2 102**	**2 178**	53	1 775	1 828
Quantum Foods[5]	**234**	**426**	**660**	237	326	563
May Seed[7]	**64**	**432**	**496**	67	164	231

[5] *These figures are the latest published results publicly available for these companies for the year ended 30 September 2018 (2018: 30 September 2017).*

[6] *Restated as per Kaap Agri Limited 30 September 2018 results.*

[7] *These figures are the latest audited financial statements for this company for the year ended 31 August 2018 (2018: 31 August 2017)*

Reconciliation of summarised financial information to carrying value of most significant investments:

	Pioneer Foods[8]		Kaap Agri[8,9]	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Total assets reported above	**14 541**	12 952	**3 927**	3 410
Total liabilities reported above	**(6 126)**	(4 920)	**(2 178)**	(1 828)
Net assets reported above	**8 415**	8 032	**1 749**	1 582
Non-controlling interests				
Equity attributable to owners of the parent	**8 415**	8 032	**1 749**	1 582
	8 415	8 032	**1 749**	1 582
Group's economic interest in the associate (%)	**31**	31	**43**	43
Group's interest in equity attributable to owners of the parent	**2 609**	2 507	**752**	682
Group's interest in restatement adjustment of equity attributable to owners of the parent[9]				(1)
Deemed goodwill included in associates' carrying value (net of impairment)[10]	**2 080**	2 697	**31**	33
Associates' carrying value	**4 689**	5 204	**783**	714

[8] *Amounts are most recently reported publicly available results as at 30 September 2018 (2018: 30 September 2017).*

[9] *Restated as per Kaap Agri Limited 30 September 2018 results.*

[10] *Also include timing differences emanating from lag period accounting adjustments.*

ANNEXURE C – SEGMENT REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The group is organised into four reportable segments, namely i) food, beverages and related services, ii) agri – related retail, trade and services, iii) agri – inputs and iv) agri – production. The segments represent different sectors in the broad agribusiness industry.

Segments operate mainly in the Republic of South Africa, while some associates and subsidiaries operate elsewhere (refer Annexures A and B for further details). Additional geographical information has not been presented since same is not reviewed by the chief operating decision-maker ("CODM"), being the executive committee, nor is the information available and the cost to develop it would be excessive.

Recurring headline earnings (being a measure of segment profit) is calculated on a see-through basis. The group's recurring headline earnings is the sum of its effective interest in that of each of its underlying investments. The result is that investments which the group do not equity account or consolidate in terms of accounting standards, are included in the calculation of recurring headline earnings.

Non-recurring headline earnings includes the elimination of equity securities' see-through recurring headline earnings not equity accounted, the related net fair value gains/losses and investment income (as recognised in the income statement). Associates' and subsidiaries' once-off gains/losses are excluded from recurring headline earnings and included in non-recurring headline earnings.

Segmental income comprises revenue and investment income, as per the income statement.

Sum-of-the-parts ("SOTP") is a key valuation tool used to measure the group's performance. In determining SOTP value, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate valuation methods. These values will not necessarily correspond with the values per the statement of financial position since the latter are predominantly measured using the relevant accounting standards which include historical cost and the equity accounting method.

GROUP	2019 Rm	2018 Rm
***Recurring* headline earnings**		
Segments		
Food, beverages and related services	**372**	394
Agri-related retail, trade and services	**115**	102
Agri-inputs	**124**	110
Agri-production	**(7)**	(30)
***Recurring* headline earnings from investments**	**604**	576
Net interest, taxation and other income and expenses	**(133)**	(102)
***Recurring* headline earnings**	**471**	474
Other *non-recurring* headline earnings	**296**	(49)
Headline earnings	**767**	425
Non-headline items	**(678)**	(171)
Attributable earnings	**89**	254
Earnings per share (cents)		
Recurring headline earnings per share	**27,7**	27,6

ANNEXURE C – SEGMENT REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019 (CONTINUED)

GROUP	2019 Rm	2018 Rm
***SOTP value* segmental analysis**		
Segments		
Food, beverages and related services	**7 076**	10 169
Agri-related retail, trade and services	**978**	1 405
Agri-inputs	**2 235**	2 043
Agri-production	**493**	591
Cash and cash equivalents	**254**	111
Debt funding	**(1 500)**	(1 000)
Other net assets	**109**	108
SOTP value	**9 645**	13 427
***SOTP value* per share (rand)**	**5,64**	7,85
Profit before tax segment analysis		
Segments		
Food, beverages and related services	**818**	479
Agri-related retail, trade and services	**104**	93
Agri-inputs	**131**	102
Agri-production	**(22)**	(156)
Management fees and other income and expenses (including impairments)	**(799)**	(114)
Profit before tax	**232**	404
IFRS revenue (including revenue and investment income) segment analysis		
Food, beverages and related services	**5 644**	6 672
Revenue	**5 599**	6 621
Investment income	**45**	51
Agri-inputs	**1 652**	1 412
Revenue	**1 636**	1 398
Investment income	**16**	14
Agri-production	**407**	467
Revenue	**406**	466
Investment income	**1**	1
Unallocated investment income (mainly head office interest income)	**28**	11
IFRS revenue	**7 731**	8 562

SHAREHOLDER ANALYSIS

FOR THE YEAR ENDED 28 FEBRUARY 2019

GROUP	Shareholders Number	%	Shares held Number	%
Range of shareholding				
1 – 20,000	9 047	74.9	44 616 342	2.6
20,001 – 50,000	1 302	10.8	42 713 056	2.5
50,001 – 100,000	715	5.9	52 105 986	3.0
100,001 – 500,000	780	6.5	167 669 170	9.8
500,001 – 1,000,000	113	0.9	77 947 539	4.6
Over 1,000,000	128	1.0	1 325 125 559	77.5
	12 085	100.0	1 710 177 652	100.0
Treasury shares				
– Employee share scheme	1		5 001 469	
	12 086		1 715 179 121	
Public and non-public shareholding				
Non-public				
– Directors[1]	6	0.1	15 528 905	0.9
– PSG Financial Services Limited	1		748 354 891	43.8
Public	12 078	99.9	946 293 856	55.3
	12 085	100.0	1 710 177 652	100.0
Major shareholders holding 5% or more of shares in issue *(net of treasury shares)* at 28 February 2019				
PSG Financial Services Limited (wholly-owned subsidiary of ultimate holding company, PSG Group Limited)			748 354 891	43.8
Public Investment Corporation (including Government Employees Pension Fund)[2]			145 557 686	8.5
Allan Gray Investment Management[2]			122 708 057	7.2
Coronation Asset Management Proprietary Limited[2]			107 820 695	6.3
			1 124 441 329	65.8

1 *Refer to the directors' report for further details on the directors' shareholdings.*
2 *The shareholding includes shares held directly or indirectly by the entity and/or its clients.*