2014

# INTEGRATED ANNUAL REPORT


TREMATON
Capital Investments Limited

# VALUE SILOS

| LEISURE PROPERTY & GAMING | RESIDENTIAL PROPERTY | COMMERCIAL PROPERTY | OTHER |
|---|---|---|---|
| Marina and Boatyard | Sectional Title Blocks | Commercial, Retail and Industrial Property | Private Equity |
| Restaurant and Conference Facilities | Wholly Owned Properties | Operates in less competitive niche | Listed Investments |
| Leisure and Residential Development | Property Management | Value-added Opportunities | Unlisted Investments |
| Casino | Property Trading | Core competency, established track record | Joint Ventures |

The Integrated Annual Report, including the annual financial statements, has been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 71 of 2008. The annual financial statements have been audited in compliance with this act.

The group financial results have been prepared under the supervision of the chief financial officer, Mr AL Winkler CA (SA).

Published on: 20 November 2014

Financial year-end: 31 August 2014

# GENERAL INFORMATION

**Country of incorporation and domicile**
South Africa

**Nature of business and principal activities**
Investments

**Directors**
M Kaplan (Independent Non-executive Chairman)
AJ Shapiro (Chief Executive Officer)
AL Winkler (Chief Financial Officer)
A Groll (Executive Director)
JP Fisher (Independent Non-executive Director)
AM Louw (Independent Non-executive Director)
R Stumpf (Non-executive Director)

**Registered office**
2nd Floor, The Hudson, 30 Hudson Street
De Waterkant, Cape Town, 8001
Tel: 021 421 5550 Fax: 021 421 5551

**Postal address:** PO Box 7677, Roggebaai, 8012

**Website:** www.trematon.co.za

**Bankers:** ABSA Bank Limited

**Auditors:** Mazars Inc.

**Company secretary**
SA Litten
2nd Floor, The Hudson, 30 Hudson Street,
De Waterkant, Cape Town, 8001

**Company registration number**
1997/008691/06

**Audit and risk committee**
JP Fisher (Chairman)
M Kaplan
AM Louw

**Remuneration committee**
AM Louw (Chairman)
M Kaplan
R Stumpf

**Social and ethics committee**
JP Fisher (Chairman)
M Kaplan
AM Louw

**Investment committee**
M Kaplan (Chairman)
JP Fisher
A Groll
AJ Shapiro
AL Winkler

**Attorneys:** Bernadt, Vukic, Potash & Getz

**Sponsors:** Sasfin Capital, a division of Sasfin Bank Limited

**Transfer secretaries**
Link Market Services South Africa (Pty) Limited
PO Box 4844, Johannesburg, 2000
19 Ameshoff Street, Braamfontein
Tel: 011 713 0800
Fax: 086 674 4381

# CONTENTS

# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S JOINT REPORT

Trematon is an investment holding company which invests in assets which we believe to be undervalued. This means that the price at which assets can be purchased is at a discount to the price which can be realised in due course. The broad aim is to achieve an average internal rate of return of more than 20%. To achieve a consistent 20% internal rate of return over time is neither easy nor guaranteed. It is more likely that some investments will yield more than this where others will fall short of this objective, but the aim is to have a decent batting average.

Trematon owns certain operating businesses with a stable income flow but these tend to be outweighed by investment activities during the year. The pattern of investment acquisition and realisation is irregular which can result in uneven profits that do not follow an easily predictable pattern. Our objective is to pay a regular dividend over time. We believe that the best measure of value for shareholders is the directors' intrinsic value report which can be viewed on page 6. In this report the directors have attributed a valuation to each asset which represents a fair and realisable market value. The intrinsic value at the reporting date was 315 cents per share.

For the current year the total profit attributable to shareholders was R43.2 million (2013: R51.5 million). For a detailed review of the financial aspects of the results please refer to the chief financial officer's report on page 4.

The illustration on page 12 gives a graphical representation of the major areas of operations and the organogram on page 7 illustrates the group's subsidiaries and associates.

There are four major areas of operation: Club Mykonos (including a 30% share in the Mykonos Casino), Arbitrage Property Fund (commercial, retail and industrial property investments), Resi Investment Group (residential property investments) and other investments which include listed and unlisted equities across many industry sectors. These are discussed in more detail below.

## CLUB MYKONOS LANGEBAAN (PTY) LIMITED ("CML")

Club Mykonos is located in Langebaan which is a popular holiday destination on the West Coast of the Western Cape and is situated 120 km from the Cape Town city centre. Langebaan has approximately 9 000 permanent residents and the population of the surrounding towns (of which Saldanha Bay and Vredenburg are the largest) is approximately 100 000. The region's level of economic activity is increasing and has benefited from infrastructural and investment spending by government and large corporates. The recent proclamation of the Saldanha Bay Industrial Development Zone ("SBIDZ") has given impetus to this trend. The SBIDZ will be an oil and gas and marine repair engineering and logistics services complex serving the needs of the upstream exploration and production service companies operating in oil and gas fields in Sub Saharan Africa.

Club Mykonos is well positioned to benefit from the increased permanent population, the high level of tourists and regular commercial visitors.

The improvements at Club Mykonos have been described in previous annual reports and this process continues.

### *Mykonos Casino*

Mykonos Casino comprises one of the five casino licences in the Western Cape and is operated by Tsogo Sun Holdings Limited. The casino has 320 slot machines and 6 tables. The refurbishment referred to at the interim stage has commenced with the upgrading and redesign of the restaurant and coffee shop facilities and will continue after the holiday season. Mykonos Casino benefits from the reliable seasonal tourist trade and should also benefit from the increased commercial traffic in the area as a result of the SBIDZ. It is estimated that 50% of the casino's turnover is generated by visitors from Cape Town and 50% by locals. The casino's contribution to group profits (see the chief financial officer's report) increased by 8% in the current year and growth momentum has increased during the 2015 financial year to date. Cash balances on hand in the casino operation amounted to R56 million at the reporting date.

### *The Marina and Boatyard*

Mykonos Marina remains extremely popular and is an important component of the attractiveness of the resort. Saldanha Bay is one of the premier yachting areas in the country and the proximity to the Langebaan Lagoon makes it an enduring favourite with yachtsmen and watersports enthusiasts. It also serves as a scenic hub for leisure activities at the Marina Terraces restaurants and as a base for leisure activities such as yacht charters and jet skis.

The third and final phase of the Mykonos Boatyard development is well underway and the product is now well established. The ancillary activity around boat repair, supplies and maintenance has grown along with the number of boats. The Boatyard is expected to achieve full operating capacity during the next financial year once all of the garages have been completed.

### *Commercial and Leisure Properties*

The restaurants and rental properties on the resort have benefited from the overall improvement in the popularity of the resort. Timeshare occupancies have been excellent - although CML does not own these properties it results in regular foot traffic for the casino, the commercial businesses and restaurants. The resort has maintained its RCI Gold Crown and 4 star grading and has received nominations for several industry awards.

Plans have been submitted for a new beachfront restaurant on "Hobie Beach" to be leased by a well established local operator which will generate increase rental income in the new financial year.

Civil works are underway for the biggest new development at Club Mykonos in the last decade. The Marina Village will comprise 25 luxury waterfront units situated on the marina. The beauty, security and convenience of the resort and the glorious waterfront location make this a sought after product and the level of pre-sales is very encouraging. The total capital cost of the project is estimated at R52 million and the targeted completion date is the beginning of 2016. An architects rendering of the completed product is illustrated to good effect on page 15.

Development capacity in terms of the current zoning exists for a further 400 – 500 residential and commercial opportunities which will provide a lucrative pipeline over the next few years if the market for leisure and residential properties continues to strengthen.



## ARBITRAGE PROPERTY FUND (PTY) LIMITED ("ARBITRAGE")

Arbitrage concluded two material transactions during the period under review. The first of these is the newly branded Northgate Park, which was purchased and is planned to transfer in the following financial year, in partnership with Buffet Investments. The property was originally a retail development which is in the process of being repurposed as an A-grade office park to which several national tenants have already committed. Northgate Park is located on the N1 highway adjacent to Century City and offers 18 000 sqm of premium office accommodation, good parking ratios and very high visibility. The total cost of the project will be approximately R140 million and Northgate Park has a targeted completion date of March 2015.

The second material transaction was the acquisition of North Wharf (previously known as "The Spearhead") which comprises just over 5 000 sqm of office space in an excellent commercial node situated between the new Portside Building (housing Old Mutual and FNB) and the Southern Sun Waterfront hotel complex.

The investment pipeline for Arbitrage is extremely promising and we expect to conclude various further transactions in the new financial year.

The modus operandi of Arbitrage is not to replicate a REIT or property loan stock profile but to focus on opportunities where there is good potential to add significant value. Some of the buildings (such as Northgate Park) may not have a high yield on the date of purchase and may be a drag on reported earnings in the short term but have the potential for an IRR which meets or exceeds Trematon's target of 20%.

## RESI INVESTMENT GROUP ("RESI")

Resi currently invests in and manages residential properties which have been purchased for both rental and trading.

Some units are purchased specifically for trading, notably those units in Hibernian Towers on the Golden Mile of the Strand beachfront which are in a market segment that does not offer good rental returns although it has yielded excellent capital profits to date.

During the year under review Resi completed The Hub project (a joint venture with Prime Point Properties) which comprises 72 residential units in Woodstock. This project is expected to deliver total returns well in excess of our benchmark.

Resi also concluded the purchase of 3 apartment blocks from Diluculo Properties (Pty) Limited comprising a total of 160 units in Parklands, Cape Town. The demand for rental units in this market segment (high quality smaller units in good residential nodes) which is typical of the Resi product, is very strong and vacancies are currently negligible.

Deal flow in this segment was fairly strong in the early part of the financial year and the quality of the portfolio has been enhanced. The residential market has strengthened which has resulted in good returns from our existing stock but has reduced the pipeline of attractive investments at competitive yields. We remain committed to this segment of the market and we will continue to be disciplined in applying our investment criteria and will therefore be selective in concluding transactions. All of our investments are currently in the Western Cape and we will continue to invest in this region while we can find deals of the right quality. It is Resi's long term intention to expand nationally if the right opportunity arises.

## OTHER INVESTMENTS

The group realised profits of R14 million from share trading, the biggest component of which was the sale of shares in Grand Parade Investments Limited and held an investment portfolio of listed and unlisted investments of R12 million at year-end. This is a highly variable component of earnings and will remain a part of the group's activities. Several additional investments are contemplated in the new financial year.

Trematon owns an effective interest in approximately 9 million shares in Mazor Group Limited ("Mazor") indirectly via Cloudberry Investments 18 (Pty) Limited ("Cloudberry"), which is a BEE structure. The Mazor investment, which has performed poorly, has been held for several years and has resulted in significant losses over time. We will continue to monitor and assess our options in respect of our investment in Cloudberry in order to achieve the best possible long-term outcome.

## PROSPECTS

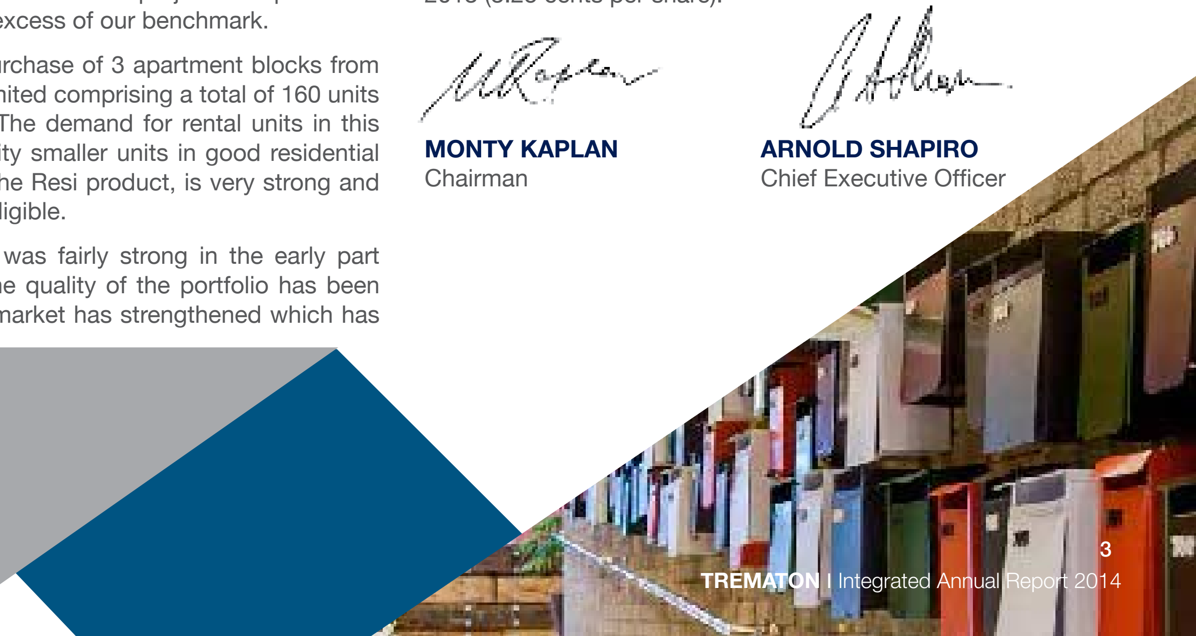
Trematon's four main areas of operation (Club Mykonos, Arbitrage, Resi and Other Investments) are all in areas which have good deal flow and committed, competent management. The overall deal pipeline is bigger and potentially more lucrative than at any time in Trematon's history and management is currently confident that our benchmark returns can be achieved over the next decade. The scale of these opportunities is such that the group is considering a capital raising exercise which will be communicated to shareholders in the upcoming months.

## DIVIDENDS

The board has declared a special dividend of 5.0 cents per share which is larger than normal in order to provide existing shareholders with the benefits of the group's accumulated STC credits. Future dividends should not be benchmarked at this level but should be measured against the level established in 2013 (3.25 cents per share).

**MONTY KAPLAN**
Chairman

**ARNOLD SHAPIRO**
Chief Executive Officer



# CHIEF FINANCIAL OFFICER'S REPORT

**12%** NET ASSET VALUE PER SHARE

**47%** INTRINSIC NET ASSET VALUE PER SHARE

EARNINGS PER SHARE **16%**

HEADLINE EARNINGS PER SHARE **43%**

SPECIAL DIVIDEND OF 5.0 CENTS PER SHARE

## OVERVIEW

The 2014 financial year is the first year that both Arbitrage Property Fund (Pty) Limited and The Resi Investment Group are consolidated for the full 12-month period. Both subsidiaries were equity accounted for part of the prior year. This has resulted in the group's income and expenses increasing considerably over the prior year.

## RESULTS

The group made a profit attributable to equity holders for the year of R43.2 million (2013: R51.5 million) which translates into earnings per share of 24.5 cents (2013: 29.2 cents). The group's profit before tax and non-controlling interests increased by R7.5 million which is a 15% increase over the prior year. Operating profit increased as a result of a realised profit on the sale of Grand Parade Investments Limited ("GPI") shares as well as the fair value adjustments on investment properties. The group's profit from equity accounted investments has decreased as a result of Arbitrage and Resi now being consolidated. Revenue has increased as a result of Arbitrage and Resi now being consolidated as well as an increase in rental income from additional properties purchased. Finance costs have also increased due to bank borrowings on the additional properties purchased.

## NET ASSET VALUE

The group's book net asset value increased by 18 cents per share to 167 cents per share (2013: 149 cents per share). The intrinsic net asset value per share increased by 101 cents per share to 315 cents per share (2013: 214 cents per share). The group's intrinsic net asset value has increased due to an increase in the fair value of the investments held in Club Mykonos Langebaan (Pty) Limited and other subsidiaries. The intrinsic value of these assets, which is further disclosed in the attached "Intrinsic Value Report" aims to provide the shareholders with a realistic yet conservative estimate of the group's assets.

## INDIVIDUAL INVESTMENTS

## SUBSIDIARIES

### Club Mykonos Langebaan (Pty) Limited (100%)

CML achieved a profit for the year of R21.3 million (2013: R28.2 million). The profit before tax in the current year was R25.2 million (2013: R24.9 million).

Rental income from investment properties continues to grow with increased demand for holiday accommodation on the West Coast. Income from both the marina and boatyard has also shown positive growth and has met all expectations. Further garages are being constructed at the boatyard to meet the increased demand.

Construction of Marina Village, which is the first large sectional title residential development at Club Mykonos for several years, has begun and is expected to make a contribution to earnings in 2016.

The casino generated R10.7 million (2013: R9.9 million) equity accounted profits for the group. Dividends received from the casino for the year amounted to R5.9 million (2013: R8.9 million). The casino has traded exceptionally well in its current financial year and has consistently met or exceeded its budgeted targets during this period.

### Arbitrage Property Fund (Pty) Limited (67%)

This is the first year that Arbitrage's results have been included for the full 12 months. Arbitrage contributed R16.2 million to the group profit and this contribution is expected to increase in future. Management continues to invest in investment properties in the commercial, industrial and retail sectors which generate both high yields and capital growth and are situated in good areas. The company has low levels of gearing and has been actively pursuing more investments, which is evident from the SENS announcements issued in the second half of this year.



### Resi Investment Group (50%)

Resi is still a relatively new investment for the group, which has been consolidated for the full 12-month period for the first time. Resi's contribution to group profits was R1.1 million. Resi has a large residential property portfolio which is held for both trading and long-term investment properties. The value of these assets has increased considerably since acquisition and we are confident that as rental escalations increase, and bank borrowings are reduced, Resi will make a growing contribution to Trematon's earnings and asset base.

### Stalagmite Property Investments (Pty) Limited ("Stalagmite") (67%)

During the year, Trematon increased its holdings in Stalagmite. This resulted in Stalagmite becoming a subsidiary of the group from 18 November 2013. Stalagmite owns land in an industrial park situated adjacent to the route of the proposed N2 highway in the Western Cape. There is no external debt in the company. The company contributed an immaterial loss to the earnings of the group.

## JOINT VENTURES

### The Vredenburg Property Trust ("VPT") (50%)

The VPT is a joint venture of which Arbitrage owns 50%. VPT owns the Vredenburg Mall in Vredenburg, Western Cape. VPT continues to perform well and contributed R4.6 million to equity accounted earnings.

### The Woodstock Hub (Pty) Limited ("The Woodstock Hub") (50%)

The Woodstock Hub is a joint venture of which Resi owns 50%. This company purchases properties in the Woodstock area on the outskirts of Cape Town with the intention to redevelop and sell completed residential units. Due to the nature of the business whereby properties are purchased and held until redevelopment, the majority of the costs are bank interest. This has resulted in a loss of R1.5 million being equity accounted into the group's results. We expect this investment to realise good returns once we have purchased sufficient stock to begin the construction process and develop properties for sale.

## OTHER INVESTMENTS

### Cloudberry Investments 18 (Pty) Limited (49%)

The group's investment in Cloudberry increased by R4.6 million which is reflected as a reversal of the provision for impairment previously raised against the loan to Cloudberry. The value of the investment is directly linked to its net asset value which has improved during the year as a result of a profit of R13.9 million realised on the sale of its entire stake in GPI. This profit was off-set against a fair value loss on the stake held in Mazor Group Limited. Cloudberry repaid R9.3 million to Trematon during the year.

### Other

The group maintains investments in various JSE-listed companies for both long-term and short-term trading opportunities. These investments contributed R1.9 million in dividend revenue for the year. At year-end the market value of these investments was R12 million.

## INTRINSIC VALUE REPORT

An intrinsic value report has been prepared to improve shareholder communication. The group's financial results have been prepared in terms of the required IFRS standards, which in some cases does not allow for certain investments to be shown at their market values, such as investments in associates and joint ventures which are recorded at cost plus its share of post acquisition reserves less distributions received and inventory which is carried at the lower of cost and net realisable value.

# CHIEF FINANCIAL OFFICER'S REPORT

The intrinsic net asset value of the group includes valuations of all investment categories.

These valuations are either based on their listed market value, external professional valuers or directors' valuations. The following factors are taken into account in determining the directors' valuations of various assets/investments:

- Market value and earnings yield of similar companies/operations, taking into account the earnings, risk and tradeability thereof
- Current market prices realised for similar or like assets
- Earnings yields and the underlying growth potential

| | 31 August 2014 | | 31 August 2013 | | Note |
|---|---|---|---|---|---|
| | Book value R | Intrinsic value R | Book value R | Intrinsic value R | |
| Listed shares | 12 070 272 | 12 070 272 | 18 934 609 | 18 934 609 | 1 |
| Cloudberry Investments 18 (Pty) Ltd | 12 917 812 | 12 917 812 | 17 585 862 | 17 585 862 | 2 |
| Stalagmite Property Investments (Pty) Ltd | 8 815 600 | 8 815 600 | 922 162 | 7 500 000 | 3 |
| Club Mykonos Langebaan Property, Marina and Casino | 162 674 206 | 374 407 445 | 149 996 067 | 257 638 526 | 4 |
| Arbitrage Property Fund (Pty) Ltd Commercial property | 111 462 382 | 111 462 382 | 218 276 312 | 218 276 312 | 3 |
| Resi Investment Group Residential property | 202 147 848 | 254 276 316 | 44 799 978 | 44 799 978 | 3 |
| Cash on hand | 44 499 617 | 44 499 617 | 34 680 035 | 34 680 035 | 5 |
| Other assets | 50 999 822 | 50 999 822 | 27 959 862 | 27 959 862 | 5 |
| Total assets | 605 587 559 | 869 449 266 | 513 154 887 | 627 375 184 | |
| Liabilities | 283 268 056 | 283 268 056 | 230 305 874 | 230 305 874 | 5 |
| Non-controlling interests | 27 402 457 | 30 802 457 | 19 554 655 | 19 554 655 | |
| Net assets (attributable to equity holders) | 294 917 046 | 555 378 753 | 263 294 358 | 377 514 655 | |
| Intrinsic net asset value per share | 1.67 | 3.15 | 1.49 | 2.14 | |

**Note:**

1. Valuation based on quoted market prices at year-end.
2. Valuation based on net asset value of company using quoted market prices at year end, less debt in the company.
3. Directors' valuation taking into account current market prices for similar assets as well as the earnings, risk and tradeability thereof.
4. Valuation of assets at Club Mykonos based on current market prices of similar assets and earnings, where applicable.
5. Market value equals book value.

**ARTHUR WINKLER**
Chief Financial Officer



# COMPANY STRUCTURE

# DIRECTORATE

Directorate from left to right:

**Arnold Shapiro** – Chief Executive Officer (Executive Director)

BBus Sci (Finance Hons.)

Arnold has been the Chief Executive Officer of Trematon for the past 9 years. Prior to this he occupied senior management positions in the asset management industry including analysis, portfolio management and general management. He is currently a Director of various companies in the Trematon Group.

**Jonathan Fisher** – (Independent Non-executive Director)

BCom

Jonathan is a senior Corporate Finance Executive at Bridge Capital where he has been involved in numerous transactions across various sectors. Jonathan has also performed the role of Chief Operations Officer of media company Moneyweb Holdings and spent five years at Dimension Data in various roles.

**Adriaan Murray Louw** – (Independent Non-executive Director)

Murray is an independent Merchant Banker with extensive corporate finance experience both locally and abroad. He is currently the Chairman of Prescient Limited.

**Monty Kaplan** – (Independent Non-executive Chairman)

CA (SA)

Monty is a previous Deputy Chairman and Chief Executive Officer of Cape of Good Hope Bank Limited and previously Chairman of Spearhead Property Group Limited, Ingenuity Property Investments Limited and Wooltru Limited. He is currently the Non-executive Chairman of Mazor Group Limited.

Directorate from left to right:

**Rudi Stumpf** – (Non-executive Director)

FIA

Rudi is a qualified actuary and spent six years at Sanlam in various capacities and was Chief Executive Officer of Citadel from 1998 to 2002. Since 2003, he has been a private equity investor engaged in a wide variety of transactions. He is currently a Non-executive Director of Excellerate Limited.

**Allan Groll** – (Executive Director)

Allan has been an active participant in the South African property and equity markets for more than 20 years. He was previously a Director of Spearhead Property Group Limited, Ingenuity Property Investments Limited and Wooltru Limited. He is currently a Non-executive Director of Mazor Group Limited and a Director of various companies in the Trematon Group.

