KayDavGroup

Integrated Annual Report 2017

ABOUT THIS REPORT

This report was compiled for KayDav Group Limited and its subsidiaries ("the Group" or "KayDav") and covers the year ended 31 December 2017.

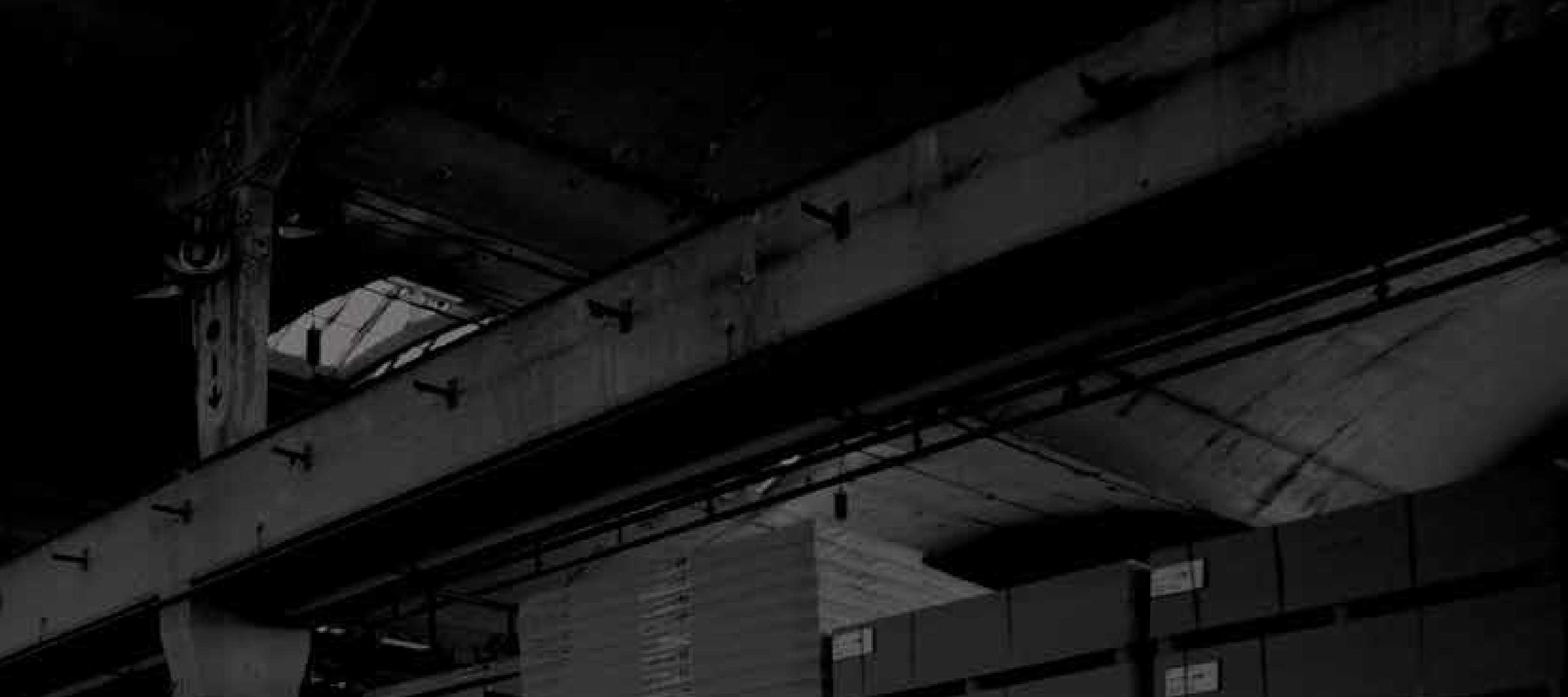
The report was produced for our stakeholders including shareholders, employees, customers, suppliers, government and the communities in which we operate. It aims to present the risks and opportunities the Group faces including sustainability. We also disclose information regarding the Group's business strategy, its governance and its performance.

In considering report content we have considered issues which drive business strategy, are of concern to stakeholders and which can significantly impact the long-term sustainability of the Group as material. These issues have accordingly been prioritised for inclusion in this report.

We have not placed any limitations on the scope or boundaries of this report.

The Group has not sought external assurance on the content of the Integrated Annual Report.

The financial statements on pages 32 to 64 of this report have been audited in accordance with the requirements of the Companies Act (Act No. 71 of 2008) and have been prepared under the supervision of the Financial Director, Martin Slier. The report of the Group's auditors appears on page 27.



CONTENTS

GROUP PROFILE

KayDav Group Limited ("KayDav" or "the Group"), a public company incorporated and domiciled in South Africa, is a trading and distribution company operating in the wood-based panel and packaging industries.

Wood-based panels are manufactured through the compression of wood waste into solid panels. These panels have a variety of applications in the construction, furniture manufacturing and shopfitting industries.

Packaging consumables and machinery are those products and machines which cater for a wide variety of packaging requirements in the industrial, agricultural and commercial sectors.

BOARD DISTRIBUTION AND ADAPTATION

The Group is the largest distributor of wood-based panels in South Africa with an extensive network of outlets in the Western Cape, Southern Cape, KwaZulu-Natal and Gauteng. The trading names Kayreed Board and Timber ("Kayreed") and Davidson's Discount Boards ("Davidson's") are the two brand names servicing the panel market.

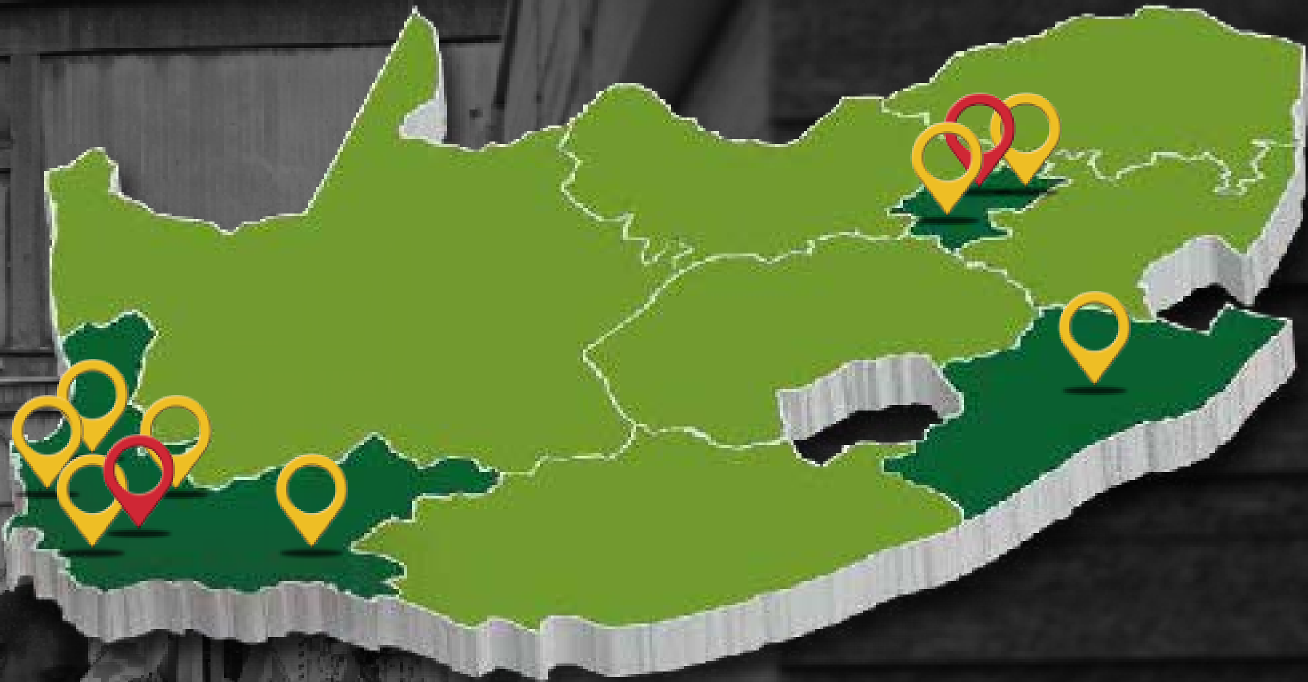
The Board Distribution and Adaptation segment is predominantly focused on bulk distribution. Value-added services such as cutting and edging are offered at all outlets except Southern Cape and KwaZulu-Natal. It predominantly supplies the furniture, shopfitting and kitchen manufacturing and installation industries, while also supplying significant quantities to other wood-based panel distributors.

PACKAGING

The Group's packaging business has outlets in the Western Cape and Gauteng. The trading name for this business is Packit Packaging Solutions ("Packit"). The business is a distributor of both machinery and consumables to a wide variety of customers including manufacturers, agriculture, home industries and small businesses.

Packit has a retail store at the Western Cape outlet servicing walk-in trade.

GEOGRAPHIC PRESENCE



BOARD DISTRIBUTION AND ADAPTATION

- Brackenfell
- Montague Gardens
- Ottery
- Strand
- George
- Johannesburg
- Silverton
- Durban

PACKAGING

- Maitland
- Honeydew

"The Group is the largest distributor of wood-based panels in South Africa with an extensive network of outlets in the Western Cape, Southern Cape, KwaZulu-Natal and Gauteng."

FIVE-YEAR FINANCIAL REVIEW AND STATISTICS

		2017 R	2016 R	2015 R	2014 R	2013 R
Financial position						
Plant and equipment		**78 014 855**	75 460 258	66 115 538	64 492 411	57 005 752
Goodwill		**26 361 344**	26 361 344	26 361 344	26 361 344	14 302 804
Deferred taxation asset		**457 653**	127 144	299 095	405 582	1 936 752
Current assets		**345 030 889**	324 127 465	295 655 321	246 726 035	184 990 190
Capital and reserves		**207 350 985**	196 977 529	179 144 645	155 611 036	140 751 333
Non-current liabilities (excluding deferred taxation)		**31 407 920**	33 775 182	32 020 082	38 224 177	26 118 763
Deferred taxation liability		**1 287 860**	627 410	121 212	668 792	–
Current liabilities		**209 817 976**	194 696 090	177 145 359	143 481 367	91 365 402
Number of shares in issue at year-end		**172 751 585**	172 751 585	172 751 585	172 751 585	172 751 585
Long-term interest-bearing debt (including short-term portion)						
Instalment sales – long-term		**18 230 241**	16 400 952	14 558 008	15 327 764	12 288 476
Instalment sales – short-term		**8 284 729**	7 976 911	8 627 935	8 407 221	5 708 338
Interest-bearing liabilities – long-term		**13 177 679**	17 374 230	17 462 074	22 896 413	13 830 287
Interest-bearing liabilities – short-term		**4 186 100**	4 994 771	5 449 403	6 260 622	6 124 965
		43 878 749	46 746 864	46 097 420	52 892 020	37 952 066
Financial results						
Net sales		**945 021 732**	967 752 148	864 568 033	761 739 077	666 218 405
Operating profit		**21 840 913**	44 903 175	50 828 636	43 426 412	36 541 088
Earnings		**10 373 456**	27 334 220	32 171 186	27 815 976	23 710 844
Headline earnings		**10 298 703**	27 391 239	32 282 849	28 186 257	23 730 326
Earnings per share	(cents)	**6.0**	15.8	18.6	16.1	13.7
Headline earnings per share	(cents)	**6.0**	15.9	18.7	16.3	13.7
Headline earnings per share growth	(%)	**(62)**	(15)	15	19	18
Distributions to shareholders per share	(cents)	**–**	5.5	5.0	7.5	7.0
Key ratios						
Return on equity	(%)	**5**	15	19	19	18
Return on capital employed	(%)	**10**	21	27	25	22
Bankers' gearing ratio	(%)	**25**	33	31	32	41
Debt to equity	(%)	**21**	24	26	34	27
Net debt to equity	(%)	**22**	29	27	27	37
Current ratio	(times)	**1.6**	1.7	1.7	1.7	2.0
Headline earnings to net sales	(%)	**1**	3	4	4	4
Other						
Number of operations		**10**	10	10	10	9
Number of employees		**520**	569	502	476	474
Number of boards sold		**2 699 168**	2 770 761	2 540 523	2 224 817	2 032 448

DEFINITIONS

CAPITAL EMPLOYED

Capital employed is defined as capital and reserves plus interest bearing liabilities, less cash and cash equivalents, less goodwill

RETURN ON EQUITY

Headline earnings/Average of opening and closing equity attributable to equity holders of the parent

RETURN ON CAPITAL EMPLOYED

Operating profit before asset impairments/Average of opening and closing capital employed balances

BANKERS' GEARING RATIO

Interest bearing debt less cash and cash equivalents/Capital and reserves less goodwill

