TRADEHOLD
LIMITED

# Integrated Report 2015

# CONTENTS

## POSITIONING

*Tradehold Limited is an investment holding company listed on the main Board of the JSE Limited. At its financial year-end, the bulk of its operating assets were located in the United Kingdom. These assets consist primarily of a 95% holding in the property-owning Moorgarth group of companies and an indirect holding, through Reward Investments Limited, of 70% in the two operating Reward LLP's, Reward Capital and Reward Commercial Finance. By far the largest of Tradehold's investments is in Moorgarth which manages a £116 million portfolio of retail, commercial and industrial buildings. In the course of the year, Tradehold also acquired the total issued share capital of the South African financial services business Mettle whose operations show considerable synergies with those of the two Reward companies.*

# CHAIRMAN'S STATEMENT & REVIEW OF OPERATIONS

*"The Board expects the growth of the past financial year to continue in 2015/16. Much of what is now on the drawing Board is intended for the longer term; some of it will, however, already come to fruition in the months ahead, especially in terms of growing our UK portfolio and our expansion into the property markets of some African countries."*

*CH Wiese, chairman*

## Stakeholder approach

Our shareholders and stakeholders are the main users of the integrated report. The content was determined by their needs.

## Operating environment

In 2014, the British economy grew at its fastest pace in nine years, with GDP expanding by 2.8%, according to the UK's Office for National Statistics. The positive climate created by the benign economic environment – low inflation, low interest rates, rising employment and stabilising wages – stimulated business. It also boosted consumer confidence to its highest level in 12 years. The UK's powerful CBI business lobby reported that economic output during the year accelerated at the fastest rate since the early stages of the financial crisis in 2007. Buoyed by factors such as these, the commercial and retail property market strengthened further, with domestic and international investment spreading out from London into regional markets. Rentals seem to have bottomed out in the more secondary markets while there are positive signs of an increase in the demand for space.

## Financial results

By the end of February 2015, Tradehold had emerged as a substantially changed and enlarged business compared to a year ago, growing its total assets by 61.4% to £207 million. Its UK property interests held through Moorgarth are – and will for the foreseeable future continue to be – the dominant component of its business. However, in the past year it also extended its property interests to Africa through the establishment of Tradehold Africa and the acquisition, to be finalised in the new financial year, of the bulk of the property holdings of the Collins Group in Africa (outside South Africa) and in the UK. Independent of those acquisitions, Tradehold Africa has already embarked on major development projects with local partners. Tradehold Africa made no contribution to revenue for the year as the company is still in its investment phase.

During the reporting period, Tradehold's expansion of its property holdings in the UK resulted in an increase in revenue of 65.1% to £20,7 million (2014: £12,6 million). Operating profit increased by 39% from £7,9 million to £11 million while net profit for the year attributable to the owners of the parent stood 22.5% higher at £7,8 million (2014: £6,4 million). Core headline earnings per share (as defined by entity) were 5,4 pence (2014: 3,3 pence).

One of the five buildings acquired by Tradehold in Central London during the past year.

## Property

### Moorgarth

In the past year the value of Moorgarth's property portfolio increased by 49.9% from £77,4 million to £116 million. It generated an operating profit of £8,5 million (2014: £3,5 million) and its contribution to net profit of the group was £7 million (2014: £3,3 million). With the steady improvement in the British economy, the company was able to secure a number of significant lettings to enhance the profile of its assets in the market.

During the reporting period Moorgarth acquired six new properties at a total cost of £39,1 million. Of the six, five are located in central London while the sixth, in Leeds, serves as the group's UK headquarters. Of the five London properties, four are office buildings and one a block of residential units. One of the office buildings offers opportunities for redevelopment which would double the size of the present lettable area. Moorgarth's new serviced office business operates in two of these buildings.

The extensive refurbishment of the Market Place regional shopping centre in Greater Manchester is expected to be completed by December this year. Substantial interest is being received from leading retailers for space in the centre and several new lettings have been concluded.

### Tradehold Africa

Tradehold Africa identifies real estate investment opportunities on the African continent outside South Africa, increasingly a focus area for investors seeking higher returns than those delivered in the developed economies. As part of its expansion programme, Tradehold Africa is currently implementing an agreement with Collins Group of KwaZulu-Natal to acquire the bulk of its commercial property holdings in Namibia, Zambia, Botswana and Mozambique, in addition to those in the UK. The integration of these properties into the Tradehold portfolio is now underway.

The company has also identified other opportunities to either develop or acquire commercial properties in various African countries. In Maputo in Mozambique it is developing, with local partners and at a cost of £30,5 million, executive accommodation for the United States government and the multinational Anadarko Petroleum Corporation on a medium- to long-term lease basis. In Namibia, it will be a partner in a development pipeline of £97,9 million which will be invested over the next three years.

# CHAIRMAN'S STATEMENT & REVIEW OF OPERATIONS (CONTINUED)

## Financial services

### Reward

In the year to February 2015, the operating units of Reward Investments Limited – Reward Capital, which focuses on short-term, asset-backed loans to small and medium-sized businesses, and Reward Commercial Finance which offers bespoke invoicing-discounting facilities to similar-sized ones – continued to mature as businesses, generating revenue of £5,1 million (2014: £4,3 million) to produce operating profit of £3,4 million (2014: £3,1 million). Its contribution to net profit of the group was £2,2 million (2014: £2 million). The two businesses continued recruiting key personnel with risk-management skills in anticipation of future expansion in both products and geographical coverage.

The reluctance of High Street banks to provide short-term overdraft facilities continues to ensure strong demand for the loan facilities offered by Reward Capital. Whilst the last 12 months saw a number of new entrants into the market operating in a similar space and putting some pressure on margins, Reward Capital again proved itself capable of growing both turnover and profit. Reward Commercial Finance operates in a growing, yet highly competitive industry but where innovative solutions are still in demand. Internet-based funders, the emergence of "challenger" banks and the increasing prevalence of peer-to-peer funders, continue to transform the lending landscape in the UK.

### Mettle

In its first year as part of the Tradehold group, Mettle produced an operating profit of £1,1 million while its contribution to the net profit of the group was £0,4 million. Its services and product offerings include invoice discounting, incremental housing finance, corporate finance, outsourced credit administration in the asset finance industry, outsourced treasury services and solar energy solutions. Members of its senior management have been brought into the group structure and now fill the positions of joint chief executive and group financial director.

## Prospects

The Board expects the growth of the past financial year to continue in 2015/16. Much of what is now on the drawing Board is intended for the longer term; some of it will, however, already come to fruition in the months ahead such as the acquisition of properties in Southern Africa and the UK to the value of some £22,7 million once the transaction with Collins Group is finalised.

The capital raised in the South African market at the end of the financial year is clear evidence of the group's determination to grow its asset base in both the UK and Africa. In the UK the income stream generated by the new properties in London will start making a meaningful contribution to rental income while the renovations to our Market Place shopping complex, to be completed towards the end of the year, will greatly enhance the desirability of the address for retailers in the Greater Manchester area.

We are confident that the broad-based economic revival in the UK will retain its momentum following the re-election of the Tory government in early May. We are also convinced that our financial services arm will continue to flourish as it extends its services and enlarges its client base.

**BELOW:** *An architect's impression of the executive residential complex being built for the United States government and a multinational oil exploration company in Maputo on a medium- to long-term lease basis.*
**LEFT:** *The residential complex in Maputo under construction.*

## Sustainability context

Tradehold's strength is built on achieving economic sustainability in adverse market conditions. The group has now shown consistent growth over a period of several years. To facilitate the growth of its property assets in the UK and Africa, it undertook a capital raising in January this year through the listing of 65 million "A" preference shares on the JSE.

In the short term, the directors will continue to focus on those measures needed to keep the group profitable while the economy and the property market improve further. At the same time it will investigate other areas into which its various businesses can grow. Tradehold's management approach to its subsidiaries is to be actively involved in day-to-day operations and to maintain open and ongoing communication with the executive and management teams of its subsidiaries. This approach affords the executives charged with oversight responsibility, the insight and influence into all major decisions necessary for ongoing risk management and to ensure that we meet our short-term objectives.

## Acknowledgments

The 12 months to February was a gratifying but also a demanding period. We continued on our growth path while also venturing into new areas. We enlarged our Board, which took over the reins at the end of May 2014, and our new team of senior executives had to find their feet very quickly in a rapidly changing environment. The results we have achieved are proof of their leadership and management skills. However, our success would not have been possible without the dedication and hard work of every member of their supporting teams. To them we also extend our heartfelt gratitude.

**CH Wiese**
*Chairman*

29 May 2015

# CORPORATE GOVERNANCE

*Tradehold Limited is an investment holding company. At year-end, its principal business consisted of:*

- *A 95% interest in the property-owning Moorgarth group of companies*
- *A 70% interest in asset-backed, short-term lender Reward, based in the United Kingdom*
- *A 100% holding in financial services business Mettle based in South Africa and*
- *A 100% stake in development property-owning Tradehold Africa group of companies, based in Mauritius, Mozambique and Namibia.*

It conducts treasury activity through its wholly-owned finance company, Tradegro S.ár.l. Transactions within the Moorgarth Group deal mainly with the acquisition, development, refurbishment, letting, and sale of property assets. At year-end the Moorgarth Group owned and managed 25 commercial properties.

Tradehold Limited is committed to upholding good ethical standards and the application of corporate governance principles relevant to the size of its business. During the year, Tradehold reviewed the principles contained in the King Report on Governance for South Africa ("King III") and assessed their relevance and applicability to the group. Due to the size and nature of its operations, the Board does not consider the application of all principles contained in King III appropriate. Where principles are not applied, an explanation for these is contained within the report. In compliance with the regulations of the JSE, a complete list of the King III principles and the company's compliance therewith appears on the company's website – www.tradehold.co.za

## Board and Board committees

The Board takes overall responsibility for managing the group. It has established the following Board committees: audit committee, remuneration committee and social and ethics committee. The Board comprises eight directors, three of whom are independent non-executive, one who is non-executive and four who fulfil executive functions. Tradehold Limited has a non-executive but non-independent chairman whom the Board considers the best person for the position. Two of the executive directors jointly act as chief executive officer. The composition of the Board is reviewed on a regular and ongoing basis. Mr Herman Troskie has been appointed as the lead independent director.

The process for appointing new directors is performed by the Board as a whole and new directors are obliged to retire and offer themselves for re-election at the first annual general meeting following their appointment.

All directors are subject to the retirement and re-election provisions of the memorandum of incorporation, which require one-third of the non-executive directors to retire and, if they so wish, offer themselves for re-election at each annual general meeting. Due to the nature and size of the business, induction as well as ongoing training and development programmes are not driven through formal processes.

The Board meets at least twice a year and more often when required. For details on Board meetings and attendance, refer to the table below.

The composition of the Board, outlined below, reflects the position at the end of February 2015, and the attendance of Board and committee meetings is for the financial year. The Board was re-constituted on 27 May 2014, details of which appear in the Directorate and Administration on page 15, as well as in the Directors' Report on page 17.

**Composition of the Board at 28 February 2015 and attendance of meetings for the financial year**

| Board of directors | Qualification | Date of appointment | Age | Executive/ independent non-executive | Meetings attended (out of 2) | Other significant directorships |
|---|---|---|---|---|---|---|
| Dr CH Wiese | BA, LLB, D Com (HC) | 29 September 2000 | 73 | Non-executive | 2 | Chairman of Pepkor Holdings (Pty) Limited, Shoprite Holdings Limited and Invicta Holdings Limited, director of Brait SE and various other companies. |
| Mr HRW Troskie | B Juris, LLB, LLM | 27 April 2006 | 45 | Independent non-executive # | 2 | Brait SE, Ardagh Group S.A. and Southern View Finance Limited. |
| Mr MJ Roberts | BA, SEDP | 28 February 2012 | 68 | Independent non-executive | 2 | |
| Mr JM Wragge | | 27 May 2014 | 67 | Independent non-executive | 1 | Gritprop Investments (Pty) Ltd, Mountain Mill Shopping Centre (Pty) Ltd and various other companies. |
| Ms KL Nordier | BAcc, BCompt Hons, CA(SA) | 27 May 2014 | 48 | Executive | 2 | |
| Mr TA Vaughan | BSc (Hons) MRICS | 10 November 2010 | 49 | Executive | 2 | Managing director of Moorgarth Group. |
| Mr FH Esterhuyse | BAcc Hons, MCom(Tax), CA(SA) | 27 May 2014 | 45 | Executive | 2 | Managing director of Mettle Group. |
| Mr DA Harrop | BA Hons, ACA | 27 May 2014 | 45 | Executive | 2 | Financial director of Moorgarth Group. |

# The independence of directors is assessed on an annual basis and the Board is confident that the independence of Mr Troskie has not been impaired by his length of service.

The Board is satisfied that it has effectively discharged its statutory duties and oversight role and wishes to report that:

– It has and continues to maintain an approvals framework that allows it appropriate insight into and influence over significant business transactions within the group.
– The current compliance strategy followed is appropriate given the size and structure of the group and the Board is not aware of any instances of non-compliance to applicable laws and regulations.
– IT infrastructure and strategy is appropriate given the size and nature of the business.

It is the Board's view that its performance and that of its members are directly correlated to the success of the group. The performance evaluation of the Board, its committees and all directors are reflected upon during the annual review of the group's performance.

The Board is satisfied that the company secretary has the right qualifications and experience, and is competent for this role. The Board can also confirm the relationship between the company secretary and the Board is at arms-length.

## Audit committee report

The audit committee has submitted the following, as required by section 94 of the Companies Act, Act 71 of 2008, as amended.

### 1. Functions of the audit committee

The audit committee has adopted a formal terms of reference, delegated to it by the Board. The audit committee wishes to report that it has:

1.1 Reviewed the interim and preliminary results and the year-end annual financial statements, as well as the content of the integrated report, culminating in a recommendation to the Board to adopt it;
1.2 Reviewed the external audit reports on the annual financial statements;
1.3 Reviewed risk management and internal control reports of the group and, where relevant, made recommendations to the Board;
1.4 Verified the independence of the external auditors, nominated PricewaterhouseCoopers Inc. as the auditors for 2015 and noted the appointment of Mr Anton Wentzel as the designated auditor;
1.5 Approved the audit fees and engagement terms of the external auditors; and
1.6 Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.

# CORPORATE GOVERNANCE (CONTINUED)

### 2. Members of the audit committee and attendance at meetings

The audit committee aims to fulfil the roles and responsibilities as required by the Companies Act and King III. The audit committee consists of three members.

The audit committee meets at least twice a year as per the audit committee charter, details of which are listed below. All members act independently as described in section 94 of the Companies Act, Act 71 of 2008, as amended.

| Audit committee | Qualification | Date of appointment | Age | Executive/independent non-executive | Meetings attended (out of 2) |
|---|---|---|---|---|---|
| Mr HRW Troskie | B Juris, LLB, LLM | 15 February 2008 | 45 | Independent non-executive | 2 |
| Mr C Stassen | BCom | appointed 15 November 2001; resigned 27 May 2014 | 63 | Independent non-executive | 1 |
| Mr MJ Roberts | BA, SEDP | 28 February 2012 | 68 | Independent non-Executive | 2 |
| Mr JM Wragge | | 27 May 2014 | 67 | Independent non-Executive | 1 |

The external auditors, in their capacity as auditors to the group, attended and reported to all meetings of the audit committee. Members of the executive management also attended the audit committee meetings by invitation.

### 3. Independence of external auditors

The audit committee reviewed a representation by the external auditors and, after conducting its own review, confirmed the independence of the auditors.

### 4. Expertise and experience of financial resources

The audit committee has satisfied itself that the financial director has appropriate expertise and experience. The audit committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

### 5. Statement on effectiveness of internal financial controls

The audit committee reviewed the financial reports submitted for the group and through discussion with management and the external auditors herewith reports that internal financial controls were adequate and operated effectively for the financial year ended 28 February 2015.

## Remuneration committee

The remuneration committee is a sub-committee of the Board and consists of two members. Its main functions are to consider and approve the remuneration of executives whose earnings are above a certain level. It also makes recommendations to the Board regarding the fees to be paid to non-executive directors.

| Remuneration committee | Qualification | Date of appointment | Age | Executive/independent non-executive | Meetings attended (out of 1) |
|---|---|---|---|---|---|
| Mr HRW Troskie | B Juris, LLB, LLM | 25 October 2012 | 45 | Independent non-executive | 1 |
| Mr C Stassen | BCom | appointed 15 November 2001; resigned 27 May 2014 | 63 | Independent non-executive | 1 |
| Mr MJ Roberts | BA, SEDP | 27 May 2014 | 68 | Independent non-executive | 0 |

Certain executive members of management attended the remuneration committee meeting by invitation.

The remuneration policy is to compensate employees on a basis comparable with similar organisations, taking into consideration performance as an important factor in determining the remuneration of management and executive directors. Non-executive directors' fees are based on their relative contributions to the activities of the Board.

Details of the remuneration and participation of directors in share incentive schemes appear elsewhere in this report.

## Social and ethics committee

The social and ethics committee is a sub-committee of the Board and consists of three members. The committee functions in accordance with a formal mandate adopted by the Board. The committee is governed by a charter and its main mandate is to monitor group compliance with defined social and ethics performance indicators that have been formulated with reference to the requirements of section 72(4) of the Companies Act no. 71 of 2008 read with Regulation 43 of the Companies Regulations, 2011.

These indicators include, but are not limited to, OECD anti-corruption guidelines, the Employment Equity Act, Johannesburg Stock Exchange Socially Responsible Index criteria and Broad-based Black Economic Empowerment elements.

The committee met twice during the year, at which meetings the group's overall impact and performance in the pertinent areas were reviewed. The committee monitored the group's compliance in the following significant areas (amongst others): anti-corruption compliance, human capital management (including respect for human rights and absence of unfair discrimination), regulatory and compliance matters, socially responsible investment, stakeholder relations, socio-economic development, and environmental impact. The committee confirms that no material issues were identified during this review.

The membership and members attendance of the committee is set out below.

| Social and ethics committee | Qualification | Date of appointment | Age | Executive/independent non-executive | Meetings attended (out of 2) |
|---|---|---|---|---|---|
| Mr HRW Troskie | B Juris, LLB, LLM | 28 May 2012 | 45 | Independent non-executive | 2 |
| Mr MJ Roberts | BA, SEDP | 28 May 2012 | 68 | Independent non-executive | 2 |
| Mr C Stassen | BCom | appointed 15 November 2001; resigned 27 May 2014 | 63 | Independent non-executive | 1 |
| Mr JM Wragge | | 27 May 2014 | 67 | Independent non-executive | 1 |

## Risk management and internal control

The uncomplicated structure of the group, and the nature and limited number of transactions do not warrant sophisticated internal control and risk management systems, the application of a combined assurance model or the establishment of an internal audit function. The Board deems executive directors' intimate involvement in the operations of the company and its subsidiaries sufficient to provide it with appropriate and relevant information on risk management activities performed, risks identified and action plans in place to mitigate material risks as well as on internal control measures in place. Detailed reports on risks and controls are submitted to the audit committee, and key considerations are elevated to the Board as and when appropriate.

In addition to the above, the Board applies the following principal elements of internal control:

- An annual budgeting system, integrating both financial and operational budgets together with the identification of risks inherent in each area of operation. These budgets are subject to Board approval;
- Regular consideration by the Board of actual results compared with budgets and forecasts together with the preparation of revised forecasts whenever deemed necessary;
- Confirmation to the Board of any changes in business, operational and financial risk in each area of the business;
- Clearly defined authorisation procedures for capital expenditure established by the Board; and
- Authority levels designated to subsidiary Board directors and senior management.

Key risks and mitigating strategies are detailed below:

- The economic climate in the UK as it pertains to the commercial property market poses the most significant risk to the group. The performance of the past year has been satisfactory due to the skill and care exercised by the Moorgarth executives charged with the oversight responsibility. The share issue by special placement in 2014 and the listed preference share issue in early 2015 have ensured availability of funds to position the group to seize suitable growth opportunities. Exposure to the property market in the southern African continent (excluding South Africa) has also been identified as a key risk as the group expands its portfolio under Tradehold Africa in 2016. An experienced management team has been sourced to mitigate this risk.
- Key risks facing Moorgarth Group include inappropriate acquisitions and loss of income due to tenant failure or vacancies. These risks are mitigated through the performance of full legal and financial due diligences, formal review and approval by the Tradehold Limited directors for all acquisitions, ongoing communication with tenants, and strong marketing initiatives in respect of vacant properties through a range of channels.
- Reward makes loans to small businesses on a short-term basis. The loans are secured by the assets of the borrower. Borrowers are typically businesses that do not qualify for the lending criteria of the UK banking sector especially given the current practices of the formal banking sector. The risk in this business is the failure of the borrower, but this is mitigated through taking security over the assets of the borrower.
- Mettle is a diversified financial services business engaging in invoice discounting, secured loans, incremental housing finance, specialised finance and outsourced credit administration for asset finance. The main risks in this business are the failure to recover invoice discounting debtors, but this is mitigated through strict take-on procedures, ongoing monitoring, and control over debtor receipts.