**Arthur Winkler** – Chief Financial Officer (Executive Director)

BCom, CA (SA)

Arthur qualified as a Chartered Accountant having graduated from the University of Cape Town. He completed his articles at Moores Rowland where he remained as an Audit Manager until joining Wooltru Limited as Company Secretary. He joined the Trematon Group in 2008. He is currently a Director of various companies in the Trematon Group.

**Shiree Litten** – (Company Secretary)

BCom (Hons)

Shiree has been associated with Trematon since 2005. She has fulfilled the role of Accountant and Company Secretary for the past six years and was previously a director of the group.

*Northgate Island in Brooklyn, Cape Town, a former "big box" retail development, is being redeveloped and upgraded into A-grade office space, with its own green urban park, and rebranded as Northgate Park. The redevelopment is scheduled for completion in March 2015 and will comprise 18 000 sqm of A-grade office space.*

# INVESTMENT PORTFOLIO OVERVIEW

**CLUB MYKONOS LANGEBAAN (PTY) LIMITED**

**100%**

Club Mykonos Langebaan (Pty) Limited owns residential and commercial developed and undeveloped land as well as investment properties situated at the Club Mykonos Resort in Langebaan.

The company also owns and manages the Mykonos marina as well as the Boatyard storage facility.

www.clubmykonos.co.za

**WEST COAST LEISURE (PTY) LIMITED (MYKONOS CASINO)**

**30%**

The Mykonos Casino is held through our 100% investment in Club Mykonos Langebaan (Pty) Limited. The casino is situated at the Club Mykonos Resort in Langebaan.
The casino is managed by Tsogo Sun Holdings Limited who own the remaining 70%.

www.casinomykonos.co.za

**ARBITRAGE PROPERTY FUND (PTY) LIMITED**

**67%**

Arbitrage Property Fund (Pty) Limited primarily focuses on the South African commercial, retail and industrial sector, specifically in the segments of the market where management believes there is potential for incremental capital growth, together with income generation.

www.arbitrageco.co.za


**RESI INVESTMENT GROUP**

**50%**

Resi Investment Group focuses primarily on high value residential developments. The investment aims to generate long-term capital growth together with income generation.

# FIVE-YEAR REVIEW

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Operating results** | | | | | |
| Revenue | **67 773 445** | 34 328 803 | 24 804 600 | 19 921 784 | 6 876 635 |
| Profit before tax | **57 277 106** | 49 735 399 | 22 179 727 | 15 638 275 | 677 896 |
| Earnings/(loss) attributable to shareholders | **43 247 273** | 51 498 535 | 18 900 884 | 14 756 471 | (7 132 172) |
| Headline earnings attributable to shareholders | **7 670 024** | 13 315 970 | 11 829 368 | 5 412 521 | 7 540 892 |
| **Statement of financial position summary** | | | | | |
| Non-current assets | **330 348 107** | 236 885 690 | 159 315 995 | 154 109 670 | 178 870 995 |
| Current assets | **275 239 452** | 129 866 565 | 96 679 433 | 93 709 619 | 101 280 446 |
| Non-current assets held-for-sale | **–** | 146 402 632 | – | – | – |
| Total assets | **605 587 559** | 513 154 887 | 255 995 428 | 247 819 289 | 280 151 441 |
| Non-current liabilities | **241 196 063** | 188 209 620 | 11 423 340 | 4 771 195 | 4 429 034 |
| Current liabilities | **42 071 993** | 42 096 254 | 30 356 286 | 43 878 125 | 42 215 844 |
| Total liabilities | **283 268 056** | 230 305 874 | 41 779 626 | 48 649 320 | 46 644 878 |
| Shareholders' equity | **294 917 046** | 263 294 358 | 214 758 171 | 188 461 258 | 134 768 351 |
| Non-controlling interest | **27 402 457** | 19 554 655 | – | 10 708 711 | 98 738 212 |
| Total equity | **322 319 503** | 282 849 013 | 214 758 171 | 199 169 969 | 233 506 563 |
| **Statistics** | | | | | |
| Number of shares in issue (weighted) | **176 323 052** | 176 540 271 | 177 108 052 | 173 821 416 | 174 872 545 |
| Net asset value per share (cents) | **167** | 149 | 121 | 108 | 77 |
| Earnings/(loss) per share (cents) | **24.5** | 29.2 | 10.8 | 8.5 | (4.1) |
| Headline earnings per share (cents) | **4.3** | 7.5 | 6.8 | 3.1 | 4.3 |
| Dividends per share (cents) | **3.25** | 2.5 | 2.0 | 1.5 | – |




*Marina Village is a leisure residential development on the Club Mykonos Marina comprising 25 large luxury apartments with premium finishes. Construction has commenced and the targeted completion date is early 2016.*

## INTRODUCTION

The board of directors continue to subscribe to the values of good corporate governance and are committed to carrying on the business of the company with integrity and fairness and in accordance with the principles of sound corporate governance as contained in the King Code of Governance for South Africa 2009 ("King III"). While the board is of the opinion that the group has applied in all material respects with the substance of the principles as contained in King III, where specific principles have not been applied, explanations for these are contained within the annual report.

## BOARD COMPOSITION, STRUCTURE AND RESPONSIBILITIES

The board comprised of seven directors, Messrs JP Fisher, A Groll, M Kaplan, AM Louw, AJ Shapiro, R Stumpf and AL Winkler. Messrs A Groll, AJ Shapiro and AL Winkler are executive directors, all other directors are non-executive directors. Messrs JP Fisher, M Kaplan and AM Louw are independent directors.

Directors are required to observe the highest ethical standards ensuring that business practices are conducted professionally and beyond reproach.

There is a policy detailing the procedures for appointments to the board, which are formal and transparent, and a matter for the board as a whole. Due to the size of the company, there is no separate nomination committee. This function is fulfilled by the board as a whole and when the need arises. The procedures for the appointment of directors includes the review of curriculum vitaes and interviews by directors.

There is a clear division of responsibility at board level to ensure a balance of power and authority to ensure that no one individual has unfettered power of decision-making.

The board is responsible for identifying and managing investments, which will provide above average returns to shareholders.

The chairman, Mr M Kaplan, is responsible for ensuring the effectiveness of governance practices within the group. Particular areas of responsibility for the chairman include guidance regarding strategic planning, relationships with principals and corporate relations.

The chief executive officer, chief financial officer and Mr A Groll are full-time employees of the company. There are no formal employment or service contracts.

The remuneration of directors is disclosed in note 25 of this Integrated Annual Report.

## CHANGES TO THE BOARD OF DIRECTORS

There have been no changes to the board of directors during the year.

## BOARD FUNCTIONING

Four board meetings, two audit and risk management committee meetings, one social and ethics committee meeting and one remuneration committee meeting were held during the year. Investment committee meetings are held as and when they are required. (For a list of members, see general information on page 1). All meetings were convened timeously by formal notice incorporating a detailed agenda supported by relevant written proposals and detailed reports. Between such meetings a number of decisions were taken by written resolution as provided for in the company's Memorandum of Incorporation.

The board evaluates the effectiveness of the committees on an ongoing basis. Board members have ready and direct access to the company secretary in relation to the affairs of the company and are entitled to obtain independent professional advice regarding company matters at the company's expense. All members of the board are expected to contribute to ensuring that the group maintains high standards of corporate governance. On request, board members have access to company information, records, documents and property.

## AUDIT AND RISK COMMITTEE

The audit and risk committee, which comprises three suitably qualified independent non-executive directors being Messrs JP Fisher, M Kaplan and AM Louw, is responsible for ensuring that the group maintains adequate accounting records and functionally effective financial reporting and internal control systems and ensures compliance. It also ensures that published financial reports comply with relevant legislation, regulation and accounting practice and that group assets are safeguarded. The chairman of the board, Mr M Kaplan, is currently a member of the audit and risk committee. To this extent, the board is of the opinion that given Mr M Kaplan's extensive experience, having served on audit and risk committees of other companies and taking into account the current size of Trematon's operations, that Mr M Kaplan will continue serving on the audit and risk committee.

The audit and risk committee sets the principles for recommending the use of external auditors for non-audit services. Due to the size of the executive management structure it is not considered necessary to have an internal audit function. The audit and risk committee intends to review this function during the year. The report of the audit and risk committee for the year ended 31 August 2014 is set out on page 23.

## INVESTMENT COMMITTEE

The investment committee, which comprises two suitably qualified independent non-executive directors and three executive directors being Messrs M Kaplan, JP Fisher, A Groll, AJ Shapiro and AL Winkler is responsible for determining and recommending to the board the overall investment strategy of the group. It reviews investment proposals as presented by the executive directors and is tasked to implement these within the mandates prescribed by the board. The investment committee's authority level is currently R75 million. Expenditure and investments above this level require ratification by the full board. Capital expenditure up to R25 million may be undertaken by the executive directors. Meetings are held as and when required. A minimum of two non-executive directors must be present at the meeting.

## REMUNERATION COMMITTEE

The remuneration committee, which comprises three suitably qualified non-executive directors being Messrs M Kaplan, AM Louw and R Stumpf, is responsible for ensuring that the group's remuneration policies are appropriate.

## REMUNERATION REPORT

### Composition of executive directors' remuneration

Executive directors' salaries are reviewed annually by the remuneration committee and benchmarked against external market data considering the size and complexity of the group and its operations. Individual performance and overall responsibility are also considered.

### Non-executive directors' emoluments

The remuneration and fees of non-executive directors are reviewed annually to ensure that they remain competitive and that they attract individuals of appropriate reputation and experience to the board. Shareholders are required to approve the remuneration of non-executive directors in advance at a general meeting of the company.

### Prescribed officers

The board is wholly responsible for the formulation, development and effective implementation of group strategy. All operational strategy implementation and general executive management of the business is designated to the executive directors. As such, in terms of the Companies Act, the executive directors of the board are identified as prescribed officers of the company.

### Board committee fees

The remuneration of board committee members is determined by the board as provided for in the Memorandum of Incorporation.

For the financial year to 31 August 2014, the following rates of fees were applicable:

#### Board meeting

Members: R133 000 per annum (Chairman: R294 000 per annum)

#### Audit and risk committee

Members: R10 600 per meeting

#### Remuneration committee

Members: R5 200 per meeting

For the financial year to 31 August 2015, the following rates of fees are applicable and have been proposed to shareholders for approval:

#### Board meeting

Members: R145 000 per annum (Chairman: R320 000 per annum)

#### Audit and risk committee

Members: R11 500 per meeting

#### Remuneration committee

Members: R5 700 per meeting

## SOCIAL AND ETHICS COMMITTEE

The social and ethics committee comprises three directors, all of whom are non-executive directors. The members are Messrs JP Fisher, M Kaplan, AM Louw. The committee will monitor the following functions as set out by the Companies Act:

Social and economic development;

Corporate citizenship;

Environment, health and public safety;

Consumer relationships; and

Labour and employment.

## BOARD ATTENDANCE

| Directors | Number of meetings attended |
|---|---|
| M Kaplan (Chairman) | 4 |
| A Groll | 4 |
| AM Louw | 3 |
| AJ Shapiro | 4 |
| R Stumpf | 3 |
| AL Winkler | 4 |
| JP Fisher | 4 |

## AUDIT AND RISK COMMITTEE ATTENDANCE

| Members | Number of meetings attended |
|---|---|
| JP Fisher (Chairman) | 2 |
| M Kaplan | 2 |
| AM Louw | 1 |

## REMUNERATION COMMITTEE ATTENDANCE

| Members | Number of meetings attended |
|---|---|
| AM Louw (Chairman) | 1 |
| M Kaplan | 1 |
| R Stumpf | 1 |

## SOCIAL AND ETHICS COMMITTEE ATTENDANCE

| Members | Number of meetings attended |
|---|---|
| JP Fisher (Chairman) | 2 |
| AM Louw | 1 |
| M Kaplan | 2 |

## EMPLOYMENT EQUITY REPORT

Trematon's ability to be sustainable as a company depends on its ability to find, retain and develop its employees and this remains one of the most important objectives of the group. The group continues to create a supportive working environment in which employees are motivated to engage and contribute their best efforts to the group.

The group endeavours to attract, nurture and retain suitably qualified employees.

Management is committed to ensuring that there is no unfair discrimination in the workplace. There were no complaints reported or complaints that were in the process of being investigated in the reporting period.

During the year under review the categorisation of employees according to their workforce profile was as follows:

| | Male | | | Female | | | |
|---|---|---|---|---|---|---|---|
| **Occupational Levels** | **A** | **C** | **W** | **A** | **C** | **W** | **TOTAL** |
| Executive directors and top management | 0 | 0 | 6 | 0 | 0 | 1 | 7 |
| Middle management | 0 | 0 | 2 | 0 | 0 | 4 | 6 |
| Skilled technical workers, junior management and supervisors | 0 | 1 | 2 | 0 | 0 | 3 | 6 |
| Semi-skilled and discretionary decision-making | 0 | 4 | 1 | 4 | 1 | 0 | 10 |
| **Total permanent** | **0** | **5** | **11** | **4** | **1** | **8** | **29** |
| Temporary employees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total temporary** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Grand total** | **0** | **5** | **11** | **4** | **1** | **8** | **29** |

**Key:** A = African; C = Coloured; W = White

## COMPANY SECRETARY

The company secretary performs the company secretarial function. Where necessary, external experts are consulted to ensure compliance with relevant legislation and rules pertaining to the group's operations. The board has evaluated and is of the opinion, that the company secretary, Mrs SA Litten who has a BCom (Hons) degree has the requisite competence, knowledge and experience to carry out the duties of a company secretary of a public company, and in the performance of those duties, is able to maintain an arm's length relationship with other members of the board. This evaluation took the form of a discussion during a meeting of the board, which considered her performance since 2005 and her formal qualification. The board is of the opinion that the company secretary has adequately and effectively carried out her role and where necessary, consulted with external experts.

## STAKEHOLDER COMMUNICATION

The group strives in its communications with stakeholders, particularly the investment community, to present a balanced and understandable assessment of the group's position.

Consequently, in its financial reporting, formal announcements, media releases, annual meetings, presentations and dialogue with analysts and institutional shareholders, the group's objectives are to be clear, open, prompt and balanced, and to be communicated in substance rather than in form.

## INTERNAL CONTROL

The group strives to maintain internal controls of a standard aimed at ensuring that the systems of financial reporting contain complete, accurate and reliable information and safeguard the group's assets.

The external auditors report to the audit committee and have ready access to the chairman of that committee and the directors. Due to the limited number of transactions, the group does not consider an internal audit function to be necessary.

Nothing has come to the attention of the directors to suggest that the accounting records and systems of internal control were not appropriate or satisfactory, neither has any material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems of internal control or accounting been reported to the directors in respect of the period under review.

## RISK MANAGEMENT

The group has minimised the risk of any external event occurring which would have a significant impact on the continuation of its activities. It has processes in place which ensure that the group could continue operationally, should such an event occur.

The directors are of the view that all insurable risks have been adequately covered.

## DEALINGS IN COMPANY SHARES

The group has a written policy in terms of which dealings in the company shares by directors and employees are prohibited during closed periods which commence on 31 August and 28 February and ends after the public announcement of the group's annual or interim results.

Dealings by directors in the company's shares are notified to the JSE Limited in accordance with its requirements. Directors' interests in shares are disclosed in the Directors' Report on page 26.



*Club Mykonos Marina is a popular centre of yachting with a thriving restaurant terrace and, along with the Mykonos Boatyard, is a hub of boating and watersports in the Langebaan area.*

*Club Mykonos (www.clubmykonos.co.za) is a popular family resort situated 120 km from central Cape Town. The resort offers a variety of ownership and use options ranging from short stays to holiday homes.*


*North Wharf is an iconic building located close to the V&A Waterfront and the new banking precinct of the Cape Town CBD.*



# REPORT OF THE AUDIT AND RISK COMMITTEE

The audit committee is pleased to present its report, as required by the Companies Act of South Africa.

## ROLE OF THE COMMITTEE

The audit committee has an independent role with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the board.

The committee's main responsibilities are as follows:

### Integrated and financial reporting

- Review the annual financial statements, interim report, results announcement and summarised integrated financial information and ensure compliance with International Financial Reporting Standards and the Companies Act
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls
- Recommend the Integrated Annual Report to the board for approval

### Finance function

- Consider the expertise and experience of the chief financial officer
- Consider the expertise, experience and resources of the group's finance function

### External audit

- Nominate the external auditor for appointment by the shareholders
- Determine annually the scope of audit and non-audit services which the external auditors may provide to the group
- Approve the external audit plan and remuneration of the external auditors
- Assess the performance of the external auditors
- Assess annually the independence of the external auditors

### Risk management

- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks

### General

- Perform other functions as determined by the board

The audit committee discharges its board responsibilities through meetings held during the year. During the year, two meetings were held.

## COMPOSITION OF THE COMMITTEE

The audit and risk committee consists of three non-executive directors who act independently as described in section 94 of the Companies Act.

In accordance with the requirements of the Companies Act, members of the audit committee are appointed annually by the board for the ensuing financial year and in compliance with King III are elected by the shareholders at the annual general meeting.

The external auditors have unrestricted access to the committee and all of its members throughout the year.

## INDEPENDENCE OF EXTERNAL AUDITORS

The audit committee is satisfied as to the independence of the group's external auditors, Mazars Inc. and the respective audit partner. The committee nominates Mazars Inc. as external auditor for the appointment by shareholders at the annual general meeting.

## FINANCE FUNCTION

The audit committee has considered and is satisfied that Mr AL Winkler has the appropriate expertise and experience for his position as chief financial officer of the group. In addition, the committee also considered the expertise, experience and resources of the finance function as required by the King III Report and is satisfied with the expertise and experience of the group's finance function in general.

## APPROVAL OF THE AUDIT COMMITTEE REPORT

The committee confirms that it has discharged its functions as ascribed to it by the Companies Act.

**JP FISHER**
Audit Committee Chairman

17 November 2014

# DIRECTORS' RESPONSIBILITY AND APPROVAL

The directors of the company are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Trematon Capital Investments Limited, comprising the statements of financial position at 31 August 2014, and the statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report, in accordance with International Financial Reporting Standards, the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group and the company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The external auditors are responsible for independently auditing and reporting on the group annual financial statements and financial statements in conformity with International Standards on Auditing.

## APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS AND SEPARATE PARENT ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and annual financial statements of Trematon Capital Investments Limited were approved by the board of directors on 17 November 2014 and are signed on their behalf by:

**M KAPLAN**
Chairman

**AJ SHAPIRO**
Chief Executive Officer

# DECLARATION BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 2008, that for the year ended 31 August 2014, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required by a public company in terms of this Act and that all such returns are true, correct and up to date.

**SA LITTEN**
Company Secretary

17 November 2014

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF TREMATON CAPITAL INVESTMENTS LIMITED

We have audited the consolidated annual financial statements and separate annual financial statements of Trematon Capital Investments Limited as set out on pages 30 to 93, which comprise the consolidated and separate statements of financial position as at 31 August 2014, and the consolidated and separate 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 ANNUAL FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual 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 whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 annual 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, these annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Trematon Capital Investments Limited as at 31 August 2014, and its consolidated and separate financial performance and 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

As part of our audit of the consolidated annual financial statements and separate annual financial statements for the year ended 31 August 2014, we have read the Directors' Report, the report of the Audit and Risk Committee, the Directors' Responsibilities and Approval, Analysis of Shareholders and the Declaration by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. The reports are the responsibility of the respective preparers. Based on our reading of the reports we have not identified material inconsistencies between these reports and the audited annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Mazars Inc.
Registered Auditor
Director: Duncan Dollman
Registered Auditor
Chartered Accountant (SA)

19 November 2014
Cape Town

# DIRECTORS' REPORT

The directors submit their report for the year ended 31 August 2014.

## 1. CORPORATE INFORMATION

Trematon Capital Investments Limited (the "company" or "Trematon") is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2014 comprise the company and its subsidiaries (together referred to as the "group" and individually as "group entities") and the group's interest in associates and joint ventures.

## 2. REVIEW OF ACTIVITIES

The group is an investment group with investments, subsidiaries, joint ventures and associates engaged primarily in property, leisure and gaming industries. The primary aim of the group is to generate superior risk-adjusted long-term returns for its shareholders. The group operates in South Africa.

The operating results and state of affairs of the group are fully set out in the attached annual financial statements and do not, in our opinion, require any further comment.

## 3. DIRECTORS' INTEREST IN SHARES AND CONVERTIBLE DEBENTURES

### Directors' interest in shares

| | **2014** | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Direct Beneficial** | **Indirect Beneficial** | **Total** | Direct Beneficial | Indirect Beneficial | Total |
| **Executive** | | | | | | |
| A Groll | – | 44 032 392 | 44 032 392 | – | 44 012 392 | 44 012 392 |
| AJ Shapiro | – | 9 250 243 | 9 250 243 | – | 9 250 243 | 9 250 243 |
| AL Winkler | – | – | – | – | – | – |
| **Non-executive** | | | | | | |
| M Kaplan | – | 500 000 | 500 000 | – | 500 000 | 500 000 |
| AM Louw | – | 343 626 | 343 626 | – | 343 626 | 343 626 |
| R Stumpf | – | 10 399 808 | 10 399 808 | – | 10 399 808 | 10 399 808 |
| JP Fisher | – | – | – | – | – | – |
| Total | – | 64 526 069 | 64 526 069 | – | 64 506 069 | 64 506 069 |

### Directors' interest in convertible debentures:

The executive directors and company secretary participate in a share scheme by way of convertible debentures being issued that are convertible to ordinary shares after a minimum period of three years.

| | **Balance at the beginning of the year** | **Convertible debentures issued** | **Convertible debentures converted** | **Balance at the end of the year** |
|---|---|---|---|---|
| **Executive** | | | | |
| A Groll | 5 500 000 | 500 000 | – | 6 000 000 |
| AJ Shapiro | 5 500 000 | 500 000 | – | 6 000 000 |
| AL Winkler | 1 650 000 | 150 000 | – | 1 800 000 |
| Total | 12 650 000 | 1 150 000 | – | 13 800 000 |

There have been no changes in the directors' interests in shares and/or convertible debentures between 31 August 2014 and the date of this report.

## 4. ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in these results.

## 5. ISSUE OF SHARES

There were no shares issued by the company during the current year (2013: Nil shares issued).

## 6. BORROWING LIMITATIONS

The borrowing powers of the company are unlimited in terms of the Memorandum of Incorporation.

## 7. SPECIAL RESOLUTIONS

The following special resolutions considered at the annual general meeting held on 29 January 2014 as proposed in the annual report for the 2013 financial year were passed:

Special resolution 1: Financial assistance for subscription of securities – to authorise the directors of the company, in terms of section 44 of the Act, to provide direct or indirect financial assistance by way of loans, guarantees, the provision of security or otherwise to any person (as defined by the Act) for the purposes of, or in connection with, the subscription of any option or any securities (as such term is defined in the Act), issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company;

Special resolution 2: Financial assistance – To authorise the directors of the Company, in terms of section 45 of the Act, to cause the Company to provide any direct or indirect financial assistance to any director or prescribed officer of the Company or of a related or interrelated company, or to a related or interrelated company or corporation, or to a member of a related or interrelated corporation, or to a person (as defined in the Act) related to any such company (including the Company), corporation, director, prescribed officer or member;

Special resolution 3: General authority to repurchase shares – To authorise the company or any of its subsidiaries to repurchase or purchase, as the case may be, ordinary shares issued by the company on such terms and conditions and in such amounts as the directors of the company may decide; and

Special resolution 4: The authority to pay non-executive directors' fees – Non-executive directors fees paid for the period ended 31 August 2013, and further that the non-executive directors fees proposed for the period from 1 September 2013 until 31 August 2014 were approved.

## 8. SPECIAL DIVIDEND

The dividend of R5.8 million (3.25 cents per share) which was declared on 11 November 2013 was paid to members on 17 December 2013.

Secondary tax on companies ("STC") credits of R5.8 million were used in the dividend declared and paid during the year. STC credits of R26.7 million remained available for future utilisation after the declaration of this dividend.