DEBT TO EQUITY

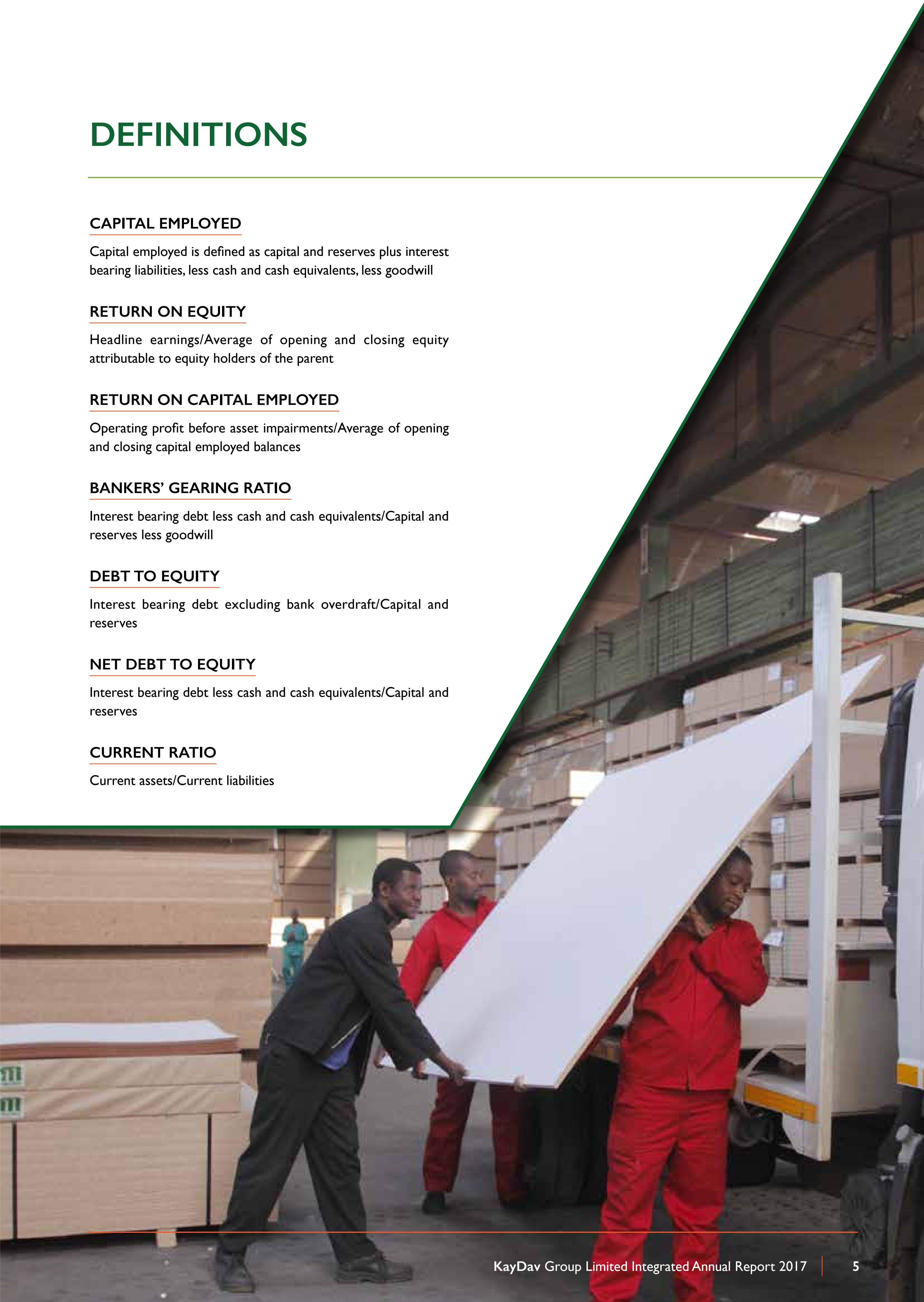
Interest bearing debt excluding bank overdraft/Capital and reserves

NET DEBT TO EQUITY

Interest bearing debt less cash and cash equivalents/Capital and reserves

CURRENT RATIO

Current assets/Current liabilities



BOARD OF DIRECTORS AND ADMINISTRATION

IAN STERN | 69

Independent non-executive director (10 years of service)
(Chairperson) (Indefinite)
CTA (Wits), CA(SA)

Ian worked for three companies listed on the JSE until 1982, before joining the Ozz group of companies as financial director. Ozz Ltd was successfully listed on the JSE on 5 September 1984. In March 2003 Ozz Ltd was sold to a consortium comprising Ethos Private Equity Fund IV, RMB Corvest Ltd and Kagiso Ventures (Pty) Ltd. Ian continued in his role as financial director for a year after the buy-out before leaving to pursue other interests. Ian was appointed as Chairperson of the board of KayDav Group Limited on 5 October 2007.

BOITUMELO TLHABANELO | 41

Independent non-executive director (6 years of service)
(Indefinite)
B Com, CA(SA)

Boitumelo is a chartered accountant who qualified with PricewaterhouseCoopers in 2001. Since then he has gained 10 years' investment management experience with leading private equity firms Brait and Development Partners International. He is now an independent investor and co-founder and principal of Bopa Moruo, a black-owned and managed private equity fund management company. Boitumelo was appointed to the board of KayDav Group Limited on 15 December 2011.

SHANE VAN NIEKERK | 59

Independent non-executive director (2 year of service)
(Indefinite)

Shane worked for the Mr Price Group for 27 years from 1983 to 2010, holding various positions including the positions of Chief Operations Officer and Joint Managing Director. He served on the board of Mr Price Group Limited as executive director from 2003 until his retirement in 2010. He is currently Chief Executive Officer of Pure Pharmacy Holdings, a group owning and managing a chain of community pharmacies. Shane was appointed to the board of KayDav Group Limited on 1 August 2015.

ADMINISTRATION

Company information
KayDav Group Limited
Registration number 2006/038698/06
JSE share code: KDV
ISIN: ZAE000108940

Head office and registered office
105 Bamboesvlei Road,
Ottery, 7800
PO Box 272, Ottery, 7808

Auditor
Grant Thornton Johannesburg Partnership
52 Corlett Drive,
Wanderers Office Park, Illovo, 2196
Private Bag X10046, Sandton, 2146

FRANK DAVIDSON | 53

Independent non-executive director (1 year of service)
(Indefinite)
B Com, B Acc, CA(SA)

Frank has acquired diverse business experience at an executive level in a career spanning more than 25 years. In 1991 he became a shareholder and financial director of Sea Point Car Mart and managing director from 1996 to 1998. From 1998 to 2000 he was involved with Molope Group Limited in a corporate advisory role. He subsequently joined NFB Financial Services (Pty) Ltd, tasked with setting up its asset management business. In 2003 he facilitated and participated in a private equity deal and subsequent sale of a food services business. Frank continues to act as facilitator and consultant to various individuals and businesses. He is also an independent non-executive director of Nu-World Holdings Limited.

GARY DAVIDSON | 43

Executive director (10 years of service as director)
(Chief Executive Officer) (Indefinite)
B Com, CA(SA)

Gary completed his B Com at UCT and articles with Grant Thornton in 1999. In 2000 he was appointed as director of Davidson's Holding Company (Pty) Ltd and was involved in the day-to-day running of this business before being appointed CEO of KayDav Group Limited on 5 October 2007. Gary is also a director of the subsidiaries of KayDav Group Limited.

Contractual terms: Notice period: 2 months; Restraint of trade: 1 year

MARTIN SLIER | 46

Executive director (10 years of service as director)
(Chief Financial Officer) (Indefinite)
B Com (Law), B Compt (Hons), CA(SA)

Martin completed his articles with Grant Thornton in 1999. He was an audit manager with Grant Thornton, as well as management accountant at e-tv, before joining Davidson's Holding Company (Pty) Ltd as group financial manager in January 2004. Martin was appointed CFO of KayDav Group Limited on 5 October 2007. Martin is also a director of the subsidiaries of KayDav Group Limited.

Contractual terms: Notice period: 2 months; Restraint of trade: 1 year

Company Secretary
CIS Company Secretaries (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Sponsors
Java Capital
2nd Floor, 6A Sandown Valley Crescent,
Sandown, Sandton, 2196
PO Box 522606, Saxonwold, 2132

Transfer secretary
Link Market Services South Africa (Pty) Ltd
13th Floor, 19 Ameshoff Street,
Braamfontein, Johannesburg, 2001
PO Box 4844, Johannesburg, 2000


Kayreed
16
Tel. 011 837 5602

CHAIRPERSON AND CEO'S REPORT

As Chairperson of the board of directors and Chief Executive Officer of KayDav we would like to report to shareholders on the following areas with a view to giving stakeholders an understanding of our business:

- Strategy
- Activities (economic, social, environmental)
- Capital allocation
- Performance (economic, social, environmental)
- Goals and challenges
- Key risks.

The structure of this report is the same as that of the report included in the prior year's Integrated Annual Report as we believe this structure provides stakeholders with a clear understanding of the Group and its activities. We are guided throughout the Integrated Annual Report by a commitment to communicate clearly and concisely.

At the outset we would like to state that we regret the erosion in profitability of the Board Distribution and Adaptation segment over the past two years, which has greatly affected the Group financial results. This erosion was mainly driven by the deterioration in the general economy and industry conditions on which we will expand below.

STRATEGY

KayDav wants to deliver reliable and sustainable profit growth over the long term. To do this, both organic and growth-through-acquisition options are available.

Organic

KayDav wants to continue to grow its market share in both its operating segments, namely:

- Board Distribution and Adaptation
- Packaging.

This requires the consistent pursuit of providing excellent service to our customers and responding to their needs. It also requires the building of strong relationships with suppliers.

Acquisition

The Group's only acquisition to date was Packit Packaging Solutions during 2014, which has proved successful. At year-end the Group had R18.5 million invested in the Packaging segment via intragroup loans with the segment returning R7.2 million in operating profit for the year ended 31 December 2017 (2016: R6.4 million).

Subject to availability of capital, we will pursue acquisition opportunities which satisfy our investment criteria.

Capital allocation

The quantum of available capital is determined by the appropriate gearing appetite in the business. Factors such as the economic environment, risk appetite of stakeholders and interest rate levels determine acceptable debt levels.

The capital available is allocated to three categories:

- Existing businesses based on resources necessary for working capital and capex required to achieve targets
- Distributions to shareholders
- New projects and acquisitions.

Management consistently searches for new projects and acquisitions which fall within the quantum of available capital. Measurement for the viability of allocation of capital to such investments is performed as and when such opportunities arise. Potential returns are then determined so as to verify whether an adequate return on investment is likely. Other factors such as risk, management resources and strategic benefit are also considered.

At present capital is mostly absorbed by new product lines.

ECONOMIC OVERVIEW

The Group continues to be a substantial participant in the local, regional and national economies in which it operates. The scale of its contribution is set out in the "Economic value generated and distributed" table contained in the Sustainability Report. The report shows the large extent to which society benefits by KayDav's distribution of economic value generated to recipients such as suppliers, employees, government, communities and providers of capital.

KayDav strives to increase the economic value generated by it in the most efficient way in order to generate profits for distribution or reinvestment.

SOCIAL OVERVIEW

Employees

The Group is a substantial employer and therefore contributes to the positive societal benefits which employment brings.

Communities

KayDav again contributed to the activities of a variety of schools, charities and community organisations.

ENVIRONMENT

The Group's approach to its environmental impact is set out in the Sustainability Report.

CHAIRPERSON AND CEO'S REPORT (CONTINUED)

GROUP PERFORMANCE

Economic

Sales growth	Headline earnings per share growth	Return on capital employed	Return on equity
-2%	-62%	10%	5%
(2016: 12%)	(2016: -15%)	(2016: 21%)	(2016:15%)

KayDav's drop in headline earnings per share to 6.0 cents for the year ended 31 December 2017 from 15.9 cents for the prior financial year was extremely disappointing.

The Group's balance sheet remains sound with the debt to equity ratio improving to 21% by 31 December 2017 (2016: 24%) while the current ratio dropped marginally to 1.6 (2016: 1.7).

Board Distribution and Adaptation

This segment performed poorly during the year under review with operating profit dropping to R14.7 million from the R38.5 million for the year ended 31 December 2016.

Poor GDP growth negatively affected consumer and business demand and with the industry already suffering from excess supply capacity, sustained downward pressure on selling prices was felt throughout the market. Low demand and low selling price inflation resulted in a decrease in revenue by 4% compared to the year ended 31 December 2016 with operating profit margins decreasing as cost inflation outruns selling price inflation. Structurally this problem can be corrected by economic growth or by a decrease in manufacturing and wholesale capacity. KayDav is encouraged by early signs that the economic growth is accelerating. Since we have little control over the structural industry issues, management is focusing on cost efficiency while developing new product lines to augment revenue. The expansion of our product range responds to the needs of our customers and potential customers while providing opportunities for sales and profit growth.

The Board Distribution and Adaptation segment is by far the bigger of the Group's two segments, representing 92% of turnover during the year ended 31 December 2017, and consequently Group performance was impacted in line with the performance of this segment.

Accordingly, circumstances dictate that we trade through these cycles as best as possible in order to take advantage of an improving economic climate.

Packaging

Packaging continues to perform well with revenue growing by 18% and operating profit by 11% when compared to the prior financial year.

Compared to the Board Distribution and Adaptation segment the Packaging segment holds a relatively small industry position and therefore, the impact of general economic conditions is not felt so acutely. We continue to pursue growth by increasing our product offering and by increasing market share in respect of existing product categories.

Social and environmental impact

The Group employs 520 staff members and we continue to factor their well-being into our decision-making. As mentioned above, the Sustainability Report details a number of other indicators in connection with the employment activities of the Group.

The Group's fuel consumption number is recorded in the Sustainability Report.

Main challenges and goals

The table below sets out the main challenges the Group will focus on in the short and medium term.

Category	Challenge/ Opportunity	Goals: short term	Goals: 3 – 5 years	Affected stakeholders	Indicator or report content
Economic	Balance resource allocation within the Board Distribution and Adaptation and Packaging segments as well as to possible acquisitions to ensure optimal growth in shareholder returns	Improve systems to measure and evaluate potential returns from resources allocated to each division	Continuous improvement of systems to measure and evaluate potential returns from resources allocated to each segment	All	Chairperson and CEO's Report
	Operating margin erosion in the Board Distribution and Adaptation segment	Limit operating expense growth to below 4%	Limit operating expense inflation to below selling price inflation	All	Chairperson and CEO's Report
		Develop new product lines	Capitalise on returning economic growth		Annual Financial Statements
Social	Availability of competent staff	Provide effective skills development programmes to support the goal of creating a customer-centric, sales-focused organisation of the highest order	Achieve a highly skilled industry-leading workforce	Employees	Chairperson and CEO's Report Sustainability Report
Environmental	Optimal usage of fuel and electricity	Create a platform from which to continually improve the Group's fuel and electricity consumption efficiency	Improve electricity consumption efficiency by 10%	All	Sustainability Report

KEY RISKS

Exposure to risk is inherent in all business endeavours. KayDav is exposed to a number of risks which the Group identifies and addresses in accordance with its enterprise risk policy (see the Audit and Risk Committee Report).