## Integrity and ethics

Tradehold Limited at all times endeavours to maintain the highest standard of integrity in dealing with its clients, staff, the authorities, shareholders, suppliers and the investor community and, in doing so, to ensure the largest measure of credibility, trust and stability. Structures and procedures are in place for the reporting of unethical behaviour. The chief executive of each group company is responsible for ethical behaviour within his organisation. The Board is of the opinion that a high level of standards is being maintained by the group and it is not aware of any instances of unethical behaviour during the year ended 28 February 2015.

Tradehold Limited
("Tradehold" or "the company")
JSE code: TDH
ISIN: ZAE000152658

# NOTICE TO SHAREHOLDERS

Tradehold Limited and its subsidiaries

Notice is hereby given that the annual general meeting ("AGM") of the shareholders of Tradehold Limited ("Tradehold" or "the company"), will be held in the boardroom at the head office of Pepkor Limited, located at 36 Stellenberg Road, Parow Industria, at 10:00 on 4 August 2015.

The purpose of the AGM is to pass the ordinary and special resolutions, with or without modification:

## Attendance and voting

In terms of section 59(1)(a) and (b) of the Companies Act, 71 of 2008, as amended ("the Act), the Board of directors ("the Board") has set the record date for the purpose of determining which shareholders are entitled to:

– receive notice of the AGM, i.e. the Notice Record Date (being the date on which a shareholder must be registered in the Company's share register in order to receive notice of the AGM Friday, 22 May 2015; and
– participate in and vote at the AGM, i.e. the Meeting Record Date (being the date on which a shareholder must be registered in the company's share register in order to participate in and vote at the AGM) as Friday, 24 July 2015.

Please note that all participants at the AGM will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

## Ordinary resolution number 1

That the annual financial statements for the year ended 28 February 2015 including the auditor's report be adopted.

## Ordinary resolution number 2

That PricewaterhouseCoopers Inc, as nominated by the company's audit committee, be re-appointed as independent auditors of the company to hold office until the conclusion of the next AGM of the company. It is to be noted that Mr A Wentzel is the individual and designated auditor who will undertake the Company's audit for the financial year ending 29 February 2016.

## Ordinary resolution number 3

That Mr MJ Roberts who retires as director in terms of the Memorandum of Incorporation ("MOI") of the company and, being eligible, offers himself for re-election to the Board, be re-appointed. Mr MJ Roberts is 68 years of age and has the qualification BA, SEDP.

## Ordinary resolution number 4

That Mr HRW Troskie who retires in terms of the MOI and, being eligible, offers himself for re-election to the Board, be re-appointed. Mr Troskie is 45 years of age and has the qualifications BJuris, LLB, LLM.

## Ordinary resolution number 5

That, subject to the provisions of the Act and in accordance with the JSE Limited ("JSE") Listings Requirements ("Listings Requirements"), the Board is hereby authorised to issue ordinary shares of 1 cent each for cash, as and when suitable situations arise, subject to the following conditions:

– That this authority is valid until the company's next AGM, provided it shall not extend beyond 15 months from the date that this authority is given;
– That the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
– That a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of ordinary shares in issue prior to the issue in question;
– That securities which are the subject of the issue for cash may not exceed 15% of the company's listed equity securities as at the date of this notice of AGM (this number of shares being 23 419 932);
– That in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price as determined over the 30 business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
– That any such issue will only be made to public shareholders as defined by the Listings Requirements and not to related parties.

In terms of the Listings Requirements, 75% majority of the votes of all shareholders present in person at the AGM or represented by proxy, must be cast in favour of this resolution to approve this Ordinary Resolution 5.

## Ordinary resolution number 6

That, subject to the provisions of the Act and the Listings Requirements, it is resolved that the directors be and are hereby authorised to allot and issue authorised but unissued shares in the capital of the company, at their discretion for such purposes as they may determine.

## Ordinary resolution number 7

That the following independent directors of the company be elected as members of the audit committee of the company until the conclusion of the next AGM of the Company:

– HRW Troskie
– MJ Roberts
– JM Wragge

## Ordinary resolution number 8

That the following independent directors of the company be elected as members of the social and ethics committee of the company until the conclusion of the next AGM of the company:

– HRW Troskie
– MJ Roberts
– JM Wragge

## Ordinary resolution number 9

That the following independent directors of the company be elected as members of the remuneration committee of the company until the conclusion of the next AGM of the company:

– HRW Troskie
– MJ Roberts

## Special resolution number 1

Resolved as a special resolution that the directors' remuneration to be paid by the company for services rendered during the reporting period be confirmed to be as follows:

| | |
|---|---|
| CH Wiese: | EUR 50 000 |
| C Stassen: | £ 1 913 |
| HRW Troskie: | EUR 9 000 |
| MJ Roberts: | EUR 4 720 |

The effect of the special resolution and the reason therefore is to approve the remuneration of the Board members for their services rendered during the reporting period.

## Special resolution number 2

It is resolved as a special resolution that the company be and is hereby authorised, in terms of section 45(3)(ii) of the Act to, on the instructions of its Board, provide direct or indirect financial assistance to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related company or corporation, or to a person related to any such company, corporation, director, prescribed officer or member.

The Board considers that such a general authority should be put in place in order to assist the company inter alia to make loans to persons, including subsidiaries as well as to grant letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This general authority would be valid up to and including the 2016 AGM of the company.

The section 45 Board resolution will be subject to and effective to the extent that special resolution number 2 is adopted by shareholders and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(ii) of the Act.

The effect of the special resolution and the reason there for is to grant the Board the general authority to provide direct or indirect financial assistance to a director or prescribed officer of the company or to a related or inter-related company or members or persons related to such company, director, prescribed officer or corporation.

## Special resolution number 3

It is resolved as a special resolution that the company be and is hereby authorised, in terms of section 44(3)(ii) of the Act to, on the instructions of its Board, provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of or in connection with the subscription of any options or securities, issued or to be issued by the company or a related or inter-related company or for the purchase of any securities of the company or a related or inter-related company.

The Board considers that such a general authority should be put in place in order to assist the company inter alia to make loans to persons, including subsidiaries as well as to grant letters of support and guarantees in appropriate circumstances, for the purpose of the subscription or purchase of shares in the capital of the company. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This general authority would be valid up to and including the 2016 AGM of the company.

The section 44 Board resolution will be subject to and effective to the extent that special resolution number 3 is adopted by shareholders and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 44(3)(b)(ii) of the Act.

The effect of the special resolution and the reason there for is to grant the Board the general authority to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company or for the purchase of any securities of the company a related or inter-related company.

# NOTICE TO SHAREHOLDERS (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## Special resolution number 4

Resolved, as a special resolution, that the mandate given to the company (or one of its wholly-owned subsidiaries) providing authorisation, by way of a general authority contemplated in sections 46 and 48 of the Act, read with sections 114 and 115, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Act and the Listings Requirements of the JSE, be extended, subject to the following terms and conditions:

- Authorisation be given by the company's MOI;
- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
- This general authority will be valid until the company's next AGM, provided that it shall not extend beyond fifteen months from date of passing of this special resolution;
- An announcement will be published as soon as the company has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases by the company in aggregate in any one financial year may not exceed 20% of the Company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
- Repurchases may not be undertaken by the company or one of its wholly-owned subsidiaries during a prohibited period (unless the Company has a share repurchase programme in place and the dates and quantities of shares to be traded during the relevant period are fixed and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the issuer's securities independently of, and uninfluenced by, the issuer, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.; and
- At any point in time, the company may only appoint one agent to effect any repurchase;

The Board intends either to hold the shares purchased in terms of this authority as treasury shares or to cancel such shares whichever may be appropriate at the time of the repurchase of shares.

The Board is of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of this notice of AGM:

- The company and the group will be able, in the ordinary course of business, to pay its debts as they become due;
- The assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
- The working capital of the company and the group will be adequate for ordinary business purposes; and
- The share capital and reserves are adequate for the ordinary business purposes of the company and the group.

The effect of the special resolution and the reason therefore is to extend the general authority given to the directors in terms of the Act and the Listings Requirements for the acquisition by the company (or one of its wholly-owned subsidiaries) of its own securities, which authority shall be used at the directors' discretion during the course of the period so authorised.

## Non-binding advisory vote on the remuneration policy of the company

It is resolved as a non-binding advisory vote that the remuneration policy of the company, as set out on page 8 of the integrated report, be and is hereby endorsed through a non-binding advisory vote as recommended in terms of the King Code of Governance for South Africa 2009.

### Reason for and effect of non-binding advisory vote

In terms of principle 2.27 of the King Code of Governance for South Africa 2009, the Company's remuneration policy should be tabled to the shareholders for a non-binding advisory vote at the AGM. Accordingly, the shareholders are requested to endorse the company's remuneration policy by way of a non-binding advisory vote in the same manner as an ordinary resolution.

In terms of the Listings Requirements, the following disclosures are required with reference to the general authority to repurchase the company's shares set out in the special resolution above, some of which are set out elsewhere in the integrated report of which this notice forms part ("this integrated report"):
Directors and management – refer page 15;
Major shareholders of the Company – refer page 85;
Directors' interests in the Company's securities – refer page 85;
Share capital – refer page 48

## Litigation statement

Other than disclosed or accounted for in this integrated report, the directors of the company, whose names are given on page 15 of this integrated report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice, a material effect on the group's financial position.

## Directors' responsibility statement

The directors, whose names are given on page 15 of this integrated report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolutions contains all information required.

## Material change

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this integrated report and the posting date hereof.

In compliance with section 62(3)(c) of the Act and/or the Listings Requirements it is confirmed that a voting majority of 50% is required for the approval of ordinary resolutions number 1 to 4 as well as 6 to 9. For ordinary resolution number 5 and the special resolutions a 75% voting majority is required by law and the JSE Listings Requirements.

## Proxies

All registered shareholders of the Company will be entitled to attend and vote in person or by proxy at the AGM. A form of proxy is attached for completion by certificated shareholders and dematerialised shareholders with own name registration who are unable to attend in person. Forms of proxy must be completed and received by the Company secretary by not later than 48 hours before commencement of the meeting. Certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy, will nevertheless be entitled to attend and vote in person at the AGM, should they subsequently decide to do so. Dematerialised shareholders, other than own name registration, must inform their CSDP or broker of their intention to attend the AGM and obtain the necessary authorisation from the CSDP or broker to attend the AGM, or provide their CSDP or broker with their voting instructions, should they not be able to attend the AGM in person. This must be done in terms of the agreement entered into between the share-holder and the CSDP or broker concerned.

## Electronic attendance

There will be no provision for electronic participation for attending and voting at the AGM.

By order of the Board

**FM ver Loren van Themaat**
*Secretary*

29 May 2015
Parow Industria
7493

# STOCK EXCHANGE TRANSACTIONS

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Number of shares traded ('000) | 12 158 | 4 730 | 5 997 | 7 476 | 717 |
| Value of shares traded (R'000) | 199 705 | 50 891 | 45 243 | 43 307 | 6 387 |
| Volume of shares traded as % of total issued shares | 7.8 | 3.4 | 4.3 | 6.3* | 2.1 |
| Market capitalisation (R'000) | 2 888 458 | 1 898 367 | 1 233 246 | 881 286 | 240 700 |
| Share prices for the year (cents) | | | | | |
| Lowest | 1 245 | 750 | 600 | 450 | 692 |
| Average | 1 728 | 1 046 | 754 | 579 | 891 |
| Highest | 2 175 | 1 420 | 920 | 750 | 1 080 |
| Closing | 1 850 | 1 370 | 890 | 636 | 693 |

* Based on weighted average number of shares in issue

# SECRETARIAL CERTIFICATION

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 2008, ("the Act"), that for the year ended 28 February 2015, Tradehold Ltd has filed all the required returns and notices in terms of the Act, and all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

**FM ver Loren van Themaat**
*Company secretary*

29 May 2015

# DIRECTORATE AND ADMINISTRATION

## Directorate

CH Wiese (73)†
B A, LL B, D Com (HC)
*Chairman*
Became non-executive on 27 May 2014

MJ Roberts (68)*+
B A

HRW Troskie (45)*+
B Juris, LL B, LL M

JD Wiese (34)†
B A, LL B, M Com
Resigned on 27 May 2014 but appointed alternate to CH Wiese on same day

JM Wragge (67) *
Appointed director on 27 May 2014

TA Vaughan (49)#
B Sc Hons, MRICS
Appointed joint chief executive on 27 May 2014

FH Esterhuyse (45)#
B Acc Hons, M Com, CA(SA)
Appointed director and joint chief executive on 27 May 2014

KL Nordier (48)#
B Acc, BCompt Hons, CA (SA)
*Financial director*
Appointed on 27 May 2014

DA Harrop (45)#
B A Hons, ACA
Appointed director on 27 May 2014

C Moore (65)#
B Com
Resigned as financial director on 27 May 2014

C Stassen (64)*
B Com
Resigned on 27 May 2014

# Executive
* Non-executive and member of audit committee and social and ethics committee
† Non-executive
+ Non-executive and member of the remuneration committee

## Administration

### Company secretary
JF Pienaar
Resigned on 27 May 2014

FM ver Loren van Themaat
Appointed 27 May 2014
PO Box 6100
Parow East 7501

### Sponsor
Bravura Capital (Pty) Ltd

### Registrars
Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown 2107
Telephone: +27 11 370 5000
Facsimile: +27 11 370 5487

### Registered office/number
Tradehold Limited
Registration number 1970/009054/06
Incorporated in the Republic of South Africa
36 Stellenberg Road
Parow Industria 7493
PO Box 6100
Parow East 7501
Telephone: +27 21 929 4800
Facsimile: +27 21 929 4785

### Business address
Fourth Floor
Avantech Building
St Julian's Road
San Gwann SGN 2805
Malta
Telephone: +356 214 463 77

### Auditors
PricewaterhouseCoopers Inc

# ANNUAL FINANCIAL STATEMENTS



The annual financial statements were audited by PricewaterhouseCoopers Inc in compliance with any applicable requirements of the Companies Act of South Africa. The preparation of the annual financial statements was supervised by the financial director, Ms KL Nordier.

The annual financial statements were authorised on 29 May 2015 by the Board of directors.

# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of directors and are signed on its behalf by:

**CH Wiese**
*Chairman*

**KL Nordier**
*Director*

29 May 2015

# DIRECTORS' REPORT

Tradehold Limited and its subsidiaries

## Share capital

Full details of the company's authorised and issued share capital are set out in the notes to the annual financial statements.

## Business of the group

Tradehold Limited is an investment holding company with investments in subsidiaries, and at year-end the company held the following significant investments:

### Subsidiaries:

- Moorgarth Holdings (Luxembourg) S.àr.l.
  Moorgarth owns a portfolio of commercial properties situated in the United Kingdom.
- Clumber Park Hotel LLP ("CPH")
  Clumber Park Hotel operates a hotel and spa business.
- Reward Investments Ltd
  Reward is an asset-backed, short-term lending business situated in the United Kingdom.
- Tradegro S.àr.l.
  Tradegro renders certain head office and treasury services in the group.
- Tradehold Africa Limited
  Tradehold Africa owns a residential development in Mozambique
- Mettle Investments Proprietary Limited
  Mettle Investments is a South African financial services group.

Tradehold Limited's interests in its subsidiaries, as well as their individual activities, are set out in the annual financial statements.

## Property, plant and equipment

The property from which CPH operates is classified as owner-occupied property.

## Investment properties

Changes in properties during the year and details of property valuations at 28 February 2015 are shown in note 2 to the annual financial statements.

## Borrowings

Interest-bearing borrowings are shown in note 14 to the annual financial statements, and includes bank borrowings of £20,7 million (2014: £15 million) .

## Group results

### Earnings

After taking into account the interest of non-controlling shareholders, the group reports a basic earnings per share of 5,1 pence (2014: 4,6 pence).

The annual financial statements on pages 20 to 86 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 28 February 2015.

### Dividends

A dividend of 5,5 cents per share, declared on 27 May 2014, was paid on 23 June 2014. (2014: 5 cents per share).

## Events after the reporting period

On 22 April 2015 Inception Holdings S.àr.l., a subsidiary of Moorgarth, entered into a £12,094,423 contract with McLaren Construction Limited for the refurbishment of the Market Place Shopping Centre in Bolton; the central part of the project is the construction of a new 9 screen cinema.

Moorgarth Holdings (Luxembourg) S.àr.l. ("Moorgarth") has entered into a joint arrangement with Texton Property Fund Limited ("Texton") whereby Moorgarth will acquire 50% of a newly incorporated special purpose vehicle, Inception (Reading) S.àr.l. ("Inception"). Inception will then be used as the vehicle to acquire a well-located retail shopping centre ("Broad Street Mall") in Reading, England, with an independent gross valuation of £63 million. The effective date of the acquisition will be on or about 1 June 2015.

## Going concern

The directors consider that the group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group annual financial statements. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

# DIRECTORS' REPORT (CONTINUED)

Tradehold Limited and its subsidiaries

## Directorate

The names of the directors are listed elsewhere in the integrated report.

On 27 May 2014 Messrs C Moore, C Stassen and JD Wiese resigned as directors with Mr JD Wiese being appointed alternate to Dr CH Wiese. On the same day Dr CH Wiese's position changed from executive to non-executive. The following new directors were appointed on 27 May 2014; Messrs FH Esterhuyse (joint chief executive with Mr TA Vaughan), DA Harrop (executive), JM Wragge (non-executive) and Ms KL Nordier (financial director).

In terms of the Memorandum of Incorporation of the company Messrs MJ Roberts and HRW Troskie retire as directors of the company at the annual general meeting but, being eligible, offer themselves for re-election.

At 28 February 2015 the directors of Tradehold Limited held a direct interest of 0.4% (2014: nil %) and an indirect, non-beneficial interest of 76.6% (2014: 85.2%) of the issued ordinary share capital of the company. Indirect holdings through listed companies have not been included. No material change in the shareholding of directors has occurred between the end of the financial period and the date of this report.

## Holding company

At 28 February 2015 the company had no holding company. An analysis of the main shareholders of the company appears on page 85 of this report.

## Secretary

The name and address of the secretary appear on page 15 of this report. On 27 May 2014 Mr JF Pienaar resigned as Company Secretary and Mr FM ver Loren van Themaat was appointed in his stead.

## Auditors

PricewaterhouseCoopers Inc will continue in office in accordance with the Companies Act in South Africa.