On 13 November 2014, subsequent to year-end, the board of directors declared a special dividend for the year ended 31 August 2014 of 5.0 cents per share.

The directors have reasonably concluded that the company will satisfy the solvency and liquidity test immediately after the dividend distribution.

Additional information pertaining to the cash dividend:

The gross special dividend declared, as defined by the Income Tax Act, of 5.0 cents per share will be paid from income reserves. The dividend withholding tax ("DWT") rate is 15%. The company will utilise STC credits of 5.0 cents per share resulting in a net dividend of 5.0 cents per share to those shareholders who are not exempt for dividend tax. The STC credits utilised as part of this dividend declaration amount to R8.9 million, being 5.0 cents per share and consequently no DWT is payable by shareholders who are normally not exempt from DWT. The net amount payable to shareholders is R8.9 million, being 5.0 cents per share, based on the current number of 178 095 823 shares in issue.

STC credits of R17.8 million, being 10.0 cents per share will remain available to be set off against future dividends.

Income tax reference number of Trematon Capital Investments Limited is 9340/323/84/0.

| | | |
|---|---|---|
| Last date to trade: | Friday, | 16 January 2015 |
| Ex-date: | Monday, | 19 January 2015 |
| Record date: | Friday, | 23 January 2015 |
| Payment date: | Monday, | 26 January 2015 |

Share certificates may not be dematerialised or rematerialised between Monday, 19 January 2015 and Friday, 23 January 2015, both days inclusive.

## 9. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

| Name | Classification |
|---|---|
| **Executive directors** | |
| AJ Shapiro | Chief Executive Officer |
| AL Winkler | Chief Financial Officer |
| A Groll | |
| **Non-executive directors** | |
| M Kaplan | Independent Chairman |
| AM Louw | Independent |
| JP Fisher | Independent |
| R Stumpf | |

## 10. SUBSEQUENT EVENTS

Subsequent to year-end, on 4 September 2014, the properties purchased via Trematon's 50% held subsidiary, Tremprop (Pty) Limited which consist of 3 apartment blocks in Parklands, Cape Town were transferred and the balance of the purchase prices settled. The properties were purchased for a combined price of R53 million with the majority of the purchase price being funded by bank borrowings.

Subsequent to year-end, on 11 September 2014, the property referred to as Redefine North Wharf, situated at 42 Hans Strijdom Avenue, Cape Town, was purchased via Trematon's 67% held subsidiary, Arbitrage Property Fund (Pty) Limited for a purchase price of R51 million. The property will be funded by bank borrowings and cash.

## 11. GOING CONCERN

The annual financial statements contained in this annual report have been prepared on a going concern basis as the directors have every reason to believe that the company and the group have adequate resources to continue in operation for the year ahead.

## 12. AUDITORS

Mazars Inc. will continue in office as external auditors of the company in accordance with section 90 of the Companies Act 71 of 2008.

Cape Town
17 November 2014



## STATEMENTS OF FINANCIAL POSITION
at 31 August 2014

| | Note | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | **8 191 078** | 8 571 884 | **–** | – |
| Investment property | 4.1 | **210 409 801** | 109 396 708 | **–** | – |
| Investments in subsidiaries | 5 | **–** | – | **20** | 20 |
| Investments | 6.1 | **107** | 16 380 058 | **–** | – |
| Investments in joint ventures | 6.2 | **10 015 388** | 11 553 141 | **–** | – |
| Investments in associate entities | 6.3 | **91 329 789** | 86 578 964 | **–** | – |
| Loans to group companies | 7 | **–** | – | **28 257 500** | 23 512 500 |
| Deferred tax asset | 8 | **4 292 167** | 4 404 935 | **–** | – |
| Loans receivable | 9 | **6 109 777** | – | **–** | – |
| | | **330 348 107** | 236 885 690 | **28 257 520** | 23 512 520 |
| **Current assets** | | | | | |
| Investments | 6.4 | **12 070 273** | 2 554 551 | **–** | – |
| Loan receivable | 9 | **12 917 812** | 17 585 862 | **–** | – |
| Trade and other receivables | 10 | **23 107 658** | 9 734 001 | **278** | 278 |
| Loans to group companies | 7 | **–** | – | **94 858 911** | 94 858 911 |
| Inventories | 11 | **182 385 340** | 65 310 685 | **–** | – |
| Cash and cash equivalents | 12 | **44 499 617** | 34 680 035 | **68 785** | 63 123 |
| Current tax assets | | **258 752** | 1 431 | **–** | – |
| | | **275 239 452** | 129 866 565 | **94 927 974** | 94 922 312 |
| Non-current assets held-for-sale | 4.2 | **–** | 146 402 632 | **–** | – |
| **TOTAL ASSETS** | | **605 587 559** | 513 154 887 | **123 185 494** | 118 434 832 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital and share premium | 13 | **209 259 060** | 209 259 060 | **209 259 060** | 209 259 060 |
| Treasury shares | 13 | **(2 558 722)** | (2 558 722) | **–** | – |
| Share-based payment reserve | 14 | **4 188 085** | 2 310 723 | **4 188 085** | 2 310 723 |
| Convertible debentures | 15 | **–** | – | **20 662 255** | 17 230 821 |
| Fair value reserve | 16 | **1 682 860** | 9 454 267 | **–** | – |
| Accumulated profit/(loss) | | **82 345 763** | 44 829 030 | **(123 062 168)** | (116 608 425) |
| **Total equity attributable to equity holders of the parent** | | **294 917 046** | 263 294 358 | **111 047 232** | 112 192 179 |
| **Non-controlling interest** | | **27 402 457** | 19 554 655 | **–** | – |
| | | **322 319 503** | 282 849 013 | **111 047 232** | 112 192 179 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Loans payable | 17 | **227 215 866** | 172 069 514 | **–** | – |
| Convertible debentures | 15 | **–** | – | **953 870** | 1 127 351 |
| Deferred tax liability | 8 | **13 980 197** | 16 140 106 | **608 580** | 779 879 |
| | | **241 196 063** | 188 209 620 | **1 562 450** | 1 907 230 |
| **Current liabilities** | | | | | |
| Loans payable | 17 | **10 964 907** | 8 663 628 | **-** | - |
| Convertible debentures | 15 | **–** | - | **1 219 630** | 1 657 932 |
| Loan from group companies | 7 | **–** | - | **9 339 589** | 2 667 581 |
| Current tax liabilities | | **9 846** | 121 670 | **-** | - |
| Trade and other payables | 18 | **31 097 240** | 33 310 956 | **16 593** | 9 910 |
| | | **42 071 993** | 42 096 254 | **10 575 812** | 4 335 423 |
| **Total liabilities** | | **283 268 056** | 230 305 874 | **12 138 262** | 6 242 653 |
| **TOTAL EQUITY AND LIABILITIES** | | **605 587 559** | 513 154 887 | **123 185 494** | 118 434 832 |
| Net asset value per share (based on shares in issue at the end of the year) | | **167 cents** | 149 cents | | |

## STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 August 2014

| | Note | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|---|
| **Revenue** | 19 | **67 773 445** | 34 328 803 | **1 856 018** | 19 768 488 |
| Realised profit on available-for-sale investments | | **13 902 447** | 2 062 587 | **–** | – |
| Realised loss on settlement of derivative instrument | 20 | **–** | (9 048 353) | **–** | (9 048 353) |
| Realised profit/(loss) on held-for-trading investments | | **1 350 803** | (3 742 625) | **–** | – |
| Realised profit on sale of non-current assets | | **–** | 1 007 850 | **–** | – |
| Realised profit on sale of property, plant and equipment | | **12 010** | – | **–** | – |
| Gain on change in shareholding | 36 | **1 033 564** | 3 420 316 | **–** | – |
| **Total realised profit/(loss)** | | **16 298 824** | (6 300 225) | **–** | (9 048 353) |
| Fair value adjustment on held-for-trading investments | | **(1 285 263)** | 4 474 412 | **–** | – |
| Fair value adjustment on investment properties | 4.1 | **33 039 676** | 18 730 171 | **–** | – |
| Fair value adjustment on previously held investment in joint venture | 36 | **2 229 445** | 3 457 008 | **–** | – |
| Reversal of impairment of loan | 9 | **4 592 950** | 3 405 262 | **–** | – |
| **Total profit from fair value adjustments** | | **38 576 808** | 30 066 853 | **–** | – |
| Employee benefits | | **(12 852 762)** | (11 070 025) | **(1 877 362)** | (1 466 985) |
| Cost of property and land sold | | **(16 172 859)** | (7 535 123) | **–** | – |
| Other operating expenses | | **(31 718 285)** | (13 139 757) | **(884 914)** | (552 642) |
| **Operating profit** | | **61 905 171** | 26 350 526 | **(906 258)** | 8 700 508 |
| Finance costs | 21 | **(17 845 008)** | (7 091 840) | **(218 012)** | (96 631) |
| Profit from equity accounted investments (net of tax) | 6.5 | **13 216 943** | 30 476 713 | **–** | – |
| **Profit before income tax** | | **57 277 106** | 49 735 399 | **(1 124 270)** | 8 603 877 |
| Income tax | 22 | **(8 915 007)** | 4 130 901 | **458 642** | 396 783 |
| **Profit for the year** | | **48 362 099** | 53 866 300 | **(665 628)** | 9 000 660 |
| **Other comprehensive income** | | | | | |
| **Items that will subsequently be reclassified to profit/(loss):** | | | | | |
| Fair value gain on available-for-sale investments | | **4 347 447** | 4 068 361 | **–** | – |
| Reclassification adjustment on sale of available-for-sale investments | | **(13 902 447)** | (2 062 587) | **–** | – |
| Tax effects of fair value adjustments | | **1 783 593** | (707 326) | **–** | – |
| **Other comprehensive income for the year** | 16 | **(7 771 407)** | 1 298 448 | **–** | – |
| **Total comprehensive income for the year** | | **40 590 692** | 55 164 748 | **(665 628)** | 9 000 660 |
| **Profit attributable to:** | | | | | |
| Equity holders of the parent | | **43 247 273** | 51 498 535 | **(665 628)** | 9 000 660 |
| Non-controlling interests | | **5 114 826** | 2 367 765 | **–** | – |
| | | **48 362 099** | 53 866 300 | **(665 628)** | 9 000 660 |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the parent | | **35 475 866** | 52 796 983 | **(665 628)** | 9 000 660 |
| Non-controlling interests | | **5 114 826** | 2 367 765 | **–** | – |
| | | **40 590 692** | 55 164 748 | **(665 628)** | 9 000 660 |
| Basic earnings per share | 23 | **24.5 cents** | 29.2 cents | | |
| Diluted earnings per share | 23 | **22.7 cents** | 27.2 cents | | |

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2014

| Group | Share capital R | Share premium R | Total share capital R | Treasury shares R | Share-based payment reserve R | Fair value reserve R | Accumulated profit/(loss) R | Total R | Non-controlling interest R | Total equity R |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 September 2012 | 1 780 958 | 207 478 102 | 209 259 060 | (1 239 057) | 843 738 | 8 155 819 | (2 261 389) | 214 758 171 | – | 214 758 171 |
| Total comprehensive income for the year | – | – | – | – | – | 1 298 448 | 51 498 535 | 52 796 983 | 2 367 765 | 55 164 748 |
| Profit for the year | – | – | – | – | – | – | 51 498 535 | 51 498 535 | 2 367 765 | 53 866 300 |
| Fair value gain on available-for-sale investments | – | – | – | – | – | 4 068 361 | – | 4 068 361 | – | 4 068 361 |
| Reclassification adjustment on sale of available-for-sale investments | – | – | – | – | – | (2 062 587) | – | (2 062 587) | – | (2 062 587) |
| Tax effects on revaluations | – | – | – | – | – | (707 326) | – | (707 326) | – | (707 326) |
| Share purchases | – | – | – | (1 319 665) | – | – | – | (1 319 665) | – | (1 319 665) |
| Share-based payment | – | – | – | – | 1 466 985 | – | – | 1 466 985 | – | 1 466 985 |
| Dividends paid | – | – | – | – | – | – | (4 408 116) | (4 408 116) | – | (4 408 116) |
| Non-controlling interest on acquisition of subsidiaries | – | – | – | – | – | – | – | – | 17 186 890 | 17 186 890 |
| Balance at 31 August 2013 | 1 780 958 | 207 478 102 | 209 259 060 | (2 558 722) | 2 310 723 | 9 454 267 | 44 829 030 | 263 294 358 | 19 554 655 | 282 849 013 |
| Balance at 1 September 2013 | **1 780 958** | **207 478 102** | **209 259 060** | **(2 558 722)** | **2 310 723** | **9 454 267** | **44 829 030** | **263 294 358** | **19 554 655** | **282 849 013** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **–** | **(7 771 407)** | **43 247 273** | **35 475 866** | **5 114 826** | **40 590 692** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **43 247 273** | **43 247 273** | **5 114 826** | **48 362 099** |
| Fair value gain on available-for-sale investments | **–** | **–** | **–** | **–** | **–** | **4 347 447** | **–** | **4 347 447** | **–** | **4 347 447** |
| Reclassification adjustment on sale of available-for-sale investments | **–** | **–** | **–** | **–** | **–** | **(13 902 447)** | **–** | **(13 902 447)** | **–** | **(13 902 447)** |
| Tax effects on revaluations | **–** | **–** | **–** | **–** | **–** | **1 783 593** | **–** | **1 783 593** | **–** | **1 783 593** |
| Share-based payment | **–** | **–** | **–** | **–** | **1 877 362** | **–** | **–** | **1 877 362** | **–** | **1 877 362** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **–** | **(5 730 540)** | **(5 730 540)** | **–** | **(5 730 540)** |
| Non-controlling interest on acquisition of subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2 732 976** | **2 732 976** |
| **Balance at 31 August 2014** | **1 780 958** | **207 478 102** | **209 259 060** | **(2 558 722)** | **4 188 085** | **1 682 860** | **82 345 763** | **294 917 046** | **27 402 457** | **322 319 503** |
| Notes | 13 | 13 | 13 | 13 | 14 | 16 | | | 5, 36 | |

| Company | Share capital R | Share premium R | Total share capital R | Convertible debentures R | Share-based payment reserve | Accumulated loss R | Total equity R |
|---|---|---|---|---|---|---|---|
| Balance at 1 September 2012 | 1 780 958 | 207 478 102 | 209 259 060 | 14 611 865 | 843 738 | (121 156 689) | 103 557 974 |
| Total comprehensive income for the year | – | – | – | – | – | 9 000 660 | 9 000 660 |
| Convertible debentures issued | – | – | – | 2 814 419 | – | – | 2 814 419 |
| Tax effect on convertible debentures | – | – | – | (195 463) | – | – | (195 463) |
| Share-based payment | – | – | – | – | 1 466 985 | – | 1 466 985 |
| Dividends paid | – | – | – | – | – | (4 452 396) | (4 452 396) |
| Balance at 31 August 2013 | 1 780 958 | 207 478 102 | 209 259 060 | 17 230 821 | 2 310 723 | (116 608 425) | 112 192 179 |
| Balance at 1 September 2013 | **1 780 958** | **207 478 102** | **209 259 060** | **17 230 821** | **2 310 723** | **(116 608 425)** | **112 192 179** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **–** | **(665 628)** | **(665 628)** |
| Convertible debentures issued | **–** | **–** | **–** | **3 718 777** | **–** | **–** | **3 718 777** |
| Tax effect on convertible debentures | **–** | **–** | **–** | **(287 343)** | **–** | **–** | **(287 343)** |
| Share-based payment | **–** | **–** | **–** | **–** | **1 877 362** | **–** | **1 877 362** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **(5 788 115)** | **(5 788 115)** |
| **Balance at 31 August 2014** | **1 780 958** | **207 478 102** | **209 259 060** | **20 662 255** | **4 188 085** | **(123 062 168)** | **111 047 232** |
| Notes | 13 | 13 | 13 | 15 | 14 | | |

# STATEMENTS OF CASH FLOW

for the year ended 31 August 2014

| | Note | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash (utilised in)/generated from operations | 26 | **(121 913 549)** | 5 093 010 | **(878 231)** | (548 679) |
| Finance income | | **4 070 429** | 3 271 940 | **–** | – |
| Dividends received | | **1 854 745** | 1 975 487 | **–** | – |
| Dividends received from associate | 6 | **5 927 400** | 8 891 100 | **–** | – |
| Finance costs | 21 | **(17 845 008)** | (7 091 840) | **–** | – |
| Dividends paid | | **(5 730 540)** | (4 408 116) | **(5 788 115)** | (4 452 396) |
| Income tax paid | 26 | **(9 996 051)** | (418 320) | **–** | – |
| **Net cash (outflow)/inflow from operating activities** | | **(143 632 574)** | 7 313 261 | **(6 666 346)** | (5 001 075) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 3 | **(809 441)** | (2 875 840) | **–** | – |
| Acquisition of and addition to investment properties | 4 | **(67 509 709)** | (1 656 697) | **–** | – |
| Proceeds on disposal of non-current assets held-for-sale | 4 | **146 402 632** | – | **–** | – |
| Proceeds on disposal of non-current assets | | **83 140** | 5 487 761 | **–** | – |
| Loans receivable repaid | | **9 261 000** | – | **–** | – |
| Loans receivable advanced | | **(6 109 777)** | – | **–** | – |
| Loans repaid by group companies | | **–** | – | **–** | 7 539 255 |
| Business combination | | **(61 235)** | (488 211) | **–** | – |
| Loan advanced to joint ventures | | **(1 466 452)** | (15 912 572) | **–** | – |
| Loans repaid by joint ventures | | **3 672 545** | – | **–** | – |
| Acquisition of held-for-trading and available-for-sale investments | | **(20 917 173)** | (7 454 098) | **–** | – |
| Proceeds on disposal of investments | | **33 458 995** | 27 088 222 | **–** | – |
| **Net cash inflow from investing activities** | | **96 004 525** | 4 188 565 | **–** | 7 539 255 |
| **Cash flows from financing activities** | | | | | |
| Treasury share purchases | | **–** | (1 319 665) | **–** | – |
| Settlement of derivative instrument | | **–** | (10 421 172) | **–** | – |
| Loans received from/(repaid to) group companies | | **–** | – | **6 672 008** | (2 535 471) |
| Decrease in borrowings | | **(72 646 949)** | – | **–** | – |
| Increase in borrowings | | **130 094 580** | 2 149 175 | **–** | – |
| **Net cash inflow/(outflow) from financing activities** | | **57 447 631** | (9 591 662) | **6 672 008** | (2 535 471) |
| **Net cash increase in cash and cash equivalents** | | **9 819 582** | 1 910 164 | **5 662** | 2 709 |
| Cash and cash equivalents at the beginning of the year | | **34 680 035** | 32 769 871 | **63 123** | 60 414 |
| **Total cash and cash equivalents at the end of the year** | | **44 499 617** | 34 680 035 | **68 785** | 63 123 |



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2014

## 1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. The methods used to measure fair values are discussed further in note 2(u).

They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for changes as a result of the adoption of new standards which are mandatorily effective for the first time in the current financial year as disclosed in (a) below.

### (a) International reporting standards adopted during the year

The group applied, for the first time, certain standards and amendments that are adopted retrospectively. These include IFRS 10 Consolidated Financial Statements, IFRS 11 *Joint Arrangements* and IFRS 13 *Fair Value Measurement.* Several other amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements.

The nature and the impact of each new standard and amendment are described below:

#### IFRS 10 – Consolidated Financial Statements and IAS 27 – Separate Financial Statements

During the year the company adopted IFRS 10 for the first time, resulting in the reassessment of each of the entity's holdings for control. The relevant activities of each entity within the group was assessed, together with which party has the ability to direct those activities, the entities' outputs were then assessed to determine which group entity (if any) benefits from or is exposed to variable returns from its involvement with the entity and can use its power over that entity to affect the returns. The group concluded that all its previously consolidated subsidiaries remain subsidiaries in accordance with the requirements of IFRS 10 and there is therefore no impact on the financial statements due to the application of this standard.

#### IFRS 11 – Joint Arrangements and IAS 28 – Investment in Associates and Joint Ventures

During the year the company adopted IFRS 11 for the first time, resulting in the reassessment of each of the entity's holdings for joint control. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements, namely joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The group concluded that all its previously equity accounted joint ventures remain joint ventures in accordance with the requirements of IFRS 11 and there is therefore no impact on the financial statements due to the application of this standard.

#### IFRS 12 – Disclosure of Interests in Other Entities

An entity's interests in subsidiaries, joint arrangements, associates and structured entities are now required to be disclosed in accordance with the requirements of IFRS 12, which are more comprehensive than the previously existing disclosure requirements. While the group has subsidiaries with non-controlling interests for which more disclosure is required, there are no unconsolidated structured entities. The group does have subsidiaries with material non-controlling interests for which more disclosure is required, there are no unconsolidated structured entities.

#### IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements, defining fair value as an exit price, without affecting the timing of the measurement, but requiring additional disclosures. During the year the group re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the group's fair value measurements. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

### (b) International reporting standards not yet effective

#### IFRS 8 – Operating Segments (amendment)

A brief description of the operating segments that have been aggregated in accordance with IFRS 8.12 and the economic indicators assessed in determining that the segments share similar economic characteristics must be disclosed where this judgement is applied.

A reconciliation of reportable segments' assets to the entity's is only required if the segment assets are reported in accordance with paragraph 23.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group expects to adopt the amendment for the first time in the 2015 Annual Financial Statements. It is unlikely that the amendment will have a material impact on the group annual financial statements but may result in additional disclosure.

### IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") and is effective for annual periods beginning on or after 1 January 2018. The new standard does away with the rule-based classifications previously seen under IAS 39 and, in its stead, requires principle-based classifications which are driven by cash flow characteristics of the instrument and the group business model. The measurement classes for financial assets under the new standard comprise amortised cost, fair value through profit or loss and fair value through other comprehensive income.

The standard also incorporates a forward looking "expected loss" impairment model, which is a departure from the "incurred loss" model applied previously under IAS 39. The forward looking model includes credit risk assessments from the date of initial recognition using probability weighted outcomes. Where forward-looking information is not available, there is a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. A three stage approach is used to recognise expected credit losses: stage 1 – 12-month expected credit losses, stage 2 – lifetime expected credit losses, stage 3 – credit impaired lifetime expected credit losses. The standard also incorporates hedge accounting requirements which are more aligned with risk management activities than under the largely rule-based approach of IAS 39.

The group is in the process of assessing the impact of the new standard on the classification and measurement of its financial instruments. The group will adopt the new standard on its mandatory effective date which is for years beginning on or after 1 January 2018.

### IFRS 15 – Revenue from contracts with customers

IFRS 15 establishes a single, comprehensive framework for determining when to recognise revenue and the amount of revenue to be recognised. The standard incorporates a five step process to recognise revenue, which is based on the core principle that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

IFRS 15 replaces the previous revenue standards IAS 18 – *Revenue* and IAS 11 – *Construction Contracts* and the related interpretations IFRIC 13 – *Customer Loyalty Programmes,* IFRIC 15 – *Agreements for the Construction of Real Estate,* IFRIC 18 – *Transfers of Assets from Customers* and SIC-31 – *Revenue – Barter Transactions Involving Advertising Services.* The new standard:

- improves the comparability of revenue from contracts with customers,
- reduces the need for interpretive guidance to address emerging revenue recognition issues, and
- provides more useful information through improved disclosure requirements.

The group is in the process of assessing the impact of the new standard on its revenue recognition and measurement. The group expects the adoption of the new standard to result in additional disclosure. The group will adopt the new standard on its mandatory effective date which is for years beginning on or after 1 January 2017.

No other standards or interpretations relevant to the group's operations have been published which were mandatory for accounting periods beginning on or after 1 September 2014.

### (c) Functional and presentation currency

These financial statements are presented in South African Rands, which is the group's functional currency and the presentation currency of both the company and the group.