While the Group is exposed to a number of risks we would like to highlight the following key risks and responses:

Risk	Response
Major credit default across the customer base The majority of Group sales are on credit. A sharp deterioration in the credit landscape due to macroeconomic and sociopolitical factors may impact the Group heavily.	– Regular monitoring of the macroeconomic and sociopolitical developments with adjustment in assumption of credit risk when appropriate.
Major increase in political instability and civil unrest A breakdown in the rule of law would result in a collapse in the economy. The business would no longer be able to function optimally.	– Regular monitoring of socioeconomic developments – Adequate and appropriate insurance
Significant increase in interest rates Interest rate increases negatively affect consumer demand and increase Group borrowing costs.	– Consistent and regular monitoring of interest rates and the effect on profitability

Top risks are continuously monitored and risk responses are developed to limit residual risk ratings to acceptable levels.

CONCLUSION

The 2017 financial year was a deeply disappointing year for the Group. We assure stakeholders that we are focusing on ensuring the long-term success of the Group and hope to report significant improvement in the near future. We thank you for your continued support.

Ian Stern
Chairperson

22 March 2018

Gary Davidson
CEO

CORPORATE GOVERNANCE REPORT

KayDav is committed to a high standard of corporate governance and endorses the Code on Corporate Governance ("the code") as set out in the King Report on Corporate Governance ("King IV").

BOARD OF DIRECTORS

KayDav has a unitary board which is responsible for governance of the Group including its performance and sustainability.

The functions of the board have been established to provide guidance to the Group via a structure of meetings and decision-making thresholds to regulate material matters which have been reserved for the board's approval. Decisions are made in the best interests of the company. No one director has unfettered powers of decision-making.

The board of KayDav consists of four independent non-executive directors and two executive directors and is chaired by an independent non-executive director. The Group defines the terms "independent" and "non-executive" in accordance with King IV. The board, led by the Chairperson, evaluates directors for classification as independent non-executive, non-executive or executive on an annual basis. Having served for more than nine years as an independent non-executive director, Ian Stem's independence was considered and assessed by the board and the board is satisfied that there are no factors that impair his independence. Ian continues to be classified as an independent non-executive director. The qualifications and experience of individual board members are set out on pages 6 and 7.

The board itself evaluates its constitution and diversity and will, if necessary, consider any changes to its composition. New appointments are matters for the board as a whole and are done in a formal and transparent manner in accordance with KayDav's policy on nominations. The board has adopted a policy on gender diversity and has set a voluntary target of having 15% female representation on the board by 2020. The board will consider this target when new appointments are made. No appointments have been made since the adoption of the policy.

The board meets at least four times per year to discharge its responsibilities including providing guidance, reviewing performance and setting Group strategy. Directors are provided with comprehensive information to enable them to make informed decisions.

The board meetings were attended as set out below:

	Mar	Jun	Aug	Nov
Ian Stern (Chairperson)	√	√	√	√
Gary Davidson	√	√	√	√
Martin Slier	√	√	√	√
Boitumelo Tlhabanelo	√	√	√	√
Shane van Niekerk	√	√	√	√
Frank Davidson	√	√	√	√

The board appraises its own performance as well as those of its sub-committees informally.

Board committees

The board has established the following committees:

- Audit and Risk Committee
- Remuneration Committee
- Social and Ethics Committee.

Audit and Risk Committee

The Audit and Risk Committee consists of the three independent non-executive directors, namely Boitumelo Tlhabanelo (chairperson), Ian Stern and Shane van Niekerk.

The committee is responsible for reviewing accounting, auditing, financial reporting, risk management, internal control matters and the appointment of auditors and also approves the use of the external auditors for non-audit services.

The report of the Audit and Risk Committee is set out on pages 25 and 26.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors and is chaired by Shane van Niekerk with Ian Stern and Frank Davidson serving as members.

The report of the Remuneration Committee is set out on pages 14 to 16.

Social and Ethics Committee

The Social and Ethics Committee consists of an independent non-executive director, namely Boitumelo Tlhabanelo (chairperson), and the two executive directors, namely Gary Davidson and Martin Slier.

The committee met once, during November 2017, with Boitumelo Tlhabanelo and Gary Davidson attending.

King IV recommends that the majority of this committee should consist of non-executive directors. The board will consider the membership of this committee during the 2018 financial year.

During the year the committee considered the report on community involvement and noted the Group's contributions to Sinothando Safety Home, Ndzondi Meals On Wheels, Khayelitsha's Elderly, Knysna Fire Relief and National Tekkie Day. In addition, the Group contributed to several schools and other community-based organisations.

It is the obligation of this committee to monitor the Group's social activities and ethical business conduct having regard to relevant legislation, other legal requirements and prevailing codes of best practice including the following:

- Social and economic development, including the Group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles
  - OECD recommendations regarding corruption
- Good corporate citizenship
- The environment, health and public safety, inclusive of the impact of the company's activities, products and services thereon
- Consumer relationships
- Labour and employment.

Details in respect of Social and Ethics-related matters are included in the Sustainability Report.

Executive Management

The board is satisfied that the delegation authority framework contributes to role clarity and the effective exercise of authority and responsibilities. The Chief Executive Officer and Chief Financial Officer have notice periods of two months each and restraints of trade of one year. No other contractual termination obligations exist. The executive directors have no other professional commitments and are not members of other governing bodies. A succession plan is in place for the Chief Executive Officer.

The Group has access to corporate governance services via its Company Secretary, which the board believes to be effective.

Company Secretary

CIS Company Secretaries (Pty) Ltd continued as Company Secretary throughout the reporting period. The board of directors considered and satisfied itself on the competence, qualifications and experience of the Company Secretary by reviewing and considering:

- The qualifications and experience of its principal consultant, Gillian Prestwich
- The quality of input by the Company Secretary during deliberations with board members
- The experience of the Company Secretary and the services it provides to other companies listed on the JSE.

During the year under review, Ms Gillian Prestwich of CIS Company Secretaries (Pty) Ltd ("CIS"), who holds a BA degree (University of the Witwatersrand), is a fellow of the Institute of Chartered Secretaries and Administrators ("FCIS") and has a Diploma in International Trust Management ("TEP"), replaced Neville Toerien of CIS as principal consultant. She has extensive experience in the company secretarial and corporate governance arenas, both locally and internationally.

The Company Secretary is neither a director nor employee of the company or any of its subsidiaries and accordingly, maintains an arm's length relationship with the company and the directors.

The Company Secretary provides Company Secretarial services, oversees corporate governance processes at holding company level, and attends board and committee meetings.

The board and the individual directors have unrestricted access to the Company Secretary who guides them on how they should discharge their duties and responsibilities in the best interests of the company.

During the year under review, the Company Secretary continued to assist the board and its committees, as required, in preparing annual plans, agendas, minutes and terms of reference.

Internal control and risk management

The board is committed to maintaining an effective system of internal control and risk management. Please refer to the Audit and Risk Committee report on pages 25 and 26 for information on this aspect.

Governance of information technology

King IV recommends that the board of directors be responsible for the governance of information technology and the board adopted a policy in this regard during 2015. The external auditor provides the board with a report on the Group's information technology system as part of its annual audit. The board utilises this report to assess the performance of information technology management.

In our 2016 report we reported that Active Directory Domain Services ("ADDS") would be rolled out during 2017, which would facilitate centralised information technology management and authentication control. We can now report that ADDS was fully implemented during 2017 and all Group sites now benefit from this. This allows the Group to improve on our existing security policies and frameworks. In addition, e-mail for the entire Group was migrated to the Microsoft Exchange messaging platform. This platform provides the Group with better security, availability and collaboration opportunities.

The Group will now focus on standardising security protocols.

Dealing in securities

The Group has a policy in place to deal with dealings in securities by directors, the Company Secretary and selected employees.

A record of all dealings in KayDav shares by directors, the Company Secretary and selected employees is kept and ensures that proper authority for dealing is in place prior to transactions being initiated. Any announcements which are required in respect of dealings are made timeously on the JSE's Stock Exchange News Service ("SENS").

Compliance with laws and regulations

KayDav complies with the laws and regulations it is subject to and strives to be a good corporate citizen. The Sustainability Report and the Group's King IV compliance register set out the Group's approach in this regard.

Communication with employees

Management communicates with employees through the organisational structures. Management operates an open-door policy for suggestions by employees. Executive directors meet with various managers on a regular basis where suggestions are considered.

The Human Resources Manager meets with unions representing employees at their request and with workplace forums at scheduled meetings. Salient issues are communicated to the Chief Executive Officer.

When matters arise that require the attention of the board, executive directors are responsible for bringing those to the attention of the board.

No topics that require reporting were raised via these structures during the year under review.

Communication with shareholders and potential shareholders

The Group is committed to provide shareholders with timely and accurate information.

In accordance with the JSE Listings Requirements the Group publishes information on SENS and, where appropriate, in the print media. When required, information is directly mailed to shareholders or their agents.

The Group complies with applicable legislation and regulation which governs disclosure of information including the Companies Act, the JSE Listings Requirements and International Financial Reporting Standards.

The Group also maintains a website which contains investor information as well as information about the Group and its operations.

There have been no requests for information lodged with the Group in terms of the Promotion of Access to Information Act.

Group governance framework

The Group companies are all wholly owned with shared directors and consequently, governance across the Group is managed by the KayDav board.

Compliance with the code

The Group's King IV compliance register, which explains the Group's application of the code, is available on the Group's website (www.kaydav.co.za).

REMUNERATION COMMITTEE REPORT

The committee reviews remuneration policy and make recommendations to the board. It is primarily responsible for overseeing the remuneration and incentives of executive directors. In addition, the committee approves incentive bonus schemes for senior employees. The committee also recommends remuneration levels for non-executive directors to the board to be presented to shareholders for approval. An independent and objective remuneration consultant is used to inform decisions and to benchmark remuneration. The committee is satisfied that its remuneration policy achieves its objectives.

The committee meets once a year unless circumstances necessitate additional meetings. During 2017, the committee met in March and all members attended. The CEO and CFO did not attend the meeting.

This is the first report which applies the disclosure requirements of King IV. This will also be the first year of requiring non-binding advisory votes from shareholders on the remuneration policy and the remuneration implementation report. In the event that 25% or more of shareholder votes are cast against either or both of these resolutions, the directors are committed to engage with shareholders to address any legitimate and reasonable objections and concerns.

During 2017, the Remuneration Committee made a change with respect to the long-term retention incentive which is explained in the remuneration policy section below.

The Group's remuneration policy and the implementation of the policy for the year ended 31 December 2017 are set out below:

REMUNERATION POLICY

The objectives of the Group's remuneration policy, in line with King IV, are to:

- Attract, motivate, reward and retain human capital
- Promote the achievement of strategic objectives within the organisation's risk appetite
- Promote positive outcomes
- Promote ethical culture and responsible corporate citizenship.

The remuneration policy addresses the following classes of human capital:

- Non-executive directors
- Executive management
- Other employees.

Non-executive directors

The Group uses the services of an independent remuneration consultant for guidance on fees based on a comparative analysis of companies of a similar size. Accordingly, an annual fee for each position on the board and for each position on a board committee is recommended to shareholders for approval at KayDav's annual general meeting.

Executive management

Executive management consist of the Chief Executive Officer and the Chief Financial Officer. Fair and responsible remuneration of executive management is achieved by ensuring that executive remuneration is regularly benchmarked against peers. The remuneration of executives must be market related to be competitive and the same is true of overall employee remuneration. The elements of executive management compensation are set out below:

Guaranteed pay

This is the base remuneration provided to executive management on a cost-to-company basis. An independent remuneration consultant is used for guidance on fees based on a comparative analysis of companies of a similar size. The pay falls within the 75th percentile of guaranteed pay to executive directors with similar functions at companies of a similar size.

Short-term performance incentive

In order to incentivise executive management to achieve desirable profitability for KayDav the following performance targets are set for each financial year (note that these targets may be varied from time to time):

Performance measure	Target	Weight
EBIT* growth	16%	50%
Return on equity**	20%	25%
Return on assets***	15%	15%
Return on capital employed****	25%	10%

* Earnings before interest and taxation.

** Headline earnings per share/Net tangible asset value per share.

*** EBIT/Average of opening and closing assets (Assets defined as: Total assets – Goodwill – Cash and cash equivalents).

**** EBIT/Average of opening and closing capital employed (Capital employed defined as: Shareholders' equity + Interest-bearing debt – Cash and cash equivalents – Goodwill).

Based on the achievement rate of each of these targets applied in the weight assigned above, executives can earn a percentage of their guaranteed pay as a performance bonus as set out in the table below:

Achievement rate	% of guaranteed pay
100% of target	35%
110% of target	45%
125% of target	60%

Achievement rates between the bands set out above will lead to the percentage of guaranteed pay being adjusted on a pro rata basis using the following formula: E+(B-A)/CxD where:

A = the highest base achievement rate in the above table above which "B" below falls

B = % of target achieved (weighted total of all performance measures)

C = difference in achievement rate bands in the above table between which "B" falls

D = difference in % of guaranteed pay corresponding to the bands between which "B" falls

E = the % of guaranteed pay corresponding to the achievement rate in A above.