# AUDITOR'S REPORT

To the shareholders of Tradehold Limited

We have audited the consolidated and separate financial statements of Tradehold Limited set out on pages 20 to 85, which comprise the statements of financial position as at 28 February 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Tradehold Limited as at 28 February 2015, 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.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: A Wentzel**
*Registered Auditor*

Cape Town
Date 29 May 2015

# STATEMENT OF FINANCIAL POSITION

Tradehold Limited and its subsidiaries at 28 February 2015

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | Notes | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **ASSETS** | | | |
| 1 041 182 | 1 772 537 | **Non-current assets** | | 133 399 | 77 873 |
| | | Property, plant and equipment | 1 | 5 186 | 5 337 |
| | | Investment properties | 2 | 120 552 | 72 536 |
| | | Goodwill | 3 | 2 306 | — |
| 1 041 182 | 1 738 560 | Interest in subsidiaries | 4 | | |
| | | Investment in associates | 5 | 1 544 | — |
| — | 33 977 | Loans receivable | 6 | 1 905 | — |
| | | Deferred taxation | 7 | 261 | — |
| | | Trade and other receivables | 9 | 1 645 | — |
| 27 | 780 733 | Current assets | | 74 138 | 50 274 |
| | | Financial assets | 8 | 7 271 | 8 130 |
| | | Trade and other receivables | 9 | 31 969 | 16 952 |
| | | Loans to associates | 5 | 550 | — |
| — | 735 985 | Loans to subsidiaries | 4.2 | | |
| 27 | 44 748 | Cash and cash equivalents | 10 | 34 348 | 25 192 |
| 1 041 209 | 2 553 270 | **Total assets** | | 207 537 | 128 147 |
| | | **EQUITY AND LIABILITIES** | | | |
| 1 002 186 | 1 894 397 | **Ordinary shareholders equity** | | 122 244 | 99 327 |
| 1 386 | 1 561 | Share capital | 11 | 219 | 122 |
| 1 661 531 | 1 900 689 | Share premium | | 156 146 | 143 056 |
| (660 731) | (7 853) | Reserves | 12 | (34 121) | (43 851) |
| | | **Non-controlling interest** | | 84 | 612 |
| 1 002 186 | 1 894 397 | **Total equity** | | 122 328 | 99 939 |
| 574 | 656 103 | **Non-current liabilities** | | 63 901 | 17 627 |
| 574 | 620 709 | Preference share liability | 13 | 34 753 | 51 |
| | | Long-term borrowings | 14 | 19 792 | 17 444 |
| | | Derivative financial instruments | 15 | 2 314 | — |
| | | Deferred revenue | 16 | 4 818 | — |
| — | 35 394 | Contingent consideration | 17 | 2 064 | — |
| | | Deferred taxation | 7 | 160 | 132 |
| 38 449 | 2 770 | **Current liabilities** | | 21 308 | 10 581 |
| 1 705 | 2 770 | Trade and other payables | 18 | 8 188 | 3 876 |
| | | Taxation payable | | 385 | 168 |
| 36 744 | — | Loans from subsidiaries | 4.2 | | |
| | | Short-term borrowings | 19 | 12 529 | 6 537 |
| | | Bank overdrafts | | 206 | — |
| 39 023 | 658 873 | Total liabilities | | 85 209 | 28 208 |
| 1 041 209 | 2 553 270 | Total equity and liabilities | | 207 537 | 128 147 |

The notes on pages 35 to 78 are an integral part of these consolidated annual financial statements

# STATEMENT OF COMPREHENSIVE INCOME

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | Notes | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **Revenue** | 20 | 20 731 | 12 559 |
| — | 8 684 | Other operating income | 21 | 1 637 | 117 |
| | | Profit on disposal of investment properties | 22 | 1 359 | — |
| | | Net gain from fair value adjustment on investment property | 2 | 2 156 | 222 |
| | | Loss on disposal and scrapping of PPE (excluding buildings) | 22 | (134) | — |
| (1 012) | (926) | Employee benefit expenses | 22 | (4 155) | (2 241) |
| (38) | (46) | Lease expenses | 22 | (613) | (70) |
| | | Depreciation, impairment and amortisation | 1 | (372) | (297) |
| (6 131) | (11 265) | Other operating costs | 22 | (8 597) | (4 144) |
| (7 181) | (3 553) | **Trading profit/(loss)** | | 12 012 | 6 146 |
| | | Gain/(loss) on disposal/(purchase) of investments | 5, 26 | 1 117 | (3) |
| | | Impairment of goodwill | 3 | (1 288) | — |
| — | 610 302 | Reversal of impairment loss in subsidiary | 4 | | |
| | | Fair value (loss)/gain on financial assets at fair value through profit or loss | 8 | (886) | 1 741 |
| (7 181) | 606 749 | **Operating profit/(loss)** | 22 | 10 955 | 7 884 |
| 1 | 13 060 | Finance income | 23 | 809 | 157 |
| — | (10 959) | Finance cost | 23 | (2 289) | (245) |
| | | Earnings of associated companies | | 165 | — |
| (7 180) | 608 850 | **Profit/(loss) before taxation** | | 9 640 | 7 796 |
| | | Taxation | 24 | (605) | (514) |
| (7 180) | 608 850 | **Profit/(loss) for the year** | | 9 035 | 7 282 |
| | | **Other comprehensive (loss)/income, net of tax** | | | |
| | | **Items that may be susequently reclassified to profit or loss** | | | |
| | | Net fair value loss on hedging instruments entered into for cash flow hedges | | (549) | — |
| (7 577) | 188 | Currency translation differences | | (161) | 61 |
| (14 757) | 609 038 | **Total comprehensive income/(loss) for the year** | | 8 325 | 7 343 |
| | | Profit attributable to: | | | |
| | | **Owners of the parent** | | 7 832 | 6 392 |
| | | **Non-controlling interest** | | 1 203 | 890 |
| | | | | 9 035 | 7 282 |
| | | Total comprehensive income attributable to: | | | |
| | | **Owners of the parent** | | 7 259 | 6 453 |
| | | **Non-controlling interest** | | 1 066 | 890 |
| | | **Total comprehensive income for the year** | | 8 325 | 7 343 |
| | | Earnings per share (pence) | 25 | | |
| | | – basic | | 5,1 | 4,6 |
| | | – diluted | | 5,0 | 4,6 |

The notes on pages 35 to 78 are an integral part of these consolidated annual financial statements

# STATEMENT OF CASH FLOWS

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| COMPANY | | | | GROUP | |
|---|---|---|---|---|---|
| 2014 R'000 | 2015 R'000 | | Notes | 2015 £'000 | 2014 £'000 |
| | | **Cash flows from operating activities** | | | |
| (7 181) | 606 749 | Operating (loss)/profit | | 10 955 | 7 884 |
| — | (610 302) | Non-cash items | 26.1 | (1 497) | (1 529) |
| 238 | 1 065 | Changes in working capital | 26.2 | 545 | 79 |
| (6 943) | (2 488) | Cash (used in)/from operations | | 10 003 | 6 434 |
| 1 | 13 060 | Interest received | | 809 | 157 |
| — | (8 008) | Interest paid | | (937) | (66) |
| (6 928) | (7 768) | Dividends paid | | (427) | (500) |
| | | Taxation paid | 26.3 | (414) | (347) |
| (13 870) | (5 204) | **Net cash (used in)/flows from operating activities** | | 9 034 | 5 678 |
| | | **Cash flows from investing activities** | | | |
| | | Acquisition of property, plant and equipment | 1 | (389) | (109) |
| | | Acquisition of investment properties | 2.1 | (50 723) | (25 973) |
| | | Net proceeds on disposal of investment | 26.7 | (181) | 1 780 |
| | | Business combinations | 26.7 | 625 | — |
| — | (20 000) | Additional shares purchased in subsidiaries | | | |
| | | Proceeds on disposal of investment properties | | 10 044 | — |
| | | Proceeds on disposal of property, plant and equipment | | 39 | 17 |
| | | Dividends received from associates | | 95 | — |
| — | (800 801) | Loans advanced to group companies | | | |
| 6 980 | 46 165 | Loans repaid by subsidiary undertaking | | | |
| | | Loans advanced to associate undertaking | | (396) | — |
| | | Loans and advances – issued | 9.4.1 | (55 461) | (35 812) |
| | | Loans and advances – repaid | 9.4.1 | 44 346 | 32 703 |
| 6 980 | (774 636) | **Net cash from/(used in) investing activities** | | (52 001) | (27 394) |
| | | **Cash flows from financing activities** | | | |
| 5 221 | — | Proceeds from borrowings | | 7 549 | 17 444 |
| | | Repayments of borrowings | | (1 095) | (81) |
| | | Share buy-back from minority shareholder | 26.4 | (187) | — |
| — | 205 286 | Proceeds from ordinary share issue | 26.5 | 11 276 | — |
| — | 619 275 | Proceeds from preference share issue | | 35 674 | — |
| | | Redemption of preference shares | | (216) | — |
| | | Dividends to non-controlling interests | | (883) | (700) |
| 5 221 | 824 561 | **Net cash from financing activities** | | 52 118 | 16 663 |
| (1 669) | 44 721 | **Net increase/(decrease) in cash and cash equivalents** | | 9 151 | (5 053) |
| | | Effect of changes in exchange rate | | (201) | 61 |
| 1 696 | 27 | Cash and cash equivalents at beginning of the year | | 25 192 | 30 184 |
| 27 | 44 748 | **Cash and cash equivalents at end of the year** | | 34 142 | 25 192 |
| | | **Cash and cash equivalents consists of:** | | | |
| 27 | 44 748 | Cash and cash equivalents | 10 | 34 348 | 25 192 |
| — | — | Bank overdrafts | | (206) | — |
| 27 | 44 748 | | | 34 142 | 25 192 |

The notes on pages 35 to 78 are an integral part of these consolidated annual financial statements

# STATEMENT OF CHANGES IN EQUITY

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | Share capital and premium | Foreign currency translation reserve | Other non-distributable reserves | Cash flow hedging reserve | (Accumulated loss)/ retained earnings | Attributable to equity holders of the parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **Group (£'000)** | | | | | | | | |
| Balance at 28 February 2013 | 143 678 | 5 394 | 21 | — | (55 628) | 93 465 | 328 | 93 793 |
| Profit for the year | — | — | — | — | 6 392 | 6 392 | 890 | 7 282 |
| Dividends distributed to shareholders (note 12.2) | (500) | — | — | — | — | (500) | — | (500) |
| Changes in ownership | — | — | (91) | — | — | (91) | 91 | — |
| Distributions to minorities | — | — | — | — | — | — | (700) | (700) |
| Other comprehensive income for the year | — | 61 | — | — | — | 61 | 3 | 64 |
| Balance at 28 February 2014 | 143 178 | 5 455 | (70) | — | (49 236) | 99 327 | 612 | 99 939 |
| Profit for the year | — | — | — | — | 7 832 | 7 832 | 1 203 | 9 035 |
| Issue of ordinary shares by the company (note 26.5) | 13 614 | — | — | — | — | 13 614 | — | 13 614 |
| Dividends distributed to shareholders (note 12.2) | (427) | — | — | — | — | (427) | — | (427) |
| Transactions with owner of entity (note 26.4) | — | — | — | — | 18 | 18 | (642) | (624) |
| Disposal of subsidiary (note 26.7) | — | — | — | — | — | — | (280) | (280) |
| Acquisitions of subsidiaries (note 26.7) | — | — | — | — | — | — | 211 | 211 |
| Contingent consideration recognised directly in equity (note 26.7.1) | — | — | — | — | 2 453 | 2 453 | — | 2 453 |
| Distribution to minorities | — | — | — | — | — | — | (883) | (883) |
| Other comprehensive income for the year | — | (161) | — | (412) | — | (573) | (137) | (710) |
| Balance at 28 February 2015 | 156 365 | 5 294 | (70) | (412) | (38 933) | 122 244 | 84 | 122 328 |
| **Company (R'000)** | | | | | | | | |
| Balance at 28 February 2013 | 1 669 845 | (2 145) | 236 | — | (644 065) | 1 023 871 | — | 1 023 871 |
| Loss for the year | — | — | — | — | (7 180) | (7 180) | — | (7 180) |
| Dividends distributed to shareholders (note 12.2) | (6 928) | — | — | — | — | (6 928) | — | (6 928) |
| Other comprehensive loss for the year | — | (7 577) | — | — | — | (7 577) | — | (7 577) |
| Balance at 28 February 2014 | 1 662 917 | (9 722) | 236 | — | (651 245) | 1 002 186 | — | 1 002 186 |
| Issue of ordinary shares by the company (note 26.5) | 247 101 | — | — | — | — | 247 101 | — | 247 101 |
| Profit for the year | — | — | — | — | 608 850 | 608 850 | — | 608 850 |
| Contingent consideration recognised directly in equity (note 26.7.1) | — | — | — | — | 43 840 | 43 840 | — | 43 840 |
| Dividends distributed to shareholders (note 12.2) | (7 768) | — | — | — | — | (7 768) | — | (7 768) |
| Other comprehensive income for the year | — | 188 | — | — | — | 188 | — | 188 |
| Balance at 28 February 2015 | 1 902 250 | (9 534) | 236 | — | 1 445 | 1 894 397 | — | 1 894 397 |

The notes on pages 35 to 78 are an integral part of these consolidated annual financial statements

# ACCOUNTING POLICIES

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

The principal accounting policies applied in the preparation of these consolidated and the company's separate annual financial statements are set out below. These policies have been consistently applied to all years presented in relation to the group's consolidated and the company's separate annual financial statements, unless otherwise stated.

## 1. Basis of preparation

### Statement of compliance

The group's consolidated and the company's separate annual financial statements of the Tradehold group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations, the SAICA Financial Reporting Guidelines and in the manner required by the Companies Act of South Africa.

### Preparation of the consolidated annual financial statements

The consolidated annual financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial instruments at fair value through profit and loss.

The preparation of consolidated annual 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 annual financial statements are disclosed in accounting policies note 30.

### Use of adjusted measures

The measure listed below is presented as management believes it to be relevant to the understanding of the group's financial performance. This measure is used for internal performance analysis and provides additional useful information on underlying trends to equity holders. This measure is not a defined term under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

Trading profit on the face of the statement of comprehensive income, being the group's operating result excluding fair value gains or losses on financial assets at fair value through profit or loss and impairment losses on goodwill.

## 2. Changes in accounting policy and disclosures

The group has adopted the following new and amended IFRSs and interpretations as of 1 March 2014:

### (a) Standards, amendments and interpretations effective in 2015 and relevant to the group's operations

- Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'. The amendment provides guidance on whether an entity is required to discontinue hedging when the derivatives which are designated hedging instruments are novated to a central party.
- Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'. The amendment brings the disclosures for impaired assets whose recoverable amount is fair value less cost to sell in line with the disclosure requirements of IFRS 13, 'Fair value measurements'.
- Amendments to IAS 32, 'Offsetting financial assets and liabilities'. Classification of certain aspects concerning the requirements for offsetting financial assets and liabilities.

The adoption of these amendments had no significant impact on the group's results.

### (b) Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the group's operations

- IFRIC 21, 'Levies' (effective date 1 January 2014)

### (c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2015 or later periods, but the group has not early adopted them:

- Amendments to IFRS 9, 'Financial Instruments (2011)' (effective date 1 January 2018)
- Amendments IAS 19, 'Defined benefit plans: Employee contributions' (effective date 1 July 2014)
- Amendment to IFRS 2, 'Share-based payments: Annual improvement project' (effective date 1 July 2014)
- Amendment to IFRS 3, 'Business combinations: Annual improvement project' (effective date 1 July 2014)
- Amendment to IFRS 8, 'Operating segments: Annual improvement project' (effective date 1 July 2014)
- Amendment to IAS 16, 'Property, plant and equipment: Annual improvement project' (effective date 1 July 2014)

- Amendments to IAS 19, 'Employee benefits' on defined benefit plans (effective 1 July 2014)
- Amendment to IAS 24, 'Related party disclosures: Annual improvement project' (effective date 1 July 2014)
- Amendment to IAS 38, 'Intangible asset: Annual improvement project' (effective date 1 July 2014)
- Amendment to IFRS 13, 'Fair value measurement: Annual improvement project' (effective date 1 July 2014)
- Amendment to IAS 40, 'Investment property: Annual improvement project' (effective date 1 July 2014)
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets (effective 1 January 2016)
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption (effective 1 January 2016)
- IFRS 14, 'Regulatory deferral accounts' (effective date 1 January 2016)
- Amendments to IFRS 11, 'Accounting for acquisition of interest in joint operation' (effective 1 January 2016)
- Amendments to IAS 16 and IAS38, 'Clarification of acceptable methods of depreciation and amortisation (effective date 1 January 2016)
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative (effective 1 January 2016)
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017)
- Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective 1 January 2016)

Management is assessing the impact of these standards, amendments and interpretations on the group's operations on an ongoing basis. Management has assessed that no significant impact is expected on the group's reported results as result of the adoption of the above standards and amendments to existing standards.

## 3. Consolidation

### a) Subsidiaries

Subsidiaries are all entities (including structured 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 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for in equity.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 group's share of the identifiable net assets acquired is recorded as goodwill. If this 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 statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### b) Transaction with non-controlling interests

The group treats transactions with non-controlling interests that do not result in loss of control as equity transactions – that is as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between 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.

### c) Disposal of subsidiaries

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, 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.

If the ownership interest in an associate is reduced but

# ACCOUNTING POLICIES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### d) Associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not controlled or joint controlled over those policies.

An investment in an associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

## 4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The group has determined that its chief operating decision maker is the executive Board of directors of the group.

## 5. Foreign currency translation

### (a) Functional and presentation currency

Items included in the consolidated annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which each of the entities operate (the 'functional currency'). The consolidated annual financial statements are presented in Pound Sterling. The company's presentation and functional currency is South African Rand.

### (b) 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 profit or loss for the year.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

### (c) Group companies

The results and financial position of all the group entities, including branches (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) 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;

(ii) income and expenses for each profit or loss 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); and

(iii) all resulting exchange differences are recognised as a separate component of equity in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in profit and loss as part of the gain or loss on sale.

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.

## 6. Investment property

Property that is held for long-term rental yields or for capital appreciation, and that is not occupied by the companies in the consolidated group, is classified as investment property. As from 1 March 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods, such as external valuers, or internal valuations based on rental income from current leases and assumptions about rental income from future leases in light of current market conditions (recent prices on less active markets or discounted cash flow projections). Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated annual financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated annual financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the group disposes of a property at fair value in an arm's length transaction, the difference between the carrying value immediately prior to the sale and the transaction price is recorded in profit or loss as a gain or loss on disposal of investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under property, plant and equipment. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

## 7. Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing property, plant and equipment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of property, plant and equipment.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying property, plant and equipment are capitalised as part of its cost. A qualifying property, plant and equipment is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalised while acquisition, construction or production is actively underway and ceases once the asset is substantially complete or suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount 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. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

# ACCOUNTING POLICIES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Land: Not depreciated
- Buildings: 50 years
- Machinery: 4 – 7 years
- Equipment: 7 – 10 years
- Vehicles: 4 – 5 years
- Improvements to leasehold property over the shorter of the useful life of the asset and the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the profit or loss.

## 8. Leases

### (a) A group company is the lessee in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, 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. Properties leased out under operating leases are included in investment properties. See note 6 for the accounting policy relating to land held on an operating lease and used as investment property.

### (b) A group company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the statement of financial position (note 2). See accounting policy note 26(a) for the recognition of rental income.

### (c) A group company is the lessor – fees paid in connection with arranging leases and lease incentives

The group makes payments to agents for services in connection with negotiating lease contracts with the group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term. Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

## 9. 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment in the respective subsidiary's functional currency and 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, identified according to operating segment.

## 10. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

## 11. Financial instruments

### (a) Classification

The group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables and measured at amortised cost. The classification depends on the purpose for which the financial instrument were acquired. Management determines the classification of its financial instruments at initial recognition. Classification is re-assessed on an annual basis, except for derivatives, which shall not be classified out of the fair value through profit or loss category.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprises, loans receivable, trade and other receivables and cash and cash equivalents in the statement of financial position.

**Financial liabilities at fair value through profit or loss**

Financial liabilities through profit or loss include financial liabilities designated upon initial recognition as fair value through profit or loss.

The category also includes derivative financial instruments entered by the group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS39 are satisfied. The group has designated one of its swaps as fair value through profit or loss.

**Financial liabilities measured at amortised cost**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as interest expense in the statement of comprehensive income.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

This category applies to long- and short-term borrowings, preference shares, loans to subsidiaries, bank overdrafts, deferred revenue, deferred consideration and trade and other payables on the face of the statement of financial position.

### (b) Recognition and measurement

Regular purchases and sales/purchases of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets/liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets/liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets/liabilities at fair value through profit or loss' category are presented in the profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the group's right to receive payments is established.

Financial liabilities measured at amortised cost are initially measured at fair value.

### (c) Offsetting financial instruments

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

### (d) Impairment of financial assets

**Assets carried at amortised cost**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

# ACCOUNTING POLICIES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 12. Loans receivable

Loans receivable include loans to subsidiaries and shareholders and are recognised initially at fair value plus direct transaction costs.

## 13. Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Included in trade and other receivables are loans and advances. Loans and advances are non-derivative financial assets with fixed or determinable payments. Loans and advances are measured at amortised cost using the effective interest rate method, less any impairment losses. Initiation fees received that are integral to the effective rate are capitalised to the value of the loans and advances and amortised through interest income as part of the effective interest rate.

## 14. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## 15. Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (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 or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

## 16. Trade and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

## 17. Derivative financial instruments and hedging activities

The group uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks arising from operating, financing and investing activities. The group does not hold or issue derivative financial instruments for trading purposes; however, if derivatives do not qualify for hedge accounting they are accounted for as such.

Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the group statement of comprehensive income. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged. In order to qualify for hedge accounting, the group is required to document from inception the relationship between the item being hedged and the hedging instrument. The group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each period end to ensure that the hedge remains highly effective.

The group designates a certain derivative as a hedge of a particular risk associated with a recognised liability. This is considered to be a cash flow hedge.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 15.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity.

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised to other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance costs.

Amounts accumulated in equity are reclassified to other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity in other comprehensive income and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss as a reclassification adjustment through to other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment through to other comprehensive income.

## 18. Deferred revenue

Deferred revenue is initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest rate method.

## 19. Deferred consideration

Deferred consideration is initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest rate method.

## 20. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

## 21. Government grants

Grants from the government are recognised at their 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 relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

## 22. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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 statement of financial position date in the countries where the company'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 regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements. However, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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 only 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 associates, except where the timing of the reversal of the temporary difference is controlled by the group 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 taxes assets and liabilities relate to income taxes lev-

# ACCOUNTING POLICIES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

ied 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.

### Withholding tax on dividends

STC was abolished with effect from 1 April 2012 and replaced by a dividends tax, which 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 Service (where applicable) is included in trade and other payables in the statement of financial position.

## 23. Borrowing costs

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 these assets, until such time as the assets are substantially ready for intended use or sale.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 24. Employee benefits

### (a) Pensions

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. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### (b) Short-term employee benefits and compensation absences

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and childcare services) are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the group.

### (c) Profit-sharing and bonus payments

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### (d) 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: (i) when the group can no longer withdraw the offer of those benefits; and (ii) 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.

## 25. Provisions

Provisions for legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating leases.

Where the group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract is lower than the unavoidable costs of meeting its obligations under the contract (onerous contracts).

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.

## 26. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. 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.

Revenue includes rental income, initiation fees, interest income, other fee income and service charges and revenue from hotel operations.

### (a) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised in the accounting period in which the services are rendered. When the group is acting as an agent, the commission rather than gross income is recorded as revenue.

Surrender premiums are recognised as income in the period they become receivable from the tenant.

### (b) Revenue from hotel operations

Revenue from hotel operations includes the rental of rooms and food and beverage sales. Revenue is recognised when rooms are occupied and food and beverages are sold.

### (c) Initiation fees

Initiation fees are deferred and recognised over the term of the contract.