### (d) Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Impairment of financial assets

The group assesses loans and receivables for impairment on an ongoing basis. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows of that financial asset.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as certain held-for-trading and available-for-sale securities) is based on quoted market prices at the reporting period end. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on observable market conditions existing at the end of each reporting period, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



#### Taxation

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### Significant influence

The directors of the company assessed whether or not the group has significant influence over Cloudberry Investments 18 (Pty) Limited and Clusten 54 (Pty) Limited based on the power to participate in the financial and operating policy decisions of the companies. After assessment, the directors concluded that the group had no representation on the board of directors or participation in the policy making processes and due to the nature of the investment, being a BEE structure the group had no significant influence over either company.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2(u) – valuation of financial instruments;
- Note 4 – classification and valuation of investment property;
- Note 20 – valuation of derivative liability;
- Note 15 – valuation of compound instruments;
- Note 14 – Share-based payments

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

#### (i) Subsidiaries

The consolidated financial statements include the financial statements of the company and its subsidiaries. Subsidiaries are entities (including structured entities) in which the group has control. The group controls an entity when it has exposure to, or has rights to, variable returns from the group's involvement with the entity and the ability to affect those returns through exercising power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

#### (ii) Joint ventures (equity accounted investees)

Joint ventures are entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial statements include the group's share of income and expenses and equity movement of equity accounted investees, from the date that joint control commences until the date that joint control ceases. In the company's financial statements, investment in joint ventures is carried at cost less accumulated impairment losses.

When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

(iii) Associates (equity accounted investees)

Associates are entities over whose activities the group has significant influence but not control over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

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

(v) Changes in ownership

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

(vi) Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 – *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal company) that are classified as held-for-sale in accordance with IFRS 5 – *Non-current Assets Held-for-Sale and Discontinued Operations,* which are recognised at fair value less costs to sell.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where necessary in accordance with the group policies.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

(b) Financial instruments

(i) Derivative financial instruments

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, trade and other payables, secured debentures and loans receivable and payable.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Available-for-sale financial assets

An instrument is classified as available-for-sale financial asset when it is not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in equity. When an investment is derecognised or impaired, the cumulative gain or loss in equity is transferred to profit or loss.

(iv) Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(v) Loans and receivables

Loans and receivables are non-derivative assets with no repayment terms that are not quoted in an active market. They are included in current assets. If repayment is not expected within twelve months after reporting date, the loans and receivables are included in non-current assets.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest on loans and receivables are calculated using the effective interest rate method and recognised in the statement of comprehensive income.

(vi) Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

(vii) Loans payable

Loans payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

(viii) Trade and other payables

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

*Other*
Other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

(ix) Share capital

*Ordinary shares*
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## (c) Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received provided that the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

## (d) Compound instruments

Compulsory convertible debentures are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

## (e) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within profit or loss.

### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets subject to finance leases are depreciated over the shorter of the lease term and their useful lives (if ownership does not pass). Land is not depreciated.

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

- Fixtures and fittings — 5 years
- Motor vehicles — 4 – 5 years
- Office furniture and equipment — 6 years
- Harbour equipment — 3 years
- Moorings — 5 – 10 years
- IT equipment — 3 years

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

A change of property, plant and equipment to investment property is accounted for using the revaluation model. A gain on remeasurement on change date is recognised in other comprehensive income and a loss is recognised in profit or loss.

## (f) Investment property

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred. Subsequent to initial measurement investment property is measured at fair value. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Investment properties are derecognised when either 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. The difference between the net disposal proceeds and the carrying amount of the property is recognised in profit and loss in the period of derecognition.

## (g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their present location and condition.

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

The cost of the inventories is assigned using the specific identification method.

## (h) Impairment

### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets and those assessed individually but not found to be impaired are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the group's non-financial assets other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed (not for goodwill) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

## (i) Fair value reserve

The fair value reserve comprises the cumulative change, net of deferred tax, in the fair value of available-for-sale investments and the revaluation of property, plant and equipment until the properties or investments are derecognised.

## (j) Borrowing costs

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities necessary to prepare the asset for its intended use are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to the part of development cost financed out of general funds, the weighted average cost of borrowings. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

## (k) Revenue

Revenue is earned from rental income, interest income, dividend income, and rendering of services.

Interest income is recognised as it accrues, using the effective interest method.

Dividend income is recognised when the group's right to receive payment has been established which coincides with the last date of registration.

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total rental income, over the term of the lease.

Revenue on sale of properties is recognised once:

- the risks and rewards of ownership have transferred;
- the group no longer has managerial involvement;
- the amount of revenue and costs can be measured reliable; and
- it is probable that the economic benefits from the sale will flow.

## (l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## (m) Finance costs

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

## (n) Employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly within twelve months after the financial year in which the employees render the related service. The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

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

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

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## (o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same tax (or taxable) entity, or a different tax entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised (for unused tax losses, tax credits and deductible temporary differences) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences (or tax losses) can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

## (p) Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are classified as insurance contracts as defined in IFRS 4 – *Insurance Contracts*. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## (q) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## (r) Segment reporting

The principle segments of the group have been identified by business segment. The basis is representative of the internal structure used for management reporting.

Segment revenue reflects both sales to external parties and intergroup transactions across segments. The segment result is presented as segment profit before and after taxation.

Segment operating assets and liabilities are only those items that can be specifically identified within a particular segment.

## (s) Cost of sales

The carrying amount of inventories sold is recognised as an expense in the same period in which the related revenue is recognised. Any write-down to net realisable value, or losses of inventories, are recognised as an expense in the period in which they occur. Any reversals of inventory write-downs arising from an increase in net realisable value, is recognised as a reduction in the cost of sales, in the period in which the reversal occurs.

## (t) Determination of fair values

*Fair value hierarchy*

Level 1: Listed shares measured using unadjusted quoted prices.

Level 2: Applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3: Applies inputs which are not based on observable market data.

### (i) Investments in equity securities

The fair value of listed investments is determined by reference to their quoted closing bid price at the reporting date (level 1).

### (ii) Derivative instruments

The fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### (iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio from time to time. The fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The valuations of investment properties are estimated using either an income approach which capitalises the estimated rental income stream, net of projected operating costs or recent sales information of similar investment properties in the same development, or a combination of both.

Valuations reflect, when appropriate: the estimated cash flows expected to be received from renting out the property; a yield that reflects the specific risks inherent in the net cash flows; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the company and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

## (u) Treasury shares

Where subsidiaries hold shares in their parent company, these are recorded at cost, including any external costs of acquisition, and are deducted from equity as treasury shares. When shares are subsequently sold or re-issued, their cost is released and any gains or losses are included in treasury shares.

## (v) Non-current assets held for sale

Non-current assets are classified as assets (or disposal groups) held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.



For the sale to be highly probable management must be committed to the sale and an active programme to locate a buyer and complete the plan must have been initiated. Further, the assets must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell, other than certain assets such as investment properties, which are measured at fair value.

A non-current asset is not depreciated while it is classified as held-for-sale.

## (w) Financial risk management

### (i) Overview

The group and company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the group exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated the responsibility for developing and monitoring the group's risk management policies to the executive directors.

The executive directors report to the board of directors on their activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

### (ii) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's cash balances, investments, loan receivables, loans to group companies and trade receivables.

*Loans receivable*
The group's exposure to credit risk on loans receivable is influenced by the underlying value of the asset. Management access the recoverability of this loan by reference to the listed share price or fair value of the investments. The maximum exposure to credit risk is limited to the total carrying value of the loan receivable as at the reporting date.

*Bank balances*
The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The cash brokerage account is held by a reputable institution in South Africa.

*Guarantees*
The group's exposure to credit risk on guarantees is influenced by the underlying value of the asset. Management assess the credit risk with reference to the underlying asset for which the group stands as surety.

*Trade and other receivables*
The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered. When available, the group's review includes external ratings.

(iii) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The group ensures there is sufficient cash on demand through borrowing facilities and operating profits.

(iv) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*
The group has no significant exposure to currency risk.

*Interest rate risk*
The group's only exposure to interest rate risk relates to bank balances, loans receivable, trade receivables and loans payable which are subject to variable market related interest rates.

*Other market price risk*
Equity price risk arises from available-for-sale equity and held-for-trading securities.

Management monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the board of directors. The primary goal of the group's investment strategy is to maximise investment returns.

(v) Capital management

Capital is regarded as total equity. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business.

The board of directors monitors the return on capital, which the group defines as profit attributable to equity holders of the parent divided by total equity attributable to equity holders of the parent, excluding non-controlling interest on a continuous basis as follow:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Profit/(loss) attributable to equity holders of the parent | **43 247 273** | 51 498 535 | **(665 628)** | 9 000 660 |
| Total equity attributable to equity holders of the parent | **294 917 046** | 263 294 358 | **111 047 232** | 112 192 179 |
| Ratio of net operating income to total shareholders' equity | **15%** | 20% | **(1%)** | 8% |

There were no changes in the group's approach to capital management during the year.

## 3. PROPERTY, PLANT AND EQUIPMENT

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Group** | **Cost R** | **Accumulated depreciation R** | **Carrying value R** | Cost R | Accumulated depreciation R | Carrying value R |
| Fixtures and fittings | **2 085 647** | **(1 106 309)** | **979 338** | 1 962 152 | (907 863) | 1 054 289 |
| Motor vehicles | **693 506** | **(149 261)** | **544 245** | 667 845 | (188 919) | 478 926 |
| Office furniture and equipment | **497 262** | **(234 181)** | **263 081** | 442 230 | (170 106) | 272 124 |
| Harbour equipment and moorings | **7 964 841** | **(1 640 334)** | **6 324 507** | 7 705 157 | (1 018 373) | 6 686 784 |
| IT equipment | **361 202** | **(281 295)** | **79 907** | 287 602 | (207 841) | 79 761 |
| **Total** | **11 602 458** | **(3 411 380)** | **8 191 078** | 11 064 986 | (2 493 102) | 8 571 884 |

**Reconciliation of property, plant and equipment**

| | Opening balance R | Additions R | Disposals R | Depreciation R | Closing balance R |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Fixtures and fittings | **1 054 289** | **191 527** | **(35 150)** | **(231 328)** | **979 338** |
| Motor vehicles | **478 926** | **229 598** | **(47 990)** | **(116 289)** | **544 245** |
| Office furniture and equipment | **272 124** | **55 032** | **–** | **(64 075)** | **263 081** |
| Harbour equipment and moorings | **6 686 784** | **259 684** | **–** | **(621 961)** | **6 324 507** |
| IT equipment | **79 761** | **73 600** | **–** | **(73 454)** | **79 907** |
| | **8 571 884** | **809 441** | **(83 140)** | **(1 107 107)** | **8 191 078** |
| **2013** | | | | | |
| Fixtures and fittings | 909 417 | 296 071 | – | (151 199) | 1 054 289 |
| Motor vehicles | 216 750 | 317 544 | – | (55 368) | 478 926 |
| Office furniture and equipment | 159 970 | 165 147 | (6 939) | (46 056) | 272 122 |
| Harbour equipment and moorings | 5 186 624 | 1 987 876 | – | (487 716) | 6 686 784 |
| IT equipment | 27 342 | 109 202 | – | (56 781) | 79 763 |
| | 6 500 103 | 2 875 840 | (6 939) | (797 120) | 8 571 884 |

Expenditure on construction of property, plant and equipment, included in additions above, amounted to R0.3 million for the year (2013: R2.0 million).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2014

## 4.1 INVESTMENT PROPERTY

| | Group 2014 R | 2013 R |
|---|---|---|
| Carrying value | **210 409 801** | 109 396 708 |
| Carrying value at the beginning of the year | **109 396 708** | 21 097 718 |
| Acquisition of investment properties from increase in investment in Arbitrage Property Fund (Pty) Limited | **–** | 216 071 653 |
| Acquisition of investment properties from increase in investment in The Resi Investment Group | **–** | 6 421 050 |
| Straight line rental income adjustment against investment properties | **463 708** | (3 704 977) |
| Fair value adjustment on investment properties | **33 039 676** | 18 730 171 |
| Transfer to non-current assets held for sale | **–** | (146 402 632) |
| Disposal of investment properties | **–** | (4 472 972) |
| Additions to investment properties | **67 509 709** | 1 656 697 |
| Carrying value at the end of the year | **210 409 801** | 109 396 708 |
| Investment properties comprises the following sectors: | | |
| Commercial | **55 521 058** | 43 326 275 |
| Industrial | **82 442 922** | 56 633 563 |
| Residential | **72 445 821** | 9 436 870 |
| | **210 409 801** | 109 396 708 |
| Income and expenses relating to investment properties: | | |
| Rental income from investment properties | **33 925 885** | 12 482 522 |
| Direct expenses from income generating investment properties | **(10 955 454)** | (4 180 193) |
| Direct expenses from non-income generating investment properties | **–** | (260 356) |

Included in the closing balance of investment property is an amount of R1.4 million (2013: R0.9 million) relating to the straight lining lease asset.

Refer to note 31 for detailed information on the valuation of investment property.

### Property valuations

The fair value of the investment properties, which equals the carrying value, is based either on independent professional valuers who have recognised professional qualifications and experience in the valuation of similar investment properties or directors valuations at 31 August 2014. In the current year, substantially all of the valuations were performed by the directors.

### Details of investment properties

| Sector | Name of property | Details | Valuation at 31 August 2014 | Valuation at 31 August 2013 |
|---|---|---|---|---|
| Commercial | Club Mykonos Resort | Erven 3754 and 3755, Langebaan, Section 226, 227, 228, 230, 231 Acropolis and Section 39 Peninsula, Langebaan, Western Cape | **22 754 993** | 15 660 000 |
| Commercial | Sandton Action Cricket | Erf 178, 180 Eastgate Ext 12, City of Johannesburg, Gauteng | **14 123 666** | 13 470 392 |
| Commercial | Gansbaai Shopping Centre | Erf 242, Gansbaai, Western Cape | **18 642 399** | 14 195 883 |
| | | | **55 521 058** | 43 326 275 |
| Industrial | Club Mykonos Resort | Erf 2785, Langebaan, Western Cape | **13 761 993** | 11 373 526 |
| Industrial | 7 Dartfield | Erf 195, Eastgate Ext 13, City of Johannesburg, Gauteng | **13 455 095** | 12 148 523 |
| Industrial | The Wang | Erf 602 Spartan Ext 2 Portion 221, Ekurhuleni Metropolitan Municipality, Gauteng | **21 610 547** | 16 486 867 |
| Industrial | Maitland Mews | Erf 22703, Maitland, Number 10, 16th Avenue, Western Cape | **10 738 616** | 9 459 755 |
| Industrial | Reliance Building | Sectional Title Unit, Units 1 – 8 SS Reliance Building, Scheme 138, Paarden Island, Western Cape | **6 729 816** | 7 164 892 |
| Industrial | 16 Bolt Avenue | Erf 1648, 16 Bolt Avenue, Montague Gardens, Cape Town, Western Cape | **16 146 855** | – |
| | | | **82 442 922** | 56 633 563 |
| Residential | Club Mykonos Resort | Section 7 Peninsula, Section 99 Acropolis and 4 Clio Close, Apollo Ridge, Langebaan, Western Cape | **4 260 459** | 2 400 000 |
| Residential | Kimon Square | Various units, Kimon Square, North Road, Table View, Western Cape | **3 900 000** | 351 254 |
| Residential | Oasis | Various units, Oasis, Disa Road, Gordons Bay, Western Cape | **3 900 000** | 264 566 |
| Residential | Catherine's Place | Units 1 – 13 Catherine's Place, 55 Bedford Street, Glenlilly Parow, Western Cape | **8 668 362** | 6 421 050 |
| Residential | Stonehedge | Various units, Disa Road, Gordons Bay, Western Cape | **4 225 000** | – |
| Residential | Liberty Grande | Various units, Liberty Grande,Voortrekker Road, Goodwood, Western Cape | **3 392 000** | – |
| Residential | San Jose & San Diego | Erven 17470 to 17493, Eikenbosch Estate, Kuilsriver, Western Cape | **21 600 000** | – |
| Residential | La Bonitos | Units 1 – 44, Corner Briardene & Clarendon Streets, Parow, Western Cape | **22 500 000** | – |
| | | | **72 445 821** | 9 436 870 |
| | | | **210 409 801** | 109 396 708 |

### Details of investment properties transferred to non-current assets held for sale in the prior year

| Sector | Name of property | Details | Valuation at 31 August 2014 | Valuation at 31 August 2013 |
|---|---|---|---|---|
| Commercial | Bougainville Shopping Centre | Sectional Title Unit, SS Bougainville, Scheme number 610/1997, Daspoort, Pretoria | **–** | 68 000 000 |
| Commercial | Shoprite Centre, Rustenburg | Erf 2460 Rustenburg, North West | **–** | 77 350 000 |
| Residential | Club Mykonos Resort | Section 149, Acropolis, Langebaan, Western Cape | **–** | 1 052 632 |
| | | | **–** | 146 402 632 |

## 4.2 NON-CURRENT ASSETS HELD-FOR-SALE

| | Group | |
|---|---|---|
| | **2014 R** | 2013 R |
| Local properties | **–** | 146 402 632 |
| Balance at the end of the year | **–** | 146 402 632 |
| Movement for the year | | |
| At the beginning of the year | **146 402 632** | – |
| Transfer from investment properties | **–** | 146 402 632 |
| Properties sold during the year | **(146 402 632)** | – |
| Balance at the end of the year | **–** | 146 402 632 |

**Shoprite Centre, Rustenburg**

Arbitrage entered into a sale agreement, in terms of which Arbitrage disposed of Erf 2460 Rustenburg, known as Shoprite Centre, Rustenburg, for a total consideration of R77.4 million ("the disposal").

The disposal was not subject to any outstanding conditions precedent.

The total consideration of R77.4 million was settled in cash on the effective date. The proceeds were used to settle the outstanding bank debt on the property and the balance was retained to be invested in new property investments as and when they arise.

**Bougainville Shopping Centre, Pretoria**

Arbitrage entered into a sale agreement, in terms of which Arbitrage disposed of Bougainville Shopping Centre, for a total consideration of R68 million ("the disposal").

The disposal was not subject to any outstanding conditions precedent.

The total consideration of R68 million was settled in cash on the effective date. The proceeds were used to settle the outstanding bank debt on the property and the balance was be retained to be invested in new property investments as and when they arise.

The board of directors was of the opinion that the proceeds of the disposal can be more productively employed in funding similar future transactions.

**Kaliva 727, Club Mykonos Langebaan**

Club Mykonos Executive Sales (Pty) Ltd ("Executive Sales") entered into a sale agreement, in terms of which Executive Sales disposed of Kaliva 727, section no. 149, for a total consideration of R1 million ("the disposal").

The disposal was not subject to any outstanding conditions precedent.

## 5. INVESTMENTS IN SUBSIDIARIES

| | | Company | | | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| **Name of entity** | **Principal activity** | **% holding** | % holding | **Carrying amount R** | Carrying amount R |
| **Held directly** | | | | | |
| Tremgrowth (Pty) Limited | Equity investments | **100.0** | 100.0 | **10** | 10 |
| Tremtrade (Pty) Limited | Equity investments | **100.0** | 100.0 | **10** | 10 |
| Trematon Share Incentive Trust | Share Incentive | **100.0** | 100.0 | **–** | – |
| **Held indirectly** | | | | | |
| Club Mykonos Langebaan (Pty) Limited | Property and gaming investments | **100.0** | 100.0 | **–** | – |
| Club Mykonos Executive Sales (Pty) Limited | Property investments | **100.0** | 100.0 | **–** | – |
| Club Mykonos Langebaan Resort Managers (Pty) Limited | Marina and property services | **100.0** | 100.0 | **–** | – |
| West Coast Holiday Lifestyles (Pty) Limited | Marina and property services | **100.0** | 100.0 | **–** | – |
| Arbitrage Property Fund (Pty) Limited | Property investments | **66.7** | 66.7 | **–** | – |
| Tremprop (Pty) Limited | Property investments | **50.0** | 50.0 | **–** | – |
| Resi Investment Trust | Property investments | **50.0** | 50.0 | **–** | – |
| Lion Property Investment Trust | Property investments | **50.0** | 50.0 | **–** | – |
| Stalagmite Property Investments (Pty) Limited* | Property investments | **66.7** | 50.0 | **–** | – |
| | | | | **20** | 20 |

* Previously a joint venture.

All subsidiaries are incorporated and operate solely in South Africa.

Due to the nature of the subsidiaries, Trematon Share Incentive Trust, Resi Investment Trust and Lion Property Investment Trust have 28 February reporting dates. When the annual reporting dates are different to the group's, financial information is obtained as at 31 August in order to report on an annual basis consistent with the group's reporting date. All other subsidiaries have a 31 August reporting date.

In the current year, Tremtrade (Pty) Ltd has given Resi Investment Trust financial support amounting to R41.9 million (2013: R10.0 million). The loan is unsecured and attracts interest at rates linked to prime. The are no fixed terms of repayment.

The group has signed sureties for R54.6 million (2013: R22.3 million) in favour of financial institutions in respect of loans to the Resi Investment Trust.

## 5. INVESTMENTS IN SUBSIDIARIES (continued)

### Details of subsidiaries that have non-controlling interests

| Name of company | 2014 % holding by non-controlling interests R | 2013 % holding by non-controlling interests R | 2014 Profit/(loss) allocated to non-controlling interests R | 2013 Profit/(loss) allocated to non-controlling interests R | 2014 Accumulated non-controlling interests R | 2013 Accumulated non-controlling interests R |
|---|---|---|---|---|---|---|
| Arbitrage Property Fund (Pty) Limited | **33.3** | 33.3 | **5 391 952** | 2 801 802 | **21 533 287** | 16 141 335 |
| Resi Investment Group** | **50.0** | 50.0 | **(201 746)** | (434 037) | **3 211 575** | 3 413 320 |
| Stalagmite Property Investments (Pty) Limited | **33.3** | 50.0 | **(75 380)** | – | **2 657 595** | – |
| | | | **5 114 826** | 2 367 765 | **27 402 457** | 19 554 655 |

** The Resi Investment Group comprises of Tremprop (Pty) Limited, Resi Investment Trust and Lion Property Investment Trust.

Summary financial information in respect of each of the group's subsidiaries that has a material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### Arbitrage Property Fund (Pty) Limited

| | Group 2014 R | Group 2013 R |
|---|---|---|
| Current assets | **3 089 369** | – |
| Cash and cash equivalents | **11 767 653** | 3 398 081 |
| Non-current assets | **111 462 382** | 78 378 422 |
| Non-current assets held for sale | **–** | 143 350 000 |
| Total assets | **126 319 404** | 225 126 503 |
| Current liabilities | **1 792 131** | 1 893 402 |
| Current financial liabilities (excl. trade and other payables and provisions) | **7 656 976** | 28 163 201 |
| Non-current liabilities | **57 231 916** | 151 608 871 |
| Total liabilities | **66 681 023** | 181 665 474 |
| Revenue | **12 620 426** | 19 300 510 |
| Fair value adjustments | **13 806 508** | 43 592 347 |
| Interest received | **851 674** | 89 927 |
| Finance costs | **(7 813 228)** | (17 765 776) |
| Net operating expenses | **(3 287 908)** | (4 055 959) |
| Profit after tax | **16 177 472** | 41 161 049 |
| Total comprehensive income | **16 177 472** | 41 161 049 |
| Net cash (used in)/from operating activities | **(10 137 760)** | 791 917 |
| Net cash from/(used in) investing activities | **128 932 776** | (9 187 844) |
| Net cash (used in)/from financing activities | **(110 425 444)** | 10 949 939 |
| Dividends paid to non-controlling interests | **(40)** | (40) |
| Divdiends received by equity holders of the parent | **60** | 60 |

## 6. INVESTMENTS

| | Note | Group 2014 R | Group 2013 R |
|---|---|---|---|
| **Available-for-sale** | | | |
| Listed shares | | **–** | 16 380 000 |
| Investment in unlisted shares | | **107** | 58 |
| | 6.1 | **107** | 16 380 058 |
| **Investment in joint ventures** | 6.2 | **10 015 388** | 11 553 141 |
| **Investment in associate entities** | 6.3 | **91 329 789** | 86 578 964 |
| **Held-for-trading** | | | |
| Listed investments | 6.4 | **12 070 273** | 2 554 551 |

The groups' exposure to credit and interest rate risk related to investments are disclosed in note 28.