Illustration

To illustrate, consider the following example where the performance measures were achieved as follows:

EBIT growth	17%
Return on equity	20%
Return on assets	14%
Return on capital employed	26%

The calculation of the achievement rate is set out below:

Performance measure	Achieved	Target	% of target	Weight	Weighted
EBIT growth	17%	16%	106%	50%	53%
Return on equity	20%	20%	100%	25%	25%
Return on assets	14%	15%	93%	15%	14%
Return on capital employed	26%	25%	104%	10%	10%
TOTAL					**102.5%**

Executives will thus qualify for an incentive bonus of the following percentage:

E+(B-A)/CxD = 37.5 where:

A = 100

B = 102.5

C = 10

D = 10

E = 35

If "B" is below 100, no bonus is paid, unless it is very close in which case the non-executive directors will make a determination.

The maximum bonus is 60% of executive guaranteed pay. For illustration purposes only, the maximum short-term incentive bonus achievable by executive management for 2017 would have been R4 269 000.

Long-term retention incentive

In order to retain executives, a long-term retention incentive is paid to executives with the following features:

- In addition to the guaranteed pay above, an amount equal to one-third of the guaranteed pay for a particular year is paid to executives annually over a three-year period in equal tranches
- Each tranche paid thus equals a third of a third of guaranteed pay for a particular year
- The first tranche is paid one year after the end of the year in which the amount is earned.

The quantum of this component of remuneration was determined based on advice from an independent remuneration consultant.

For the period of remuneration 1 March 2017 to 28 February 2018, the board on recommendation of the Remuneration Committee reduced deferred pay from a third of guaranteed pay to a third less 15%.

Long-term value creation incentive

There is no incentive in place in this category. KayDav shares are not traded frequently enough in order to rely on the market to determine the value of a KayDav share. This render schemes related to growth in share price inappropriate. In addition, executive management have been substantial KayDav shareholders since inception of the Group and are therefore naturally aligned with other shareholders in the desire for long-term value creation.

Termination obligations

There are no contractual termination obligations for KayDav which would result in payments being made to executive managers on termination of employment.

Other employees

Other employees are remunerated at market-related remuneration rates. The following remuneration tools are utilised:

- Contributions to retirement funds
- Profit incentives for operational and support management
- Selected operational incentives for production staff
- Commissions for sales staff
- Company cars for employees who use vehicles for business purposes
- Selected restraint of trade payments
- Annual bonuses at management's discretion.

The above is the full remuneration policy and is available on the Group's website (www.kaydav.co.za).

REMUNERATION COMMITTEE REPORT (CONTINUED)

REMUNERATION IMPLEMENTATION REPORT

In respect of the year ended 31 December 2017 the remuneration policy was implemented as follows:

Non-executive directors

Fees for each board and board committee position for the 2017 financial year were determined based on benchmarks received from the Group's independent remuneration consultant. The fees so determined and set out below were approved by shareholders at KayDav's annual general meeting held on 18 May 2017.

	Approved fees R
Chairman of the board	477 000
Member of the board	175 000
Chairman of the Remuneration Committee	52 000
Member of the Remuneration Committee	30 000
Chairman of Audit and Risk Committee	185 000
Member of Audit and Risk Committee	96 000
Chairman of Social and Ethics Committee	34 000
Member of Social and Ethics Committee	15 000

Fees earned by individual non-executive directors for the 2017 financial year were as follows:

Director	Fees earned R
Ian Stern	603 000
Boitumelo Tlhabanelo	394 000
Shane van Niekerk	323 000
Frank Davidson	205 000
	1 525 000

Executive management

The remuneration of executive management for the 2017 financial year is set out below. No short-term incentive bonus was paid due to non-achievement of performance targets.

	Salary R	Retirement and related benefits R	Long-term retention payments* R	Motor vehicle benefits R	Other benefits R	Total R
Gary Davidson	4 171 550	–	377 778	131 664	97 140	4 778 132
Martin Slier	2 346 702	228 398	250 000	–	75 990	2 901 090
	6 518 252	228 398	627 778	131 664	173 130	7 679 222

* These payments relate to the first tranche of three, determined with reference to guaranteed pay for the period 1 March 2015 to 28 February 2016, which vested during the year ended 31 December 2017.

SUSTAINABILITY REPORT

KayDav has a significant impact on society at large through the scale of its operations and wants to be a force for good. This report focuses primarily on the economic and social impact of the Group's activities as it is in these areas where it is most influential.

ECONOMIC

The Group creates economic value primarily through trading and distributes this to suppliers, employees, government, communities and its providers of capital, namely shareholders and lenders.

During the year ended 31 December 2017, KayDav generated R946 million of economic value of which R936 million was distributed to its stakeholders. The economies in which the Group operates benefited by R802 million through its expenditure on operating costs and cost of sales, while employees were the recipients of R122 million, providers of capital R7 million and government R4 million.

The table below summarises the economic value generated and distributed by KayDav:

Economic value generated and distributed for the year ended 31 December 2017

	2017 R	2016 R
Direct economic value generated		
Revenue	**945 021 732**	967 752 148
Investment income	**–**	5 613
Other income	**1 458 765**	955 326
Total economic value generated	**946 480 497**	968 713 087
Economic value distributed		
Operating costs	**802 107 343**	809 361 766
Employee salaries, wages and benefits	**122 361 325**	114 266 762
Payments to providers of capital	**7 132 885**	15 858 416
Payments to government (South Africa)	**4 026 748**	10 541 347
Community investments	**148 797**	173 762
Economic value retained	**10 703 399**	18 511 034
Total economic value retained and distributed	**946 480 497**	968 713 087

SOCIAL

Employees

The Group's most significant social impact is through the effect it has on its employees and as potential employer. The Group continues to be a significant employer with 520 permanent employees at year-end.

Workforce profile

The table below sets out KayDav's employee profile at 31 December 2017 and 31 December 2016:

Total workforce

	Employment contract			Region			Employment type	
	Permanent	Fixed-term	Total	Gauteng	Western Cape	KwaZulu-Natal	Full time	Part-time
2017								
Male	**400**	**0**	**400**	**103**	**270**	**27**	**400**	**0**
Female	**120**	**0**	**120**	**36**	**77**	**7**	**120**	**0**
	520	**0**	**520**	**139**	**347**	**34**	**520**	**0**
2016								
Male	447	0	447	142	278	27	447	0
Female	122	0	122	34	80	8	122	0
	569	0	569	176	358	35	569	0

The Group employed 520 employees at 31 December 2017, a decrease of 49 permanent employees compared to the 569 employees employed at 31 December 2016. However, labour broker staff employed by the Group in Gauteng numbered 193 at year-end compared to the 155 for the year ended 31 December 2016.

The majority of our permanent employees are located in the Western Cape at 67% of the total workforce (2016: 63%).

As one would expect considering the physical nature of the Group's activities, the total workforce remains predominantly male at 77% (2016: 79%).

Employee turnover

The rate of employees leaving our employment (or transferred) was in line with the prior year, decreasing to 26% for 2017 compared to 28% for 2016. The table below indicates that resignations, dismissals, abscondments and employees reaching the end of their contracts remain the top reasons for leaving employment.

Employees leaving employment by category

	2017 R	2016 R
Resigned	**55**	67
Dismissals	**54**	21
Absconded	**25**	26
End of contract	**30**	28
Pensioned	**3**	3
Deceased	**2**	1
Transferred	**5**	11
Retrenched	**11**	0
	185	157

The majority of employees who resigned or absconded are engaged in physical labour where traditionally the employee turnover is high. The Group provides fair working conditions and remunerates at market-related rates. We therefore believe that the high rate of employees leaving voluntarily has to do with the mobility of labour.

Dismissal for disciplinary reasons accounted for 54 employees (2016: 21) leaving our employ. KayDav follows proper disciplinary procedures throughout the Group, which are both procedurally and substantively fair. The Group employs labour consultants to assist us in this regard.

KayDav employed 136 (2016: 224) new employees during the year while 185 employees left, leading to a net decrease in own employees of 49.

Employee turnover table

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
2017												
New employee hires												
Gauteng	3	26	3	32	2	10	1	13	5	36	4	45
Western Cape	47	29	2	78	5	6	0	11	52	35	2	89
KwaZulu-Natal	0	1	0	1	1	0	0	1	1	1	0	2
All locations	50	56	5	111	8	16	1	25	58	72	6	136
Employees leaving employment												
Gauteng	13	46	13	72	3	7	1	11	16	53	14	83
Western Cape	45	39	2	86	4	7	2	13	49	46	4	99
KwaZulu-Natal	0	1	0	1	1	1	0	2	1	2	0	3
All locations	58	86	15	159	8	15	3	26	66	101	18	185
Total employee numbers												
Gauteng	9	71	23	103	1	30	5	36	10	101	28	139
Western Cape	106	139	25	270	12	55	10	77	118	194	35	347
KwaZulu-Natal	7	17	3	27	4	2	1	7	11	19	4	34
All locations	122	227	51	400	17	87	16	120	139	314	67	520
New employee hire rates												
Gauteng (%)	33	37	13	31	200	33	20	36	50	36	14	32
Western Cape (%)	44	21	8	29	42	11	0	14	44	18	6	26
KwaZulu-Natal (%)	0	6	0	4	25	0	0	14	9	5	0	6
All locations (%)	41	25	10	28	47	18	6	21	42	23	9	26
Employees leaving employment rates												
Gauteng (%)	144	65	57	70	300	23	20	31	160	52	50	60
Western Cape (%)	42	28	8	32	33	13	20	17	42	24	11	29
KwaZulu-Natal (%)	0	6	0	4	25	50	0	29	9	11	0	9
All locations (%)	48	38	29	40	47	17	19	22	47	32	27	36

Employee turnover table

		Male				Female				Total			
		<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
2016													
New employee hires													
Gauteng		17	50	7	74	3	11	0	14	20	61	7	88
Western Cape		71	38	2	111	2	11	1	14	73	49	3	125
KwaZulu-Natal		1	4	0	5	4	2	0	6	5	6	0	11
All locations		89	92	9	190	9	24	1	34	98	116	10	224
Employees leaving employment													
Gauteng		7	30	2	39	1	3	3	7	8	33	5	46
Western Cape		41	49	4	94	3	9	0	12	44	58	4	106
KwaZulu-Natal		0	0	0	0	2	3	0	5	2	3	0	5
All locations		48	79	6	133	6	15	3	24	54	94	9	157
Total employee numbers													
Gauteng		22	92	28	142	5	25	4	34	27	117	32	176
Western Cape		114	144	20	278	14	55	11	80	128	199	31	358
KwaZulu-Natal		8	17	2	27	4	3	1	8	12	20	3	35
All locations		144	253	50	447	23	83	16	122	167	336	66	569
New employee hire rates													
Gauteng	(%)	77	54	25	52	60	44	0	41	74	52	22	50
Western Cape	(%)	62	26	10	40	14	20	9	18	57	25	10	35
KwaZulu-Natal	(%)	13	24	0	19	100	67	N/A	75	42	30	0	31
All locations	(%)	62	36	18	43	39	29	6	28	59	35	15	39
Employees leaving employment rates													
Gauteng	(%)	32	33	7	27	20	12	75	21	30	28	16	26
Western Cape	(%)	36	34	20	34	21	16	0	15	34	29	13	30
KwaZulu-Natal	(%)	0	0	0	0	50	100	0	63	17	15	0	14
All locations	(%)	33	31	12	30	26	18	19	20	32	28	14	28

Occupational health and safety

The Group continues to experience very low rates of injury with no cases of occupational disease being reported as indicated in the table below. Lost days from injury decreased to 54 for the year ended 31 December 2017 compared to 294 for the year ended 31 December 2016.The Group's sick absenteeism target of less than 1.5% was breached during 2017 and will have to be addressed during 2018.

Occupational Health and Safety

		Gauteng		Western Cape		KwaZulu-Natal	
		Male	Female	Male	Female	Male	Female
2017							
Rates of injury	(%)	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**
Occupational disease rate	(%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Lost days due to occupational disease or injury		**–**	**–**	**46**	**8**	**–**	**–**
2016							
Rates of injury	(%)	0.1	0.0	0.3	0.1	0.0	0.0
Occupational disease rate	(%)	0.0	0.0	0.0	0.0	0.0	0.0
Lost days due to occupational disease or injury		18	–	262	14	–	–

Absenteeism based on sick leave days taken

		Gauteng		Western Cape		KwaZulu-Natal	
		Male	Female	Male	Female	Male	Female
2017							
Number of sick leave days		**555**	**201**	**1 302**	**489**	**77**	**25**
Absenteeism rate based on sick leave	(%)	**1.8**	**2.0**	**1.6**	**2.3**	**1.0**	**1.2**
2016							
Number of sick leave days		372	119	1 175	474	66	26
Absenteeism rate based on sick leave	(%)	1.2	1.5	1.5	2.1	1.0	1.0

SUSTAINABILITY REPORT (CONTINUED)

The Group suffered no work-related fatalities (2016: nil).

Employee diversity

The Group is an equal opportunity employer. The table below displays KayDav's diversity profile and indicates that its staff complement is predominantly male at all employment levels. At senior management level the Group was able to make some progress with the proportion of black employees represented at this level increasing to 13% from the 8% at 31 December 2016. At junior management level black employees already make up 58% of staff (2016: 57%). Diversity at senior management level, which consist of a relatively small number of employees, will be further addressed when opportunity presents itself.