### (d) Interest income

Interest income is in respect of the secured and unsecured lending operations and 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 the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

### (e) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (f) Fee and commission revenue

Fee and commission revenue, including maintenance fees, administration fees and other related fees are recognised as the related services are performed.

## 27. Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's consolidated annual financial statements in the period in which the dividends are declared.

## 28. Interest in subsidiaries

All interest free loans having no fixed repayment period which are provided to subsidiaries with intention to provide a long-term source of additional capital are measured at cost. The entity assesses at the end of each year if the investment is impaired. Any impairment charge is recognised in the statement of comprehensive income.

## 29. Earnings per share

Core headline earnings exclude once-off and non-operating items. Management believes that it is a useful measure for shareholders of the group's sustainable operating performance. However, this is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies.

## 30. Critical accounting estimates, assumptions and judgements

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### (a) Principal assumptions underlying management's estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the group determines the amount within a range of reasonable fair value estimates. In making its judgement the group considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing leases and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The group used assumptions that are mainly based on market conditions existing at each balance sheet date.

# ACCOUNTING POLICIES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

The principal assumptions underlying management's estimation of fair value are those related to the receipt of contracted rentals, expected future market rentals, lease renewals, maintenance requirements and appropriate discount and capitalisation rates. These valuations are regularly compared to actual market yield data, actual transactions by the group and those reported by the market.

The expected future market rentals are determined with reference to current market rentals for similar properties in the same location and condition.

Refer to note 31.9 where a sensitivity analysis has been performed.

### (b) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of any matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

### (c) Estimated impairment of goodwill

The group tested annually whether goodwill suffered any impairment, in accordance with accounting policy 9. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Details of the impairment loss calculation are set out in note 3.

### (d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The group has used discounted cash flow analysis for various interest rate swaps that are not traded in active markets.

Details of the fair value calculation of derivatives are set out in note 15.

### (e) Estimation of deferred consideration

The value of the deferred consideration is based on the group's best estimate on the conditions existing at year-end.

Refer to note 26.7.1 for estimates used to determine the value of the deferred consideration.

### (f) Other areas of significant judgement

The following other areas of significant judgement have been detailed in the notes to these annual financial statements:

- Impairment of property, plant and equipment (refer to note 1)
- Impairment of loans receivable (refer to note 9)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

The principal activities of the group, its structures and other administrative details have been detailed in the Directors' Report.

| | | Owned land and buildings | Machinery, equipment and vehicles | Computer software | Improve-ments to leasehold property | Total |
|---|---|---|---|---|---|---|
| **1** | **Property, plant and equipment** | | | | | |
| 1.1 | £'000 | | | | | |
| 1.1.1 | Cost | | | | | |
| | At 28 February 2014 | 5 360 | 1 617 | — | 17 | 6 994 |
| | Additions | — | 381 | 8 | — | 389 |
| | Acquired through business combinations | — | 252 | 224 | 1 | 477 |
| | Foreign currency translation differences | — | 10 | 9 | — | 19 |
| | Disposal of subsidiary | — | (273) | (240) | — | (513) |
| | Disposals and scrappings | — | (471) | — | — | (471) |
| | At 28 February 2015 | 5 360 | 1 516 | 1 | 18 | 6 895 |
| 1.1.2 | Accumulated depreciation | | | | | |
| | At 28 February 2014 | 460 | 1 180 | — | 17 | 1 657 |
| | Charge for the year | 100 | 252 | 19 | 1 | 372 |
| | Acquired through business combinations | — | 156 | 188 | — | 344 |
| | Foreign currency translation differences | — | 6 | 8 | — | 14 |
| | Disposal of subsidiary | — | (166) | (214) | — | (380) |
| | Disposals and scrappings | — | (298) | — | — | (298) |
| | At 28 February 2015 | 560 | 1 130 | 1 | 18 | 1 709 |
| 1.1.3 | Book value at 28 February 2015 | 4 800 | 386 | — | — | 5 186 |
| 1.2 | £'000 | | | | | |
| 1.2.1 | Cost | | | | | |
| | At 28 February 2013 | 5 360 | 1 548 | — | 17 | 6 925 |
| | Additions | — | 109 | — | — | 109 |
| | Disposals | — | (40) | — | — | (40) |
| | At 28 February 2014 | 5 360 | 1 617 | — | 17 | 6 994 |
| 1.2.2 | Accumulated depreciation | | | | | |
| | At 28 February 2013 | 360 | 1 024 | — | 17 | 1 401 |
| | Charge for the year | 100 | 197 | — | — | 297 |
| | Disposals | — | (41) | — | — | (41) |
| | At 28 February 2014 | 460 | 1 180 | — | 17 | 1 657 |
| 1.2.3 | Book value at 28 February 2014 | 4 900 | 437 | — | — | 5 337 |

1.3 A register containing details is available for inspection.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **2** | **Investment properties** | | |
| 2.1 | At beginning of year | 72 536 | 46 341 |
| | Additions | 51 700 | 25 973 |
| | Acquired through business combinations | 2 845 | — |
| | Disposals | (8 685) | — |
| | Net gain from fair value adjustments on investment property | 2 156 | 222 |
| | At end of the year | 120 552 | 72 536 |

2.2 A register containing details is available for inspection at the registered offices of Moorgarth Holdings Ltd.

2.3 External valuers Knight Frank LLP, who hold recognised and relevant professional qualifications valued property located in the United Kingdom representing 16% of the portfolio.

External valuers Montagu Evans LLP, who hold recognised and relevant professional qualifications valued property located in Scotland representing 8% of the portfolio.

New acquisitions and developments purchased in 2015 represent 39% of the portfolio (2014: 26% of the portfolio).

The remainder were valued by the directors following discussions with appropriate qualified employees of the group's bankers and information received from agents and auctioneers.

The valuations were performed in accordance with a market value analysis based on rental yields of between 1.0% and 17.5% (2014: yields between 7.5% and 17.5%).

| | | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| | Investment properties with a carrying amount that were vacant at year-end. | 1 150 | 1 150 |
| 2.4 | Income and expenditure relating to investment properties | | |
| | Rental income | 8 063 | 5 366 |
| | Direct operating expenditure | 3 218 | 1 381 |
| | Direct operating expenses recognised in profit or loss include relating to investment property that was unlet. | 116 | 150 |

The group obtained a government grant of £104,695 for the Bolton development, for the specified purpose of works to the vaults and building the cinema. The grant has been deducted from the cost of development over the period of the works.

2.5 As significant judgement is exercised by management in determining the fair value using inputs that are based on unobservable market data, the investment is classified as a Level 3 asset (refer 31.9).

| | | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **3** | **Goodwill** | | |
| 3.1 | Cost | 3 594 | — |
| | Accumulated impairment losses | (1 288) | — |
| | | 2 306 | — |
| 3.2 | Cost | | |
| | Balance at beginning of year | — | — |
| | Acquired through business combinations | 3 566 | — |
| | Foreign currency translation movements | 28 | — |
| | Balance at end of year | 3 594 | — |
| 3.3 | Accumulated impairment losses | | |
| | Balance at beginning of year | — | — |
| | Impairment losses recognised in the year | (1 288) | — |
| | Balance at end of year | (1 288) | — |

The carrying amount of the SA short-term lending segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss is shown in the income statement.

3.4 Allocation of goodwill to cash-generating units

Management reviews the business performance based on geography and type of business. It has identified the United Kingdom, South Africa and Africa as the main geographies. There are property and short-term lending operating segments in the UK, mainly short-term lending in SA and property – residential in Africa. Goodwill is monitored by management at the operating segment level. The following is a summary of the goodwill allocation for each applicable operating segment:

| 2015 | Opening | Additions | Impairment | Closing |
|---|---|---|---|---|
| SA short-term lending | — | 3 575 | (1 288) | 2 287 |
| Africa property – residential | — | 19 | — | 19 |
| Total | — | 3 594 | (1 288) | 2 306 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 3.4 Allocation of goodwill to cash-generating units (continued)

As the goodwill allocated to the Africa property – residential segment is negligible to the group operations, the impairment test was focused on the SA short-term lending segment. The recoverable amount has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

| | GROUP | |
|---|---|---|
| | 2015 % | 2014 % |
| The key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows: | | |
| Operating profit margin (% of revenue) | 25.14 | — |
| Operating profit growth rate | 8.00 | — |
| Sustainable growth rate | 2.10 | — |
| Pre-tax discount rate | 15.49 | — |

An impairment charge of £1,288 million arose in the SA short-term lending segment during the course of the year, resulting in the carrying amount being written down to its recoverable amount. The impairment charge arose as a result of the disposal of 40.08% of Lendcor (Pty) Limited during the year (refer 26.7.4).

The sensitivity of the recoverable amount of the CGU to changes in the principal assumptions is:

| | All amounts in £'000 | |
|---|---|---|
| Key assumption | Increase by 1% | Decrease by 1% |
| Operating profit margin (% of revenue) | 330 | (327) |
| Operating profit growth rate | 317 | (307) |
| Sustainable growth rate | 430 | (370) |
| Pre-tax discount rate | (596) | 696 |

| | | COMPANY | |
|---|---|---|---|
| | | 2015 R'000 | 2014 R'000 |
| **4** | **Interest in subsidiaries** | | |
| 4.1 | Consisting of: | | |
| | Shares in Tradegro Holdings Ltd at cost | 7 838 | 1 |
| | Shares in Mettle Investments (Pty) Ltd at cost | 97 142 | — |
| | Amount owing by Tradegro Holdings Ltd | 1 597 482 | 1 651 483 |
| | Amount owing by Mettle Investments (Pty) Ltd | 36 098 | — |
| | Accumulated impairment of loan to subsidiary | — | (610 302) |
| | | 1 738 560 | 1 041 182 |
| | As part of a subordination agreement the company has deferred its right to claim payment of the amount owed by Tradegro Holdings Limited until the fair value of the assets exceeds its liabilities. The loans are interest free. | | |
| 4.2 | Loan to/(from) subsidiary company – Tradegro S.àr.l. (refer 4.3) | 735 985 | (36 744) |
| 4.3 | Loan to/(from) subsidiary company – Tradegro S.àr.l. | | |
| | This amount is repayable on demand and interest-free. | | |
| 4.4 | Accumulated impairment of loan to subsidiary | | |
| | Balance at beginning of year | 610 302 | 610 302 |
| | Impairment losses reversed in the year | (610 302) | — |
| | | — | 610 302 |
| | The impairment was reversed during the year due to the improved financial results of the subsidiaries. | | |

| | | GROUP | |
|---|---|---|---|
| | | 2015 £'000 | 2014 £'000 |
| **5** | **Investments in associates** | | |
| 5.1 | Consisting of: | | |
| | Shares at cost plus attributable retained income | 1 544 | — |
| | Loans | 550 | — |
| | | 2 094 | — |
| 5.2 | Shares at cost plus attributable retained income | | |
| | At beginning of the year | — | — |
| | Acquisition of associates through business combination | 392 | — |
| | Share of profit | 165 | — |
| | Changes in ownership interest in associates | 49 | — |
| | Changes in ownership interest in subsidiaries | 1 192 | — |
| | Dividends received | (95) | — |
| | Foreign currency translation differences | (159) | — |
| | | 1 544 | — |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|
| **5 Investments in associates (continued)** | | |
| 5.3 Loans due from associates | | |
| Mettle Solar (Pty) Ltd | 294 | — |
| The unsecured loan accrued interest at prime and is not repayable in the next year. | | |
| Mettle Medical Finance (Pty) Ltd | 51 | — |
| The unsecured loan is subordinated and accrued interest at prime until end of August 2014, thereafter it is interest free. There is no fixed terms of repayment. | | |
| Gondospot (Pty) Ltd | 199 | — |
| The unsecured loan accrues interest at prime plus 2% and has no fixed terms of repayment. | | |
| Mezz Capital Solutions (Pty) Ltd | 6 | — |
| The unsecured loan is interest free and has no fixed terms of repayment. | | |
| | 550 | — |

5.4 Details of associates

Details of each of the group's associates at the end of the reporting period are as follows:

| Name of company | % ownership interest 2015 | % ownership interest 2014 | Carrying amount 2015 | Carrying amount 2014 |
|---|---|---|---|---|
| Impex Treasury Solutions (Pty) Ltd | 33.3 | — | 223 | — |
| Mezz Capital Solutions (Pty) Ltd | 18.2 | — | 23 | — |
| Mettle Credit Services (Pty) Ltd | 50.0 | — | 61 | — |
| Mettle Medical Finance (Pty) Ltd | 50.0 | — | — | — |
| Mettle Solar (Pty) Ltd | 55.0 | — | — | — |
| Gondospot (Pty) Ltd | 49.9 | — | 1 237 | — |
| | | | 1 544 | — |

The carrying value of the associates are shown net of impairment losses. Goodwill of £790,818 is included in the carrying amounts of the associates.

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | 5.5 | Summary of the company's interests in associates | | |
| | | | Non-current assets | 2 023 | — |
| | | | Current assets | 3 951 | — |
| | | | Non-current liabilities | 2 484 | — |
| | | | Current liabilities | 1 812 | — |
| | | | Shareholders equity | 1 678 | — |
| | | | Revenue | 2 145 | — |
| | | | Operating profit | 602 | — |
| | | | Net profit | 433 | — |
| | | **6** | **Loans receivable** | | |
| | | 6.1 | Consisting of: | | |
| — | 33 977 | | Loans and receivables with key persons (refer 6.2) | 1 901 | — |
| — | — | | Loans and receivables – other | 4 | — |
| — | 33 977 | | | 1 905 | — |
| — | — | 6.2 | Opening balance | — | — |
| — | 32 000 | | Loans granted | 1 818 | — |
| — | 2 063 | | Interest | 116 | — |
| — | (86) | | Repayments | (5) | — |
| — | — | | Foreign currency translation differences | (28) | — |
| — | 33 977 | | Closing balance | 1 901 | — |
| | | 6.3 | On 15 April 2014 loans were granted to key persons to buy shares of the company. The share issue price was R12 (£0.68) per share at the date of the transaction. | | |
| | | | Interest is charged at the Standard Bank Prime rate less 2% and is to be repaid from distributions. | | |
| | | | The loans are secured by cession and pledge of personal assets and are considered full recourse loans. The loans are repayable on the fifth anniversary of the subscription date. | | |
| | | 6.4 | Subscribers and loan balance due | | |
| — | 21 183 | | AS Trust (FH Esterhuyse) – 1 664 490 shares | 1 185 | — |
| — | 7 797 | | Prinsloo Trust (HF Prinsloo) – 610 386 shares | 436 | — |
| — | 2 252 | | HM4 Trust (HW May) – 176 904 shares | 126 | — |
| — | 616 | | KL Nordier – 48 219 shares | 35 | — |
| — | 2 129 | | FM ver Loren van Themaat – 166 667 shares | 119 | — |
| — | 33 977 | | | 1 901 | — |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **7** | **Deferred taxation** | | |
| | Deferred taxation assets | 261 | — |
| | Deferred taxation liabilities | (160) | (132) |
| | Net deferred taxation | 101 | (132) |
| 7.1 | Deferred taxation assets | | |
| | Taxable timing differences consisting of: | | |
| | Tax losses carried forward | 226 | — |
| | Provisions and other liabilities | 35 | — |
| | | 261 | — |
| 7.2 | Deferred taxation liabilities | | |
| | Taxable timing differences consisting of: | | |
| | Property, plant and equipment | (160) | (132) |
| 7.3 | The gross movement on the deferred taxation is as follows: | | |
| | At beginning | (132) | (2) |
| | Income tax charge (refer note 24.2) | 128 | (130) |
| | On acquisition/(disposal) of subsidiaries | 101 | — |
| | Functional currency translation differences | 4 | — |
| | At end | 101 | (132) |
| 7.4 | Portion of deferred tax asset to be realised within twelve months | 110 | — |
| 7.5 | Unutilised assessed losses at the beginning of the year | — | — |
| | Losses incurred during the year | 60 | — |
| | Acquired through business combinations | 1 083 | — |
| | Utilised during the year | (129) | — |
| | Foreign currency translation movements | (24) | — |
| | Unutilised assessed losses at the end of the year | 990 | — |
| | Assessed losses applied in the provision for deferred tax | (442) | — |
| | Assessed losses to be applied in reduction of future taxable income | 548 | — |

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **8** | **Financial assets** | | |
| 8.1 | Consisting of: | | |
| | Financial assets at fair value through profit or loss | 7 271 | 8 130 |
| 8.2 | Financial assets at fair value through profit or loss | | |
| 8.2.1 | 636 000 Shares in UBS AG designated at fair value through profit or loss | | |
| | At beginning | 8 130 | 6 657 |
| | Foreign exchange gain/(loss) | 27 | (268) |
| | Fair value (loss)/gain | (886) | 1 741 |
| | At end | 7 271 | 8 130 |

At 28 February 2015, the group held a 0.02% (2014: 0.02%) shareholding in UBS AG, which is listed at the SIX Swiss Exchange and the New York Stock Exchange.

A loss of £0,9 million resulted from the fair value adjustment of the investment in UBS AG to its fair value of SFr16,75, being a listed price, at the end of February 2015.

A gain of £1,7 million resulted from the fair value adjustment of the investment in UBS AG to its fair value of SFr18,87, being a listed price, at the end of February 2014.

The above shares have been pledged as security for short-term borrowings (refer 19.2)

8.3 As the fair value of the financial assets is based on quoted prices in an active market, the fair value is level 1 on the fair value hierarchy (refer 31.9)

| | | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| 8.4 | Analysis of total financial assets: | | |
| | Current | 7 271 | 8 130 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **9** | **Trade and other receivables** | | |
| 9.1 | Consisting of: | | |
| | Trade receivables | 25 191 | 13 371 |
| | Gross receivables | 26 189 | 13 866 |
| | Trade receivables – Mettle | 721 | — |
| | Outstanding rent – Moorgarth | 1 162 | 1 006 |
| | Loans and advances | 24 306 | 12 860 |
| | Provision for impairment | (998) | (495) |
| | Loans and advances | (998) | (495) |
| | Deposits – purchase of property (refer 9.8) | 2 029 | — |
| | Deferred consideration receivable – sale of Lendcor (refer 9.9) | 982 | — |
| | Prepayment | 689 | 349 |
| | Tradehold Africa – proceeds due on sale of land | 814 | — |
| | Other receivables | 3 909 | 3 232 |
| | | 33 614 | 16 952 |
| | The carrying value less impairment provision of trade and other receivables are approximately their fair values. | | |
| 9.2 | Analysis of total trade and other receivables | | |
| | Non-current assets | 1 645 | — |
| | Current assets | 31 969 | 16 952 |
| | | 33 614 | 16 952 |

9.3 There is no significant concentration of credit risk with respect to outstanding rent trade receivables, as the group has a large number of tenants. As of 28 February 2015 and 28 February 2014, all outstanding rent trade receivables were fully performing.

9.4 The principal activities of Reward and Mettle are to target the SME finance market and support SMEs in the UK and SA respectively with short-term asset based funding and debt factoring services. The business model is to provide short-term capital to cash-strapped companies. Trade receivables are secured by a combination of properties, debtors, debentures and equity shares to the value of £43,9 million (2014: £27,2 million).

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| 9.4.1 | The exposure to risk and movement in the loans and advances balance is as follows: | | |
| | Loans and advances at start of year | 12 860 | 9 751 |
| | Acquisition of subsidiary – Mettle | 4 297 | — |
| | Disposal of subsidiary – Lendcor | (5 341) | — |
| | Acquisition of subsidiary – Cognis | 856 | — |
| | Acquisition of subsidiary – other | 413 | — |
| | Gross loans advanced to customers | 48 088 | 31 551 |
| | Interest and other fees | 7 373 | 4 261 |
| | Gross loans paid by customers | (44 346) | (32 703) |
| | Foreign currency translation differences and forex losses | 106 | — |
| | Gross loans and advances at year end | 24 306 | 12 860 |
| 9.4.2 | The loan loss rate is as follows: | | |
| | Loans and advances at year end | 24 306 | 12 860 |
| | Provision for impairment of loans and advances | (998) | (495) |
| | Net balance | 23 308 | 12 365 |
| | Impairment charge in profit and loss | 521 | 184 |
| | Loan loss rate for the period | 2.15% | 1.43% |
| 9.5 | The ageing of trade receivables are as follows: | | |
| | Neither past due nor impaired | | |
| | 30 days | 17 891 | 7 620 |
| | 60 days | 103 | — |
| | Past due but not impaired | | |
| | 30 days past due | 997 | 774 |
| | 60 days past due | — | 69 |
| | 90 days past due | — | — |
| | More than 90 days past due | 6 482 | 5 152 |
| | Impaired | 716 | 251 |
| | Total gross balance | 26 189 | 13 866 |
| 9.6 | Movement in the provision for impairment of loans and advances were as follows: | | |
| | Balance at beginning of the year | 495 | 345 |
| | Acquisition of subsidiary – Mettle | 269 | — |
| | Disposal of subsidiary – Lendcor | (269) | — |
| | Acquisition of subsidiary – other | 32 | — |
| | Additional provision charged during the year | 474 | 198 |
| | Utilised during the year | (3) | (33) |
| | Released during the year | — | (15) |
| | Balance at end of the year | 998 | 495 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **9** | **Trade and other receivables (continued)** | | |
| 9.7 | Credit quality of trade receivables (net of provisions) | | |
| | Trade receivables without external credit rating: | | |
| | Group 1 | 9 750 | 3 093 |
| | Group 2 | 12 981 | 8 534 |
| | Group 3 | 2 460 | 1 744 |
| | | 25 191 | 13 371 |

Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past, which were fully recovered

9.8 Deposits
River Street Properties Limited has paid a 10% deposit on a residential development on Sullivan Road in Fulham, London.