### 6.1 Available-for-sale investments

**Investments at fair value**
**Listed shares**

| | 2014 R | 2013 R |
|---|---|---|
| Nil (2013: 4 200 000) shares in Grand Parade Investments Limited* | **–** | 16 380 000 |
| Investment in unlisted shares | **107** | 58 |
| | **107** | 16 380 058 |

* The group disposed of its shares in Grand Prade Investments Limited during the year.

### 6.2 Investment in joint ventures

| | Principal activity | 2014 R | 2013 R |
|---|---|---|---|
| Stalagmite Property Investments (Pty) Limited* | Property investments | **–** | 922 162 |
| The Woodstock Hub (Pty) Limited | Property investments | **–** | 5 178 869 |
| The Vredenburg Property Trust | Property investments | **10 015 388** | 5 452 110 |
| Playground Investments (Pty) Limited | Property management | **–** | – |
| Arbitrage Property Fund (Pty) Limited** | Property investments | **–** | – |
| Resi Investment Trust** | Property investments | **–** | – |
| | | **10 015 388** | 11 553 141 |

* Became a subsidiary in the current year, refer to note 5.

** Became subsidiaries in the prior year, refer to note 5.

All joint ventures are incorporated and operate solely in South Africa.

The ownership interest at the group's and the joint ventures reporting date are the same. When the annual reporting date is different to the group's, financial information is obtained as at 31 August in order to report on an annual basis consistent with the group's reporting date.

The Vredenburg Property Trust has a 28 February reporting date.

## 6. INVESTMENTS (continued)

### 6.2 Investment in joint ventures (continued)

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **Stalagmite Property Investments (Pty) Limited** | | |
| The investment represents a 67% (2013: 50%) interest and comprises: | | |
| Shares at cost | **50** | 50 |
| Post acquisition share of reserves | **1 870 378** | 922 112 |
| Reclassification of equity accounted investment to subsidiary | **(1 870 428)** | – |
| | **–** | 922 162 |

On 18 November 2013, Trematon acquired a further 16.7% in Stalagmite. This increased its holdings to 66.7%. Stalagmite is no longer equity accounted and has been included in the group results as a subsidiary at year-end.
For further details see note 36.1 – Business combinations.

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **The Woodstock Hub (Pty) Limited** | | |
| The investment represents a 50% (2013: 50%) interest and comprises: | | |
| Shares at cost | **50** | 50 |
| Allocation of post acquisition share of losses | **(50)** | – |
| Amount owing | **4 345 077** | 5 227 735 |
| Post acquisition share of losses allocated to amount owing | **(1 555 289)** | (48 916) |
| Reclassification of amount owing to loans receivable | **(2 789 788)** | – |
| | **–** | 5 178 869 |

The amounts owing bears interest at variable rates linked to prime. There are no fixed terms of repayment.

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **The Vredenburg Property Trust** | | |
| The investment represents a 50% (2013: 50%) interest and comprises: | | |
| Cost at acquisition | **5 452 110** | 5 452 110 |
| Post acquisition share of reserves | **4 563 278** | – |
| | **10 015 388** | 5 452 110 |

The group has signed total sureties in favour of Nedbank Limited for an amount limited to R6.1 million (2013: R6.1 million) in respect of the above investment. At year-end, the total borrowings of The Vredenburg Property Trust relating to the sureties amounted to R22.2 million (2013: R27.5 million).

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **Playground Investments (Pty) Limited** | | |
| The investment represents a 50% (2013: Nil) interest and comprises: | | |
| Shares at cost | **50** | – |
| Allocation of post acquisition share of losses | **(50)** | – |
| | **–** | – |



## 6. INVESTMENTS (continued)

### 6.2 Investment in joint ventures (continued)

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **Arbitrage Property Fund (Pty) Limited** | | |
| The investment represents a 67.7% (2013: 67%) interest and comprises: | | |
| Linked units at cost | **–** | 120 |
| Amount owing | **–** | 23 263 746 |
| Post acquisition share of reserves | **–** | 20 211 476 |
| Reclassification of equity accounted investment to subsidiary | **–** | (43 475 342) |
| | **–** | – |

The amounts owing bears interest at variable rates linked to prime. There are no fixed terms of repayment.

On 1 April 2013, Trematon acquired a further 16.7% in Arbitrage. This increased its holdings to 66.7%.

Arbitrage is no longer equity accounted and has been included in the group results as a subsidiary at year-end.

For further details see note 36.2 – Business combinations.

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **Resi Investment Trust** | | |
| The investment represents a 50% (2013: 50%) interest and comprises: | | |
| Amount owing | **–** | 15 520 617 |
| Post acquisition share of reserves | **–** | 384 928 |
| Reclassification of equity accounted investment to subsidiary | **–** | (15 905 545) |
| | **–** | – |

The amounts owing bears interest at variable rates linked to prime. There are no fixed terms of repayment.

On 1 March 2013, Trematon acquired control of Resi Investment by holding two thirds of the voting rights. There has been no change in the percentage of ownership.

Resi is no longer equity accounted and has been included in the group results as a subsidiary at year-end.

For further details see note 36.3 – Business combinations.

## 6. INVESTMENTS (continued)

### 6.2 Investment in joint ventures (continued)

| | Group 2014 R | Group 2013 R |
|---|---|---|
| **Summarised financial information in respect of each of the group's material joint ventures are set out below, not adjusted for the percentage ownership of the group:** | | |
| **The Vredenburg Property Trust** | | |
| Current assets | 662 492 | – |
| Cash and cash equivalents | 238 195 | 149 164 |
| Non-current assets | 46 732 294 | 39 687 501 |
| Total assets | 47 632 981 | 39 836 665 |
| Current liabilities | 365 336 | 1 540 853 |
| Non-current liabilities | 27 236 869 | 27 391 592 |
| Total liabilities | 27 602 205 | 28 932 445 |
| Revenue | 7 595 445 | 6 635 618 |
| Expenses | (3 649 370) | (3 715 905) |
| Fair value adjustment | 6 979 453 | 12 177 014 |
| Interest received | – | – |
| Finance costs | (1 798 972) | (2 176 623) |
| Profit before tax | 9 126 556 | 12 920 104 |
| Tax | – | – |
| Profit after tax | 9 126 556 | 12 920 104 |
| Total comprehensive income | 9 126 556 | 12 920 104 |
| Share of profit for the year* | 4 563 278 | – |
| Distributions received from joint venture | – | 950 000 |
| Net asset value | 20 030 776 | 10 904 220 |
| * The group earned no profit on the equity accounted investment during the 2013 year as the fair value on the date of acquisition equalled the share of profit at year-end. | | |
| Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture is set out below: | | |
| Net assets of the joint venture | 20 030 776 | 10 904 220 |
| Proportion of the group's ownership in the joint venture | 50% | 50% |
| Carrying amount of the group's interest in the joint venture | 10 015 388 | 5 452 110 |
| **Arbitrage Property Fund (Pty) Limited** | | |
| Arbitrage Property Fund (Pty) Ltd was considered a material joint venture in the prior year and is now a subsidiary of the group, refer to note 5 for detailed disclosure on this material investment. | | |
| **Summarised information in respect of joint ventures that are not individually material:** | | |
| Aggregate share of (loss)/profit for the year | (2 024 560) | 1 528 148 |
| Aggregate other comprehensive income | – | – |
| Aggregate total comprehensive income | (2 024 560) | 1 528 148 |

## 6. INVESTMENTS (continued)

### 6.3 Investment in associate entities

| Investment in associate entities | Principal activity | Group 2014 R | Group 2013 R |
|---|---|---|---|
| West Coast Leisure (Pty) Limited | Gaming | 91 329 789 | 86 578 964 |
| | | 91 329 789 | 86 578 964 |

The associate is incorporated and operates solely in South Africa.

The Mykonos Casino is held through our 100% subsidiary, Club Mykonos Langebaan (Pty) Limited. The Casino is situated at the Club Mykonos Resort in Langebaan. The Casino is managed by Tsogo Sun Holdings Limited who own the remaining 70%.

**West Coast Leisure (Pty) Limited**

The investment represents a 29.64% (2013: 29.64%) interest and comprises:

| | 2014 R | 2013 R |
|---|---|---|
| Deemed cost | 77 275 629 | 77 275 629 |
| Post acquisition share of reserves | 14 054 160 | 9 303 335 |
| | 91 329 789 | 86 578 964 |
| Summary financial information of the material associate is set out below, not adjusted for the percentage ownership of the group: | | |
| Current assets | 57 330 025 | 46 714 890 |
| Cash and cash equivalents | 56 279 852 | 45 994 341 |
| Non-current assets | 58 734 618 | 53 563 400 |
| Total assets | 116 064 643 | 100 278 290 |
| Current liabilities | 12 033 951 | 12 276 023 |
| Current financial liabilities (excl. trade and other payables and provisions) | 2 728 303 | 1 302 832 |
| Total liabilities | 12 033 951 | 12 276 023 |
| Revenue | 137 689 004 | 134 949 533 |
| Depreciation | (4 931 852) | (6 710 078) |
| Expenses (excl. depreciation) | (87 650 685) | (89 820 810) |
| Interest received | 2 364 066 | 1 631 493 |
| Finance costs | (985) | (7 203) |
| Profit before tax | 50 038 319 | 45 128 723 |
| Tax | (14 011 921) | (11 771 300) |
| Profit after tax | 36 026 398 | 33 357 423 |
| Total comprehensive income | 36 026 398 | 33 357 423 |
| Share of profit for the year | 10 678 224 | 9 887 140 |
| Dividends received from associate | 5 927 400 | 8 891 100 |
| Net asset value | 104 030 692 | 88 002 267 |

## 6. INVESTMENTS (continued)

### 6.3 Investment in associate entities (continued)

| | Group 2014 R | 2013 R |
|---|---|---|
| Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate is set out below: | | |
| Net assets of the associate | 104 030 692 | 88 002 267 |
| % ownership of associate | 29.64% | 29.64% |
| Proportion of the groups ownership in the associate | 30 834 697 | 26 083 872 |
| Goodwill on acquisition | 60 495 092 | 60 495 092 |
| Carrying amount of the group's interest in the associate | 91 329 789 | 86 578 964 |

### 6.4 Held-for-trading investments

**Held-for-trading**
**Listed investments**

| | Group 2014 R | 2013 R |
|---|---|---|
| 30 839 (2013: Nil) shares in KWV Holdings Limited | 252 880 | – |
| 200 000 (2013: Nil) shares in Phumelela Gaming and Leisure Limited | 3 800 000 | – |
| 673 000 (2013: Nil) shares in Seardel Investment Corporation Limited | 1 278 700 | – |
| 3 739 922 (2013: Nil) N-shares in Seardel Investment Corporation Limited | 6 357 868 | – |
| 6 347 089 (2013: 12 772 753) shares in Don Group Limited | 380 825 | 2 554 551 |
| | 12 070 273 | 2 554 551 |

### 6.5 Summary of profit from equity accounted investments (net of tax)

| | Group 2014 R | 2013 R |
|---|---|---|
| Stalagmite Property Investments (Pty) Limited | 948 266 | (87 483) |
| The Woodstock Hub (Pty) Limited | (1 506 374) | (48 916) |
| The Vredenburg Property Trust | 4 563 278 | – |
| Playground Investments (Pty) Limited | (1 466 452) | – |
| Arbitrage Property Fund (Pty) Limited | – | 19 061 425 |
| Resi Investment Trust | – | 1 664 547 |
| West Coast Leisure (Pty) Limited | 10 678 224 | 9 887 140 |
| | 13 216 943 | 30 476 713 |

## 7. LOANS TO/(FROM) GROUP COMPANIES

| | Group 2014 R | 2013 R |
|---|---|---|
| Tremgrowth (Pty) Limited | 94 858 911 | 94 858 911 |
| Trematon Share Incentive Trust | 28 257 500 | 23 512 500 |
| Tremtrade (Pty) Limited | (9 339 589) | (2 667 581) |
| | 113 776 822 | 115 703 830 |
| Non-current assets | 28 257 500 | 23 512 500 |
| Current assets | 94 858 911 | 94 858 911 |
| Current liabilities | (9 339 589) | (2 667 581) |
| | 113 776 822 | 115 703 830 |

The loans to and from Tremgrowth and Tremtrade are unsecured and interest free. There are no fixed terms of repayment.

The loan to the Trematon Share Incentive Trust is unsecured and attracts interest at rates linked to prime. The loan is repayable when the convertible debentures are converted into ordinary shares.

*Credit quality*
The credit quality of the loan balances have been assessed with reference to the underlying net assets in each company.

The group's exposure to credit risk is disclosed in note 28.

## 8. DEFERRED TAX

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Deferred tax asset | **4 292 167** | 4 404 935 | **–** | – |
| Deferred tax liability | **(13 980 197)** | (16 140 106) | **(608 580)** | (779 879) |
| | **(9 688 030)** | (11 735 171) | **(608 580)** | (779 879) |
| Comprises: | | | | |
| Temporary differences arising from fair value adjustments on available-for-sale investments | **–** | (891 434) | **–** | – |
| Deferred tax asset/(liability) on fair value adjustments on held-for-trading investments | **365 878** | (934 813) | **–** | – |
| Temporary differences arising from fair value adjustments on acquisition of subsidiary | **(4 477 414)** | (3 764 986) | **–** | – |
| Temporary difference on assessed losses | **2 640 065** | 6 125 064 | **–** | – |
| Temporary differences arising from revaluation of property, plant and equipment | **(386 230)** | (828 755) | **–** | – |
| Temporary differences from fair value adjustments on investment properties | **(7 527 418)** | (11 292 624) | **–** | – |
| Temporary differences arising from operating lease assets | **(302 911)** | (147 623) | **–** | – |
| Temporary differences arising from fair value adjustment of compound instrument | **–** | – | **(608 580)** | (779 879) |
| | **(9 688 030)** | (11 735 171) | **(608 580)** | (779 879) |
| **Reconciliation of deferred tax liability** | | | | |
| At the beginning of the year | **(11 735 171)** | (4 056 038) | **(779 879)** | (981 201) |
| Fair value adjustment on available-for-sale investments | **891 434** | 538 644 | **–** | – |
| Fair value adjustment on held-for-trading investments | **1 300 691** | (2 121 453) | **–** | – |
| Fair value adjustments on acquisition of subsidiaries | **(712 428)** | 47 614 | **–** | – |
| Assessed losses | **(3 484 999)** | 5 739 127 | **–** | – |
| Revaluation of property, plant and equipment | **442 525** | (442 818) | **–** | – |
| Fair value adjustments on investment properties | **3 765 206** | (11 292 624) | **–** | |
| Operating lease assets | **(155 288)** | (147 623) | **–** | – |
| Fair value adjustment of compound instrument | **–** | – | **171 299** | 201 322 |
| | **(9 688 030)** | (11 735 171) | **(608 580)** | (779 879) |

Deferred tax has been calculated at 18.67% on the fair value adjustments on investment properties.

A deferred tax asset amounting to R4.3 million for the company in respect of estimated tax losses has not been recognised as it is not sufficiently probable that the related tax benefit will be realised.

The directors have assessed that it is appropriate to recognise the deferred tax asset for tax losses on the remaining companies as it will be realised through future profits generated by the individual subsidiaries of the group.

## 9. LOAN RECEIVABLE

| | Group | |
|---|---|---|
| | **2014 R** | 2013 R |
| **Current portion** | | |
| Cloudberry Investments 18 (Pty) Limited | **12 917 812** | 17 585 862 |
| | **12 917 812** | 17 585 862 |
| **Long-term portion** | | |
| The Woodstock Hub (Pty) Limited | **2 789 788** | – |
| Playground Investments (Pty) Limited | **3 319 989** | – |
| | **6 109 777** | – |
| | **19 027 589** | 17 585 862 |
| **Impairment reconciliation on Cloudberry Investments 18 (Pty) Limited** | | |
| Gross | **18 702 855** | 27 963 855 |
| Provision for impairment | **(5 785 043)** | (10 377 993) |
| | **12 917 812** | 17 585 862 |
| **Reconciliation of The Woodstock Hub loan** | | |
| Gross loan value | **4 345 077** | – |
| Less post acquisition share of losses from equity accounted investment | **(1 555 289)** | – |
| | **2 789 788** | – |
| **Reconciliation of Playground Investments loan** | | |
| Gross loan value | **4 786 441** | – |
| Less post acquisition share of losses from equity accounted investment | **(1 466 452)** | – |
| | **3 319 989** | – |

The amounts owing by The Woodstock Hub and Playground Investments bear interest at variable rates linked to prime. There are no fixed terms of repayment.

The Cloudberry loan is unsecured and interest free. No fixed terms of repayment exist.

The group has signed limited suretyship in favour of Nedbank Limited for Cloudberry for the amount of R13.5 million linked to its borrowings from Nedbank Limited.

Trematon in turn has total loans due from Cloudberry of R18.7 million (2013: R28 million).

The provision for impairment of the loan to Cloudberry is based on the present value of future cash flows, which is estimated with reference to the market value of the underlying listed investments held by Cloudberry.

The mark-to-market value, which equals the carrying value, is based on the company's net asset value at year-end.

During the year the provision for impairment on the Cloudberry loan decreased by R4.6 million (2013: R3.4 million). There were no other adjustments to the impairment account.

**Credit quality**

The credit quality of the loan balances have been assessed with reference to the underlying net assets in each company.

## 10. TRADE AND OTHER RECEIVABLES

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| Trade accounts receivable | **5 188 216** | 4 155 136 | **278** | 278 |
| Other receivables | **1 159 171** | 134 443 | **–** | – |
| Deposits | **16 103 858** | 5 417 556 | **–** | – |
| VAT | **656 413** | 26 866 | **–** | – |
| | **23 107 658** | 9 734 001 | **278** | 278 |

Deposits are in respect of deposits paid on properties that have not been transferred at year-end.

### Credit quality

Included in trade accounts receivable is R2.7 million (2013: R2.7 million) which relates to units sold but not yet transferred. The title to these units are held by the company as security for the debt until it is fully settled.

Fair value of trade and other receivables approximates the carrying value due to the short-term nature thereof.

The group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 28.

## 11. INVENTORIES

| | Group 2014 R | Group 2013 R |
|---|---|---|
| Land for development | **18 292 393** | 8 998 902 |
| Residential developed and undeveloped | **11 224 836** | 8 218 853 |
| Commercial undeveloped | **7 067 557** | 780 049 |
| | | |
| IFRS 3 Fair value adjustment on residential undeveloped land | **18 103 786** | 18 193 475 |
| IFRS 3 Fair value adjustment on commercial undeveloped land | **2 634 073** | – |
| | **39 030 252** | 27 192 377 |
| Residential developed units | **135 802 825** | 29 037 532 |
| IFRS 3 Fair value adjustment on residential developed units | **7 327 251** | 8 725 576 |
| | **143 130 076** | 37 763 108 |
| Other | **225 012** | 355 200 |
| | **182 385 340** | 65 310 685 |

## 12. CASH AND CASH EQUIVALENTS

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| Bank balances | **37 025 506** | 24 543 022 | **68 785** | 63 123 |
| Brokerage cash account | **7 382 877** | 10 059 137 | **–** | – |
| Deposits | **91 234** | 77 876 | **–** | – |
| | **44 499 617** | 34 680 035 | **68 785** | 63 123 |
| Current assets | **44 499 617** | 34 680 035 | **68 785** | 63 123 |
| | **44 499 617** | 34 680 035 | **68 785** | 63 123 |

The group has undrawn borrowing facilities of R10 million (2013: R30 million) with ABSA Bank Limited.

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

## 13. SHARE CAPITAL AND SHARE PREMIUM

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| Authorised | | | | |
| 1 000 000 000 ordinary shares of 1 cent each | **10 000 000** | 10 000 000 | **10 000 000** | 10 000 000 |
| 821 904 177 (2013: 821 904 177) unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting. | | | | |
| **Issued** | | | | |
| 178 095 823 (2013: 178 095 823) ordinary shares of 1 cent each | **1 780 958** | 1 780 958 | **1 780 958** | 1 780 958 |
| Share premium | **207 478 102** | 207 478 102 | **207 478 102** | 207 478 102 |
| | **209 259 060** | 209 259 060 | **209 259 060** | 209 259 060 |
| **Treasury shares** | | | | |
| Number of treasury shares held at year-end | **1 772 771** | 1 772 771 | | |
| **Number of shares** | | | | |
| Balance at the beginning of the year | **176 323 052** | 177 108 052 | | |
| Treasury shares acquired | **–** | (785 000) | | |
| Balance at the end of the year | **176 323 052** | 176 323 052 | | |
| **Weighted number of shares** | | | | |
| Balance at the beginning of the year | **176 323 052** | 177 108 052 | | |
| Treasury shares acquired – weighted | **–** | (567 781) | | |
| Weighted average number of ordinary shares in issue during the year | **176 323 052** | 176 540 271 | | |
| **Diluted weighted average number of shares** | | | | |
| Balance at the beginning of the year | **176 323 052** | 176 540 271 | | |
| Convertible debentures issued prior years – weighted | **13 750 000** | 12 500 000 | | |
| Convertible debentures issued current year – weighted | **64 110** | 65 068 | | |
| Diluted weighted average number of shares at the end of the year | **190 137 162** | 189 105 339 | | |

The treasury shares are held by Tremtrade (Pty) Limited, a subsidiary of the group.

Trematon has no unlisted securities.

## 14. SHARE-BASED PAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 R | 2013 R | 2014 R | 2013 R |
| Share-based payment | 1 877 362 | 1 466 985 | 1 877 362 | 1 466 985 |
| Equity | 4 188 085 | 2 310 723 | 4 188 085 | 2 310 723 |
| Reconciliation of share-based payment reserve: | | | | |
| Balance at the beginning of the year | 2 310 723 | 843 738 | 2 310 723 | 843 738 |
| Share-based payment expense for the year (recognised in profit/loss) | 1 877 362 | 1 466 985 | 1 877 362 | 1 466 985 |
| Balance at the end of the year | 4 188 085 | 2 310 723 | 4 188 085 | 2 310 723 |

During the year ended 31 August 2012, the company implemented an incentive scheme for executive directors and selected employees. Further details regarding the scheme are contained in note 15.

The terms of the scheme, which grants to the participants the option to convert the debentures into ordinary shares at a fixed price at any stage after the expiry of three years, has given rise to a share-based payment transaction (see note 15 for further details). The share-based payment transaction has been recognised and measured in terms of IFRS 2.

Details of the arrangements are as follows:

Participants: Executive directors and selected employees
Date of grant: 25 January 2012
Number granted: 12 500 000
Vesting period: 3 years

Participants: Executive directors and selected employees
Date of grant: 13 August 2013
Number granted: 1 250 000
Vesting period: 3 years

Participants: Executive directors and selected employees
Date of grant: 14 August 2014
Number granted: 1 300 000
Vesting period: 3 years

The fair value of the options granted during the year using the Black Scholes valuation model, was R2.1 million (2013: R1.2 million) The option expense for the year was R1.9 million (2013: R1.5 million).

Assumptions applied in arriving at fair value of options granted:

| | Debentures granted in 2014 | Debentures granted in 2013 |
|---|---|---|
| Price per debenture | R3.65 | R 2.81 |
| Expected volatility | 61.10% | 36.10% |
| Risk-free interest rate | 8.31% | 6.87% |
| Dividend yield | 0.89% | 1.15% |

The expected volatility has been calculated with reference to the historical movement in the share price over the last 12 months.

## 15. CONVERTIBLE DEBENTURES

| | Company | |
|---|---|---|
| | 2014 R | 2013 R |
| Debentures | 22 835 755 | 20 016 104 |
| Equity | 20 662 255 | 17 230 821 |
| Non-current liability | 953 870 | 1 127 351 |
| Current liability | 1 219 630 | 1 657 932 |
| | 22 835 755 | 20 016 104 |
| Reconciliation of debentures: | | |
| Balance at the beginning of the year | 20 016 104 | 18 116 149 |
| Debentures issued to participants | 4 745 000 | 3 512 000 |
| Capital repaid during the year | (1 638 006) | (1 417 082) |
| Deferred tax recognised | (287 343) | (194 963) |
| Balance at the end of the year | 22 835 755 | 20 016 104 |

The terms and conditions of the scheme are as follows:

Debentures are granted to executive directors and selected employees.