Employee diversity table

		% of employees per category by gender		% of employees per category by age group			% of black employees per category
		Male	Female	<30	30-50	>50	
2017							
Board of directors	(%)	**100**	**0**	**0**	**50**	**50**	**17**
Senior management	(%)	**93**	**7**	**0**	**73**	**27**	**13**
Junior management	(%)	**70**	**30**	**7**	**77**	**16**	**58**
Workforce	(%)	**77**	**23**	**31**	**57**	**12**	**86**
2016							
Board of directors	(%)	100	0	0	50	50	17
Senior management	(%)	92	8	0	69	31	8
Junior management	(%)	72	28	10	74	16	57
Workforce	(%)	79	21	33	57	11	87

Remuneration of female employees

As in prior years the table below indicates that at year-end on average, in respect of the workforce category, the Group's female employees are paid significantly more than male employees. The reason for this is that female employees in this category perform mostly clerical functions, which attract higher remuneration than labour positions, which are filled mainly by male employees. The table further indicates that male employees earn significantly more than female employees in the senior and junior management categories. Male employees occupy the majority of these positions and fill the higher paid of the positions in these categories, a situation which is the norm in our industry. Specifically the various business units' general manager positions in the senior management category are all filled by men.

Ratio of basic salary and remuneration of women to men by employee category

		Gauteng		Western Cape		KwaZulu-Natal	
		Basic salary	Remuneration	Basic salary	Remuneration	Basic salary	Remuneration
2017							
Board of directors	(%)	**NE**	**NE**	**NF**	**NF**	**NE**	**NE**
Senior management	(%)	**NF**	**NF**	**100**	**97**	**NF**	**NF**
Junior management	(%)	**121**	**120**	**82**	**82**	**85**	**85**
Workforce	(%)	**146**	**147**	**144**	**144**	**92**	**91**
2016							
Board of directors	(%)	NE	NE	NF	NF	NE	NE
Senior management	(%)	NF	NF	93	90	NF	NF
Junior management	(%)	99	99	87	87	86	86
Workforce	(%)	155	156	155	156	90	90

NE No employees in this category
NF No female employees in this category

Collective bargaining

At the year-end none of our employees were covered by collective bargaining agreements.

Communities

During the period under review the Group contributed to various community organisations and schools.

Product responsibility

The Group incurred no fines for non-compliance with laws and regulations concerning the provision and use of its products and services.

Society

The Group complies with laws and regulations and no significant fines or non-monetary sanctions were incurred for non-compliance with laws and regulations.

ENVIRONMENTAL

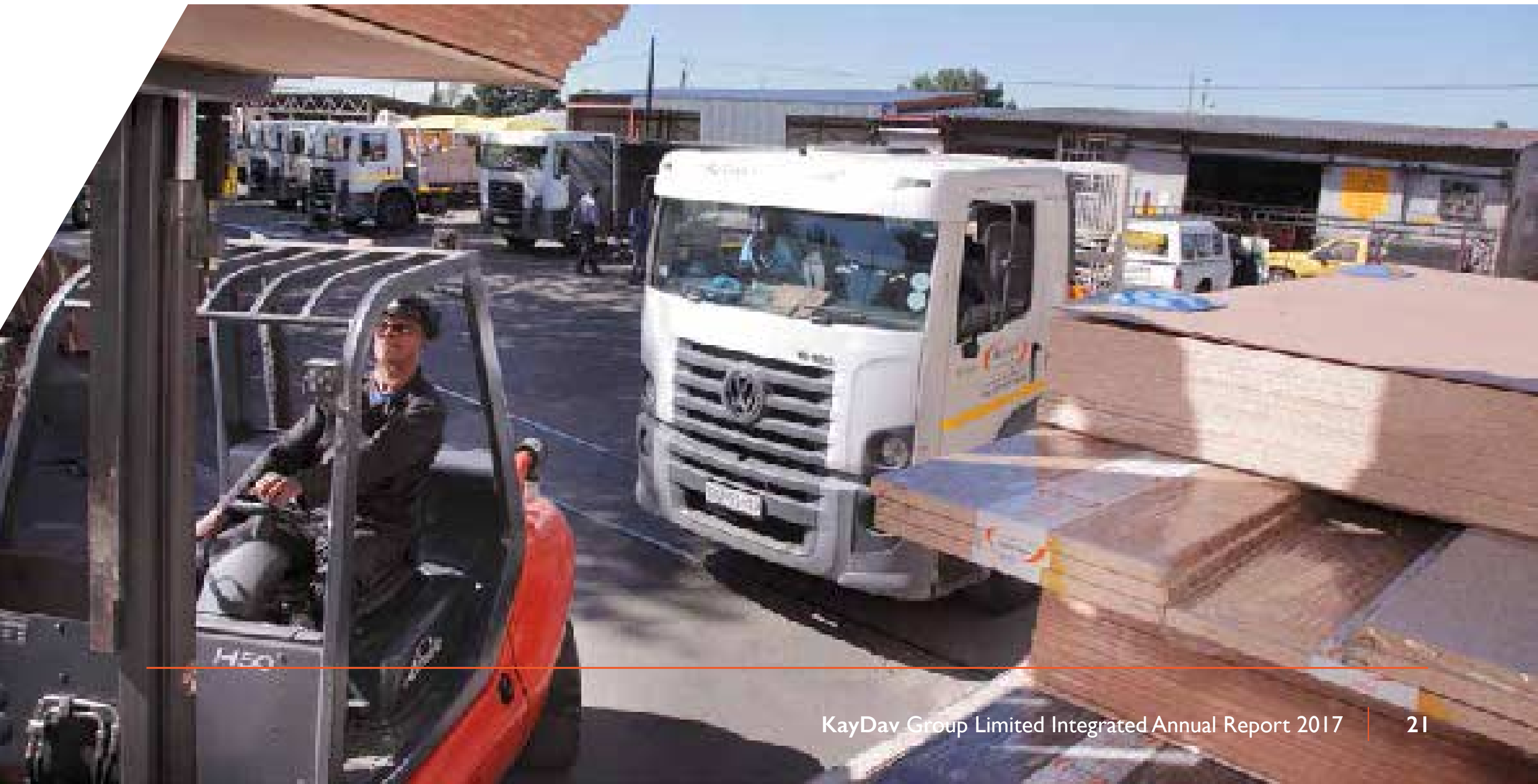
The Board Distribution and Adaptation segment principally distributes products it acquires from market-leading suppliers. KayDav has no influence over the management of forests and plantations which are the natural sources of the vast majority of the Group's products. There are a limited number of wood-based panel and related product manufacturers in South Africa with the dominant ones being PG Bison and Sonae Novoboard. Both these suppliers are committed to sound environmental practices and sustainable plantation management.

The Packaging segment distributes packaging consumables and machinery which it acquires from a variety of local and foreign suppliers with plastic packaging consumables perhaps suffering the most from a negative public image in relation to environmental impact. However, alternative materials have their own environmental drawbacks. As a distribution group KayDav will respond to market demand for alternative packaging materials when sufficient demand and supply exist provided it is commercially appropriate for the Group.

The Group's direct impact on the environment mainly has to do with energy consumption (electricity and fuel) and CO_2 emissions primarily as a result of its delivery vehicles distributing product, an activity which lies at the core of its business.

As explained in prior years' Sustainability Reports, management remuneration incentives are linked to profitability and with the cost of fuel and electricity making up a significant portion of operating expenses, management is continually looking at ways to improve fuel economy and electricity consumption efficiency. The positive correlation between profit and increasing fuel and electricity efficiency is a powerful mechanism to limit KayDav's environmental impact. Fleet management exception reports from the Group's bankers highlight abnormal fuel economy while variances to budget highlight abnormal electricity usage. These variances are further investigated. During 2017, the Group consumed 945 530 litres of fuel compared to 958 362 litres during the prior year.

The Group complies with environmental legislation and incurred no significant fines or non-monetary sanctions from the authorities in this regard.

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PACKAGING SOLUTIONS
Est. 1972
for all your packaging materials & machinery
CA 286-793

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC") and the requirements of the South African Companies Act and the JSE Listings Requirements, have been followed; applicable accounting assumptions have been used while prudent judgements and estimates have been made.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the company and the Group.

The financial statements have been audited by the independent accounting firm, Grant Thornton Johannesburg Partnership, which was given unrestricted access to all financial records and related data, including all resolutions and minutes of all meetings of the shareholders, and the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 22 March 2018 and are signed on their behalf.

Ian Stern
Chairperson

Gary Davidson
CEO

22 March 2018

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act (Act No. 71 of 2008), as amended, we certify that, to the best of our knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Companies and Intellectual Property Commission ("CIPC") and that all such returns are true, correct and up to date.

CIS Company Secretaries (Pty) Ltd
Company Secretary

22 March 2018

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee performed its functions in accordance with its charter.

The committee met three times during the year and attendance of members is set out below:

	March	August	November
Boitumelo Tlhabanelo (Chairperson)*	√	√	√
Ian Stern**	√	√	√
Shane van Niekerk***	√	√	√

* Boitumelo Tlhabanelo has served on this committee for a period of six years.
** Ian Stern has served on this committee for a period of 10 years.
*** Shane van Niekerk has served on this committee for a period of two years.

The CEO, CFO and the external auditor attend the meetings by invitation. Free and frank formal and informal discussions occur between the committee and CEO and CFO and issues identified by the committee are addressed where required.

In respect of its function as Audit Committee the committee reports as follows:

- The independence and objectivity of the external auditor was reviewed
- The audit firm Grant Thornton Johannesburg Partnership, and audit partner Kerrin Kuhn, are, in the committee's opinion, independent of the company, and have been proposed to the shareholders for approval to be the Group's auditor for the 2018 financial year
- Grant Thornton has been the auditor of KayDav Group Limited for 11 years and this is Kerrin Kuhn's fourth year as designated external audit partner
- No significant management changes have occurred at KayDav during Kerrin Kuhn's tenure
- On an ongoing basis, the committee reviews and approves the fees proposed by the external auditors
- The appointment of the external auditor complies with the Companies Act and with all other legislation and regulation relating to the appointment of external auditors and is in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements
- The nature and extent of non-audit services provided by the external auditor have been reviewed to ensure that the fees for such services do not become so significant as to compromise their independence
- The nature and extent of future non-audit services allowable/permissible have been defined and pre-approved and principally relate to taxation compliance services with insignificant fees in relation to the audit fee
- The committee has satisfied itself as to the quality of the external audit, considering the feedback on inspection reports by the Independent Regulatory Board for Auditors ("IRBA")
- The committee has considered and satisfied itself as to the appropriateness of the expertise and experience of the financial director and the finance function
- The committee has complied with its legal, regulatory and other responsibilities
- The committee has recommended this integrated annual report to the board for approval
- The JSE's report on pro-active monitoring of 14 February 2017 was considered and where necessary, appropriate action has been taken
- The committee has satisfied itself that the company has established appropriate financial reporting procedures and that those procedures are operating in accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements.

KEY AUDIT MATTERS

Impairment of goodwill

The committee reviewed the goodwill impairment tests performed by management. The value-in-use calculations and assumptions were considered together with the external auditor's opinion on these calculations. The committee is satisfied that goodwill relating to the Kayreed, the Davidson's Holding Company and the Packit Packaging Solutions acquisitions are not impaired.

INTERNAL FINANCIAL CONTROL AND RISK MANAGEMENT

The various systems of internal control are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, the integrity and accuracy of financial information is protected and the incidence of fraud is minimised.

Nothing has come to the attention of the committee to indicate a material breakdown or material weaknesses in the internal controls of the Group during the year. The committee is satisfied that the accounting practices of the Group are sound, that the financial statements fairly represent the financial affairs of the Group and that the system of internal financial control is appropriate.

Internal audit performed its functions in accordance with the internal audit charter. The function currently consists of two individuals namely an internal audit manager and an internal auditor who are both engaged in the performance of fieldwork. The internal audit manager manages the function including planning, review and reporting. The board has direct access to the internal audit manager. Internal audit tests and reviews adherence to internal control procedures at the Group's

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

various locations. An internal audit programme is followed to test specific controls in areas where there are perceived risk. Material issues resulting from these internal audits are reported to the committee in writing and weaknesses and non-adherences are addressed with management. The committee is satisfied that the internal audit manager and the arrangements for internal audit are effective.

The committee has performed an analysis of the risks to which the Group is exposed and recorded those risks in a risk register along with the likelihood of occurrence and expected impact of each risk. Strategies for mitigating the risks identified are developed and implemented on an ongoing basis. The risk register is regularly reviewed by the committee and amended as appropriate.

KayDav's enterprise risk management policy requires the Group to manage all risks using a consistent framework and structured methodology. The board acknowledges that it is responsible for the governance of risk and the executive management is responsible for the execution of the risk management policies and procedures. KayDav has thus implemented an enterprise-wide risk management system and fosters a risk-aware corporate culture in all decision-making.

The following principles of risk management apply:

- Although the board is accountable for the entire process of risk management, it is the responsibility of all employees to embed and maintain effective risk management, internal control and governance processes across all levels of the organisation
- Effective risk management is conducted within the approved risk management framework and structures that have been tailored to the Group's specific circumstances and this forms part of the Group's daily operational activities
- Risk identification, risk assessment, risk mitigation and risk monitoring are ongoing and evolving processes and form an integral part of the Group's daily decision-making process
- Risk reporting provides a balanced assessment of the significant risks and the effectiveness of internal controls in managing those risks as part of the Group's day-to-day activities
- The risk management policy complies with current global best practices (ISO 31000)
- Through skilled application of high quality, integrated risk analysis and management, our staff exploits risk in order to enhance opportunities, reduce threats, and sustain competitive advantage.

The enterprise-wide risk management system is managed by the CEO and the CFO, both of whom attend the Audit and Risk Committee meetings. The CEO and the CFO outsource elements of the function to a risk management specialist who advises the Group and maintains the risk register on appropriate software specifically designed for this application.

COMBINED ASSURANCE

KayDav's enterprise risk management policy sets out the roles of internal assurance providers and external assurance providers as it pertains to risk management. Internal controls to mitigate identified risks are designed where possible and practical. Where appropriate, internal audit provides assurance by testing adherence to these controls. External audit provides certain assurance that the financial statements are fairly stated. Where gaps are identified between assurance provided by management, internal audit, and external audit those are addressed as appropriate.