9.9 Deferred consideration
Mettle Investments sold a subsidiary and the purchase price is outstanding at year-end.

9.10 Securities for loans and advances in respect of Mettle Investments

9.10.1 Amount: £422,715
The loan is secured by the following:
– second ranking covering mortgage bond registered over the property for £560,000;
– cession and pledge of an Investec portfolio of assets (acknowledged by Investec); and
– guarantees from two parties linked to the borrower.

9.10.2 Amount: £321,003
The loans are secured by motor vehicles.

9.10.3 Amount: £1,325,731
The loan is secured by the following:
– first priority aircraft mortgage bonds registered over two aircraft for £650,000 each;
– cession of the insurance and reinsurance cover for both aircraft;
– cession of all rights, title and interest in and to the shares and claims in and against the borrower;
– cession of all rights, title and interest in 1 100 152 Tradehold Limited shares; and
– guarantees from five parties linked to the borrower.

9.10.4 Amount: £128,422
The loan accrues interest at 2% per month and is repayable by 3 December 2015. Suretyships have been obtained from five parties related to the borrower which have bound themselves pro-rata, jointly and severally, as co-principal debtors for the repayment of the outstanding loan balance. A creditor of the borrower has also ceded it claim against the borrower.

| | | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| 9.11 | The carrying amount of trade and other receivables are denominated in the following currencies: | | |
| | Pound Sterling | 27 098 | 16 952 |
| | Rand | 5 637 | — |
| | USD | 879 | — |
| | | 33 614 | 16 952 |

| COMPANY | | | GROUP | |
|---|---|---|---|---|
| 2014 | 2015 | | 2015 | 2014 |
| R'000 | R'000 | | £'000 | £'000 |
| | | **10 Cash and cash equivalents** | | |
| | | 10.1 Consisting of: | | |
| 27 | 44 748 | Cash at bank and on hand | 26 162 | 9 677 |
| — | — | Short-term bank deposits | 8 186 | 15 515 |
| 27 | 44 748 | | 34 348 | 25 192 |
| | | Cash and cash equivalents include the following for the purposes of the statement of cash flows: | | |
| 27 | 44 748 | Cash and cash equivalents | 34 348 | 25 192 |
| — | — | Bank overdrafts | (206) | — |
| 27 | 44 748 | | 34 142 | 25 192 |
| | | 10.2 Cash deposits as security for borrowings | | |
| | | Security for short-term borrowings (refer 19.3) | 2 200 | 1 500 |
| | | Security for long-term borrowings – Tradehold Africa (refer 14.2.3) | 4 537 | — |
| | | Security for derivative (refer 15.3) | 1 340 | — |
| | | | 8 077 | 1 500 |
| | | 10.3 Cash as security for borrowings | | |
| | | Security for long-term borrowings (refer 14.2.4) | 158 | — |
| | | 10.4 Carrying amount of cash and cash equivalents are denominated in the following currencies: | | |
| | | Pound Sterling | 23 448 | 25 156 |
| 27 | 44 748 | Rand | 2 769 | 6 |
| | | USD | 8 118 | — |
| | | Other | 13 | 30 |
| 27 | 44 748 | | 34 348 | 25 192 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **11** | **Ordinary share capital** | | |
| | | 11.1 | Authorised: | | |
| 2 100 | 2 100 | | 210 000 000 (2014: 210 000 000) ordinary shares of 1 cent each | 191 | 191 |
| | | 11.2 | Issued: | | |
| 1 386 | 1 561 | | 156 132 877 (2014: 138 566 911) ordinary shares of 1 cent each | 219 | 122 |
| | | 11.3 | Reconciliation of number of shares issued: | | |
| 138 566 911 | 138 566 911 | | Balance at beginning of the year | 138 566 911 | 138 566 911 |
| — | 15 853 257 | | Issue of shares – ordinary shares | 15 853 257 | — |
| — | 1 712 709 | | Issue of shares to key persons – ordinary shares | 1 712 709 | — |
| 138 566 911 | 156 132 877 | | Balance at end of the year | 156 132 877 | 138 566 911 |
| | | 11.4 | The unissued share capital is under the control of the directors who may issue it on such terms and conditions as they in their discretion deem fit. This authority will be tabled for extension at the forth-coming annual general meeting. | | |
| | | **12** | **Reserves** | | |
| (9 486) | (9 298) | 12.1 | Non-distributable reserves | 4 812 | 5 385 |
| (9 722) | (9 534) | | Foreign currency translation reserve | 5 294 | 5 455 |
| — | — | | Cash flow hedging reserve (refer 12.3) | (412) | — |
| — | — | | Other | (91) | (91) |
| 236 | 236 | | Capital redemption reserve fund | 21 | 21 |
| | | | The company has recognised a negative foreign currency translation reserve of R9,533,758 (2014: R9,722,293). This arose on the translation of the Pound Sterling denominated results and financial position of a branch of the company. | | |
| | | 12.2 | Distributable reserve | | |
| (651 245) | 1 445 | | (Accumulated loss)/retained earnings | (38 933) | (49 236) |
| (660 731) | (7 853) | | | (34 121) | (43 851) |
| | | | During the year a dividend of £427,018 (2014: £500,000) was declared and paid out of share premium as approved by the Board of directors. The Rand equivalent of this declaration was R7,767,847 (2014: R6,927,581). | | |
| | | 12.3 | Cash flow hedging reserve | | |
| | | | Balance at beginning of the year | — | — |
| | | | Other comprehensive income for the year | (549) | — |
| | | | Attributable to minority share | 137 | — |
| | | | | (412) | — |

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|
| | | **13 Preference share liability** | | |
| | | 13.1 Authorised: | | |
| 893 | 893 | 89 250 000 (2014: 89 250 000) non-convertible, non-participating, non-transferable redeemable preference shares of 1 cent each | 82 | 82 |
| — | — | 65 000 000 (2014: nil) cumulative, redeemable "A" preference shares of no par value | — | — |
| — | — | 40 000 000 (2014: nil) unspecified preference shares of no par value | — | — |
| 893 | 893 | | 82 | 82 |
| | | 13.2 Issued: | | |
| 574 | 574 | 57 391 218 (2014: 57 391 218) non-convertible, non-participating, non-transferable redeemable preference shares of 1 cent each (refer 13.3) | 51 | 51 |
| — | 620 135 | 61 927 500 (2014: nil) cumulative, redeemable "A" preference shares of R 10 each (refer 13.4) | 34 702 | — |
| 574 | 620 709 | | 34 753 | 51 |

13.3 The non-participating preference shares are not convertible into shares of any other class, are not entitled to participate in any profits of the company and no dividends may be declared or paid in respect of them. The holder of these shares is entitled to be present at any meeting of the company and is entitled on a poll to one vote in respect of every share held.

The non-participating preference shares are redeemable in relation to the extent which the shareholder disposes of his interest in ordinary shares in the company. All issued preference shares are fully redeemable should the shareholder's interest in ordinary shares become less than 10%. These shares are not listed on any stock exchange.

Subject to certain limitations, the unissued share capital is under the control of the directors who may issue it on predetermined terms under certain circumstances. Full particulars are available for inspection at the registered office of the company.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|
| | | **13 Preference share liability (continued)** | | |
| | | 13.4 On 6 February 2015 the Company listed 61 927 500 cumulative redeemable "A" preference shares at a subscription price of R10 each on the JSE, which were all subscribed for by RMB. | | |
| | | Dividends are calculated quarterly at a rate of 72% of 3 month ZAR JIBAR plus 2.65% and payable quarterly, with the full outstanding subscription amount to be redeemed at the end of a 3 year period. | | |
| — | — | Balance at beginning of the year | — | — |
| — | 619 275 | Drawn during the year | 35 674 | — |
| — | — | Foreign exchange gains | (1 020) | — |
| — | (1 940) | Deferred finance charges | (109) | — |
| — | 2 800 | Interest | 157 | — |
| — | 620 135 | Balance at end of the year | 34 702 | — |

The group hedges the payables under this financial liability for currency and interest rate risk via a cross-currency swap which exchanges ZAR for GBP and ZAR JIBAR linked interest for GBP LIBOR linked interest. The derivative financial instrument is adjusted for fair value movements in the hedged risk (refer 15).

13.5 Other than the non-participating preference shares there are no unlisted securities in the issued share capital of the company.

| | | GROUP | |
|---|---|---|---|
| | | 2015 £'000 | 2014 £'000 |
| **14** | **Long-term borrowings** | | |
| 14.1 | Consisting of: | | |
| | Financial liabilities at amortised cost | 25 763 | 17 545 |

The fair value of current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rates as set out below.

| | | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| 14.2 | Financial liabilities at amortised cost | | |
| 14.2.1 | HSBC loan – secured | | |
| | Balance at beginning of the year | 15 030 | — |
| | Drawn during the year | 1 250 | 14 944 |
| | Repaid during the year | (615) | — |
| | Interest | 641 | 86 |
| | Balance at end of the year | 16 306 | 15 030 |

On 24 December 2013 Inception Holdings S.àr.l. (a subsidiary of Moorgarth Holdings (Luxembourg) S.àr.l.) entered into a 5 year term loan of up to £21,544,000 to purchase and subsequently re-furbish the Market Place Shopping Centre in Bolton.

Interest is calculated daily at an annual rate of 2.75% + 3 month LIBOR and payable quarterly, with the full outstanding capital amount to be settled at the end of a 5 year period.

The loan is wholly secured by a debenture over Inception Holdings S.àr.l. including a fixed charge over all property and assets owned by Inception Holdings S.àr.l.

| | | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| 14.2.2 | Europrop Holdings Limited – unsecured | | |
| | Balance at beginning of the year | 2 515 | — |
| | Drawn during the year | 526 | 2 500 |
| | Interest | 90 | 15 |
| | Balance at end of the year | 3 131 | 2 515 |

Interest is calculated daily at an annual rate of 2.75% + 3 month LIBOR and payable quarterly, with the full outstanding capital amount to be settled at the end of a 5 year period.

The loan is unsecured.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **14** | **Long-term borrowings (continued)** | | |
| 14.2 | Financial liabilities at amortised cost (continued) | | |
| 14.2.3 | Standard Bank – secured | | |
| | Balance at beginning of the year | — | — |
| | Drawn during the year | 4 411 | — |
| | Repaid during the year | (43) | — |
| | Interest | 43 | — |
| | Balance at end of the year | 4 411 | — |

Interest is calculated daily at an annual rate of 4% + 3 month USD LIBOR and payable quarterly, with the full outstanding capital amount to be settled on 31 May 2015.

The loan is wholly secured by short term deposits with a book value of £4,537,499 (refer 10.2).

| | | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| 14.2.4 | Small Enterprise Finance Agency SOC Limited ("SEFA") – secured | | |
| | Balance at beginning of the year | — | — |
| | Business combinations | 817 | — |
| | Drawn during the year | 196 | — |
| | Repaid during the year | (374) | — |
| | Interest | 76 | — |
| | Foreign currency translation differences | 9 | — |
| | Balance at end of the year | 724 | — |

Interest is calculated daily at an annual rate of 9.25% and payable monthly, until July 2015.

Mettle Investments has guaranteed repayment of this loan. The loan is secured by trade receivables of £593,561 and cash of £158,014 (refer 10.3).

| | | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| 14.2.5 | Titan Share Dealers Proprietary Limited – secured | | |
| | Balance at beginning of the year | — | — |
| | Drawn during the year | 1 166 | — |
| | Interest | 30 | — |
| | Foreign currency translation differences | (5) | — |
| | Balance at end of the year | 1 191 | — |

Interest is calculated daily on £909,000 of the loan at an annual rate of 16% and is payable quarterly until December 2016. This loan funded the loan receivable of £1,325,731 (note 9.10.3).

Interest is calculated daily on £282,000 of the loan at an annual rate of 22% and payable quarterly, will the full outstanding capital amount to be settled in October 2015. This loan funded the loan receivable of £422,715 (note 9.10.1).

In both instances, Titan Share Dealers has limited its recourse against Mettle to its pro-rata share of the amounts received from the borrowers and proceeds from the realisation of the security, if applicable.

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| 14.3 | Undrawn borrowing facilities: | | |
| | HSBC loan | 10 210 | 6 600 |
| | Europrop Holdings Limited | 4 475 | 5 000 |
| | SEFA | 2 800 | — |
| | | 17 485 | 11 600 |
| 14.4 | Analysis of long-term borrowings: | | |
| | Non-current | 19 792 | 17 444 |
| | Current (refer 19.1) | 5 971 | 101 |
| | | 25 763 | 17 545 |

## 15 Derivative financial instruments

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| 15.1 | Consisting of: | | |
| | Fair value through profit and loss – designated as a cash flow hedge (refer 15.2) | 549 | — |
| | Fair value through profit and loss – held for trading (refer 15.3) | 1 765 | — |
| | Total non-current | 2 314 | — |

The full fair value of a hedging derivative is classified as a non-current liability if the remaining maturity of the hedged item is more than 12 months.
There was no ineffectiveness to be recorded from cash flow hedges.

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| 15.2 | HSBC loan – secured | | |
| | Market to market value of interest rate swap | 549 | — |

On 4 April 2014 Inception Holdings S.àr.l. entered into an interest rate swap, whereby the interest rate on 70% of the notional drawn balance was fixed at 2.155%, meaning that the total cost of funds is 4.905% on the 70% proportion, with the balance of 30% at the HSBC rate. HSBC performed a mark to market valuation at year end, which shows a potential loss of £548,880 if the group broke the swap.

The notional principal amount of the outstanding interest rate swap contract at 28 February 2015 was £12,597,200 (2014: £nil).

At 28 February 2015, the fixed interest rate was 2.155%, and the floating rate was 3 Month LIBOR + 2.75%. Gains and losses recognised in the hedging reserve in equity (note 12) on interest rate swap contracts as of 28 February 2015 will be continuously released to the income statement within finance cost until the repayment of the HSBC borrowings (note 14).

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **15** | **Derivative financial instruments (continued)** | | |
| 15.3 | Rand Merchant Bank GBP ZAR cross currency interest rate swap | | |
| | Fair value at end of the year | 1 765 | — |

The Rand listed preference share liability was exchanged for a £ liability at the rate of exchange on the issue date, and the dividend rate of (72% of three month JIBAR) + 2.65% payable in Rand on the Rand amount of the listed preference shares was exchanged for an interest rate of three month GBP LIBOR + 0.94% payable in GBP on the notional GBP liability, meaning that the capital value of the liability is £35,673,756 and the total cost of funds is GBP LIBOR + 0.94%.

Rand Merchant Bank performed a mark to market valuation at year end, which shows a potential loss of £1,764,613 on the swap, resulting from the ZAR depreciation against the £ since the issue date (with the benefit reflected in the preference share liability), and the margin earned by Rand Merchant Bank on the derivative.

The swap is secured by a credit support annex with a cap of £5 million and a minimum transfer amount of £500,000. The collateral pledged at year end was £1,340,284 (refer 10.2).

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **16** | **Deferred revenue** | | |
| | | | Consisting of: | | |
| | | | Rent received in advance | 4 818 | — |
| | | **17** | **Contingent consideration** | | |
| | | 17.1 | Consisting of: | | |
| — | 35 394 | | Financial liability carried at amortised cost – Mettle (refer 17.2) | 1 980 | — |
| | | | Financial liability carried at amortised cost – other | 84 | — |
| — | 35 394 | | | 2 064 | — |

| COMPANY | | | | GROUP | |
|---|---|---|---|---|---|
| 2014 R'000 | 2015 R'000 | | | 2015 £'000 | 2014 £'000 |
| | | 17.2 | The group purchased the share capital of Mettle Investments Proprietary Limited during the year (refer 26.7.1). | | |
| | | | The purchase consideration was not yet settled at year-end. | | |
| | | | Balance at beginning of the year | — | — |
| | | | Additional consideration on Mettle transaction | 1 818 | — |
| | | | Unwinding of interest | 117 | — |
| | | | Foreign currency translation | 45 | — |
| | | | Balance at end of the year | 1 980 | — |
| | | | The key assumptions considered were the probability of meeting profit targets in 2016 and the weighted average cost of capital. | | |
| | | **18** | **Trade and other payables** | | |
| | | | Trade payables | 1 639 | 847 |
| 1 705 | 2 770 | | Other payables and accrued expenses | 4 593 | 1 341 |
| | | | Leave accrual | 9 | — |
| | | | Lease guarantee liability | 327 | 363 |
| | | | Deferred income | 1 557 | 1 011 |
| | | | Social security and other taxes | 63 | 314 |
| 1 705 | 2 770 | | | 8 188 | 3 876 |
| | | | The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts. | | |
| | | | The lease guarantee liability stems from an indemnity given to Instore Ltd as part of a sale and purchase agreement. | | |
| | | 18.1 | The carrying amount of trade and other payables are denominated in the following currencies: | | |
| | | | Pound Sterling | 6 296 | 3 162 |
| 1 705 | 2 770 | | Rand | 388 | 714 |
| | | | USD | 1 030 | — |
| | | | Other – Swiss franc/Euro | 474 | — |
| 1 705 | 2 770 | | | 8 188 | 3 876 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **19** | **Short-term borrowings** | | |
| 19.1 | Consisting of: | | |
| | UBS loan (refer 19.2) | 6 484 | 6 436 |
| | Short term portion of long-term loans (refer 14.4) | 5 971 | 101 |
| | Other – secured | 74 | — |
| | | 12 529 | 6 537 |
| 19.2 | UBS loan – secured (refer 19.3) | | |
| | Balance at beginning of the year | 6 436 | 6 706 |
| | Interest | 63 | 66 |
| | Repaid during the year | (63) | (66) |
| | Foreign currency translation differences | 48 | (270) |
| | Balance at end of the year | 6 484 | 6 436 |
| | Repayable on 3 September 2015 and interest-bearing at 1% (2014: 0.98%). | | |
| 19.3 | The above loan is secured by: | | |
| | Listed share investment with a carrying amount of (refer 8.2.1) | 7 271 | 8 130 |
| | Cash deposit in the amount of (refer 10.2) | 2 200 | 1 500 |
| | | 9 471 | 9 630 |
| | Refer fair value hierarchy in note 31.9. | | |
| **20** | **Revenue** | | |
| | Interest received from clients | 4 535 | 2 645 |
| | Fee and commission revenue | 2 718 | — |
| | Loan initiation fees | 2 440 | 1 616 |
| | Rental income | 8 063 | 5 366 |
| | Hotel revenue | 2 975 | 2 932 |
| | | 20 731 | 12 559 |
| | The group has entered into various operating lease agreements as the lessor of property. The period of leases whereby the group leases out its investment property under operating leases varies from 1 year to 71 years (2014: 1 year to 62 years). | | |
| | Future minimum lease payments receivable under non-cancellable operating leases are as follows: | | |
| | Not later than one year | 7 951 | 7 230 |
| | Later than 1 year not later than 5 years | 18 133 | 20 672 |
| | Later than 5 years | 68 465 | 72 121 |
| | | 94 549 | 100 023 |

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **21** | **Other operating income** | | |
| | | | Profit on sale of property, plant and equipment | — | 17 |
| — | 8 684 | | Net foreign exchange profits (refer 22) | 601 | — |
| | | | Settlement in relation to legal matter | 782 | — |
| | | | Sundry income | 254 | 100 |
| | 8 684 | | | 1 637 | 117 |
| | | **22** | **Operating profit/(loss)** | | |
| | | 22.1 | Determined after taking into account the following: | | |
| 1 012 | 926 | | Employee benefits expenses | 4 155 | 2 241 |
| 1 012 | 926 | | Salaries, wages and service benefits | 4 128 | 2 216 |
| — | — | | Retirement benefit contributions | 27 | 25 |
| | | | Net foreign exchange (profits)/losses | (601) | 36 |
| | | | Foreign exchange rate losses – realised | 1 418 | 269 |
| | | | Foreign exchange rate losses – unrealised | 49 | — |
| | | | Foreign exchange rate profits – unrealised | (1 051) | — |
| | | | Foreign exchange rate profits – realised | (1 017) | (233) |
| 500 | 746 | | Auditors' remuneration | 133 | 88 |
| 546 | 746 | | Audit fees – for this year | 133 | 91 |
| (46) | — | | – over provided in the previous year | — | (3) |
| 4 390 | 7 581 | | Fees paid for outside services | 501 | 289 |
| 4 027 | 7 245 | | Administrative | 445 | 266 |
| 256 | 207 | | Accounting fees | 12 | 16 |
| 107 | 129 | | Secretarial | 8 | 7 |
| | | | Technical | 36 | — |
| 38 | 46 | | Operating leases – buildings | 613 | 58 |
| | | | Operating leases – machinery | — | 12 |
| | | | Profit on disposal of investment properties | (1 359) | — |
| | | | Loss on disposal and scrapping of property, plant and equipment | 134 | — |
| 252 | 935 | | Travel and office costs | 602 | 545 |
| | | | Advertising cost | 230 | 149 |
| | | | Repairs and maintenance | 117 | 113 |
| | | | Business centre operating costs | 391 | 56 |
| | | | Unrecovered rates | 782 | 222 |
| | | | Bad debts | 796 | 264 |
| | | | Professional and letting fees | 917 | 112 |
| | | | Legal and professional fees | 797 | 263 |
| | | | Unrecovered property costs | 189 | 172 |
| | | | Unrecovered service charge | 1 080 | 982 |
| | | | Hotel operating costs | 1 305 | 1 351 |
| | | 22.2 | Directors' remuneration | | |
| | | 22.2.1 | Non-executive directors | 303 | 242 |
| | | | Executive directors | 655 | 429 |
| | | | | 958 | 671 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 22 Operating profit/(loss) (continued)

22.2 Directors' remuneration (continued):

| | | Management company fees £'000 | Fees £'000 | 2015 Total £'000 | 2014 Total £'000 |
|---|---|---|---|---|---|
| 22.2.2 | Non-executive directors | — | | | |
| | MJ Roberts | — | 4 | 4 | 4 |
| | C Stassen (resigned 27 May 2014) | — | 2 | 2 | 10 |
| | HRW Troskie | — | 7 | 7 | 8 |
| | CH Wiese (became non-executive on 27 May 2014) | 157 | 40 | 197 | 220 |
| | JM Wragge (appointed 27 May 2014) | 93 | — | 93 | — |
| | | 250 | 53 | 303 | 242 |

| | | Basic remuneration £'000 | Variable remuneration £'000 | 2015 Total £'000 | 2014 Total £'000 |
|---|---|---|---|---|---|
| 22.2.3 | Executive directors | | | | |
| | FH Esterhuyse (appointed 27 May 2014) | 47 | 7 | 54 | — |
| | DA Harrop (appointed 27 May 2014) | 134 | 9 | 143 | — |
| | C Moore (resigned 27 May 2014) | 60 | — | 60 | 182 |
| | KL Nordier (appointed 27 May 2014) | 147 | — | 147 | — |
| | TA Vaughan | 251 | — | 251 | 247 |
| | | 639 | 16 | 655 | 429 |

22.2.4 Share options granted to directors

There are no outstanding share options at the end of the year (2014: nil).