In terms of the incentive scheme, which was approved at the annual general meeting of the company on 25 January 2012, participants were issued convertible debentures that can be converted into ordinary shares at the option of the participant after a minimum period of three years, exercisable at the debenture issue price. The vesting period is deemed to be three years and the debentures have no expiry date.

The cost of the debentures are calculated as the average trading price of a Trematon share over the 20 trading days prior to the debentures being issued.

A corresponding loan was issued to participants. This loan was approved simultaneously with the issue of debentures at the annual general meeting mentioned above.

The debentures and the loan carry interest at the same rate which is linked to the prime rate of borrowing. The loans must be settled once the debentures are converted to shares. The participants loans will have the same value as the debentures they received as disclosed in the table below.

The convertible debentures and corresponding loans receivable have been eliminated on consolidation.

Movements in the number and price of debentures outstanding are as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Number of debentures | Price per debenture R | Number of debentures | Price per debenture R |
| Balance at the beginning of the year | 13 750 000 | – | 12 500 000 | – |
| Debentures issued during the year | 1 300 000 | 3,65 | 1 250 000 | 2,81 |
| Debentures converted during the year | – | – | – | – |
| Balance at the end of the year | 15 050 000 | | 13 750 000 | |

None of the debentures are convertible as at 31 August 2014 (2013: Nil).

## 15. CONVERTIBLE DEBENTURES (continued)

Number and price of debentures held by directors and selected employees:

| 2014 | Opening balance | Number granted | Closing balance | Price per debenture issued during the year R |
|---|---|---|---|---|
| A Groll | 5 500 000 | 500 000 | 6 000 000 | 3.65 |
| AJ Shapiro | 5 500 000 | 500 000 | 6 000 000 | 3.65 |
| AL Winkler | 1 650 000 | 150 000 | 1 800 000 | 3.65 |
| Other employees | 1 100 000 | 150 000 | 1 250 000 | 3.65 |
| | 13 750 000 | 1 300 000 | 15 050 000 | |

| 2013 | Opening balance | Number granted | Closing balance | Price per debenture issued during the year R |
|---|---|---|---|---|
| A Groll | 5 000 000 | 500 000 | 5 500 000 | 2.81 |
| AJ Shapiro | 5 000 000 | 500 000 | 5 500 000 | 2.81 |
| AL Winkler | 1 500 000 | 150 000 | 1 650 000 | 2.81 |
| Other employees | 1 000 000 | 100 000 | 1 100 000 | 2.81 |
| | 12 500 000 | 1 250 000 | 13 750 000 | |

| | 2014 Number of debentures | 2013 Number of debentures |
|---|---|---|
| Debentures authorised for allotment opening balance | 12 964 373 | 14 214 373 |
| Debentures issued during the year | (1 300 000) | (1 250 000) |
| Balance available for allotment at the end of the year | 11 664 373 | 12 964 373 |

## 16. FAIR VALUE RESERVE

| | Group 2014 R | Group 2013 R |
|---|---|---|
| Comprises: | | |
| Fair value gain on available-for-sale investments | – | 9 555 000 |
| Fair value gain on revaluation of property, plant and equipment | 2 069 090 | 2 301 819 |
| Tax effects on fair value gain on available-for-sale investments | – | (2 016 615) |
| Tax effects on revaluation of property, plant and equipment | (386 230) | (385 937) |
| | 1 682 860 | 9 454 267 |
| **Reconciliation of movement in fair value reserve** | | |
| At the beginning of the year | 9 454 267 | 8 155 819 |
| Fair value gain on available-for-sale investments | 4 347 447 | 4 068 361 |
| Tax effect of fair value gain on available-for-sale investments | (811 523) | (1 134 427) |
| Reclassification adjustment on sale of available-for-sale investments | (13 902 447) | (2 062 587) |
| Tax effect of reclassification adjustment on sale of available-for-sale investments | 2 595 116 | 427 101 |
| | 1 682 860 | 9 454 267 |

## 17. LOANS PAYABLE

| | Group | |
|---|---|---|
| | **2014 R** | 2013 R |
| **Current portion** | | |
| ABSA Bank Limited | **765 470** | 712 096 |
| Standard Bank of South Africa Limited | **884 220** | 884 220 |
| Investec Bank Limited | **1 296 332** | – |
| The Sphinx Trust | **2 115 455** | 2 837 087 |
| RBK Property Management (Pty) Limited | **5 903 430** | 4 230 225 |
| | **10 964 907** | 8 663 628 |
| **Long-term portion** | | |
| ABSA Bank Limited | **7 852 889** | 8 617 437 |
| Standard Bank of South Africa Limited | **5 206 285** | 6 090 505 |
| Nedbank Limited | **86 310 017** | 157 361 572 |
| Investec Bank Limited | **127 846 675** | – |
| | **227 215 866** | 172 069 514 |
| | **238 180 773** | 180 733 142 |

The ABSA loan bears interest linked to prime and is payable over a period of 10 years.
The loan is secured over a first covering mortgage bond over Erf 4729, Gansbaai.

The Standard Bank loan bears interest at prime and is payable over a period of 10 years.
The loan is secured by a first covering mortgage bond over Erf 2785, Langebaan.

The amount owing to Nedbank Limited includes various loans which bear interest at rates linked to prime. Repayments vary on each loan. Some loan repayments are interest only, where others include capital and interest.
The loans are secured by a first covering mortgage bond over the respective properties.

The amount owing to Investec Bank Limited includes various loans which bear interest at rates linked to prime. Repayments vary on each loan. The loan repayments include capital and interest.
The loans are secured by a first covering mortgage bond over the respective properties.

The loans from the Sphinx Trust and RBK Property Management (Pty) Limited bear interest at rates linked to prime.
The loans have no fixed terms of repayment and are recorded at amortised cost.

The group has signed total sureties in favour of Nedbank Limited for an amount limited to R88.4 million (2013: R119.7 million) in respect of the above loans.

The group has signed total sureties in favour of Standard Bank Limited for an amount limited to R8.4 million (2013: R8.4 million) in respect of the above loans.

The group has signed sureties in favour of ABSA Bank Limited for an amount limited to R9.8 million (2013: R9.8 million) in respect of the above loan.

The group has signed sureties in favour of Investec Bank Limited for an amount limited to R79.8 million (2013: Nil) in respect of the above loan.

The group's exposure to interest rate and liquidity risk are disclosed in note 28.

The loans are recorded at amortised cost which approximates fair value.

## 18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Trade payables | **1 560 996** | 4 197 759 | **16 593** | 9 910 |
| Other payables | **6 713 473** | 6 714 757 | **–** | – |
| VAT | **798 795** | 392 789 | **–** | – |
| Accruals | **1 002 903** | 364 971 | **–** | – |
| Income received in advance | **559 141** | 744 796 | **–** | – |
| Sundry creditors | **20 461 932** | 20 269 808 | **–** | – |
| Deferred VAT liability | **–** | 626 076 | **–** | – |
| | **31 097 240** | 33 310 956 | **16 593** | 9 910 |

Other payables consist of amounts owing to creditors previously classified as debenture holders who have not yet tendered their certificates for payment.

Included in sundry creditors is an amount of R18.3 million (2013: R19.5 million) relating to amounts still owing in respect of the CML Scheme of Arrangements which were entered into during 2011 and 2012. This amount relates to those shares purchased in the Schemes for which share certificates have not yet been presented. This balance will decline over time as shareholders present their certificates.

Fair value of trade and other payables approximates the carrying value due to the short-term nature thereof.

## 19. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| **Revenue** | | | | |
| Rental income | **40 274 806** | 16 509 618 | **–** | – |
| Sale of property and land | **17 977 119** | 10 923 879 | **–** | – |
| Administration fee income | **1 878 158** | 1 319 070 | **–** | – |
| Other revenue | **1 718 188** | 328 809 | **–** | – |
| | **61 848 271** | 29 081 376 | **–** | – |
| **Investment revenue** | | | | |
| Dividend income – listed investments | **1 854 745** | 1 975 487 | **–** | – |
| Dividend income – unlisted investments | **–** | – | **–** | 18 254 775 |
| Interest received – joint ventures | **688 802** | 107 673 | **–** | – |
| Interest received – bank | **2 567 720** | 1 859 270 | **–** | – |
| Interest – other | **813 907** | 1 304 997 | **1 856 018** | 1 513 713 |
| | **5 925 174** | 5 247 427 | **1 856 018** | 19 768 488 |
| | **67 773 445** | 34 328 803 | **1 856 018** | 19 768 488 |

## 20. REALISED LOSS ON SETTLEMENT OF DERIVATIVE INSTRUMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Opening balance | **–** | 1 372 819 | **–** | 1 372 819 |
| Settlement of derivative instruments | **–** | (10 421 172) | **–** | (10 421 172) |
| | **–** | (9 048 353) | **–** | (9 048 353) |

### Terms and conditions of the derivative instrument

Option holders could obtain up to 10% of the ordinary shares in CML, owned directly or indirectly by Trematon Capital Investments Limited.

The exercise price per share was the equivalent to Trematon's cost per share after taking into consideration all other costs and expenses directly incurred by Trematon with regard to the acquisition, holding and alienation of the shares; and by adding back any dividends or other distributions of whatever nature received by Trematon in respect of the shares. The exercise price accrued interest at a rate of prime (compounded annually), from the date of purchase of shares and until the actual exercise of the option. The options were eligible to be exercised at any time on or after 31 December 2011.

Option holders had the right to put to Trematon on or after 31 December 2011 all or any part of the option shares due to or held by the option holders at a price based on a fair value valuation of the CML shares.

On 23 January 2013 the option holders exercised their rights to purchase 10% of the ordinary shares in CML and put them to Trematon. The transaction resulted in a settlement of the liability of R10.4 million which Trematon settled on that date.

### Fair value hierarchy of derivative instruments

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## 21. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Bank | **14 180 272** | 6 726 588 | **–** | – |
| Loans | **3 472 079** | – | **218 012** | 96 631 |
| Other | **192 657** | 365 252 | **–** | – |
| | **17 845 008** | 7 091 840 | **218 012** | 96 631 |

## 22. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| **South African normal tax** | | | | |
| Current tax – current year | **(3 124)** | (241 955) | **–** | – |
| Current tax – prior year over provision | **–** | 800 430 | **–** | – |
| Current tax – capital gains tax | **(9 779 302)** | (569 592) | **–** | – |
| **Deferred tax** | | | | |
| Deferred tax – temporary differences | **867 419** | 4 142 018 | **458 642** | 396 783 |
| | **(8 915 007)** | 4 130 901 | **458 642** | 396 783 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 %** | 2013 % | **2014 %** | 2013 % |
| **Reconciliation of effective tax rate:** | | | | |
| Statutory tax rate | **28.0** | 28.0 | **28.0** | 28.0 |
| Prior-year over provision | **–** | (1.6) | **–** | – |
| Tax exempt income | **(15.7)** | (26.0) | **–** | (37.7) |
| Non-deductible expenses | **8.6** | 6.4 | **32.2** | 5.1 |
| Capital gains tax | **(6.0)** | (9.5) | **–** | – |
| Tax losses | **0.7** | (5.6) | **(19.4)** | – |
| **Effective tax rate** | **15.6** | (8.3) | **40.8** | (4.6) |

## 23. EARNINGS PER SHARE

| | Group | |
|---|---|---|
| | **2014 Cents** | 2013 Cents |
| Basic earnings per share | **24.5** | 29.2 |
| Diluted earnings per share | **22.7** | 27.2 |

The calculation of basic earnings per share is based on the weighted average number of 176 323 052 ordinary shares in issue during the year (2013: 176 540 271) and a profit attributable to ordinary shareholders of R43 247 273 (2013: R51 498 535).

The calculation of diluted earnings per share is based on the diluted weighted average number of 190 137 162 ordinary shares in issue during the year (2013: 189 105 340) and a profit attributable to ordinary shareholders of R43 247 273 (2013: R51 498 535).

## 24. HEADLINE EARNINGS PER SHARE

| | Group 2014 | | Group 2013 | |
|---|---|---|---|---|
| | **Gross R** | **Net R** | Gross R | Net R |
| Profit attributable to equity holders of the parent | | **43 247 273** | | 51 498 535 |
| Gain on acquisition of subsidiary | **(1 033 564)** | **(1 033 564)** | (3 420 316) | (3 420 316) |
| Fair value adjustment on previously held investment in joint venture | **(2 229 445)** | **(2 229 445)** | (3 457 008) | (3 457 008) |
| Fair value adjustment on investment properties | **(33 039 676)** | **(18 158 838)** | (18 730 171) | (12 404 991) |
| Realised profit on available-for-sale investments | **(13 902 447)** | **(11 307 324)** | (2 062 587) | (1 677 502) |
| Fair value adjustments within equity accounted profits | **(3 489 727)** | **(2 838 311)** | (21 182 636) | (17 222 748) |
| Realised profit on sale of property, plant and equipment | **(12 010)** | **(9 768)** | – | – |
| **Headline earnings** | | **7 670 024** | | 13 315 970 |

| | Group | |
|---|---|---|
| | **2014 Cents** | 2013 Cents |
| Headline earnings per share | **4.3** | 7.5 |
| Diluted headline earnings per share | **4.1** | 7.0 |

The calculation of headline earnings per share is based on the weighted average number of 176 323 052 ordinary shares in issue during the year (2013: 176 540 271).

The calculation of diluted headline earnings per share is based on the diluted weighted average number of 190 137 162 ordinary shares in issue during the year (2013: 189 105 340).

## 25. REMUNERATION

### Directors' emoluments

| | 31 August 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Fees for services R | Basic salary R | Taxable benefits R | Bonuses R | Share-based payment R | Total R |
| **Executive directors** | | | | | | |
| AJ Shapiro | 20 000 | 1 956 600 | 36 500 | 328 000 | 750 822 | 3 091 922 |
| A Groll | – | 1 251 060 | 25 896 | 211 000 | 750 822 | 2 238 778 |
| AL Winkler | 20 000 | 1 077 060 | 15 801 | 182 000 | 225 247 | 1 520 108 |
| **Non-executive directors** | | | | | | |
| M Kaplan | 319 600 | – | – | – | – | 319 600 |
| JP Fisher | 153 420 | – | – | – | – | 153 420 |
| AM Louw | 148 820 | – | – | – | – | 148 820 |
| R Stumpf | 138 220 | – | – | – | – | 138 220 |
| **Total** | 800 060 | 4 284 720 | 78 197 | 721 000 | 1 726 891 | 7 610 868 |
| **Paid by subsidiaries** | 760 060 | 4 284 720 | 78 197 | 721 000 | 1 726 891 | 7 570 868 |
| **Paid by associates** | 40 000 | – | – | – | – | 40 000 |

| | 31 August 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Fees for services R | Basic salary R | Taxable benefits R | Bonuses R | Share-based payment R | Total R |
| **Executive directors** | | | | | | |
| AJ Shapiro | 20 000 | 1 820 760 | 14 835 | 142 100 | 586 794 | 2 584 489 |
| A Groll | – | 1 164 240 | 9 956 | 90 600 | 586 794 | 1 851 590 |
| AL Winkler | 20 000 | 924 240 | 11 682 | 70 600 | 176 038 | 1 202 560 |
| **Non-executive directors** | | | | | | |
| M Kaplan | 328 100 | – | – | – | – | 328 100 |
| JP Fisher | 141 800 | – | – | – | – | 141 800 |
| AM Louw | 178 700 | – | – | – | – | 178 700 |
| R Stumpf | 127 800 | – | – | – | – | 127 800 |
| **Total** | 816 400 | 3 909 240 | 36 473 | 303 300 | 1 349 626 | 6 415 039 |
| **Paid by subsidiaries** | 776 400 | 3 909 240 | 36 473 | 303 300 | 1 349 626 | 6 375 039 |
| **Paid by associates** | 40 000 | – | – | – | – | 40 000 |

## 26. CASH GENERATED/(UTILISED) IN OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 R | 2013 R | 2014 R | 2013 R |
| Profit before income tax | 57 277 106 | 49 735 399 | (1 124 270) | 8 603 877 |
| **Adjusted for:** | | | | |
| Depreciation | 1 107 107 | 797 120 | – | – |
| Equity accounted earnings of associates and joint ventures | (13 216 943) | (30 476 713) | – | – |
| Dividend income | (1 854 745) | (1 975 487) | – | (18 254 775) |
| Finance income | (4 070 429) | (3 271 940) | (1 856 018) | (1 513 713) |
| Finance costs | 17 845 008 | 7 091 840 | 218 012 | 96 631 |
| Fair value adjustment on investment properties | (33 039 676) | (18 730 171) | – | – |
| Fair value adjustment on held-for-trading investments | 1 285 263 | (4 474 412) | – | – |
| Fair value adjustment on derivative instrument | – | 9 048 353 | – | 9 048 353 |
| Fair value adjustment on previously held investment in joint venture | (2 229 445) | (3 457 008) | – | – |
| Realised (profit)/loss on held-for-trading investments | (1 350 803) | 3 742 625 | – | – |
| Realised profit on available-for-sale investments | (13 902 447) | (2 062 587) | – | – |
| Gain on acquisition of subsidiaries | (1 033 564) | (3 420 316) | – | – |
| Profit on disposal of non-current assets | – | (1 007 850) | – | – |
| Reversal of impairment of loan | (4 592 950) | (3 405 262) | – | – |
| Share-based payment expense | 1 877 362 | 1 466 985 | 1 877 362 | 1 466 985 |
| Straight-line adjustment against investment properties | (463 708) | 3 704 977 | – | – |
| **Changes in working capital:** | | | | |
| Increase in trade and other receivables | (13 351 276) | (4 610 668) | – | – |
| (Increase)/decrease in inventory | (109 657 380) | 4 258 426 | – | – |
| (Decrease)/increase in trade and other payables | (2 542 029) | 2 139 699 | 6 683 | 3 963 |
| | (121 913 549) | 5 093 010 | (878 231) | (548 679) |

## 27. TAXATION PAID

| | Group | |
|---|---|---|
| | 2014 R | 2013 R |
| Balance at the beginning of the year | (120 239) | (24 950) |
| Current tax charge | (9 626 906) | (11 117) |
| Business combination | – | (502 492) |
| Balance at the end of the year | (248 906) | 120 239 |
| | (9 996 051) | (418 320) |

## 28. FINANCIAL INSTRUMENTS

### 28.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount | | Carrying amount | |
| | 2014 R | 2013 R | 2014 R | 2013 R |
| Loans receivable | **19 027 589** | 17 585 862 | **–** | – |
| Trade and other receivables | **6 347 387** | 9 707 135 | **278** | 278 |
| Cash and cash equivalents | **44 499 617** | 34 680 035 | **68 785** | 63 123 |
| Investments | **–** | 5 227 735 | **–** | – |
| Loans to group companies | **–** | – | **123 116 411** | 118 371 411 |
| Guarantees | **39 600 000** | 19 600 000 | **–** | – |
| | **109 474 593** | 86 800 767 | **123 185 474** | 118 434 812 |

### 28.2 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount R | Contractual cash flows R | Within 1 year R | 2 – 5 years R | Over 5 years R |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **2014** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans payable | **238 180 773** | **306 999 349** | **29 399 399** | **212 871 249** | **64 728 701** |
| Trade and other payables | **29 739 304** | **29 739 304** | **29 739 304** | **–** | **–** |
| | **267 920 077** | **336 738 653** | **59 138 703** | **212 871 249** | **64 728 701** |
| Guarantees* | **39 600 000** | **39 600 000** | **–** | **–** | **–** |
| | **307 520 077** | **376 338 653** | **59 138 703** | **212 871 249** | **64 728 701** |
| **2013** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans payable | 180 733 142 | 232 882 613 | 51 613 258 | 134 926 874 | 46 342 481 |
| Trade and other payables | 31 547 295 | 31 547 295 | 31 547 295 | – | – |
| | 212 280 437 | 264 429 908 | 83 160 553 | 134 926 874 | 46 342 481 |
| Guarantees* | 19 600 000 | 19 600 000 | – | – | – |
| | 231 880 437 | 284 029 908 | 83 160 553 | 134 926 874 | 46 342 481 |

* These guarantees comprise sureties issued in respect of long-term loan contracts entered into by investments and joint ventures.



## 28. FINANCIAL INSTRUMENTS (continued)

### 28.2 Liquidity risk (continued)

| | Carrying amount R | Contractual cash flows R | Within 1 year R | 2 – 5 years R |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2014** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Trade and other payables | **16 593** | **16 593** | **16 593** | **–** |
| Convertible debentures | **2 173 500** | **2 173 500** | **1 219 630** | **953 870** |
| Loans from group companies | **9 339 589** | **9 339 589** | **9 339 589** | **–** |
| | **11 529 682** | **11 529 682** | **10 575 812** | **953 870** |
| **2013** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Trade and other payables | 9 910 | 9 910 | 9 910 | – |
| Convertible debentures | 2 785 283 | 2 785 283 | 1 657 932 | 1 127 351 |
| Loans from group companies | 2 667 581 | 2 667 581 | 2 667 581 | – |
| | 5 462 774 | 5 462 774 | 4 335 423 | 1 127 351 |

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.3 Market risk

#### 28.3.1 Interest rate risk

The group does not utilise derivative instruments in order to manage its exposure to movements in interest rates.

The exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

| | Interest rate % | Year 1 carrying amount R | 2 – 5 years carrying amount R | Total carrying amount R |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2014** | | | | |
| **Assets** | | | | |
| Loans receivable | **Interest free** | **12 917 812** | **–** | **12 917 812** |
| Loans receivable | **Variable rate** | **6 109 777** | **–** | **6 109 777** |
| Trade receivables | **Variable rate** | **5 188 216** | **–** | **5 188 216** |
| Other receivables | **Interest free** | **1 159 171** | **–** | **1 159 171** |
| Cash and cash equivalents | **Variable rate** | **44 499 617** | **–** | **44 499 617** |
| | | **69 874 593** | **–** | **69 874 593** |
| **Liabilities** | | | | |
| Loans payable | **Variable rate** | **10 964 907** | **227 215 866** | **238 180 773** |
| Trade and other payables | **Interest free** | **29 739 304** | **–** | **29 739 304** |
| | | **40 704 211** | **227 215 866** | **267 920 077** |
| **GROUP** | | | | |
| **2013** | | | | |
| **Assets** | | | | |
| Loans receivable | Interest free | 17 585 862 | – | 17 585 862 |
| Trade receivables | Variable rate | 9 572 692 | – | 9 572 692 |
| Other receivables | Interest free | 134 443 | – | 134 443 |
| Cash and cash equivalents | Variable rate | 34 680 035 | – | 34 680 035 |
| Investments | Variable rate | 5 227 735 | – | 5 227 735 |
| | | 67 200 767 | – | 67 200 767 |
| **Liabilities** | | | | |
| Loans payable | Variable rate | 8 663 628 | 172 069 514 | 180 733 142 |
| Trade and other payables | Interest free | 31 547 295 | – | 31 547 295 |
| | | 40 210 923 | 172 069 514 | 212 280 437 |



## 28. FINANCIAL INSTRUMENTS (continued)

### 28.3 Market risk (continued)

#### 28.3.1 Interest rate risk (continued)

| | Interest rate % | Year 1 carrying amount R | 2 – 5 years carrying amount R | Total carrying amount R |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2014** | | | | |
| **Assets** | | | | |
| Trade receivables | **Interest free** | **278** | **–** | **278** |
| Cash and cash equivalents | **Variable rate** | **68 785** | **–** | **68 785** |
| Loans to group companies | **Interest free** | **94 858 911** | **–** | **94 858 911** |
| Loans to group companies | **Variable rate** | **28 257 500** | **–** | **28 257 500** |
| | | **123 185 474** | **–** | **123 185 474** |
| **Liabilities** | | | | |
| Convertible debentures | **Variable rate** | **2 173 500** | **–** | **2 173 500** |
| Trade and other payables | **Interest free** | **16 593** | **–** | **16 593** |
| Loans from group companies | **Interest free** | **9 339 589** | **–** | **9 339 589** |
| | | **11 529 682** | **–** | **11 529 682** |
| **COMPANY** | | | | |
| **2013** | | | | |
| **Assets** | | | | |
| Trade receivables | Interest free | 278 | – | 278 |
| Cash and cash equivalents | Variable rate | 63 123 | – | 63 123 |
| Loans to group companies | Interest free | 94 858 911 | – | 94 858 911 |
| Loans to group companies | Variable rate | 23 512 500 | – | 23 512 500 |
| | | 118 434 812 | – | 118 434 812 |
| **Liabilities** | | | | |
| Convertible debentures | Variable rate | 2 785 283 | – | 2 785 283 |
| Trade and other payables | Interest free | 9 910 | – | 9 910 |
| Loans from group companies | Interest free | 2 667 581 | – | 2 667 581 |
| | | 5 462 774 | – | 5 462 774 |

**Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss after tax by the amounts shown below. A decrease of 100 basis points will have the same but opposite effect. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2013.