Boitumelo Tlhabanelo
Chairperson: Audit and Risk Committee

22 March 2018

INDEPENDENT AUDITOR'S REPORT

to the shareholders of KayDav Group Limited

Report on the financial statements

OPINION

We have audited the consolidated and separate financial statements of KayDav Group Limited ("the Group") set out on pages 32 to 64, which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

The following key audit matter relates to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements.

Key Audit Matter ("KAM")	How our audit addressed the KAM
Impairment and valuation of goodwill As per IAS 36 Impairment of Assets, the Group is required to annually test the carrying value of goodwill for impairment. This is performed using discounted cash flow models for the various cash-generating units ("CGUs"). This annual impairment test was considered a KAM due to the high estimation uncertainty, specifically with regard to the estimation of future cash flows including growth and discounting rates and forecast periods of the various cash-generating units to which the goodwill has been allocated (refer note 3). No impairment was recognised with respect to goodwill in the current year.	We performed the following audit procedures: • Obtained from management their 10-year forecast and related discounted cash flow models applying the weighted average cost of capital rates ("WACC") to each CGU • Tested the mathematical accuracy of the models • Held discussion with management to understand the key assumptions applied • Performed sensitivity analyses on the key assumptions • Considered the reasonableness of management's forecasts against current year actuals and WACC. • Independently evaluated (with assistance from our valuation specialist) the discount and growth rates used in the model and reviewed the reasonableness of the other assumptions. We assessed the adequacy of the Group's disclosure (refer note 3) about these assumptions to which the outcome of the annual impairment test is most sensitive. That is, those disclosures that have the most significant effect on the determinations of the recoverable amount of goodwill.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report and the declaration by the Company Secretary as required by the Companies Act of South Africa, as well as all the other information in the Integrated Annual Report, including the King IV "apply and explain" disclosures. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the company to cease to continue as a going concern

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton has been the auditor of KayDav Group Limited for 11 years.

Grant Thornton

GRANT THORNTON JOHANNESBURG PARTNERSHIP
Registered Auditors
Practice Number: 903485E

KT Kuhn
Partner
Registered Auditor
Chartered Accountant (SA)

22 March 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

Your directors have pleasure in submitting their report, which forms part of the annual financial statements of KayDav Group Limited and its subsidiaries for the year ended 31 December 2017.

NATURE OF BUSINESS

The Group distributes wood-based panels through its outlets in the Western Cape, Gauteng and KwaZulu-Natal, as well as packaging materials and machinery through its outlets in Cape Town and Johannesburg.

FINANCIAL RESULTS

The salient features of the Group's results are summarised below:

	R
Revenue	**945 021 732**
Profit before taxation	**14 963 853**
Net profit for the year	**10 373 456**
Headline earnings	**10 298 703**

BORROWING POWERS

The borrowing powers are not restricted in the memorandum of incorporation of the company.

SHARE CAPITAL

There were no changes to the company's authorised share capital or the number of shares in issue during the reporting period.

DISTRIBUTION TO SHAREHOLDERS

The company made no distributions to shareholders during the year ended 31 December 2017.

SUBSEQUENT EVENTS

There have been no material changes that require adjustment or disclosure in the annual financial statements since the end of financial year, 31 December 2017, and the date of this integrated annual report.

DIRECTORS

The directors in office at the date of this report are listed on pages 6 and 7. During the year under review, there were no changes to the board.

The board formally evaluates the independence of the non-executive directors annually having due regard to the relevant factors which might impair independence. In the year under review all non-executive directors were considered to be independent.

As Ian Stern has been a member of the board for a period exceeding nine years, in terms of practice 29 of principle 7 of King IV and the company's memorandum of incorporation, his continued independence was assessed and confirmed by the board.

In accordance with the company's memorandum of incorporation Boitumelo Tlhabanelo and Frank Davidson will retire as directors at the next annual general meeting of the company and, being eligible, offer themselves for re-election.

Directors' remuneration and interest in the shares of the company are set out in note 27.

COMPANY SECRETARY

The company secretary is CIS Company Secretaries (Pty) Ltd.

SUBSIDIARY COMPANIES

Information in respect of interests in subsidiaries is set out in note 30.

AUDITORS

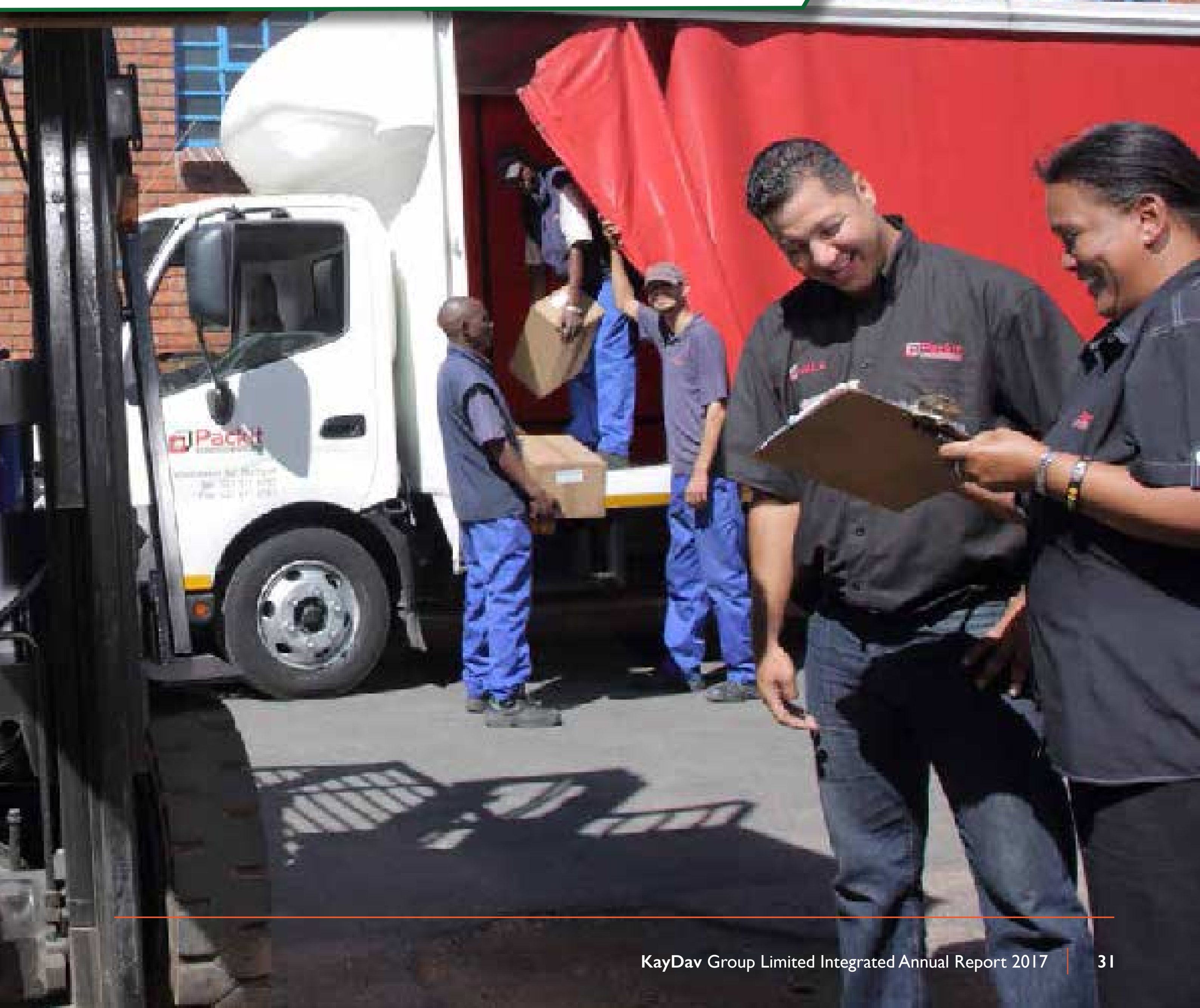
Grant Thornton Johannesburg Partnership was reappointed as auditor of the company at its annual general meeting on 18 May 2017.

AUTHORITY TO ISSUE ANNUAL FINANCIAL STATEMENTS

The board of directors of the company authorised the release of these annual financial statements, of which this report forms part, on pages 32 to 64. The memorandum of incorporation of the company does not make provision for shareholders to amend the annual financial statements after they have been issued.

SHAREHOLDERS' DIARY

Annual results published	March 2018
Posting of annual report	March 2018
Annual general meeting	17 May 2018
Interim period-end	June 2018
Interim results published	August 2018
Year-end	December 2018



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Notes	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
ASSETS					
Non-current assets		**104 833 852**	101 948 746	**109 838 628**	109 838 628
Property, plant and equipment	2	**78 014 855**	75 460 258	**–**	–
Goodwill	3	**26 361 344**	26 361 344	**–**	–
Investment in subsidiaries	4	**–**	–	**109 838 628**	109 838 628
Deferred taxation	5	**457 653**	127 144	**–**	–
Current assets		**345 030 889**	324 127 465	**28 953 151**	26 901 293
Inventories	6	**177 863 712**	168 668 440	**–**	–
Trade and other receivables	7	**107 502 053**	114 674 817	**–**	–
Loans to subsidiaries	8	**–**	–	**28 921 657**	26 851 016
Cash and cash equivalents	22.7	**57 295 167**	40 782 429	**31 494**	50 277
Taxation		**2 369 957**	1 779	**–**	–
Total assets		**449 864 741**	426 076 211	**138 791 779**	136 739 921
EQUITY AND LIABILITIES					
Capital and reserves		**207 350 985**	196 977 529	**138 685 007**	136 697 921
Share capital	9	**173**	173	**173**	173
Share premium	10	**126 615 503**	126 615 503	**126 615 503**	126 615 503
Accumulated profit		**80 735 309**	70 361 853	**12 069 331**	10 082 245
Non-current liabilities		**32 695 780**	34 402 592	**–**	–
Instalment sale liabilities	11	**18 230 241**	16 400 952	**–**	–
Interest-bearing liabilities	12	**13 177 679**	17 374 230	**–**	–
Deferred taxation	5	**1 287 860**	627 410	**–**	–
Current liabilities		**209 817 976**	194 696 090	**106 772**	42 000
Trade and other payables	13	**132 993 998**	124 880 933	**378**	1 536
Short-term portion of instalment sale liabilities	11	**8 284 729**	7 976 911	**–**	–
Short-term portion of interest-bearing liabilities	12	**4 186 100**	4 994 771	**–**	–
Bank overdraft	22.7	**59 471 344**	50 908 607	**–**	–
Taxation		**235 968**	2 064 387	**106 394**	40 464
Provisions	14	**4 645 837**	3 870 481	**–**	–
Total equity and liabilities		**449 864 741**	426 076 211	**138 791 779**	136 739 921
Net asset value per share	(cents)	**120.0**	114.0		
Net tangible asset value per share	(cents)	**104.8**	98.8		

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**R**	R	**R**	R
Revenue	16	**945 021 732**	967 752 148	**2 787 006**	2 946 415
Cost of sales		**(686 927 172)**	(703 367 040)	**–**	–
Gross profit		**258 094 560**	264 385 108	**2 787 006**	2 946 415
Other income		**1 436 647**	953 317	**–**	–
Operating expenses		**(237 690 294)**	(220 435 250)	**(25 033)**	(25 588)
Operating profit	17	**21 840 913**	44 903 175	**2 761 973**	2 920 827
Investment income	18	**22 117**	7 622	**–**	–
Finance costs	19	**(7 169 177)**	(6 425 087)	**(1 569)**	–
Profit before taxation		**14 693 853**	38 485 710	**2 760 404**	2 920 827
Taxation	20	**(4 320 397)**	(11 151 490)	**(773 318)**	(817 832)
Profit for the year		**10 373 456**	27 334 220	**1 987 086**	2 102 995
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income attributable to equity holders of the parent		**10 373 456**	27 334 220	**1 987 086**	2 102 995
Basic and diluted earnings per share	21	**6.0**	15.8		

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital R	Share premium R	Total share capital R	Accumulated profit R	Total equity R
Group					
Balance at 31 December 2015	173	136 116 840	136 117 013	43 027 633	179 144 646
Distribution to shareholders	–	(9 501 337)	(9 501 337)	–	(9 501 337)
Total comprehensive income for the year	–	–	–	27 334 220	27 334 220
Balance at 31 December 2016	**173**	**126 615 503**	**126 615 676**	**70 361 853**	**196 977 529**
Total comprehensive income for the year	**–**	**–**	**–**	**10 373 456**	**10 373 456**
Balance at 31 December 2017	**173**	**126 615 503**	**126 615 676**	**80 735 309**	**207 350 985**
Company					
Balance at 31 December 2015	173	136 116 840	136 117 013	7 979 250	144 096 263
Distribution to shareholders	–	(9 501 337)	(9 501 337)	–	(9 501 337)
Total comprehensive income for the year	–	–	–	2 102 995	2 102 995
Balance at 31 December 2016	**173**	**126 615 503**	**126 615 676**	**10 082 245**	**136 697 921**
Total comprehensive income for the year	**–**	**–**	**–**	**1 987 086**	**1 987 086**
Balance at 31 December 2017	**173**	**126 615 503**	**126 615 676**	**12 069 331**	**138 685 007**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

		Group		Company	
	Notes	2017 R	2016 R	2017 R	2016 R
Cash flows from operating activities					
Operating cash before working capital movements	22.1	**30 352 279**	52 451 089	**2 761 973**	2 920 827
Working capital movements	22.2	**7 162 614**	(19 314 590)	**(2 071 799)**	7 338 123
Cash generated by operations		**37 514 893**	33 136 499	**690 174**	10 258 950
Investment income		**22 117**	7 622	**–**	–
Finance costs		**(7 169 177)**	(6 425 087)	**(1 569)**	–
Taxation paid	22.3	**(8 187 053)**	(9 131 137)	**(707 388)**	(790 293)
Net cash inflow/(outflow) from operating activities		**22 180 780**	17 587 897	**(18 783)**	9 468 657
Cash flow from investing activities					
Investment in property, plant and equipment	22.4	**(2 197 709)**	(2 519 839)	**–**	–
Proceeds on disposal of property, plant and equipment	22.5	**1 696 894**	535 021	**–**	–
Net cash outflow from investing activities		**(500 815)**	(1 984 818)	**–**	–
Cash flow from financing activities					
Distribution to shareholders		**–**	(9 501 337)	**–**	(9 501 337)
Repayment of instalment sale liabilities	22.6	**(8 724 739)**	(9 403 871)	**–**	–
Proceeds from interest-bearing liabilities	22.6	**–**	391 565	**–**	–
Repayment of interest-bearing liabilities	22.6	**(5 005 225)**	(5 592 480)	**–**	–
Net cash outflow from financing activities		**(13 729 964)**	(24 106 123)	**–**	(9 501 337)
Net increase/(decrease) in cash and cash equivalents		**7 950 001**	(8 503 044)	**(18 783)**	(32 680)
Net cash and cash equivalents at the beginning of the year		**(10 126 178)**	(1 623 134)	**50 277**	82 957
Net cash and cash equivalents at the end of the year	22.7	**(2 176 177)**	(10 126 178)	**31 494**	50 277

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 Accounting policies

Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial instruments which have been accounted for in terms of IAS 39. The financial statements incorporate the principal accounting policies set out below, which are consistent with those applied in the previous year.