22.2.5 Management company fees are paid to Chaircorp (Pty) Ltd and Gritprop Investments (Pty) Ltd in their capacity as employees (refer 32).

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **23** | **Finance income and cost** | | |
| | | | Finance cost on short-term borrowings | 424 | 66 |
| | | | Finance cost on long-term borrowings | 1 301 | 179 |
| — | 3 370 | | Preference dividends | 164 | — |
| — | 7 589 | | Other finance cost | 400 | — |
| — | 10 959 | | Total finance cost | 2 289 | 245 |
| (1) | — | | Interest income on short-term bank deposits | (38) | (91) |
| — | (8 157) | | Interest received from group companies | | |
| — | (4 903) | | Other finance income | (771) | (66) |
| (1) | (13 060) | | Total finance income | (809) | (157) |
| (1) | (2 101) | | Finance (income)/cost – net | 1 480 | 88 |
| | | **24** | **Taxation** | | |
| | | 24.1 | Classification: | | |
| | | | South African normal taxation | 134 | — |
| | | | Foreign taxation | 471 | 514 |
| | | | | 605 | 514 |
| | | 24.2 | Consisting of: | | |
| | | | Current taxation | 742 | 400 |
| | | | Prior year taxation | (9) | (16) |
| | | | Deferred taxation (refer 7.3) | (128) | 130 |
| | | | Current year | (31) | 130 |
| | | | Prior year | (97) | — |
| | | | | 605 | 514 |
| % | % | | | % | % |
| | | 24.3 | Reconciliation of tax rate: | | |
| 28.0 | 28.0 | | South African normal tax rate | 28.0 | 28.0 |
| (28.0) | (28.0) | | Net adjustment | (22.5) | (21.4) |
| (28.0) | (28.0) | | Exempt income/non-deductible expenses | (17.7) | (19.2) |
| | | | Tax rate adjustment foreign tax differential | (3.8) | (2.0) |
| | | | Prior year taxation | (1.0) | (0.2) |
| — | — | | Effective tax rate | 5.5 | 6.6 |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **25** | **Earnings per share** | | |
| | Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares. | | |
| 25.1 | Profit attributable to equity holders of the company | 7 832 | 6 392 |
| 25.1.1 | Weighted average number of ordinary shares in issue ('000) | 153 143 | 138 567 |
| | The weighted average number of ordinary shares in issue in the current year has been adjusted to take into account the 2 666 666, 14 366 844 and 532 456 ordinary shares which were issued 15 April 2014 (weighted average effect 2 330 593), 14 July 2014 (weighted average effect 9 013 719) and 6 February 2015 (weighted average effect 32 093) respectively. The expected shares to be issued in respect of the Mettle acquisition of 3 200 000 were also included in the weighted number of ordinary shares for the full year. | | |
| | Basic earnings per share (pence) | 5,1 | 4,6 |
| 25.1.2 | Diluted number of ordinary shares ('000) | 155 341 | 138 567 |
| | The diluted number of ordinary shares in the current year has been adjusted to take into account the following: | | |
| | Weighted average number of ordinary shares in issue ('000) | 153 143 | 138 567 |
| | Contingently issuable shares in May 2016 in respect of Mettle acquisition (based on company average share price for the year of R17.29) | 2 198 | — |
| | | 155 341 | 138 567 |
| | Diluted earnings per share (pence) | 5,0 | 4,6 |

| | | GROUP | |
|---|---|---|---|
| | | 2015 | 2014 |
| | | £'000 | £'000 |
| 25.2 | Headline earnings: | | |
| | Basic headline earnings per share (pence) | 3,3 | 4,5 |
| | Diluted headline earnings par share (pence) | 3,3 | 4,5 |
| | Based on headline profit of | 5 121 | 6 189 |
| | Profit attributable to equity holders of the company | 7 832 | 6 392 |
| | Net gain from fair value adjustment on investment property | (2 156) | (222) |
| | Profit on disposal of investment properties | (1 359) | — |
| | Gain from bargain purchase | (9) | — |
| | (Profit)/loss on disposal/purchase of investment | (1 117) | 3 |
| | Impairment of goodwill | 1 288 | — |
| | Loss/(profit) on disposal of property, plant and equipment | 134 | (17) |
| | Total non-controlling interest and tax effects of adjustments | 508 | 33 |
| | and the weighted average number of ordinary shares in issue of ('000) | 153 143 | 138 567 |
| | and the diluted number of ordinary shares ('000) | 155 341 | 138 567 |
| 25.3 | Core headline earnings: | | |
| | Basic core headline earnings per share (pence) | 5,4 | 3,3 |
| | Diluted core headline earnings per share (pence) | 5,4 | 3,3 |
| | Based on core headline profit of | 8 330 | 4 637 |
| | Headline profit | 5 121 | 6 189 |
| | Net gain from fair value adjustment on investment property | 2 156 | 222 |
| | Profit on disposal of investment properties | 1 359 | — |
| | Legal fee income | (782) | — |
| | Loss/(profit) on fair value adjustment of UBS shares | 886 | (1 741) |
| | Total non-controlling interest and tax effects of adjustments | (410) | (33) |
| | and the weighted average number of ordinary shares in issue of ('000) | 153 143 | 138 567 |
| | and the diluted number of ordinary shares ('000) | 155 341 | 138 567 |

Management believe that core headline earnings is a better measure of the entity's underlying profitability and financial performance.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | **26** | **Cash flow information** | | |
| | | 26.1 | Non-cash items | | |
| | | | Depreciation | 372 | 297 |
| | | | Profit on disposal of investment properties | (1 359) | — |
| | | | Loss/(profit) on disposal of property, plant and equipment | 134 | (17) |
| | | | Net gain on fair value adjustment on investment properties | (2 156) | (222) |
| | | | Fair value loss/(gain) on financial assets at fair value through profit or loss | 886 | (1 741) |
| | | | Impairment of goodwill | 1 288 | — |
| — | (610 302) | | Reversal of impairment in subsidiaries | | |
| | | | Impairment of loans | 795 | 150 |
| | | | Other non-cash items | (304) | 4 |
| | | | Profit on disposal of investments | (1 117) | — |
| | | | Release of provision for lease repair liabilities | (36) | — |
| — | (610 302) | | | (1 497) | (1 529) |
| | | 26.2 | Changes in working capital | | |
| | | | Trade and other receivables | (2 664) | (1 479) |
| 238 | 1 065 | | Trade and other payables | 3 209 | 1 558 |
| 238 | 1 065 | | | 545 | 79 |
| | | 26.3 | Taxation paid | | |
| | | | Taxation per profit or loss | (605) | (514) |
| | | | Business combinations | 106 | — |
| | | | Foreign currency translation movements | (4) | — |
| | | | Increase in taxation payable | 217 | 37 |
| | | | Change in deferred taxation | (128) | 130 |
| | | | | (414) | (347) |
| | | 26.4 | Share buy-back from minority shareholder | | |
| | | | Total consideration | (624) | — |
| | | | Shares issued (refer 26.5) | 437 | — |
| | | | | (187) | — |

The minority shareholdings of Tim Vaughan comprising 10% of the Reward Investments Limited and 10% of Moorgarth Holdings (Luxembourg) S.àr.l., were purchased by the group during the year for £624,124 and £1 respectively. The consideration was settled in cash of £187,237 and the balance by the issue of 532 456 shares in Tradehold Limited.

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|---|
| | | 26.5 | Proceeds from ordinary share issues | | |
| — | 247 101 | | Ordinary share issues during the year | 13 614 | — |
| — | (7 838) | | Shares issued as payment to minority shareholder for share buy back | (437) | — |
| — | (33 977) | | Shares issued on loan account (refer 6.2) | (1 901) | — |
| — | 205 286 | | | 11 276 | — |
| | | 26.6 | Instore Investment | | |
| | | | Sales value | — | 3 581 |
| | | | Receivable at year-end | — | (1 801) |
| | | | Cash received during the year | — | 1 780 |
| | | | The Instore investment was sold during the prior year and the the remaining purchase amount has been paid in the current year. | | |
| | | 26.7 | Business combinations | | |
| — | — | | Cash inflow on acquisition of Mettle Investments Proprietary Limited (refer 26.7.1) | 142 | — |
| | | | Cash inflow on acquisition of Cognis 1, Limitada (refer 26.7.2) | 382 | — |
| | | | Net cash inflow on acquisition of other subsidiaries (refer 26.7.3) | 101 | — |
| | | | Net cash outflow on disposal of subsidiary (refer 26.7.4) | (181) | — |
| — | — | | | 444 | — |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| COMPANY 2014 R'000 | COMPANY 2015 R'000 | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|---|
| | | **26 Cash flow information (continued)** | | |
| | | 26.7 Business combinations (continued) | | |
| | | 26.7.1 Mettle Investments Proprietary Limited | | |
| | | On 3 March 2014, the group acquired 100% of the share capital of Mettle Investments Proprietary Limited ("Mettle"), a South African financial services business focusing on asset-backed short-term lending, incremental housing finance and credit administration services, for a consideration of £4,271,000. | | |
| | | As a result of this acquisition, the group has acquired a skilled and entrepreneurial management team, and is expected to expand its financial services operations in Africa and the United Kingdom. | | |
| | | The goodwill arising from this acquisition is attributable to economies of scale expected from combining the acquired management skills with those of Reward Capital and Reward Commercial Finance for pursuance of expansion opportunities in both Africa and the United Kingdom. | | |
| | | The following table summarises the purchase price allocation for the Mettle acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. | | |
| — | 77 142 | Total consideration | 4 271 | — |
| — | 43 840 | Initial consideration | 2 453 | — |
| — | 33 302 | Additional contingent consideration | 1 818 | — |
| | | Recognised amounts of identifiable assets acquired and liabilities assumed at provisional fair value | | |
| | | Total assets | 5 374 | — |
| | | Loans and advances | 4 028 | — |
| | | Investment in associates | 392 | — |
| | | Loans due by associates | 136 | — |
| | | Trade receivables | 434 | — |
| | | Cash and cash equivalents | 142 | — |
| | | Other | 242 | — |
| | | Total liabilities | (4 138) | — |
| | | Borrowings | (3 795) | — |
| | | Other | (343) | — |
| | | Total identifiable net assets | 1 236 | — |
| | | Non-controlling interests | (204) | — |
| | | Goodwill | 3 239 | — |
| — | 77 142 | Total consideration | 4 271 | — |
| — | (77 142) | Contingent consideration | (4 271) | — |
| — | — | Cash outflow from purchase | — | — |
| | | Cash acquired | 142 | — |
| — | — | Net cash inflow on acquisition | 142 | — |

Acquisition-related cost are immaterial and were charged to administrative expenses in the consolidated income statement of the company for the year ending 28 February 2014.

The initial and contingent consideration arrangement requires the group to pay the former owners of Mettle in full through the issue of new Tradehold Limited shares in two separate tranches.

The initial consideration is 3 200 000 shares valued at £2,4 million based on the Tradehold Limited closing share price on the transaction date.

The additional contingent consideration, limited to £2,1 million, is dependent on Mettle's profit after tax for the year ending 29 February 2016, and its net asset value at 29 February 2016.

The potential discounted amount of all future payments that the group could be required to make under this arrangement is £4,696 million.

The fair value of the contingent consideration is a maximum of £2,243 million, and was estimated based on assumed profit after tax in Mettle of R11,7 million for the year ending 29 February 2016. This profit is based on management's forecast at the date of acquisition and to date there has been no change in this forecast.

Every R1 of profit after tax below R11,67 million for 29 February 2016, will decrease the liability by R6, with a similar credit to the income statement for the year ending 29 February 2016.

The fair value of loan receivables included in total assets is R72,705,891. The gross contractual amount for trade receivables due is R80,735,335, of which R8,029,444 is expected to be uncollectable.

The revenue included in the consolidated income statement for the current year contributed by Mettle was £3,4 million. Mettle also contributed profit after tax and controlling interest of £0,4 million for the current year.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|
| **26 Cash flow information (continued)** | | |
| 26.7 Business combinations (continued) | | |
| 26.7.2 Cognis 1, Limitada | | |
| On 29 August 2014, the group effectively acquired 85% of the share capital of Cognis 1, Limitada ("Cognis"), a Mozambique registered property holding company. The total consideration was 1,350,000 Meticais. The group's effective shareholding in Cognis is 60%. Cognis owns land in Maputo, Mozambique with development rights for a large residential development comprising 18 buildings with 78 residential units, adjoining the American, French and Portuguese private schools. The following table summarises the purchase price allocation for the Cognis acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. | | |
| Recognised amounts of identifiable assets acquired and liabilities assumed at provisional fair value | | |
| Total assets | 4 837 | — |
| Investment property | 2 845 | — |
| Loans and advances | 856 | — |
| Trade receivables | 726 | — |
| Cash and cash equivalents | 410 | — |
| Total liabilities | (4 818) | — |
| Deferred revenue | (4 818) | — |
| Total identifiable net assets | 19 | — |
| Non-controlling interest | (7) | — |
| Goodwill | 16 | — |
| Total consideration paid | 28 | — |
| Cash acquired | 410 | — |
| Net cash inflow on acquisition | 382 | — |

Acquisition-related cost of Cognis are immaterial and were charged to administrative expenses in the consolidated income statement for the year.

The fair value of loan receivables included in total assets is £856,289.

The non-controlling interest has been recognised as a proportion of net assets acquired.

| | GROUP 2015 £'000 | 2014 £'000 |
|---|---|---|
| 26.7.3 Acquisition of other subsidiaries | | |
| Mettle Investments Proprietary Limited acquired two former associates Mettle Administrative Services for a total consideration of £249,121 and Mettle Vehicle Finance for £1, resulting in a goodwill of £160,932 and a bargain purchase gain of £8,676 respectively. | | |
| Net cash inflow on acquisition | 97 | — |
| Mettle Investments Proprietary Limited acquired 100% of the ordinary share capital of Pointbreak M&A Proprietary Limited for £108,639, of which £104,193 is contingent, resulting in a goodwill of £146,891. | | |
| Net cash inflow on acquisition | 7 | — |
| Tradehold Africa Limited acquired 100% of TC Mozambique Properties Limited, 70.6% of TC Maputo Properties Limited and 100% of Tradehold Solar Limited for £3,353, resulting in a goodwill of £3,190. | | |
| Net cash outflow on acquisition | (3) | — |
| 26.7.4 Disposal of a subsidiary | | |
| On 30 November 2014, Mettle Investments Proprietary Limited effectively disposed of 40.08% of Lendcor Proprietary Limited for £996,900, thereby retaining an interest of 39.92% and resulting in a loss of control. | | |
| The following table summarises the assets and liabilities over which control was lost | | |
| Total assets | (5 669) | — |
| Loans and advances | (5 072) | — |
| Cash and cash equivalents | (181) | — |
| Other assets | (416) | — |
| Total liabilities | 4 269 | — |
| Borrowings | 4 031 | — |
| Other | 238 | — |
| Total net assets before non-controlling interest | (1 400) | — |
| Non-controlling interest | 280 | — |
| Net assets over which control was lost | (1 120) | — |
| Consideration due | 2 189 | — |
| Deferred consideration | 997 | — |
| Fair value of retained equity interest | 1 192 | — |
| Profit on disposal | 1 069 | — |
| Net cash outflow on disposal of subsidiary | (181) | — |
| Consideration due | (2 189) | — |
| Deferred consideration | 997 | — |
| Fair value of retained equity interest | 1 192 | — |
| Cash disposed of | (181) | — |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | | GROUP 2015 £'000 | GROUP 2014 £'000 |
|---|---|---|---|
| **27** | **Capital commitments** | | |
| | Capital commitments contracted but not provided for at year-end are £12,265,000 (2014: nil) principally relating to property development in Mozambique, to be funded by long-term borrowings (Standard Bank). | | |
| | Tradehold Limited ("Tradehold") and Collins Property Projects Proprietary Limited ("Collins") entered into an agreement on 11 June 2014 whereby Tradehold will acquire a portfolio of commercial property assets in Botswana, Zambia, Namibia, Mozambique and the United Kingdom from Collins and its affiliates, subject to the fulfilment of certain conditions. Collins and its affiliates will use the proceeds of such disposal to subscribe for ordinary shares in Tradehold. At the current reporting date, all the conditions pursuant to the agreement had not yet been fulfilled. It is expected, however, that the acquisitions will take place within the 2016 financial year following the fulfilment of such conditions. | | |
| **28** | **Operating lease commitments** | | |
| | The group leases retail outlets and offices under non-cancellable operating lease agreements. | | |
| | The group also leases certain plant and machinery under cancellable operating lease agreements. | | |
| | The future aggregate minimum lease payments under non-cancellable operating leases are as follows: | | |
| | Expenditure to be incurred within 1 year | 606 | 76 |
| | To be incurred thereafter, but within 5 years | 2 298 | 305 |
| | To be incurred after 5 years | 39 469 | 2 465 |
| | | 42 373 | 2 846 |
| | Total future sublease income receivable | 75 069 | 1 663 |
| **29** | **Contingent liabilities** | | |
| 29.1 | Open tax enquiry | 480 | 480 |

There is an open tax enquiry in relation to St Catherines Perth (1) S.àr.l. in the current and prior year, under which the maximum potential liability is £480,000 plus any interest accrued.

## 30 Borrowing powers

In terms of the memorandum of incorporation of the company, the borrowing powers of Tradehold Limited are unlimited.

## 31 Financial risk management

31.1 Financial risk factors

The risk management function within the group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objective of the financial risk management function is to establish risk limits and then ensure that exposure to risks stay within these limits.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Risk management policies are approved by the Boards of operating subsidiaries.

31.2 Market risk – Foreign currency exchange risk

The group operates internationally predominantly within the United Kingdom, but also recently in Mozambique and South Africa, whilst certain functions are carried out in Switzerland, Luxembourg, Malta and Mauritius.
The group is therefore exposed to various forms of foreign exchange risk, primarily with respect to the Swiss Franc, United States Dollar, South African Rand and the Euro.

Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective group entity.

The exposure to foreign exchange is managed and monitored by group treasury. The group's policy is to enter into currency hedging transactions in instances where funding is raised in a different currency to which the funding will be deployed.

On 6 February 2015 the ZAR currency risk on new borrowings of R619,275,000 was fixed at £35,673,756 (2014: £nil).

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rates and changes in foreign currency rates.

31.2.1 Sensitivity analysis

The sensitivity analysis below details the group's sensitivity to a change in exchange rate between Pound Sterling and the Swiss Franc, between ZAR and US Dollar and between ZAR and Pound Sterling. These percentages represent management's assessment of the possible changes in the foreign exchange rates at the respective year-ends. No other currency would have a meaningful effect.

If Pound Sterling would depreciate 5% against the Swiss Franc, profit for the year would be increased by £0,04 million (2014: profit for the year would be increased by £0,09 million).

If ZAR would depreciate 5% against the US Dollar, profit for the year would be increased by £0,3 million (2014: £nil).