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| Variable rate instruments | 1 313 159 | 390 674 | 188 300 | 134 003 |

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.3 Market risk (continued)

#### 28.3.2 Equity risk

*Equity price sensitivity analysis*

An increase of 10% in the price of listed shares held-for-trading and available-for-sale at the reporting date would have increased profit or loss after tax and other comprehensive income respectively by the amounts shown below. A decrease of 10% will have the same but opposite effect. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2013.

| | Group | |
|---|---|---|
| | **2014 R** | 2013 R |
| Listed shares – held-for-trading | **869 060** | 183 928 |
| Listed shares – Available-for-sale | **–** | 1 332 185 |
| | **869 060** | 1 516 113 |

## 29. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

### 29.1 Financial assets by category

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

| | Loans and receivables R | Fair value through profit or loss – held-for-trading R | Available-for-sale R | Total R |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2014** | | | | |
| Loans receivable | **19 027 589** | **–** | **–** | **19 027 589** |
| Trade receivables | **5 188 216** | **–** | **–** | **5 188 216** |
| Other receivables | **1 159 171** | **–** | **–** | **1 159 171** |
| Cash and cash equivalents | **44 499 617** | **–** | **–** | **44 499 617** |
| Listed investments | **–** | **12 070 273** | **–** | **12 070 273** |
| Investments | **–** | **–** | **107** | **107** |
| | **69 874 593** | **12 070 273** | **107** | **81 944 973** |
| **2013** | | | | |
| Loans receivable | 17 585 862 | – | – | 17 585 862 |
| Trade receivables | 9 572 692 | – | – | 9 572 692 |
| Other receivables | 134 443 | – | – | 134 443 |
| Cash and cash equivalents | 34 680 035 | – | – | 34 680 035 |
| Listed investments | – | 2 554 551 | 16 380 000 | 18 934 551 |
| Investments | 5 227 735 | – | 58 | 5 227 793 |
| | 67 200 767 | 2 554 551 | 16 380 058 | 86 135 376 |

## 29. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

### 29.1 Financial assets by category (continued)

| | Loans and receivables R | Fair value through profit or loss – held-for-trading R | Available-for-sale R | Total R |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2014** | | | | |
| Loans to group companies | **123 116 411** | **–** | **–** | **123 116 411** |
| Trade receivables | **278** | **–** | **–** | **278** |
| Cash and cash equivalents | **68 785** | **–** | **–** | **68 785** |
| | **123 185 474** | **–** | **–** | **123 185 474** |
| **2013** | | | | |
| Loans to group companies | 118 371 411 | – | – | 118 371 411 |
| Trade receivables | 278 | – | – | 278 |
| Cash and cash equivalents | 63 123 | – | – | 63 123 |
| | 118 434 812 | – | – | 118 434 812 |

## 29. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

### 29.2 Financial liabilities by category

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

| | Financial liabilities at fair value through profit or loss R | Financial liabilities at amortised cost R | Total R |
|---|---|---|---|
| **GROUP** | | | |
| **2014** | | | |
| Loans payable | **–** | **238 180 773** | **238 180 773** |
| Trade and other payables | **–** | **29 739 304** | **29 739 304** |
| | **–** | **267 920 077** | **267 920 077** |
| **2013** | | | |
| Loans payable | – | 180 733 142 | 180 733 142 |
| Trade and other payables | – | 31 547 295 | 31 547 295 |
| | – | 212 280 437 | 212 280 437 |
| **COMPANY** | | | |
| **2014** | | | |
| Debentures | **–** | **2 173 500** | **2 173 500** |
| Loans from group companies | **–** | **9 339 589** | **9 339 589** |
| Trade and other payables | **–** | **16 593** | **16 593** |
| | **–** | **11 529 682** | **11 529 682** |
| **2013** | | | |
| Debentures | – | 2 785 283 | 2 785 283 |
| Loans from group companies | – | 2 667 581 | 2 667 581 |
| Trade and other payables | – | 9 910 | 9 910 |
| | – | 5 462 774 | 5 462 774 |

## 30. NET GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES

### 30.1 Financial assets

| | Interest income R | Fair value adjustments through profit and loss R | Fair value adjustments through other comprehensive income R | Reclassification from equity to profit and loss R | Dividend income R | Realised profit/(loss) on investments R | Impairment reversal R |
|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | |
| **2014** | | | | | | | |
| Available-for-sale investments | **–** | **–** | **4 347 447** | **(13 902 447)** | **630 000** | **13 902 447** | **–** |
| Held-for-trading investments | **–** | **(1 285 263)** | **–** | **–** | **1 224 745** | **1 350 803** | **–** |
| Loans and receivables | **3 381 627** | **–** | **–** | **–** | **–** | **–** | **4 592 950** |
| | **3 381 627** | **(1 285 263)** | **4 347 447** | **(13 902 447)** | **1 854 745** | **15 253 250** | **4 592 950** |
| **2013** | | | | | | | |
| Available-for-sale investments | – | – | 4 068 361 | (2 062 587) | 1 040 000 | 2 062 587 | – |
| Held-for-trading investments | – | 4 474 412 | – | – | 935 487 | (3 742 625) | – |
| Loans and receivables | 3 164 267 | – | – | – | – | – | 3 405 262 |
| | 3 164 267 | 4 474 412 | 4 068 361 | (2 062 587) | 1 975 487 | (1 680 038) | 3 405 262 |
| **COMPANY** | | | | | | | |
| **2014** | | | | | | | |
| Loans and receivables | **1 856 018** | **–** | **–** | **–** | **–** | **–** | **–** |
| | **1 856 018** | **–** | **–** | **–** | **–** | **–** | **–** |
| **2013** | | | | | | | |
| Loans and receivables | 1 513 713 | – | – | – | – | – | – |
| | 1 513 713 | – | – | – | – | – | – |

## 30. NET GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (continued)

### 30.2 Financial liabilities

| | Interest expense R | Fair value adjustments through profit and loss R | Realised loss on derivative instruments R |
|---|---|---|---|
| **GROUP** | | | |
| **2014** | | | |
| Financial liabilities at amortised cost | **17 845 008** | **–** | **–** |
| | **17 845 008** | **–** | **–** |
| **2013** | | | |
| Financial liabilities at amortised cost | 7 091 840 | – | – |
| Derivative instruments | – | – | 9 048 353 |
| | 7 091 840 | – | 9 048 353 |
| **COMPANY** | | | |
| **2014** | | | |
| Financial liabilities at amortised cost | **218 012** | **–** | **–** |
| | **218 012** | **–** | **–** |
| **2013** | | | |
| Financial liabilities at amortised cost | 96 631 | – | – |
| Derivative instruments | – | – | 9 048 353 |
| | 96 631 | – | 9 048 353 |

## 31. FAIR VALUE MEASUREMENT

**Financial instruments**

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

Level 1: Quoted prices (unadjusted) in a active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**Fair value hierarchy**

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measured.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

| | Level 1 R | Level 2 R | Level 3 R | Total R |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2014** | | | | |
| **Assets** | | | | |
| Available-for-sale investments | **–** | **–** | **107** | **107** |
| Held-for-trading investments | **12 070 273** | **–** | **–** | **12 070 273** |
| | **12 070 273** | **–** | **107** | **12 070 380** |
| **GROUP** | | | | |
| **2013** | | | | |
| **Assets** | | | | |
| Available-for-sale investments | 16 380 000 | – | 58 | 16 380 058 |
| Held-for-trading investments | 2 554 551 | – | – | 2 554 551 |
| | 18 934 551 | – | 58 | 18 934 609 |

There have been no transfers between levels 1, 2 and 3 in the period under review.

## 31. FAIR VALUE MEASUREMENT (continued)

**Fair value measurement of non-financial assets (investment property)**

The group's property portfolio is valued at R210.4 million as at 31 August 2014 (2013: R109.4 million).

The fair value of the commercial, industrial and residential investment properties, which equals the carrying value, is based either on independent professional valuers who have recognised professional qualifications and experience in the valuation of similar investment properties or directors valuations at 31 August 2014. The valuations were based on open market values for each individual investment property.

The fair value of investment properties are estimated using either an income approach which capitalises the estimated rental income stream, net of projected operating costs or recent sales information of similar investment properties in the same development, or a combination of both.

The most significant inputs, all of which are unobservable, are the estimated rental income values, assumptions regarding vacancy levels, the reversionary capitalisation rate and the estimated recent sales information.

The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions is greatest for reversionary capitalisation rate rental values and estimated recent sales information.

The significant inputs used in the valuations as at 31 August 2014 were:

The range of the reversionary capitalisation rates applied to the portfolio are between 7.1% and 10.8% with the weighted average being 8.8%.

**Sensibility analysis**

A 25 basis points decrease or increase in the capitalisation rate will increase or decrease the value of the investment property by R5.6 million and R5.3 million respectively.

A 500 basis points increase on the rand per square metre will increase the value of investment property by R9.5 million. A decrease of 500 basis points will have the same but opposite effect.

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 31 August 2014:

| | Level 3 R |
|---|---|
| **GROUP** | |
| **2014** | |
| **Assets** | |
| Investment property | 210 409 801 |
| | 210 409 801 |
| **GROUP** | |
| **2013** | |
| **Assets** | |
| Investment property | 109 396 708 |
| | 109 396 708 |

## 32. SEGMENTAL INFORMATION

The group comprises the following main reportable operating segments:

| | Gaming R | Property investments R | Unallocated R | Eliminations R | Total R |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Revenue | 2 257 215 | 64 500 696 | 1 015 534 | – | 67 773 445 |
| Intersegment revenue | 5 927 400 | – | – | (5 927 400) | – |
| Profit from equity accounted investments | 10 678 224 | 2 538 719 | – | – | 13 216 943 |
| Gain on acquisition of subsidiaries | – | 1 033 564 | – | – | 1 033 564 |
| Fair value adjustment on previously held investment in joint venture | – | 2 229 445 | – | – | 2 229 445 |
| Fair value adjustments on held-for-trading investments | 638 173 | – | (1 923 436) | – | (1 285 263) |
| Fair value adjustments on investment properties | – | 33 039 676 | – | – | 33 039 676 |
| Realised profit on sale of held-for-trading investments | 385 656 | – | 965 147 | – | 1 350 803 |
| Reversal of impairment on loan | – | – | 4 592 950 | – | 4 592 950 |
| Interest expense | – | (17 845 008) | – | – | (17 845 008) |
| Depreciation | – | (1 107 106) | – | – | (1 107 106) |
| Staff costs | – | (12 852 764) | – | – | (12 852 764) |
| Net income before tax | 19 886 668 | 32 740 243 | 4 650 195 | – | 57 277 106 |
| Taxation | – | (8 915 007) | – | – | (8 915 007) |
| Net income for the year | 19 886 668 | 23 825 236 | 4 650 195 | – | 48 362 099 |
| Other comprehensive income | (7 771 407) | – | – | – | (7 771 407) |
| Total assets | 95 129 789 | 489 269 578 | 21 188 192 | – | 605 587 559 |
| Total liabilities | – | 283 268 056 | – | – | 283 268 056 |
| Equity accounted investments | 91 329 789 | 10 015 388 | – | – | 101 345 177 |
| Additions to non-current assets | – | 68 311 736 | – | – | 68 311 736 |

## 32. SEGMENTAL INFORMATION (continued)

| | Gaming R | Property investments R | Unallocated R | Eliminations R | Total R |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Revenue | 3 294 557 | 31 034 246 | – | – | 34 328 803 |
| Intersegment revenue | 8 891 180 | 18 254 775 | – | (27 145 955) | – |
| Profit from equity accounted investments | 9 887 140 | 20 589 573 | – | – | 30 476 713 |
| Gain on acquisition of subsidiaries | – | 3 420 316 | – | – | 3 420 316 |
| Fair value adjustment on previously held investment in joint venture | – | 3 457 008 | – | – | 3 457 008 |
| Fair value adjustments on held-for-trading investments | (1 521 237) | – | 5 995 649 | – | 4 474 412 |
| Fair value adjustments on investment properties | – | 18 730 171 | – | – | 18 730 171 |
| Fair value adjustment on derivative instrument | (1 897 468) | (7 150 885) | – | – | (9 048 353) |
| Realised loss on sale of held-for-trading investments | – | – | (3 742 625) | – | (3 742 625) |
| Reversal of impairment on loan | – | – | 3 405 262 | – | 3 405 262 |
| Interest expense | – | (7 091 840) | – | – | (7 091 840) |
| Depreciation | – | (797 120) | – | – | (797 120) |
| Staff costs | – | (11 070 025) | – | – | (11 070 025) |
| Net income before tax | 18 654 172 | 25 422 941 | 5 658 286 | – | 49 735 399 |
| Taxation | – | 4 130 901 | – | – | 4 130 901 |
| Net income for the year | 18 654 172 | 29 553 842 | 5 658 286 | – | 53 866 300 |
| Other comprehensive income | 1 298 448 | – | – | – | 1 298 448 |
| Total assets | 102 958 964 | 390 055 452 | 20 140 471 | – | 513 154 887 |
| Non-current assets held-for-sale | – | 146 402 632 | – | – | 146 402 632 |
| Total liabilities | – | 230 305 874 | – | – | 230 305 874 |
| Equity accounted investments | 86 578 964 | 11 553 141 | – | – | 98 132 105 |
| Additions to non-current assets | – | 231 518 502 | – | – | 231 518 502 |

**Identification of reportible segments**

The basis reported by the group is in accordance with the accounting policies adopted for the preparing and presenting of the consolidated financial statements. Segment revenue excludes value added taxation and intersegment revenue, intersegment revenue is presented as a separate line item and eliminated at consolidation.

Segment expenses include direct and allocated expenses. Depreciation has been allocated to the segments to which they relate.

Segment assets comprise all assets of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

**Reportible segments**

*Gaming*

Revenue in this segment is derived from equity accounted profits and dividends from the group's investment in West Coast Leisure (Pty) Limited and its listed investments in the gaming industry. See note 6.3 for details on listed investments in the gaming sector.

**Property investments**

Revenue from this segment is derived from sale of investment property, rental income on investment property, fair value gains on property investments and dividend income from reporting entities within the segments. Dividend income within the reportible segments is presented in the intersegment revenue line item on the face of the segment report.

**Geographical information**

The group has elected that the entire South African region represents a single geographical area.

## 33. MINIMUM LEASE PAYMENTS RECEIVABLE

| | Group 2014 R | Group 2013 R |
|---|---|---|
| Receivable within one year | **23 087 574** | 8 758 765 |
| Receivable within two to five years | **20 135 577** | 9 847 081 |
| Receivable beyond five years | **43 854 932** | 5 847 534 |
| | **87 078 083** | 24 453 380 |

Minimum lease payments comprise contractual rental income, excluding the straight-line lease adjustments, and operating expense recoveries due in terms of signed lease agreements on investment properties.

## 34. OPERATING LEASE COMMITMENTS

The group has no significant commitments to operating leases.

## 35. RELATED PARTIES

**Identity of related parties**

Investments in subsidiaries – refer to note 5;

Investments in joint ventures and associates – refer to note 6;

Loans to/(from) group companies – refer to note 7; and

Directors – refer to the Directors' Report.

Entity controlled by common director – Zerbans Cake and Coffee Shop CC

**Material related party transactions**

| | Group 2014 R | Group 2013 R |
|---|---|---|
| Profits from equity accounted joint ventures | **2 538 719** | 20 589 573 |
| Profit from equity accounted associate | **10 678 224** | 9 887 140 |
| Interest received from joint ventures | **674 621** | – |
| Dividend received from associate | **5 927 400** | 8 891 180 |
| Administration fees received from associate | **1 641 635** | 1 319 070 |
| Rental paid to entity controlled by common director | **(551 555)** | (1 134 169) |

Directors' emoluments – refer to note 25

Directors' interests – refer to Directors' Report.

## 36. BUSINESS COMBINATIONS

### 36.1 Stalagmite Property Investments (Pty) Limited

On 18 November 2013, the group obtained contolling interest of Stalagmite by acquiring an additional 16.7% of their share capital for a total cash consideration of R0.33 million. The acquisition has resulted in an increase share holding to 66.7% in the property investment company.

The acquisition was made in term of a shareholders agreement whereby one of our joint venture partners decided to sell his interest in the company. Management felt that the company was placed in a strong position to take advantage of any future oportunities and that there is future growth in the business. This resulted in us purchasing the additional shares.

Details of the business combination are as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **R** | R |
| Amount settled in cash | **333 333** | – |
| Fair value of previously held investment | **4 099 873** | – |
| Fair value of consideration transferred | **4 433 206** | – |
| | | |
| Non-controlling interest | **2 732 975** | – |
| **Recognised amounts of identifiable net assets:** | | |
| Inventory | **8 815 600** | – |
| Cash and cash equivalents | **272 098** | – |
| Tax receivable | **155 520** | – |
| Trade and other receivables | **22 381** | – |
| Deferred tax | **(737 541)** | – |
| Other liabilities | **(40 633)** | – |
| Trade and other payables | **(287 680)** | – |
| Net identifiable assets and liabilities | **8 199 746** | – |
| Gain on change in shareholding (bargain purchase) | **(1 033 565)** | – |

**Previously held investment**
On the acquisition date, the group's 50% investment in Stalagmite, previously accounted for as an equity accounted investment has been remeasured to fair value. The previously held investment is considered part of what was given up by the group to obtain control of stalagmite. A fair value gain of R2.2 million was recognised on the acquisition date. This has been presented as a separate line item in the consolidated statement of comprehensive income.

**Non-controlling interest**
The non-controlling interest in Stalagmite is measured at their share of the fair value of the assets and liabilities of the acquiree at acquisition date.

**Bargain purchase from additional shares acquired**
A bargain purchase of R1.03 million was recognised on the acquisition date as a result of a minority stake being acquired at a price less then the identifiable assets acquired and liabilities assumed. This has been presented as a separate line item in the consolidated statement of comprehensive income.

**Stalagmite's contribution to the group results**
Stalagmite has contributed Rnil to the group's revenue and a loss of R0.2 million to the group's profit from the acquisition date to 31 August 2014. Had the acquisition occurred on 1 September 2013, the group's revenue for the period to 31 August 2014 would have been unchanged and the group's profit for the period would have been R48.1 million.

## 36. BUSINESS COMBINATIONS (continued)

### 36.2 Arbitrage Property Fund (Pty) Limited

On 31 March 2013, the group obtained contolling interest of Arbitrage Property Fund (Pty) Limited by acquiring an additional 16.7% of their share capital for a total cash consideration of R3.5 million. The acquisition has resulted in an increase share holding to 66.7% in property investment company.

The acquisition was made in term of a shareholders agreement whereby one of our joint venture partners decided to sell his interest in the company. Management felt that the company was placed in a strong position to take advantage of any future oportunities and that there is future growth in the business. This resulted in us purchasing the additional shares.

Details of the business combination are as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **R** | R |
| Amount settled in cash | **–** | 3 451 585 |
| Fair value of previously held investment | **–** | 20 211 476 |
| Fair value of consideration transferred | **–** | 23 663 061 |
| | | |
| Non-controlling interest | **–** | 13 339 574 |
| **Recognised amounts of identifiable net assets:** | | |
| Investment properties | **–** | 216 071 653 |
| Investment in joint venture | **–** | 5 452 110 |
| Cash and cash equivalents | **–** | 2 899 745 |
| Long-term loans | **–** | (144 306 649) |
| Deferred tax | **–** | (8 027 536) |
| Other liabilities | **–** | (4 546 537) |
| Shareholder loans | **–** | (24 827 727) |
| Accounts payable | **–** | (1 098 585) |
| Tenant deposits | **–** | (691 031) |
| Taxation | **–** | (502 492) |
| Net identifiable assets and liabilities | **–** | 40 422 951 |
| Gain on change in shareholding (bargain purchase) | **–** | (3 420 316) |

**Previously held investment**
On the acquisition date, the group's 50% investment in Arbitrage, previously accounted for as an equity accounted investment has been remeasured to fair value. The previously held investment is considered part of what was given up by the group to obtain control of Arbitrage.

**Non-controlling interest**
The non-controlling interest in Arbitrage is measured at their share of the fair value of the assets and liabilities of the acquiree at acquisition date.

**Bargain purchase from additional shares acquired**
A bargain purchase of R3.4 million was recognised on the acquisition date as a result of a minority stake being acquired at a price less then the identifiable assets acquired and liabilities assumed. This has been presented as a separate line item in the consolidated statement of comprehensive income.

**Arbitrage's contribution to the group results**
Arbitrage has contributed R6.8 million and R3.6 million to the group's revenues and profit, respectively from the acquisition date to 31 August 2013. Had the acquisition occurred on 1 September 2012, the group's revenue for the period to 31 August 2013 would have been R22.7 million and the group's profit for the period would have been R41.2 million.

## 36. BUSINESS COMBINATIONS (continued)

### 36.3 The Resi Investment Group

On 1 March 2013, the group obtained a contolling interest of Tremprop (Pty) Limited, Lion Property Investment Trust and Resi Investment Trust, together referred to as The Resi Investment Group by holding two thirds of the voting rights in the group. There has been no increase in the shareholding which remains at 50%.

Details of the business combination are as follows:

| | Group | |
|---|---|---|
| | 2014<br>R | 2013<br>R |
| Amount settled in cash | – | – |
| Fair value of previously held investment | – | 3 847 317 |
| Fair value of consideration transferred | – | 3 847 317 |
| Non-controlling interest | – | 3 847 317 |
| Recognised amounts of identifiable net assets: | | |
| Investment properties | – | 6 421 050 |
| Inventory | – | 41 343 333 |
| Accounts receivable | – | 967 341 |
| Cash and cash equivalents | – | 63 629 |
| Long-term loans | – | (17 294 860) |
| Deferred tax | – | (2 782 753) |
| Shareholder loans | – | (19 713 612) |
| Accounts payable | – | (1 309 494) |
| Net identifiable assets and liabilities | – | 7 694 634 |
| Gain on change in shareholding | – | – |

**Previously held investment**
On the acquisition date, the group's 50% investment in Resi, previously accounted for as an equity accounted investment has been remeasured to fair value. The previously held investment is considered part of what was given up by the group to obtain control of Resi.

**Non-controlling interest**
The non-controlling interest in Resi is measured at their share of the fair value of the assets and liabilities of the acquiree at acquisition date.

**Fair value adjustment on remeasurement of investment**
A fair value gain of R3.5 million was recognised on the acquisition date. This has been presented as a separate line item in the consolidated statement of comprehensive income.

**Resi's contribution to the group results**
Resi has contributed R4.3 million to the group's revenues and a loss of R0.8 million to the group's profit, respectively from the acquisition date to 31 August 2013. Had the acquisition occurred on 1 September 2012, the group's revenue for the period to 31 August 2013 would have been R22.7 million and the group's profit for the period would have been R1.6 million.

## 37. SUBSEQUENT EVENTS

Subsequent to year-end, on 4 September 2014, the properties purchased via Trematon's 50% held subsidiary, Tremprop (Pty) Limited which consist of 3 apartment blocks in Parklands, Cape Town were transferred and the balance of the purchase price settled.

The properties were purchased for a combined price of R53 million with the majority of the purchase price being funded by bank borrowings.