These policies comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC") and the requirements of the South African Companies Act and the JSE Listings Requirements.

The financial statements are presented in South African Rands as it is the currency of the economic environment in which the Group operates.

The financial statements are prepared on a going-concern basis.

Basis for consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line method to write the plant and equipment down to their residual values over their estimated useful lives. The depreciation rates applied to the various classes of assets are:

Buildings	4% per annum
Plant and equipment	10% per annum
Office equipment	20% per annum
Vehicles	20% per annum
Computer equipment	33% per annum
Furniture and fittings	16.67% per annum

Residual values and useful lives are reassessed at each financial year-end.

Land is not depreciated.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. On acquisition date, the assets and liabilities and contingent liabilities of the acquiree are measured at their fair values. Any excess of consideration transferred over fair value of the identifiable net assets acquired, is recognised as goodwill. Any shortfall in the acquisition cost below the fair value of the identifiable net assets acquired (i.e. gain on bargain purchase), is recognised in profit or loss in the period of acquisition.

Subsequently, goodwill is carried at cost less accumulated impairment losses.

Goodwill is reviewed for impairment at least annually, or when indicators of impairment exist. Any impairment is immediately recognised as an expense.

Impairment losses on goodwill cannot be reversed.

Investment in subsidiaries

In the separate financial statements of the company, investments in subsidiaries are carried at cost less impairment losses where necessary.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, payables, borrowings and derivative financial instruments.

Financial instruments are initially recognised at fair value plus, in the case of financial instruments not carried at fair value through profit or loss, transaction cost.

At each financial year-end the Group assesses for each financial asset whether there is objective evidence that one or more events have had a negative effect on the 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 value and the present value of the future cash flows discounted at the original effective interest rate. Impairment losses are recognised in 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.

Loans receivable
Loans receivable originated by the enterprise are stated at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Trade and other receivables
Trade and other receivables are recognised initially at fair value including transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Impairment of trade receivables is determined as set out under the significant estimates section below.

The carrying amount of trade receivables is reduced through the use of an impairment allowance account. Movements in the impairment allowance account are recognised in profit or loss.

Uncollectible trade receivables are written off to the statement of profit or loss and other comprehensive income, while the impairment allowance is reduced accordingly.

Subsequent recoveries of amounts previously written off are recognised in other income.

Cash and cash equivalents
Cash and cash equivalents are carried at amortised cost and comprise cash on hand and balances with banks and investments in money market instruments.

Financial liabilities
Loans payable including interest-bearing debt, instalment sale liabilities, trade and other payables and bank overdraft are recognised at amortised cost, using the effective interest rate method, and comprise original debt less principal payments.

Derivative financial instruments
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to cover this exposure. The Group does not use derivative financial instruments for speculative purposes.

Foreign currency transactions are generally hedged through foreign exchange forward contracts.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Gains or losses from remeasuring the derivative, or for non-derivatives of the foreign currency component of its carrying amount, are recognised in profit or loss.

Inventories
Inventories are stated at the lower of cost and net realisable value, with due allowance being made for damaged or obsolescence where applicable. Inventories are carried at cost based on the first-in first-out method. Movements in allowances for damaged, slow-moving or obsolete stock are recognised in profit or loss.

Current taxation
Current taxation for current and prior periods is, to the extent unpaid, recognised as a liability. Where amounts paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities and assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax expense is recognised in profit or loss.

Deferred taxation
Deferred taxation is accounted for using the comprehensive liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits. Deferred tax assets are recognised when it is probable that future taxable profits will be available to offset against deductible temporary differences.

Deferred tax is recognised using the tax rates that are enacted or substantively enacted at the financial year-end and is expected to apply when the asset is realised or the liability is settled.

Deferred tax expense is recognised in profit or loss.

1 Accounting policies (continued)

Provisions

Provisions relate to employee entitlements to annual leave and are recognised when they accrue to employees. A provision is made for the annual leave liability at the statement of financial position date.

Leases

Operating lease rentals are charged against profit on a straight-line basis over the term of the lease.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of discounts and value-added taxation.

Revenue from the sale of the Group's products is recognised when the risk and rewards of ownership have passed to the customer, which is usually on delivery.

Interest received is recognised using the effective interest rate method, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined such income will accrue to the company.

Cost of sales

Cost of sales consists of the cost of the inventories sold during the period, including costs of conversion and other costs included in bringing the inventories to their present location and condition.

Income from investments

Interest is recognised on the effective interest method that takes into account the effective yield on the asset.

Borrowing costs

Borrowing costs are written off to the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Foreign currencies

Foreign currency transactions are recorded, on initial recognition in rand, by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the transactions. At each statement of financial position date foreign currency monetary items are reported using the closing rate.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised in profit or loss.

Post-retirement benefits

Contributions to the defined contribution plans in respect of service in a particular period are recognised as an expense in that period. The Group has no further payment obligations once the contributions have been paid.

Employee bonuses

The Group recognises a liability and an expense for bonuses where the Group is contractually obliged or where there is a constructive obligation to pay such bonuses. An accrual is made for the portion of expected unpaid bonuses which accrued by the year-end.

Impairment of non-financial assets

At each financial year-end consideration is given as to whether indicators exist that assets might be impaired. When such indicators exist, the recoverable amount of the relevant assets is reviewed. Where the recoverable amount of the individual assets cannot be reliably measured, the recoverable amount of the cash-generating units to which such assets belong is determined.

Where the carrying amounts of such assets or cash-generating units exceed the estimated recoverable amount, these assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Impairment losses are first allocated to goodwill and then to other assets in the cash-generating unit on a proportional basis.

Impairment losses and reversals are recognised directly in profit or loss.

Reversal of a previous impairment loss is limited to the original impairment and cannot increase the carrying amount of an asset to which it relates to an amount higher than that which would have been recognised had no impairment loss initially been recognised.

Significant estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Use of available information and the application of judgement are inherent in the formation of estimates.

Significant estimates and judgements are made in the following areas:

Plant and equipment
The useful lives of plant and equipment are estimated using past industry as well as Group experience.

New developments and changes in circumstances inform any changes in these estimates.

Goodwill impairment
Goodwill is tested for impairment at the end of each financial period.

The recoverable amount of the cash-generating unit to which goodwill relates is determined as the higher of its fair value less costs to sell and its value in use. For the purpose of impairment testing goodwill is allocated to the cash-generating unit which benefited from the synergies of the combination.

In determining the value in use, cash flow forecasts are discounted at pre-tax rates which reflect the time value of money and the risk specific to the cash-generating unit. Determining the growth rates used to estimate future cash flows and the calculation of appropriate discount rates require a high degree of judgement. The Group's approach to determining growth and discount rates is set out in note 3.

Trade and other receivables
The impairment provision for trade receivables is calculated by identifying specific past due debtors where indications are that amounts might not be recoverable. These indicators include payment delinquency and specific market information which cast doubt on the recoverability of the amount receivable.

In addition, a general assessment is made of the inherent potential for bad debts in the remaining debtors' book and a percentage of such debtors is provided for.

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 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.

Segment information
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Other Group operations comprise the head office function. Neither of these constitutes a separate reportable segment.

Group	31 December 2017 Cost R	31 December 2017 Accumulated depreciation/ impairment R	31 December 2017 Carrying value R	31 December 2016 Cost R	31 December 2016 Accumulated depreciation/ impairment R	31 December 2016 Carrying value R
2 Property, plant and equipment						
Land and buildings	**23 916 373**	**(882 966)**	**23 033 407**	23 916 373	(668 763)	23 247 610
Plant and equipment	**42 924 937**	**(21 143 573)**	**21 781 364**	40 114 133	(18 510 096)	21 604 037
Office equipment	**2 063 053**	**(1 519 724)**	**543 329**	1 715 870	(1 474 975)	240 895
Vehicles	**48 243 543**	**(17 529 619)**	**30 713 924**	44 266 127	(16 284 286)	27 981 841
Computer equipment	**5 607 425**	**(4 172 280)**	**1 435 145**	5 340 637	(3 581 209)	1 759 428
Furniture and fittings	**1 535 320**	**(1 027 634)**	**507 686**	1 467 359	(840 912)	626 447
Total	**124 290 651**	**(46 275 796)**	**78 014 855**	116 820 499	(41 360 241)	75 460 258

Reconciliation of property, plant and equipment – 31 December 2017

	Opening Balance R	Additions and transfers R	Disposals and transfers R	Depreciation R	Total R
Land and buildings	**23 247 610**	**–**	**–**	**(214 203)**	**23 033 407**
Plant and equipment	**21 604 037**	**3 689 512**	**(782 669)**	**(2 729 516)**	**21 781 364**
Office equipment	**240 895**	**411 863**	**4 328**	**(113 757)**	**543 329**
Vehicles	**27 981 841**	**7 239 791**	**(791 342)**	**(3 716 366)**	**30 713 924**
Computer equipment	**1 759 428**	**554 651**	**(19 059)**	**(859 875)**	**1 435 145**
Furniture and fittings	**626 447**	**91 683**	**(4 328)**	**(206 116)**	**507 686**
	75 460 258	**11 987 500**	**(1 593 070)**	**(7 839 833)**	**78 014 855**

Reconciliation of property, plant and equipment – 31 December 2016

	Opening Balance R	Additions and transfers R	Disposals and transfers R	Depreciation R	Total R
Land and buildings	18 775 368	4 658 436	–	(186 194)	23 247 610
Plant and equipment	21 892 323	2 380 084	–	(2 668 370)	21 604 037
Office equipment	348 542	12 533	4 329	(124 509)	240 895
Vehicles	24 085 980	7 845 899	(605 580)	(3 344 458)	27 981 841
Computer equipment	731 434	1 634 710	(8 636)	(598 080)	1 759 428
Furniture and fittings	281 891	516 870	(4 329)	(167 985)	626 447
	66 115 538	17 048 532	(614 216)	(7 089 596)	75 460 258

Plant and equipment, including vehicles, with a net book value of R31 307 946 (2016: R36 547 776), secure the instalment sale liabilities disclosed in note 11.

Land and buildings with a book value of R20 897 314 (2016: R21 072 057) secure the mortgage bond loans referred to in note 12.

		Group		Company	
		2017 R	2016 R	**2017 R**	2016 R
3	**Goodwill**				
	Goodwill Kayreed	**399 567**	399 567		
	Kayreed acquisition	**58 113 654**	58 113 654		
	Goodwill impairment	**(57 714 087)**	(57 714 087)		
	Goodwill Davidson's Holding Company (Pty) Ltd	**13 903 237**	13 903 237		
	Davidson's Holding Company (Pty) Ltd acquisition	**75 422 340**	75 422 340		
	Goodwill impairment	**(61 519 103)**	(61 519 103)		
	Goodwill Packit Packaging Solutions	**12 058 540**	12 058 540		
		26 361 344	26 361 344		
	Goodwill reconciliation				
	Opening balance	**26 361 344**	26 361 344		
	Movement	**–**	–		
		26 361 344	26 361 344		

The recoverable amount of goodwill was calculated by determining its value in use through the discounted cash flow method. Cash flows were projected over a 10-year period.

A 10-year period was used to account for the length of economic cycles in these industries.

The following key assumptions were applied:

		Group 2017	Group 2016	Company 2017	Company 2016
Goodwill Kayreed					
Average nominal growth	(%)	**9**	10		
Discount rate	(%)	**21**	25		
Terminal growth rate	(%)	**7**	7		
Goodwill Davidson's Holding Company (Pty) Ltd					
Average nominal growth	(%)	**8**	9		
Discount rate	(%)	**21**	25		
Terminal growth rate	(%)	**7**	7		
Goodwill Packit Packaging Solutions					
Average nominal growth	(%)	**11**	10		
Discount rate	(%)	**21**	25		
Terminal growth rate	(%)	**7**	7		

The nominal growth rate was calculated by assuming inflation at 6% (2016: 7%) with real growth rates for each year varying between 2% and 11% (2016: 2% and 10%), with a terminal growth rate of 7% (2016: 7%).

The nominal growth rate reflects management's view on future volume and price growth in the business units, considering inter alia past experience and economic forecasts for South Africa.