If ZAR would depreciate 5% against the Pound Sterling, profit for the year would be decreased by £0,011 million (2014: £nil).

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 31 Financial risk management (continued)

31.2 Market risk – Foreign currency exchange risk (continued)

31.2.2 Exchange rates

The exchange rates used by the group to translate foreign entities' statement of comprehensive income and statement of financial position are as follows:

| | 2015 Average rate | 2015 Closing rate | 2014 Average rate | 2014 Closing rate |
|---|---|---|---|---|
| SA Rand | R17,80 | R17,87 | R15,73 | R17,98 |
| Swiss Franc | SFr1,50 | SFr1,47 | SFr1,45 | SFr1,48 |
| United States Dollar | $1,63 | $1,54 | — | — |
| Euro | €1,26 | €1,38 | €1,18 | €1,22 |

31.2.3 Uncovered foreign assets and liabilities

The group had the following uncovered foreign assets and liabilities:

| | 2015 Foreign currency | 2015 Pound equivalent | 2014 Foreign currency | 2014 Pound equivalent |
|---|---|---|---|---|
| Swiss Franc liabilities | 9,5 million | 6,5 million | 9,5 million | 6,4 million |
| Swiss Franc assets | 10,7 million | 7,3 million | 12,0 million | 8,1 million |

31.3 Market risk – Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2015 and 2014, the group's borrowings at variable rate were denominated in the Rand (2015), United States Dollar (2015) and the UK pound (2014 and 2015).

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group calculates the impact on the statement of comprehensive income and loss of a defined interest rate shift.

The group continues to review its interest rate risk and the policies in place to manage the risk.

Trade receivables and payables are interest-free and have settlement dates within one year.

For the current year a 100 basis point increase in interest rates across the year would have resulted in a decrease in the profit for the year of the group of £3,000 (2014: £10,000 increase in profit for the year), whilst a 100 basis point reduction in interest rates would have resulted in a reduction in the profit for the year of the group of £5,000 (2014: £10,000 reduction in profit for the year).

31.4 Market risk – Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified as at fair value through profit or loss. No financial instruments or derivatives have been employed to hedge this risk. The group is not exposed to commodity price risk.

A 5% increase in the value of investments would increase the group's profit for the year by £0,4 million (2014: £0,4 million increase in profit for the year), whilst a 5% decrease in the value of investments would reduce the profit for the year by £0,4 million (2014: £0,4 million reduction in profit for the year).

31.5 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from cash and cash equivalents held at banks and trade receivables, including rental receivables from lessees and short-term lending.

The short-term secured lending operations are concentrated mainly in Northern England in the United Kingdom, however the risk is offset by securities held. The group has no significant concentrations of credit risk.

The letting operations are concentrated mainly throughout the United Kingdom, with the relevant properties all held in Pound Sterling.

Credit policy is managed through credit limits defined at all stages of the customer life cycle, including new account sanctioning, customer management and collections and recovery activity as well as reviewing the security held. Customer lending decisions are managed principally through an affordability assessment which determines a customer's ability to repay an outstanding credit amount. In the event of default the security pledged is called upon.

31.5.1 Trade and other receivables

The group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or, if necessary, to terminate the lease.

Deposits refundable to tenants may be withheld by the group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.
Short-term asset based funding provided to cash-strapped UK and SA corporates are actively managed by the directors.

Reward is an asset based lender where the value of the underlying security is paramount in any lending decision. In addition to the underlying asset security, personal guarantees are also taken in support of facilities.

Pre-lending due diligence of all new facilities includes; assessment of the borrowers financial standing, full credit reference searches, know-your-customer anti-money laundering checks, review of management and their previous directorships, together with an assessment of the security value backed up by professional valuations when required. Invoice Finance clients are subject to a further review of their financial systems, liquidity and book debts. New facilities are underwritten in accordance with delegated authorities which require a minimum of two experienced lenders to sanction them. Legal documentation is outsourced to external solicitors who provide written confirmation that security is in order prior to drawn down of facilities.

All clients are subject to continual monitoring via a credit reference agency, client facilities are subject to an internal monthly review and reporting regime to ensure they are performing within agreed parameters. Invoice finance clients are subject to periodic audits. Invoice finance debtor credit limits are set in accordance with credit reference agency ratings and supported by credit insurance where required, such limits are subject to on going monitoring.

Early stage client defaults are overseen at Director level, working with the client to rectifying the position. Thereafter suitable professional advisors; accountants, solicitors, insolvency professionals will be utilised to recover amounts due.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 31 Financial risk management (continued)

31.5 Credit risk (continued)

31.5.2 Cash and cash equivalents

Cash balances are held with major banking groups with high credit ratings. The group's treasury policy is designed to limit exposure to any one institution.

At year-end cash and cash equivalents, neither past due nor impaired has been invested as follows:

| COMPANY | | | GROUP | |
|---|---|---|---|---|
| 2014 R'million | 2015 R'million | Bank rating (as per Fitch Ratings) | 2015 £'million | 2014 £'million |
| | | F1 + | 22,1 | 25,16 |
| | | F2 | 1,5 | 0,01 |
| 0,03 | 44,7 | F3 | 10,7 | 0,03 |
| 0,03 | 44,7 | Total | 34,3 | 25,20 |

The maximum amount of credit risk that the group is exposed to is £70,4 million (2014: £42,1 million) and has been calculated as follows:

| COMPANY | | | GROUP | |
|---|---|---|---|---|
| 2014 R'million | 2015 R'million | | 2015 £'million | 2014 £'million |
| | | Trade and other receivables | 33,6 | 16,9 |
| — | 34,0 | Loans receivable | 1,9 | — |
| — | 736,0 | Loans to subsidiaries | | |
| | | Loans to associates | 0,6 | — |
| 0,03 | 44,7 | Cash and cash equivalents | 34,3 | 25,2 |

31.6 Liquidity risk

Liquidity risk is defined as the risk that the group could not be able to settle or meet its obligations on time or at a reasonable price. Group treasury is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. Tradehold manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility. Management monitors the group's net liquidity position through rolling forecasts on the basis of expected cash flows. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.

The table below analyses the company's and the group's financial liabilities into relevant maturity groupings based on the remaining period at year-end to the contracted maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include both interest and capital.

| COMPANY | | | GROUP | | | |
|---|---|---|---|---|---|---|
| Less than 1 year R'million | Between 1 and 5 years R'million | At 28 February 2015 | Less than 1 month £'million | Less than 3 months £'million | Between 3 to 12 months £'million | Between 1 and 5 years £'million |
| 2,8 | — | Trade and other payables | 3,2 | 3,0 | 2,4 | — |
| — | 750,3 | Interest-bearing liabilities | — | — | 12,5 | 59,8 |
| | | Bank overdrafts | — | 0,2 | — | — |

| COMPANY | | | GROUP | |
|---|---|---|---|---|
| Less than 1 year R'million | Between 1 and 5 years R'million | At 28 February 2014 | Less than 1 year £'million | Between 1 and 5 years £'million |
| 1,7 | — | Trade and other payables | 4,0 | — |
| | | Interest-bearing liabilities | 6,5 | 17,4 |
| 36,7 | — | Loans from subsidiaries | | |

31.7 Fair value of financial instruments

The carrying amounts, net gains and losses recognised through profit and loss, total interest income, total interest expense and impairment of each class of financial instrument are as follows:

| 28 February 2015 Assets (£'million) | Carrying value | Net (losses)/gains | Total interest income | Total interest expense | Impair-ment |
|---|---|---|---|---|---|
| Financial asset at fair value through profit or loss | 7,3 | (0,9) | — | — | — |
| Loans receivable | 1,9 | — | 0,1 | — | — |
| Trade and other receivables | 33,6 | — | 4,5 | — | 1,0 |
| Cash and cash equivalents | 34,3 | — | 0,4 | — | — |
| Liabilities (£'million) | | | | | |
| Long-term borrowings | 19,8 | — | — | 1,2 | — |
| Derivatives | 2,3 | — | — | — | — |
| Preference shares | 34,8 | — | — | 0,2 | — |
| Contingent consideration | 2,1 | — | — | 0,1 | — |
| Short-term borrowings | 12,5 | — | — | 0,5 | — |
| Bank overdrafts | 0,2 | — | — | 0,01 | — |
| Trade and other payables | 8,6 | — | — | — | — |

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 31 Financial risk management (continued)

31.7 Fair value of financial instruments (continued)

| 28 February 2014<br>Assets (£'million) | Carrying value | Net gains | Total interest income | Total interest expense | Impairment |
|---|---|---|---|---|---|
| Financial asset at fair value through profit or loss | 8,1 | 1,7 | — | — | — |
| Trade and other receivables | 16,9 | — | 2,6 | — | (0,5) |
| Cash and cash equivalents | 25,2 | — | 0,1 | — | — |
| **Liabilities (£'million)** | | | | | |
| Long-term borrowings | 17,4 | — | — | (0,2) | — |
| Short-term borrowings | 6,5 | — | — | (0,1) | — |
| Trade and other payables | 4,0 | — | — | — | — |

The fair value of all amounts, except long-term borrowings with fixed interest rates, approximate their carrying amounts.

All financial instruments are classified as loans receivable/payable at amortised cost, except listed investments, which are classified as financial assets at fair value through profit or loss and the derivatives, which are partly carried at fair value through profit and loss held for trading and partly as fair value through profit and loss designated as a hedge (refer note 15).

31.8 Capital risk management

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

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.

A maximum of 65-75% loan to value ratio (LTV) is targeted, subject to the Board's view of markets, the prospects of and risks within the portfolio and the recurring cash flows of the business.

The policy complies with a loan covenant that limits the borrowings to not more than 70%-80% of the value of the underlying security.

This ratio is calculated as net debt divided by carrying amount of investment properties and owner-occupied properties at year-end. Net debt is calculated by the group as total borrowings less short-term borrowings secured by cash deposits.

| | GROUP | |
|---|---|---|
| | 2015<br>£'000 | 2014<br>£'000 |
| The LTV ratios at 28 February 2015 and at 28 February 2014 were as follows: | | |
| Total borrowings (including preference shares) | 67 074 | 23 981 |
| Less: Long-term borrowings secured by a debenture and a fixed charged over property and assets | (20 882) | — |
| Less: Short-term borrowings secured by cash deposits | (6 484) | (6 436) |
| Net debt | 39 708 | 17 545 |
| Investment property and owner-occupied properties | 125 352 | 77 436 |
| LTV ratio | 32% | 23% |

31.9 Fair value estimation

Effective 1 March 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Assets | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value through profit and loss | | | | | | |
| Trading securities | 7 271 | — | — | 8 130 | — | — |
| Non-financial assets at fair value through profit or loss | | | | | | |
| Investment properties | — | — | 120 552 | — | — | 72 536 |
| Total assets | 7 271 | — | 120 552 | 8 130 | — | 72 536 |
| | | | | | | |
| Liabilities | | | | | | |
| Financial liabilities at fair value through profit and loss | | | | | | |
| Contingent consideration | — | — | 2 064 | — | — | — |
| Trading derivatives | | | | | | |
| Cross currency swap | — | 1 765 | — | — | — | — |
| Derivatives used for hedging | | | | | | |
| Interest rate contracts | — | 549 | — | — | — | — |
| Financial liabilities at amortised cost | | | | | | |
| Preference shares | 34 753 | — | — | — | — | — |
| Borrowings | — | — | 32 321 | — | — | 23 981 |
| Total liabilities | 34 753 | 2 314 | 34 385 | — | — | 23 981 |

The fair value of financial instruments traded in active markets is based on quoted market prices at year-end. 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.

The fair value of investment properties is based on rental yield valuations at year-end. Should property yields increase by 1%, the valuations would be approximately £15 million lower. Should the property yields decrease by 1%, the valuations would be approximately £21 million higher.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments

There were no transfers between the levels 1 and 2 and 3 during the year.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

| | GROUP | |
|---|---|---|
| | 2015 | 2014 |
| | £'000 | £'000 |

## 32 Related parties

Related party relationships exist between the company, its subsidiaries and the directors of the company. See page 85 for details of major shareholders and directors' interest and page 79 for its subsidiaries.

Non-executive director, CH Wiese, is a director and indirect beneficial shareholder of Titan Share Dealers (Pty) Ltd, Granadino Investments (Pty) Ltd and Titan Global Investments (Pty) Ltd. He is also an employee of Chaircorp (Pty) Ltd, a management company that renders advisory services to Tradehold Limited in return for an annual fee. The amount paid of £157,000 (2014: £178,000) to Chaircorp (Pty) Ltd for advisory services to Tradehold Ltd are disclosed in note 22.

During the year Mettle concluded two joint secured funding transactions with Titan Share Dealers, on a non-recourse basis. Loans, funded 70% by Titan Share Dealers and 30% by Mettle, were advanced to external parties. Mettle earns a margin of 2% per annum on the loans so advanced on behalf of Titan Share Dealers. Interest of £29,382 accrued to Titan Share Dealers during the year. Refer note 14.2.5 for details of the loans owing to Titan Share Dealers in terms of this partnership arrangement at year end.

Non-executive director, JM Wragge, is an employee and shareholder of Gritprop Investments (Pty) Ltd, a company that renders asset management services to the group. The amount paid of £92,896 (2014: £nil) to Gritprop Investments (Pty) Ltd for asset management services to the group are disclosed in note 22.

The group has an indirect holding, through Reward Investments Limited of 70% in the two operating Reward LLP's, Reward and Reward Commercial Finance.

All intergroup transactions have been eliminated in the annual financial statements and there are no other material transactions with related parties, except as set out in note 4.

Details of the remuneration of the directors and their shareholding are disclosed elsewhere in the annual financial statements.

The executives of all operating companies are seen as key management personnel.

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| The compensation of key management consist of: | | |
| Salaries and short-term/termination benefits | 655 | 429 |
| Key management compensation was paid to: | | |
| Executive directors | 655 | 429 |

## 33 Share incentive scheme

33.1 In terms of the rules of the Tradehold Share Incentive Trust the trustees are empowered to acquire and allocate shares and to grant share options, which in total may not exceed 10% of the issued share capital of the company.

33.2 At 28 February 2015 the trustees of the Tradehold Share Incentive Trust had nil (2014: nil) shares and share options under their control. The Tradehold Share Incentive Trust is dormant.

## 34 Events after the reporting period

On 22 April 2015 Inception Holdings S.àr.l. entered into a £12,094,423 contract with McLaren Construction Limited for the refurbishment of the Market Place Shopping Centre in Bolton; the central part of the project is the construction of a new 9 screen cinema.

Moorgarth Holdings (Luxembourg) S.àr.l. ("Moorgarth") has entered into a joint arrangement with Texton Property Fund Limited ("Texton") whereby Moorgarth will acquire 50% of a newly incorporated special purpose vehicle, Inception (Reading) S.àr.l. ("Inception"). Inception will then be used as the vehicle to acquire a well-located retail shopping centre ("Broad Street Mall") in Reading, England, with an independent gross valuation of £63 million. The effective date of the acquisition will be on or about 1 June 2015.

## 35 Segment information

Segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The group has determined that its CODM is made up of the executive Board of directors of the group.

The operating segments have been determined based on the reports reviewed by the executive Board of directors in making strategic decisions.

The executive Board of directors monitor the business based on the following operating segments:
Property – retail
Property – commercial
Property – offices
Property – leisure
Property – residential
Property – other
Short-term lending
Treasury

The operating segments derive their revenue primarily from rental income from lessees, revenue from hotel operations and income from short-term lending. All of the group's business activities and operating segments are reported within the above segments.

The executive directors assesses the performance of the operating segments based on a measure of adjusted operating profit, i.e. trading profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses, lease repair liabilities and impairment of loans.

The amounts provided to the Board of directors in respect of total assets and total liabilities are measured in a manner consistent with that of the annual financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

# NOTES (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## 35 Segment information (continued)

The segment information provided to the CODM for the reportable segments for the year ended 28 February 2015 is as follows:

| (£'000) | Property | | | | | | Short-term lending | Treasury | Group |
|---|---|---|---|---|---|---|---|---|---|
| | Retail | Commercial | Offices | Leisure | Residential | Other | | | |
| Total segment revenue (external customers) | 6 900 | 611 | 1 330 | 3 057 | 87 | 260 | 8 486 | — | 20 731 |
| Trading profit/(loss) | 5 447 | 1 187 | 1 278 | 111 | 209 | — | 4 456 | (676) | 12 012 |
| Depreciation, impairment and amortisation | 18 | 7 | 58 | 68 | — | 131 | 83 | 7 | 372 |
| Income tax expense | 70 | 18 | 39 | (10) | 5 | — | 479 | 4 | 605 |
| Finance income | — | — | — | — | 13 | 2 | 25 | 769 | 809 |
| Finance cost | 931 | — | — | — | — | — | 437 | 921 | 2 289 |
| Write-back of provisions | — | — | — | — | — | — | — | 35 | 35 |
| Fair value adjustment to investment property | 883 | (303) | 1 219 | 13 | 344 | — | — | — | 2 156 |
| Profit on disposal of investment properties | 913 | — | 446 | — | — | — | — | — | 1 359 |
| Impairment of goodwill | — | — | — | — | — | — | (1 288) | — | (1 288) |
| Total assets | 71 695 | 5 538 | 36 269 | 6 531 | 27 573 | — | 30 188 | 29 743 | 207 537 |
| Additions to investment properties | 7 122 | — | 29 971 | — | 14 607 | — | — | — | 51 700 |
| Disposal of investment properties | 7 585 | — | 1 100 | — | — | — | — | — | 8 685 |
| Total liabilities | 23 133 | 78 | 2 407 | 340 | 10 158 | — | 3 410 | 45 683 | 85 209 |

The segment information provided to the CODM for the reportable segments for the year ended 28 February 2014 is as follows:

| (£'000) | Property | | | | | | Short-term lending | Treasury | Group |
|---|---|---|---|---|---|---|---|---|---|
| | Retail | Commercial | Offices | Leisure | Residential | Other | | | |
| Total segment revenue (external customers) | 4 559 | 610 | 290 | 2 839 | — | — | 4 261 | — | 12 559 |
| Trading profit/(loss) | 3 274 | 167 | (12) | 35 | — | 125 | 3 137 | (580) | 6 146 |
| Depreciation, impairment and amortisation | 36 | — | 56 | 177 | — | — | 20 | 8 | 297 |
| Income tax expense | 81 | 27 | 3 | (1) | — | — | 409 | (5) | 514 |
| Finance income | — | — | — | — | — | 2 | 4 | 151 | 157 |
| Finance cost | 179 | — | — | — | — | — | — | 66 | 245 |
| Write-back of provisions | — | — | — | — | — | 125 | — | 137 | 262 |
| Fair value adjustment to investment property | 333 | (111) | — | — | — | — | — | — | 222 |
| Total assets | 64 324 | 6 929 | 4 225 | 6 541 | — | 1 101 | 15 096 | 29 931 | 128 147 |
| Additions to investment properties | 25 687 | 11 | 275 | — | — | — | — | — | 25 973 |
| Total liabilities | 20 142 | 122 | 99 | 409 | — | 70 | 317 | 7 049 | 28 208 |

All non-current assets are held in the United Kingdom and Africa and all revenue is generated in the United Kingdom and South Africa.

Residential property was acquired in the current year and therefore did not form part of the prior year segment information.

# INTEREST IN SUBSIDIARIES

Tradehold Limited and its subsidiaries at 28 February 2015

| | Issued Share Capital | Percentage shares held by group 2015 % | 2014 % |
|---|---|---|---|
| **SUBSIDIARIES** | | | |
| Moorgarth Holdings Ltd (Incorporated in England and Wales) | £1 | 100 | 100 |
| Moorgarth Group Ltd (Incorporated in England and Wales) | £100 | 100 | 100 |
| Moorgarth Holdings (Luxembourg) S.àr.l. (Incorporated in Luxembourg) | £12 500 | 95 | 85 |
| Tauri Holdings S.àr.l. (Incorporated in Luxembourg) | £12 500 | 75 | 75 |
| Inception Holdings S.àr.l. (Incorporated in Luxembourg) | €12 500 | 100 | 100 |
| Tradegro S.àr.l. (Incorporated in Luxembourg) | £95 364 214 | 100 | 100 |
| Moorgarth Properties (Luxembourg) S.àr.l. (Incorporated in Luxembourg) | £10 000 | 100 | 100 |
| Clumber Park Hotel LLP (Incorporated in England and Wales) | £60 000 | 100 | 100 |
| Reward Investments Ltd (Incorporated in England and Wales) | £1 | 100 | 90 |
| St Catherines Perth (l) S.àr.l. (Incorporated in Luxembourg) | £12 500 | 100 | 100 |
| Mettle Investments Proprietary Limited (Incorporated in South Africa) | R963 | 100 | — |
| Tradehold Africa Limited (Incorporated in Mauritius) | $100 | 100 | — |
| Cognis 1, Limitada (Incorporated in Mozambique) | $50 000 | 60 | — |
| London Office S.àr.l. (Incorporated in Luxembourg) | £12 500 | 100 | — |
| Nordic Lime Street S.àr.l. (Incorporated in Luxembourg) | £2 392 000 | 100 | — |
| Inception Living S.àr.l. (Incorporated in Luxembourg) | £12 500 | 100 | — |
| TC Mozambique Properties Limited | $100 | 100 | — |
| TC Maputo Properties Limited | $100 | 70.6 | — |
| Tradehold Solar Limited | $100 | 100 | — |
| Mettle Administration Services Proprietary Limited | R300 | 100 | — |
| Mettle Vehicle Finance Proprietary Limited | R100 | 100 | — |
| Point Break M&A Proprietary Limited | R120 | 100 | — |

Note:

General information in respect of subsidiaries is set out in respect of only those subsidiaries, the financial position or result of which are material for a proper appreciation of the affairs of the group. A full list of subsidiaries is available on request.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

The total non-controlling interest for the period is £84,217 (2014: £611,914), of which £192,311 (2014: £604,901) is for Reward Investments Ltd, £19,563 (2014: £7,013) is attributed to Moorgarth Holdings (Luxembourg) S.àr.l. and (£127,657) (2014: £nil) is attributed to Tradehold Africa Limited.