Subsequent to year-end, on 11 September 2014, the property referred to as Redefine North Wharf, situated at 42 Hans Strijdom Avenue, Cape Town, was purchased via Trematon's 67% held subsidiary, Arbitrage Property Fund (Pty) Limited for a purchase price of R51 million.

The property will be funded by bank borrowings and cash.

## 38. CONTRACTUAL COMMITMENTS

The Tremtrust 1 Trust, a trust which is 50% held by Trematon's 67% held subsidiary, Arbitrage Property Fund (Pty) Limited entered into a purchase agreement, in terms of which the trust will acquire a property, referred to as Northgate Island, situated at the corner of Koeberg Road and Section Street, Cape Town, for a combined purchase price of R107 million. As at year-end, the transfer of the property has not taken place.

The purchase consideration will be funded by a combination of cash and borrowings.

# ANALYSIS OF SHAREHOLDERS

**Register date: 31 August 2014**
**Issued share capital: 178 095 823 shares**

| Shareholder spread | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1 – 1 000 shares | 97 | 22.61 | 57 560 | 0.03 |
| 1 001 – 10 000 shares | 198 | 46.15 | 913 665 | 0.51 |
| 10 001 – 100 000 shares | 79 | 18.41 | 3 043 561 | 1.71 |
| 100 001 – 1 000 000 shares | 36 | 8.39 | 11 572 377 | 6.50 |
| 1 000 001 shares and over | 19 | 4.43 | 162 508 660 | 91.25 |
| **Total** | **429** | **100.00** | **178 095 823** | **100.00** |

| Distribution of shareholders | | | | |
|---|---|---|---|---|
| Banks | 2 | 0.47 | 557 500 | 0.31 |
| Close corporations | 9 | 2.10 | 653 838 | 0.37 |
| Endowment funds | 2 | 0.47 | 455 650 | 0.26 |
| Investment company | 1 | 0.23 | 1 273 000 | 0.71 |
| Individuals | 339 | 79.02 | 10 770 343 | 6.05 |
| Mutual funds | 3 | 0.70 | 908 579 | 0.51 |
| Trusts | 42 | 9.79 | 140 204 336 | 78.72 |
| Private companies | 31 | 7.23 | 23 272 577 | 13.07 |
| **Total** | **429** | **100.00** | **178 095 823** | **100.00** |

| Public/Non-public shareholders | | | | |
|---|---|---|---|---|
| Non-public shareholders | 13 | 3.03 | 129 008 229 | 72.44 |
| Directors and associates of the company | 9 | 2.10 | 64 551 069 | 36.25 |
| Strategic holdings (more than 10%) | 4 | 0.93 | 64 457 160 | 36.19 |
| Public shareholders | 416 | 96.97 | 49 087 594 | 27.56 |
| **Total** | **429** | **100.00** | **178 095 823** | **100.00** |

| Registered shareholders holding 5% or more | | |
|---|---|---|
| The Armchair Trust | 44 032 392 | 24.72 |
| The Suikerbos Trust | 43 450 000 | 24.40 |
| The Fynvest Trust | 21 007 160 | 11.80 |
| Buff-Shares (Pty) Limited | 19 019 803 | 10.68 |
| The Salvete Trust | 9 250 243 | 5.19 |
| **Total** | **136 759 598** | **76.79** |



*The Hub is a popular residential block in Woodstock.*

# NOTICE OF ANNUAL GENERAL MEETING
for the year ended 31 August 2014

**TREMATON CAPITAL INVESTMENT**
(Incorporated in the Republic of South Africa)
(Registration number 1997/008691/06)
Share code: TMT
ISIN: ZAE000013991
("Trematon" or "the company")

**NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING ("AGM") OF THE MEMBERS OF TREMATON CAPITAL INVESTMENTS LIMITED ("TREMATON" OR "THE COMPANY" OR "THE GROUP") WILL BE HELD IN THE BOARDROOM ON THE FIRST FLOOR, THE HUDSON, 30 HUDSON STREET, CAPE TOWN ON WEDNESDAY, 21 JANUARY 2015, AT 10:00 TO CONDUCT THE UNDERMENTIONED BUSINESS AND FOR THE UNDERMENTIONED ORDINARY AND SPECIAL RESOLUTIONS TO BE PROPOSED:**

| | | |
|---|---|---|
| Record date to receive the notice of annual general meeting | Friday, | 21 November 2014 |
| Last date to trade to be eligible to vote | Friday, | 9 January 2015 |
| Record date to be eligible to vote | Friday, | 16 January 2015 |
| Last date for lodging forms of proxy | Monday, | 19 January 2015 |

All meeting participants will be required to provide identification reasonably satisfactory to the chairman of the meeting.

*For the avoidance of doubt, the expression "Act" or "Companies Act 2008" as used in this notice means the Companies Act, No. 71 of 2008, as amended, which came into operation on 1 May 2011, the expression "JSE" as used herein means the JSE Limited, the expression "Listings Requirements" as used herein refers to the JSE Listings Requirements and the expression "MOI" or "Memorandum of Incorporation" refers to the Memorandum of Incorporation of the company. In terms of the Companies Act, No. 71 of 2008, as amended the memorandum of association and articles of association of the company (as those terms were contemplated in the previous Companies Act) were automatically converted to the MOI with effect from 1 May 2011.*

## SECTION A – ORDINARY RESOLUTIONS

**To consider, and if deemed fit, pass, the undermentioned ordinary resolutions numbers 1 to 7 with or without modification. In order to be adopted:**

- **ordinary resolutions numbers 1 – 5 and 7, require the support of more than 50% of the total number of votes exercisable by shareholders present or represented by proxy at the meeting; and**
- **ordinary resolution number 6 requires the support of at least 75% of the total number of votes exercisable by shareholders present or represented by proxy at the meeting.**

1. **Ordinary Resolution Number 1: The adoption of the annual financial statements**

   "To receive and adopt the annual financial statements for the year ended 31 August 2014 including the directors' report and the report of the Audit and Risk Committee."

2. **Ordinary Resolution Number 2: The re-election of non-executive directors**

   "To re-elect the following non-executive directors who, in terms of the company's MOI, retire by rotation at the AGM, but, being eligible, offer themselves for re-election.

   2.1 Mr AM Louw; and

   2.2 Mr R Stumpf."

   Brief biographies of the aforementioned non-executive directors are included on pages 8 to 9 of the integrated annual report in which this notice is incorporated ("report").

   The appointments numbered 2.1 and 2.2 constitute separate ordinary resolutions and will be considered by separate votes.

3. **Ordinary Resolution Number 3: The re-appointment of the independent auditor and designated auditor**

   "To re-appoint Mazars as the independent auditors of the group (as defined in the Listings Requirements) and to re-appoint Duncan Dollman, being a partner of Mazars, as the individual designated auditor of the group who will undertake the audit of the group for the ensuing year."

4. **Ordinary resolution Number 4: The appointment of the audit and risk committee for the ensuing year**

   "To elect the following (non-executive) directors, who are eligible and offer themselves for election, to the audit and risk committee for the ensuing year, as recommended by the board:

   4.1 Mr M Kaplan;

   4.2 Subject to the adoption of ordinary resolution number 2.1 Mr AM Louw; and

   4.3 Mr JP Fisher."

   Brief biographies of the aforementioned directors are included on pages 8 to 9 of this report.

   The appointments numbered 4.1 to 4.3 constitute separate ordinary resolutions and will be considered by separate votes.



5. **Ordinary resolution Number 5: Endorsement of remuneration policy**

   "To endorse, through a non-binding advisory vote, recommended by the King Code of Governance for South Africa 2009 (King III) to ascertain the shareholders' views on the company's remuneration policy and its implementation. The company's Remuneration Report is set out on page 17 of this report."

6. **Ordinary resolution Number 6: General authority to issue securities for cash**

   "To authorise the directors of the company, by way of a general authority, to allot and issue for cash any or all of its authorised but unissued ordinary shares and to issue any options/convertible securities that are convertible into an existing class of equity securities in the share capital of the company as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements, the Act and the MOI of the company, and provided further that:

   (a) the approval shall be valid until the date of the next annual general meeting, provided it shall not extend beyond fifteen months from the date of this resolution;

   (b) the number of ordinary shares issued for cash shall, in any one financial year in the aggregate, not exceed 26 714 373 shares, being 15% of the company's issued shares as at the date of this notice, excluding treasury shares;

   (c) after the company has issued shares in terms of this general authority representing, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company will publish an announcement containing full details of the issue, including the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and diluted earnings and headline earnings per share;

   (d) in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount at which such shares may be issued will be 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the company's shares have not traded in such 30-business day period;

   (e) any shares issued under this authority during the period contemplated in paragraph (a) above, must be deducted from the number in paragraph (b) above;

   (f) in the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph (a) above, the existing authority must be adjusted accordingly to represent the same allocation ratio;

   (g) any such issue will only be made to public shareholders as defined in the Listings Requirements and not to related parties; and

   (h) the shares, which are the subject of the issue for cash, will be of a class already in issue, or where this is not the case, will be limited to such shares or rights that are convertible to a class already in issue."

### Explanatory Note

The reason for this ordinary resolution is, and the effect thereof will be to authorise the directors to allot and issue, for cash, any of the company's unissued ordinary shares, as they in their discretion deem fit, subject to the applicable provisions of the Listings Requirements, the Act, the MOI and this resolution.

As mentioned above, in terms of the Listings Requirements, this ordinary resolutions requires the support of at least 75% of the total number of votes exercisable by shareholders present or represented by proxy at the meeting.

7. **Ordinary Resolution Number 7: Directors to implement resolutions**

   "To authorise each and every director of the company to do all such things and sign all documents and take all such action as they consider necessary to give effect to and implement the ordinary and special resolutions as set out in this notice."

## SECTION B – SPECIAL RESOLUTIONS

To consider and if deemed fit, pass, the undermentioned Special Resolutions numbers 1 to 4, with or without modification. In order to be adopted these resolutions require the support of at least 75% of the total number of votes exercisable by shareholders present or represented by proxy at the meeting:

8. **Special Resolution Number 1: Financial assistance for subscription of securities**

   "To authorise the directors of the company, in terms of section 44 of the Act, to provide direct or indirect financial assistance by way of loans, guarantees, the provision of security or otherwise to any person (as defined in the Act and including the Trematon Share Incentive Trust) for the purposes of, or in connection with, the subscription of any option, or any securities (as such term is defined in the Act), issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company."

### Explanatory Note

The reason for this special resolution is, and the effect thereof will be to grant the directors of the company the authority to cause the company to provide direct or indirect financial assistance to any person as contemplated in section 44 of the Act.

**9. Special Resolution Number 2: Financial assistance**

"To authorise the directors of the company, in terms of section 45 of the Act, to cause the company to provide any direct or indirect financial assistance to any director or prescribed officer of the company or of a related or interrelated company, or to a related or interrelated company or corporation, or to a member of a related or interrelated corporation, or to a person (as defined in the Act) related to any such company (including the company), corporation, director, prescribed officer or member or to the Trematon Share Incentive Trust (to the extent, if any, necessary in law) insofar as any director or prescribed officer thereof is a participant thereof"

### Explanatory Note

The reason for this special resolution is, and the effect thereof will be, to grant the directors of the company the authority to cause the company to provide financial assistance to any director or prescribed officer of the company or of a related or interrelated company, or to a related or interrelated company or corporation, or to a member of a related or interrelated corporation, or to a person related to any such company (including the company), corporation, director, prescribed officer or member, as contemplated in section 45 of the Act.

**10. Special Resolution Number 3: General authority to repurchase shares**

"To authorise the company or any of its subsidiaries to repurchase or purchase, as the case may be, ordinary shares issued by the company on such terms and conditions and in such amounts as the directors of the company may decide, but subject always to the provisions of the Act, the MOI the Listings Requirements and the following further limitations:

(i) that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

(ii) that this authority shall not extend beyond 15 months from the date of this resolution or the date of the next annual general meeting, whichever is the earlier date;

(iii) that any authorisation thereto is given by the MOI;

(iv) that an announcement be made giving such details as may be required in terms of the Listings Requirements when the company, or any subsidiary or subsidiaries of the company collectively, has cumulatively repurchased 3% of the initial number (the number of that class of shares 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;

(v) at any one time, the company or any subsidiary may only appoint one agent to effect any repurchase on behalf of the company or any subsidiary, as the case may be;

(vi) the repurchase of shares will not take place during a prohibited period as defined by the Listings Requirements unless a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) is in place and has been submitted to the JSE in writing. The company must instruct an independent third party which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

(vii) the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued share capital at the time this authority is given; provided that a subsidiary, or subsidiaries of the company collectively, shall not hold in excess of 10% of the number of shares issued by the company;

(viii) the repurchase of shares may not be made at a price greater than 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction was effected. The JSE should be consulted for a ruling if the company's shares have not traded in such five business day period;

(ix) prior to entering the market to proceed with the repurchase, the board of the company has confirmed by resolution that the company and its subsidiaries passes the solvency and liquidity test as set out in section 4 of the Act and that subsequent to the test being performed, there have been no material changes to the financial position of the group;

(x) having considered the aggregate effect of the maximum repurchase of 20% of the company's issued share capital in any one financial year pursuant to the general authority to repurchase shares, the board of directors is of the opinion that, for a period of 12 months after the date of the repurchase:

(a.) the company (and the group) will be able to repay their debts, in the ordinary course of business;

(b.) the company's (and the group's) assets will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements;

(c.) the company's (and the group's) ordinary share capital and reserves will be adequate for ordinary business purposes; and

(d.) the company (and the group) will have sufficient working capital for the ordinary business purposes.

(xi) the board is of the opinion that this authority should be in place so as to enable the company, as and when the opportunity presents itself, to repurchase shares.

### Explanatory Note

The reason for this special resolution is, and the effect thereof will be, to grant, in terms of the provisions of the Act and the Listings Requirements, and subject to the terms and conditions embodied in this special resolution, a general authority to the directors to approve the acquisition by the company or any of its subsidiaries of the company's own shares, which authority shall be used by the directors at their discretion provided that such authority shall not extend beyond 15 months of the date of this AGM.

## DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS

In terms of the Listings Requirements, the following disclosures are required with reference to the repurchase of the company's shares as set out in Special Resolution Number 3 above:

### Statement of directors

As at the date of this report the company's directors undertake that, after considering the effect of the maximum repurchase permitted, they will not implement any such repurchase unless the provisions of sections 4 and 48 of the Act will be complied with and for a period of 12 months after the date of any resolution of the directors authorising such general repurchase:

(i) the company and the group will be able, in the ordinary course of business, to pay its debts;

(ii) the assets of the company and the group will be in excess of the liabilities of the company and the group, recognised and measured in accordance with International Financial Reporting Standards;

(iii) the share capital and reserves of the company and the group will be adequate for ordinary business purposes;

(iv) the working capital resources of the company and the group will be adequate for ordinary business purposes;

(v) the company and the group has complied with the applicable provisions of the Act and the Listings Requirements.

### Directors' responsibility statement

The directors, whose names are given on pages 8 to 9 of this report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution 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 resolution contains all information required by law and the Listings Requirements.

### Material changes

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

The following further disclosures required in terms of the Listings Requirements are set out in accordance with the reference pages in the report of which this notice forms part:

Directors and management (refer pages 8 to 9)

Directors' interests in the company's shares (refer page 26)

**11. Special Resolution Number 4: The authority to pay non-executive directors' fees**

"That the non-executive directors' (whose further details and designations are set out on pages 8 to 9 of the report) fees paid for the period ended 31 August 2014, as set out on page 74 of this report, be and are hereby approved.

Further, that the non-executive director's fees payable for the period from 1 September 2014 until 31 August 2015 be and are hereby approved:

| Name | 2015 | 2014 |
|---|---|---|
| JP Fisher | R145 000 | R133 000 |
| M Kaplan | R320 000 | R294 000 |
| AM Louw | R145 000 | R133 000 |
| R Stumpf | R145 000 | R133 000 |

### Explanatory Note

The reason for this special resolution is, and the effect thereof will be, to grant the company the authority to pay fees to non-executive directors for their services as directors in terms of section 66 of the Act. Furthermore, in terms of the Act and King III, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

## SECTION C – TO TRANSACT SUCH OTHER BUSINESS (IF ANY) AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

### Entitlement to attend and vote at the annual general meeting in person or by proxy

– Equity securities held by a share trust or scheme will not have their votes at the AGM taken into account for the purposes of resolutions passed in terms of the JSE Listings Requirements.

– Unlisted securities (if applicable) and shares held as treasury shares may not vote.

### Certificated and dematerialised shareholders with "own name" registration

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend, speak and vote in his/her place. The proxy need not be a member of the company. Proxy forms should be forwarded to reach the transfer secretaries or the registered office of the company at least 48 hours before the commencement of the AGM (excluding weekends and public holidays). Presentation of suitable identification by the proxy when registering his attendance on the day of the AGM will be required.

### Dematerialised shareholders, other than with "own name" registration

Shareholders who have already dematerialised their shares other than with "own name" registration, must advise their Central Securities Depository Participant ("CSDP") or broker of their voting instructions if they are unable to attend the AGM but wish to be represented thereat. This should be done by the cut-off time stipulated by their CSDP or broker. If, however, such members wish to attend the AGM in person, then they will need to request their CSDP or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between the dematerialised shareholder and the CSDP or broker.

### Participation in the meeting

The board of directors of the company has determined that the record date for the purposes of determining which shareholders of the company are entitled to receive notice of the AGM was Friday 21 November 2014 and the last date for purposes of determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday 16 January 2015. Accordingly, only shareholders who are registered in the register of members of the company on Friday 9 January 2015 will be entitled to participate in and vote at the AGM.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM if they are not known to the Chairman and must accordingly bring a copy of their identity document, passport or drivers' license to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

This notice of annual general meeting includes the attached proxy form.

### Shareholder rights

In terms of section 58 of the Companies Act, No. 71 of 2008 (as amended), shareholders have rights to be represented by proxy as herewith stated.

(1) At any time, a shareholder of the company may appoint any individual, including an individual who is not a shareholder of the company, as a proxy to:

(a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or

(b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60,

provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.

(2) A proxy appointment:

(a) must be in writing, dated and signed by the shareholder; 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 subsection (4) (c), or expires earlier as contemplated in subsection (8) (d).

(3) Except to the extent that the Memorandum of Incorporation of the company provides otherwise:

(a) a shareholder of the company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;

(b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and

(c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

(4) Irrespective of the form of instrument used to appoint a proxy:

(a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;

(b) the appointment is revocable unless the proxy appointment expressly states otherwise; and

(c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:

(i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and

(ii) delivering a copy of the revocation instrument to the proxy, and to the company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

(a) the date stated in the revocation instrument, if any; or

(b) the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii).

(6) If the instrument appointing a proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to

(a) the shareholder; or

(b) the proxy or proxies, if the shareholder has

(i) directed the company to do so, in writing; and

(ii) paid any reasonable fee charged by the company for doing so.

(7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

(8) If the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:

(a) the invitation must be sent to every shareholder which is entitled to notice of the meeting at which the proxy is intended to be exercised;

(b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:

(i) bear a reasonably prominent summary of the rights established by this section;

(ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and

(iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;

(c) the company must not require that the proxy appointment be made irrevocable; and

(d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

(9) Subsection (8) (b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

By order of the board

**SA Litten**

Company Secretary

Cape Town

17 November 2014

# NOTES



TEAR HERE

# PROXY FORM

**TREMATON CAPITAL INVESTMENT**
(Incorporated in the Republic of South Africa)
(Registration number 1997/008691/06)
Share code: TMT
ISIN: ZAE000013991
("Trematon" or "the company")

**THIS FORM OF PROXY IS ONLY FOR USE BY:**

- **shareholders who hold their shares in certificated form; and**
- **shareholders who hold dematerialised shares with "own name" registration.**

**at the annual general meeting of shareholders of the company to be held at First Floor, The Hudson, 30 Hudson Street, Cape Town at 10:00 on 21 January 2015 (the "annual general meeting").**

**Other shareholders must give their voting instructions to their CSDP or broker (see note 8).**

**Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment thereafter.**

Please note the following:

- the appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- the appointment of the proxy is revocable; and
- you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the annual general meeting.

Please also note that section 63(1) of the Act, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

I/We (BLOCK LETTERS) ____________________

of ____________________

Being the registered holder/s of ____________________ ordinary shares

Hereby appoint

1. ____________________ whom failing

2. ____________________ whom failing

3. the Chairman of the annual general meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 21 January 2015 and at any adjournment thereof as follows:

| RESOLUTION | No. of shares | In favour of | Against | Abstain |
|---|---|---|---|---|
| Section A: Ordinary Resolution Number 1<br>(Adopt the annual financial statements) | | | | |
| Section A: Ordinary Resolution Number 2.1<br>(Re-election of AM Louw) | | | | |
| Section A: Ordinary Resolution Number 2.2<br>(Re-election of R Stumpf) | | | | |
| Section A: Ordinary Resolution Number 3<br>(Re-appointment of the independent auditor and designated auditor) | | | | |
| Section A: Ordinary Resolution Number 4<br>(Appointment of the Audit and Risk Committee) | | | | |
| Section A: Ordinary Resolution Number 5<br>(Endorsement of remuneration policy) | | | | |
| Section A: Ordinary Resolution Number 6<br>(General authority to issue shares for cash) | | | | |
| Section A: Ordinary Resolution Number 7<br>(Directors to implement resolutions) | | | | |
| Section B: Special Resolution Number 1<br>(Financial assistance for subscription of securities) | | | | |
| Section B: Special Resolution Number 2<br>(Financial assistance) | | | | |
| Section B: Special Resolution Number 3<br>(General authority to repurchase shares) | | | | |
| Section B: Special Resolution Number 4<br>(Authority to pay non-executive directors' fees) | | | | |

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares held in respect of which you desire to vote (see note 2).

This proxy shall be valid only until the annual general meeting of the shareholders of the company to be held on 21 January 2015 and any adjournment thereof.

Signed at ____________________ on ____________________20 ________

Signature ____________________

(Authority of signatory to be attached if applicable – see note 5)

Assisted by me (where applicable – see note 10) ____________________ Telephone number ____________________

Please also read the notes overleaf.

**Registered office**
2nd Floor, The Hudson, 30 Hudson Street
DeWaterkant, Cape Town, 8001

**Postal address**
PO Box 7677, Roggebaai, 8012
Tel: 021 421 5550
Fax: 021 421 5551

**Transfer secretaries**
Link Market Services South Africa (Pty) Limited
17 Ameshoff Street, Braamfontein
PO Box 4844, Johannesburg, 2000

**Notes to the Proxy**

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided with or without deleting "the Chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
3. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of votes cast and in respect of which any abstention is recorded may not exceed the total votes exercisable by the shareholder or his/her proxy.
4. Any deletion, alteration or correction to this form of proxy must be initialed by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
5. Documentary evidence establishing the authority of a person signing this form of proxy in the representative capacity must be attached to this form of proxy unless previously recorded by the company.
6. Forms of proxy must be lodged at or posted to the transfer secretaries or the registered office of the company:

   Transfer secretaries: Link Market Services South Africa (Pty) Limited, 19 Ameshoff Street, Braamfontein (PO Box 4844, Johannesburg, 2000) Registered offices: 2nd Floor, The Hudson, 30 Hudson Street, De Waterkant, Cape Town, 8001 (PO Box 7677, Roggebaai, 8012) to be received by not later than 10h00 on 27 January 2014.
7. The completion and lodging of this form of proxy by certificated members and dematerialised members with "own name" registration will not preclude the shareholder 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 shareholder wish to do so.
8. Dematerialised shareholders, other than with "own name" registration, must advise their Central Securities Depository Participant ("CSDP") or broker of their voting instructions if they are unable to attend the annual general meeting, but wish to be represented thereat. This should be done by the cut-off time stipulated by their CSDP or broker. If however, such members wish to attend the annual general meeting in person, then they will need to request their CSDP or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between the dematerialised shareholder and the CSDP or broker.
9. A form of proxy shall be deemed to include the right to demand or join in demanding a poll.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company secretary.

Produced by

TBWA