# INTEREST IN SUBSIDIARIES (CONTINUED)

Tradehold Limited and its subsidiaries at 28 February 2015

## Summarised information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

### Summarised balance sheet

| | Reward Investments Ltd | | Tradehold Africa Ltd | | Tradehold Group | |
|---|---|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Current | | | | | | |
| Assets | 21 345 | 15 563 | 8 991 | — | 74 138 | 50 274 |
| Liabilities | (20 362) | (12 942) | (14 156) | — | (21 308) | (10 581) |
| Total current net assets | 983 | 2 621 | (5 165) | — | 52 830 | 39 693 |
| Non-current | | | | | | |
| Assets | 17 | 29 | 9 357 | — | 133 399 | 77 873 |
| Liabilities | — | — | (4 821) | — | (63 901) | (17 627) |
| Total non-current net assets | 17 | 29 | 4 536 | — | 69 498 | 60 246 |
| Net assets | 1 000 | 2 650 | (629) | — | 122 328 | 99 939 |
| **Summarised income statement** | | | | | | |
| Revenue | 5 146 | 4 261 | — | — | 20 731 | 12 559 |
| Profit/(loss) before taxation | 2 444 | 2 408 | (407) | — | 9 640 | 7 796 |
| Taxation | (345) | (409) | — | — | (605) | (514) |
| Other comprehensive income/(loss) | — | — | — | — | (710) | 61 |
| Total comprehensive income/(loss) | 2 099 | 1 999 | (407) | — | 8 235 | 7 343 |
| Total comprehensive income/(loss) allocated to non-controlling interests | 707 | 706 | (135) | — | 1 066 | 890 |
| Distributions paid to non-controlling partners | (883) | (700) | — | — | (883) | (700) |
| **Summarised cash flows** | | | | | | |
| Net cash (used in)/generated from operating activities | (3 859) | (384) | 348 | — | 9 034 | 5 678 |
| Net cash used in investing activities | (11) | (9) | (5 133) | — | (52 001) | (27 394) |
| Net cash generated from financing activities | 3 039 | 710 | 13 125 | — | 52 118 | 16 663 |
| **Net decrease in cash and cash equivalents** | (831) | 317 | 8 340 | — | 9 151 | (5 053) |
| Cash and cash equivalents at beginning of the year | 2 672 | 2 355 | — | — | 25 192 | 30 184 |
| Effect of changes in exchange rate | — | — | (229) | — | (201) | 61 |
| **Cash and cash equivalents at end of the year** | 1 841 | 2 672 | 8 111 | — | 34 142 | 25 192 |

The information above for Rewards Investments Ltd and Tradehold Africa Ltd are the amounts before inter-company eliminations.

# PROPERTY PORTFOLIO ANALYSIS

At 28 February 2015

## 1. Property schedule

| Location | Effective date of acquisition | Purchase price (£'000) | Value attributed (£'000) | Sector | Gross lettable area (square feet) | Rental per square foot (£) | Average rental escalation (%) | Gross lettable area (%) | Revenue (%) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Industrial: total | 164 199 | 3,38 | — | 16.8 | 5.1 |
| Ogden Road Industrial Estate, Doncaster | Dec-06 | 3 465 | 3 200 | Industrial | 36 072 | 2,77 | | | |
| J4 Technology Park, Skelmersdale | Feb-07 | 2 862 | 1 600 | Industrial | 43 000 | 4,88 | | | |
| Constantine Street, Oldham | Feb-05 | 1 552 | 1 650 | Industrial | 44 265 | 3,00 | | | |
| Bath Road, Felling | Oct-03 | 672 | 700 | Industrial | 40 862 | 2,74 | | | |
| Cookridge Street, Leeds | | | | Leisure | 6 637 | 12,43 | — | 0.7 | 0.8 |
| | | | | Offices: total | 127 267 | 19,75 | 1.0 | 13.1 | 23.1 |
| Wilmingtone Grove, Leeds | May-06 | 3 470 | 1 150 | Offices | 63 000 | 3,10 | | | |
| Cookridge Street, Leeds | Sep-06 | 2 752 | 1 945 | Offices | 6 300 | 16,21 | | | |
| Grays Inn, London | Jun-14 | 6 628 | 6 648 | Offices | 6 923 | 65,82 | | | |
| Tagwright House | | | | Offices | 6 658 | 41,35 | | | |
| 25 Lime St, London | Dec-14 | 6 424 | 6 425 | Offices | 10 673 | 36,05 | | | |
| 24 Lime St, London | Apr-14 | 5 758 | 6 000 | Offices | 8 764 | 32,77 | | | |
| Rutherglen | | | | Offices | 1 635 | 4,59 | | | |
| Central House, Leeds | Dec-14 | 1 603 | 1 612 | Offices | 9 614 | 32,65 | | | |
| Wigmore Street, London | Apr-14 | 5 360 | 7 000 | Offices | 4 500 | 111,11 | | | |
| Westbourne Centre, Barrhead | Oct-05 | 4 050 | 2 100 | Offices | 9 200 | 8,50 | | | |
| | | | | Retail: total | 661 983 | 11,03 | 3.5 | 67.9 | 67.1 |
| Ogden Road Industrial Estate, Doncaster | | | | Retail | 30 520 | 5,57 | | | |
| Westbourne Centre, Barrhead | | | | Retail | 30 800 | 8,50 | | | |
| Bitterne, Southampton | Sep-04 | 1 756 | 2 075 | Retail | 16 828 | 10,10 | | | |
| Boundary Road, Prestwick | Feb-06 | 800 | 1 425 | Retail | 18 000 | 8,06 | | | |
| High Street, Bromsgrove | Sep-04 | 1 272 | 940 | Retail | 17 590 | 4,60 | | | |
| High Street, Johnstone | Oct-03 | 335 | 435 | Retail | 6 734 | 8,91 | | | |
| Main Street, Baillieston | Oct-03 | 237 | 325 | Retail | 7 900 | 6,71 | | | |
| High Street, Irvine | Oct-03 | 300 | 220 | Retail | 6 467 | 4,25 | | | |
| 24 Lime St, London | | | | Retail | 530 | 188,68 | | | |
| Dalrympal Street, Girvan | Oct-03 | 147 | 245 | Retail | 5 650 | 4,78 | | | |
| Grays Inn, London | | | | Retail | 309 | 30,26 | | | |
| St Catherine's Perth | Jun-11 | 12 132 | 12 600 | Retail | 65 000 | 13,90 | | | |
| Market Place, Bolton | Nov-13 | 24 860 | 29 189 | Retail | 352 290 | 11,98 | | | |
| Rutherglen | May-12 | 7 700 | 9 465 | Retail | 103 365 | 10,09 | | | |
| | | | | Residential: total | 14 872 | 28,48 | — | 1.5 | 3.9 |
| Tagwright House | Dec-14 | 13 370 | 14 000 | Residential | 11 693 | 34,69 | | | |
| 119-125 Marygate, Berwick upon Tweed | Oct-03 | 580 | 270 | Residential | 3 179 | 5,66 | | | |
| | | | 111 219 | | | | | 100.0 | 100.0 |

All the above properties are located in the United Kingdom. The average annualised rental yield amounts to 8.2%.

Construction has been approved and is ongoing on a development in Mozambique with an expected completion date in 2017. The total cost of the development is expected to be £30,4 million with the building currently recognised in the annual financial statements at an amount of £9,3 million.

# PROPERTY PORTFOLIO ANALYSIS (CONTINUED)

At 28 February 2015

## 2. Tenant profile

| | % |
|---|---|
| A – Large nationals, large listeds, government and major franchisees | 55.8 |
| B – Nationals, listeds, franchisees, and medium to large professional firms | 5.6 |
| C – Other | 38.6 |
| | 100 |

There are 126 tenants in Category C.

## 3. Vacancy profile based on gross lettable area

| | % |
|---|---|
| Industrial | 0.4 |
| Leisure | — |
| Offices | 7.3 |
| Retail | 13.0 |
| Residential | 0.6 |
| | 21.3 |

## 4. Lease expiry profile based on revenue

| | Within 1 year (%) | Within 2 years (%) | Within 3 years (%) | Thereafter (%) |
|---|---|---|---|---|
| Industrial | 5.9 | 0.8 | — | — |
| Leisure | 3.7 | — | 0.9 | 0.2 |
| Offices | 11.0 | 1.7 | 1.1 | 1.0 |
| Retail | 18.3 | 3.9 | 4.0 | 46.5 |
| Residential | 1.0 | — | — | — |

## 5. Lease expiry profile based on gross lettable area

| | Within 1 year (%) | Within 2 years (%) | Within 3 years (%) | Thereafter (%) |
|---|---|---|---|---|
| Industrial | 13.0 | 3.7 | — | — |
| Leisure | — | — | 0.7 | 0.3 |
| Offices | 9.6 | 1.1 | 0.6 | 1.2 |
| Retail | 36.0 | 3.4 | 1.7 | 27.1 |
| Residential | 1.6 | — | — | — |

# PROPERTY PORTFOLIO ANALYSIS

At 28 February 2014

## 1. Property schedule

| Location | Sector | Gross lettable area (square feet) | Rental per square foot (£) | Average rental escalation (%) | Gross lettable area (%) | Revenue (%) |
|---|---|---|---|---|---|---|
| | Industrial: total | 193 127 | 3,75 | — | 19.4 | 7.9 |
| Ogden Road Industrial Estate, Doncaster | Industrial | 65 000 | 4,15 | | | |
| J4 Technology Park, Skelmersdale | Industrial | 43 000 | 4,88 | | | |
| Constantine Street, Oldham | Industrial | 44 265 | 3,00 | | | |
| Bath Road, Felling | Industrial | 40 862 | 2,74 | | | |
| Cookridge Street, Leeds | Leisure | 6 637 | 12,43 | — | 0.6 | 0.9 |
| | Offices: total | 90 466 | 9,21 | 1.0 | 9.1 | 9.1 |
| Wilmingtone Grove, Leeds | Offices | 63 000 | 3,10 | | | |
| Southfield, Harrogate | Offices | 8 150 | 15,09 | | | |
| Cookridge Street, Leeds | Offices | 5 616 | 15,49 | | | |
| Wigmore Street, London | Offices | 4 500 | 77,78 | | | |
| Westbourne Centre, Barrhead | Offices | 9 200 | 8,50 | | | |
| | Retail: total | 707 562 | 10,65 | 3,5 | 70.9 | 82.1 |
| S Jennings, Middlesborough | Retail | 66 200 | 8,57 | | | |
| Westbourne Centre, Barrhead | Retail | 30 800 | 8,50 | | | |
| Bitterne, Southampton | Retail | 16 828 | 12,09 | | | |
| Boundary Road, Prestwick | Retail | 18 000 | 8,06 | | | |
| High Street, Bromsgrove | Retail | 17 590 | 5,97 | | | |
| 119 – 125 Marygate, Berwick-Upon Tweed | Retail | 6 450 | 15,27 | | | |
| High Street, Johnstone | Retail | 6 734 | 8,91 | | | |
| Main Street, Baillieston | Retail | 7 900 | 6,84 | | | |
| High Street, Irvine | Retail | 6 467 | 4,25 | | | |
| Dalrympal Street, Girvan | Retail | 5 650 | 6,55 | | | |
| St Catherine's Perth | Retail | 65 000 | 14,25 | | | |
| Market Place, Bolton | Retail | 354 943 | 10,79 | | | |
| Rutherglen | Retail | 105 000 | 11,62 | | | |
| | | | | | 100.0 | 100.0 |

All the above properties are located in the United Kingdom. The average annualised rental yield amounts to 11.4%.

# PROPERTY PORTFOLIO ANALYSIS (CONTINUED)

At 28 February 2014

## 2. Tenant profile

| | % |
|---|---|
| A – Large nationals, large listeds, government and major franchisees | 71 |
| B – Nationals, listeds, franchisees, and medium to large professional firms | 14 |
| C – Other | 15 |
| | 100 |

There are 79 tenants in Category C.

## 3. Vacancy profile based on gross lettable area

| | % |
|---|---|
| Industrial | 3.4 |
| Leisure | — |
| Offices | 7.8 |
| Retail | 12.0 |
| | 23.2 |

## 4. Lease expiry profile based on revenue

| | Within 1 year (%) | Within 2 years (%) | Within 3 years (%) | Thereafter (%) |
|---|---|---|---|---|
| Industrial | 9.3 | — | 1.7 | — |
| Leisure | — | — | — | 1.4 |
| Offices | 4.8 | — | 0.4 | — |
| Retail | 15.5 | 7.3 | 8.6 | 51.0 |

## 5. Lease expiry profile based on gross lettable area

| | Within 1 year (%) | Within 2 years (%) | Within 3 years (%) | Thereafter (%) |
|---|---|---|---|---|
| Industrial | 16.2 | — | 4.5 | — |
| Leisure | — | — | — | 0.9 |
| Offices | 1.2 | — | 0.4 | — |
| Retail | 10.9 | 3.7 | 5.5 | 56.7 |

# SHAREHOLDERS' PROFILE

Tradehold Limited and its subsidiaries at 28 February 2015

| | Number of holders | Percentage of shareholders | Number of shares held | Percentage holding |
|---|---|---|---|---|
| **Distibution of shareholders** | | | | |
| Non-public shareholders | | | | |
| Directors | 5 | 0.32 | 120 175 854 | 77.0 |
| Public shareholders | 1573 | 99.68 | 35 957 023 | 23.0 |
| Total | 1578 | 100.00 | 156 132 877 | 100.0 |

| | Number of shares held | Percentage holding |
|---|---|---|
| **Major shareholders** | | |
| Granadino Investments (Pty) Ltd | 79 382 297 | 50.8 |
| Titan Global Investments (Pty) Ltd | 28 695 605 | 18.4 |
| Titan Share Dealers (Pty) Limited | 9 792 344 | 6.3 |

**Directors' interest**

At 28 February 2015 the interest of the directors in the issued shares in the company were as follows:

| | Direct beneficial | Indirect non-beneficial | Total 2015 | Total 2014 |
|---|---|---|---|---|
| FH Esterhuyse | 30 135 | 1 664 490 | 1 694 625 | |
| DA Harrop | — | — | — | — |
| KL Nordier | 48 219 | — | 48 219 | — |
| MJ Roberts | — | — | — | — |
| HRW Troskie | — | — | — | — |
| TA Vaughan | 532 456 | — | 532 456 | — |
| CH Wiese | — | 117 870 246 | 117 870 246 | 117 870 246 |
| JD Wiese | — | 30 308 | 30 308 | 30 308 |
| JM Wragge | — | — | — | — |
| | 610 810 | 119 565 044 | 120 175 854 | 117 900 554 |

# SHAREHOLDERS' INFORMATION

## Enquiries

Enquiries relating to shareholdings in the company such as the loss of share certificates, dividend payments, or to notify change of address and/or bank account details, please write to the registrars: Computershare Investor Services (Pty) Ltd, P O Box 61051, Marshalltown, 2107. If you have received more than one copy of this integrated report, there may be more than one account in your name on the company's register of members. If you would like to amalgamate your holdings, write to the registrars, detailing the accounts concerned and instructions on how they should be amalgamated.

## Additional copies of annual financial statements

Additional copies of the report are obtainable from:
South Africa: The Company Secretary, Tradehold Ltd, 36 Stellenberg Road, Parow Industria, 7493, telephone number: +27 21 929 4800.
United Kingdom: The Company Secretary, Moorgarth Holdings Ltd, 17 – 19 York Place, Leeds, W Yorkshire LS1 2EX, telephone number: +44 870 850 8001.
Europe: Tradehold Ltd, Fourth Floor, Avantech Building, St Julian's Road, San Gwann SGN 2805, Malta, telephone number: +356 214 463 77.

## Share transactions totally electronic ("STRATE")

In July 2001 the company has transferred its share capital to the electronic settlement and custody system, STRATE, designed to achieve contractual, rolling and irrevocable settlement. Shareholders who have not lodged their share certificates with a Central Securities Depositary Participant ("CSDP") or qualifying broker of their choice, are encouraged to do so. Currently all trade in the company's shares take place electronically, resulting in shareholders not being able to sell their Tradehold shares unless they exist in electronic form in the STRATE environment. Any questions with regard to the transfer to STRATE may be directed to the company secretary at telephone number +27 21 929 4800 or the registrars, Computershare, at telephone number +27 11 370 5000.

## Payment of dividend directly into shareholders' bank accounts

Shareholders who do not currently have their dividend paid directly into a bank account and who wish to do so should complete a mandate instruction obtainable from the company's registrars at the above address.

# FORM OF PROXY

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

TRADEHOLD LIMITED
Registration number 1970/009054/06
Incorporated in the Republic of South Africa
JSE Code: TDH ISIN: ZAE000152658

**To be completed by certificated shareholders and dematerialised shareholders with own name registration only.**

**For use at the annual general meeting of members to be held at 10:00 on Tuesday, 4 August 2015 in the boardroom at the head office of Pepkor Limited, 36 Stellenberg Road, Parow Industria 7493.**

Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full names and surname in block letters) ..........................................................................................................

of (full address) ..........................................................................................................................................................

..........................................................................................................................................................................

as a member of Tradehold Limited, being the registered holder of .................................. shares in the company, hereby appoint:

1. ..................................................................................................................................................................... or

2. ..................................................................................................................................................................... or

3. THE CHAIRMAN OF THE MEETING

as my/our proxy to attend, speak and vote on my/our behalf, as indicated below, at the annual general meeting of shareholders of Tradehold Ltd to be held at 10:00 on 4 August 2015 and at any adjournment thereof:

Indicate with an X in the appropriate block:

## Ordinary resolutions

| | | In favour of | Against | Abstain |
|---|---|---|---|---|
| Adoption of the annual financial statements | 1. | | | |
| Re-appointment of PricewaterhouseCoopers Inc | 2. | | | |
| Re-appointment of Mr MJ Roberts to the Board | 3. | | | |
| Re-appointment of Mr HRW Troskie to the Board | 4. | | | |
| General authority to directors to issue shares for cash | 5. | | | |
| General authority to issue shares | 6. | | | |
| Election of members of audit committee | 7. | | | |
| Election of members of social and ethics committee | 8. | | | |
| Election of members of the remuneration committee | 9. | | | |

## Special resolution

| | | | | |
|---|---|---|---|---|
| Confirmation of the directors' remuneration | 1. | | | |
| Financial assistance in terms of s. 45 | 2. | | | |
| Financial assistance in terms of s. 44 | 3. | | | |
| General authority to directors to repurchase the company's shares | 4. | | | |

Signed at ........................................................this .............................................. day of ................................................ 2015

Signature ..........................................................................................................................................................

# FORM OF PROXY (CONTINUED)

Tradehold Limited and its subsidiaries for the year ended 28 February 2015

## NOTES:

A member entitled to attend and vote at the annual general meeting shall be entitled to appoint one or more persons, who need not be members of the company as his proxy to attend and speak, to vote, abstain and give or refuse consent to a decision contemplated in section 60 of the Companies Act of 2008, in his place.

If a proxy form, duly signed, is lodged without specific directions as to which way the proxy is to vote, the proxy will be deemed to have been authorized to vote as he thinks fit.

3. A proxy appointment:
   (a) must be in writing, dated and signed; and
   (b) remains valid for:
      (i) one year after the date on which it was signed; or
      (ii) any longer or shorter period expressly set out in the appointment unless it is revoked in a manner contemplated in Section 58(4)(c) or expires earlier as contemplated in section 58(8)(d).

4. If the proxy is signed under power of attorney or on behalf of a company, such power or authority, unless previously registered with the company, must accompany it.

5. Shareholders who have dematerialised their shares with a CSDP or stockbroker, other than own name registration, must arrange with the CSDP or stockbroker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or stockbroker concerned.

6. Any alteration to the form of proxy must be signed, not initialled.

7. Where there are joint holders of shares and if more than one of such joint holders is present or represented, then the person whose name appears first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.

8. The completion and lodging of this form of proxy will not preclude the signatory from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.

9. Proxies must reach the company secretary at his office at 36 Stellenberg Road, Parow Industria 7493 (P O Box 6100, Parow East 7501) at least 48 hours before commencement of the meeting.

Project management: De Kock Communications
Design and layout: Fresh Identity

TRADEHOLD LIMITED

www.tradehold.co.za