In particular, management noted GDP growth and inflation forecasts, adjusting these for industry and business factors. It is expected that business units will grow in excess of inflation by 2% to 5% over the term, approximating expected GDP growth and considering near-term expectations.

The discount rates were calculated by using a risk-free rate adjusted for systematic and unsystematic risk factors. These risk factors are very similar for these three businesses.

Goodwill in all three cases represents expected synergies and the value of the assembled workforce and business relationships of the various businesses.

		Group		Company	
		2017	2016	**2017**	2016
		R	R	**R**	R
4	**Investment in subsidiaries**				
	Shares at cost			**109 838 628**	109 838 628
	Details of subsidiaries are detailed in note 30.				
5	**Deferred taxation**				
	Deferred taxation assets comprise:				
	Accelerated capital allowances	**(3 608 629)**	–	**–**	–
	Unrealised profits	**182 103**	127 144	**–**	–
	Doubtful debt allowances	**2 045 261**	–	**–**	–
	Payroll accruals	**319 635**	–	**–**	–
	Rental accruals	**371 772**	–	**–**	–
	Other timing differences	**439 276**	–	**–**	–
	Estimated tax losses	**708 235**	–	**–**	–
		457 653	127 144	**–**	–
	Deferred taxation liabilities comprise:				
	Accelerated capital allowances	**4 811 240**	6 986 358	**–**	–
	Doubtful debt allowances	**(1 788 727)**	(2 938 427)	**–**	–
	Payroll accruals	**(1 149 668)**	(2 122 896)	**–**	–
	Rental accruals	**(584 985)**	(737 141)	**–**	–
	Forward exchange contracts	**–**	(61 806)	**–**	–
	Other timing differences	**–**	(498 678)	**–**	–
		1 287 860	627 410	**–**	–
	Deferred taxation asset	**457 653**	127 144	**–**	–
	Deferred taxation liability	**(1 287 860)**	(627 410)	**–**	–
		(830 207)	(500 266)	**–**	–
	Balance at the beginning of the period	**(500 266)**	177 883	**–**	–
	Accelerated capital allowances	**(1 433 511)**	(1 392 821)	**–**	–
	Unrealised profits	**54 959**	88 432	**–**	–
	Doubtful debt allowances	**895 561**	476 518	**–**	–
	Payroll accruals	**(653 592)**	(706 108)	**–**	–
	Rental accruals	**219 617**	482 190	**–**	–
	Forward exchange contracts	**(61 806)**	150 992	**–**	–
	Other timing differences	**(59 404)**	222 648	**–**	–
	Estimated tax losses	**708 235**	–	**–**	–
		(830 207)	(500 266)	**–**	–
6	**Inventories**				
	Inventories comprise:				
	– raw materials	**2 767 381**	2 776 115	**–**	–
	– merchandise	**186 390 241**	178 968 405	**–**	–
		189 157 622	181 744 520	**–**	–
	Impairment allowance	**(11 293 910)**	(13 076 080)	**–**	–
		177 863 712	168 668 440	**–**	–

No inventory items are carried at fair value less costs to sell.

Cost of sales relates to inventory sold.

The moveable assets, including inventories, of each of Sharp Move Trading 260 (Pty) Ltd and Sign and Seal Trading 154 (Pty) Ltd are subject to a general notarial bond up to a value of R18 750 000 each, securing the instalment sale liabilities disclosed in note 11, the interest-bearing liabilities in note 12, the overdraft facility disclosed in note 15 and a fleet facility of R1 695 000. All Group moveable assets are those of Sharp Move Trading 260 (Pty) Ltd and Sign and Seal Trading 154 (Pty) Ltd.

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
7 Trade and other receivables				
Trade receivables	**121 958 854**	124 744 818	**–**	–
Impairment allowance	**(18 257 084)**	(13 992 509)	**–**	–
	103 701 770	110 752 309	**–**	–
Deposits	**3 344 554**	1 694 402	**–**	–
Amounts receivable from suppliers	**119 160**	1 525 691	**–**	–
Other	**336 569**	702 415	**–**	–
	107 502 053	114 674 817	**–**	–

The Group principally sells to customers with whom it has long-term relationships. Recurring transactions over the long term provide the Group with valuable payment history and customer behaviour knowledge which is used in making credit assessments.

The standard credit period on sale of goods is 30 days from the date of statement.

Before accepting any new customer, the Group performs credit checks utilising external credit bureaus and banks.

Industry knowledge and visits to potential customer premises assist in the decision to accept a new customer and the setting of credit limits.

Credit limits are continuously monitored through payment history checks and industry information.

Included in the Group's trade receivable balance are debtors with a carrying amount of R4 800 305 (2016: R9 086 676) which are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable.

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
Ageing of past due but not impaired trade receivables				
120 days –	**4 709 129**	8 991 441	**–**	–
120 days +	**91 176**	95 235	**–**	–
	4 800 305	9 086 676	**–**	–
Ageing of impaired trade receivables				
120 days –	**4 090 238**	2 436 600	**–**	–
120 days +	**16 722 838**	13 514 860	**–**	–
	20 813 076	15 951 460	**–**	–
Included in this amount is value-added taxation of R2 555 993 (2016: R1 958 952)				
Reconciliation of impairment allowance (excluding VAT)				
Opening balance	**13 992 509**	11 723 375	**–**	–
Raised during period	**4 264 575**	2 269 134	**–**	–
	18 257 084	13 992 509	**–**	–

Trade receivables are ceded to the Group's bank as security for its banking facilities as set out in note 15.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
		R	R	**R**	R
8	**Loans to subsidiaries**				
	Sharp Move Trading 260 (Pty) Ltd	**–**	–	**28 921 657**	26 851 016
	The loan is payable when and to the extent that cash is required to fund distributions to shareholders, normal operating expenses or taxation payments. Loans to subsidiaries bear interest at the prime overdraft rate charged by Nedbank from time to time.				
9	**Share capital**				
	Authorised				
	1 000 000 000 ordinary shares of 0.0001 cent each	**1 000**	1 000	**1 000**	1 000
	Issued				
	172 751 585 (2016: 172 751 585) ordinary shares of 0.0001 cent each	**173**	173	**173**	173
	Reconciliation of number of ordinary shares in issue				
	Ordinary shares in issue at the beginning of the year	**172 751 585**	172 751 585	**172 751 585**	172 751 585
	Ordinary shares in issue at the end of the year	**172 751 585**	172 751 585	**172 751 585**	172 751 585
	Unissued shares				
	The unissued shares are not under the control of the directors.				
10	**Share premium**				
	Balance at the beginning of the period	**126 615 503**	136 116 840	**126 615 503**	136 116 840
	Distribution to shareholders	**–**	(9 501 337)	**–**	(9 501 337)
		126 615 503	126 615 503	**126 615 503**	126 615 503
11	**Instalment sale liabilities**				
	Instalment sales over plant and equipment with interest rates varying between prime less 0.5% and prime.	**26 514 970**	24 377 863	**–**	–
	Short-term portion	**(8 284 729)**	(7 976 911)	**–**	–
		18 230 241	16 400 952	**–**	–
	Minimum instalments				
	Payable within 1 year	**10 611 994**	10 117 197	**–**	–
	Payable in 2 to 5 years	**20 968 783**	18 945 207	**–**	–
		31 580 777	29 062 404	**–**	–
	Capital repayments included in minimum instalments				
	Payable within 1 year	**8 284 729**	7 976 911	**–**	–
	Payable in 2 to 5 years	**18 230 241**	16 400 952	**–**	–
		26 514 970	24 377 863	**–**	–

Instalment sale liabilities are secured by plant and equipment, including vehicles, as set out in note 2 and as set out in note 15.

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
12 Interest-bearing liabilities				
Term loans*	**6 050 117**	9 852 578	**–**	–
Mortgage bond loans**	**11 313 662**	12 516 423	**–**	–
	17 363 779	22 369 001	**–**	–
Short-term portion	**(4 186 100)**	(4 994 771)	**–**	–
	13 177 679	17 374 230	**–**	–
Minimum instalments				
Payable within 1 year	**5 801 199**	7 122 916	**–**	–
Payable in 2 to 5 years	**13 028 766**	16 546 024	**–**	–
Payable after 5 years	**3 665 739**	6 123 059	**–**	–
	22 495 704	29 791 999	**–**	–
Capital repayments included in minimum instalments				
Payable within 1 year	**4 186 100**	4 994 771	**–**	–
Payable in 2 to 5 years	**10 083 653**	12 278 374	**–**	–
Payable after 5 years	**3 094 026**	5 095 856	**–**	–
	17 363 779	22 369 001	**–**	–
* Term loans consist of the following loans with the following outstanding capital balances:				
Nedbank term loan 1	**–**	1 255 815	**–**	–
Nedbank term loan 2	**6 050 117**	8 596 763	**–**	–
	6 050 117	9 852 578	**–**	–
Term loans bear interest at 1% above the prime overdraft rate quoted by Nedbank and are secured as set out in note 15.				
The loans have a repayment period of five years with the final instalment of Nedbank term loan 1 on 1 June 2017 and the final instalment of Nedbank term loan 2 on 1 December 2019.				
** Mortgage bond loans consist of the following loans with the following outstanding capital balances:				
Mortgage bond loan 1	**4 909 674**	5 621 309	**–**	–
Mortgage bond loan 2	**1 718 399**	1 891 818	**–**	–
Mortgage bond loan 3	**2 920 163**	3 119 264	**–**	–
Mortgage bond loan 4	**1 765 426**	1 884 032	**–**	–
	11 313 662	12 516 423	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

		Group		Company	
		2017 R	2016 R	**2017 R**	2016 R
12	**Interest-bearing liabilities (continued)**				

These mortgage bond loans bear interest at the prime overdraft rate quoted by Nedbank and are directly secured by mortgage bonds over land and buildings with a carrying value of R20 897 314 (2016: R 21 072 057) and as set out in note 15. The repayment term of these loans is 10 years with the final instalment of mortgage bond loan 1 on 1 December 2022, mortgage bond loan 2 on 31 August 2024, mortgage bond loan 3 on 1 October 2026 and mortgage bond loan 4 on 1 September 2026.

		Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
13	**Trade and other payables**				
	Trade payables	**118 475 197**	108 713 498	**–**	–
	Payroll accruals	**6 699 358**	9 655 516	**–**	–
	Rental accruals	**3 416 990**	2 632 648	**–**	–
	Value-added taxation	**1 975 622**	1 828 398	**–**	–
	Other payables	**2 426 831**	2 050 873	**378**	1 536
		132 993 998	124 880 933	**378**	1 536
14	**Provisions**				
	Provision for leave pay				
	At the beginning of the year	**3 870 481**	3 491 358	**–**	–
	Movement during the year	**775 356**	379 123	**–**	–
		4 645 837	3 870 481	**–**	–

Employee entitlements to annual leave are recognised as a provision when they accrue to employees. When employees utilise leave or employment is terminated, the amounts so accrued are reversed against the provision. The provision is adjusted when rates of remuneration change.

15 Banking facilities

The Group's banking facilities (collectively "borrower facilities") include the following:

- The instalment sale liabilities as set out in note 11
- The interest-bearing liabilities as set out in note 12
- An overdraft facility with a maximum limit of R65 000 000, and
- A fleet facility of R1 695 000.

The borrower facilities are collectively secured by:

- A cession of debtors
- Limited cross suretyships between KayDav Group Limited, Davidson's Holding Company (Pty) Ltd, Sharp Move Trading 260 (Pty) Ltd and Sign and Seal Trading 154 (Pty) Ltd
- Mortgage bonds over land and buildings, and
- General notarial bonds over the moveable assets of each of Sharp Move Trading 260 (Pty) Ltd and Sign and Seal Trading 154 (Pty) Ltd up to a value of R18 750 000 each.

The Group is subject to certain restrictive funding arrangements in terms of its agreement with its bankers, Nedbank Limited.

In terms of these arrangements KayDav requires the bank's prior consent before taking the following actions:

- Reduce its share capital to an amount below that of the funding provided by the bank
- Increase its liability to another financial institution or its indebtedness unless in the normal course of business
- Offer or issue any security to third parties
- Sell, cede, assign, delegate, transfer, make over or otherwise encumber or alienate any of part of its assets to any financial institution or third party
- Enter into a transaction in relation to financial assistance governed by section 44 or section 45 of the Companies Act, and
- Enter into an amalgamation, merger, demerger or corporate reconstruction.

At year-end, R59 471 344 (2016: R50 908 607) of the overdraft facility was utilised while the Group had positive cash balances of R57 295 167 (2016: R40 782 429).

		Group		Company	
		2017	2016	**2017**	2016
		R	R	**R**	R
16	**Revenue**				
	Sale of goods	**945 021 732**	967 752 148	**–**	–
	Interest received	**–**	–	**2 787 006**	2 946 415
17	**Operating profit**				
	The following items are included in operating profit:				
	Audit fees				
	Audit services	**1 219 791**	1 152 697	**–**	–
	Other services	**-**	25 402	**–**	–
		1 219 791	1 178 099	**–**	–
	(Profit)/loss on disposal of tangible assets				
	Property, plant and equipment – owned	**(103 824)**	79 193	**–**	–
	Impairment/(reversal of impairment)				
	Inventories (impairment allowance)	**(1 782 170)**	1 261 230	**–**	–
	Trade receivables	**4 264 575**	2 269 134	**–**	–
	Depreciation				
	Plant and equipment – owned	**7 839 833**	7 089 596	**–**	–
	Operating lease charges				
	Property	**18 579 495**	18 040 493	**–**	–
	Equipment including vehicles	**2 889 296**	2 798 133	**–**	–
		21 468 791	20 838 626	**–**	–
	Staff costs				
	Contributions to defined contribution retirement funds	**5 095 828**	4 495 136	**–**	–
	Medical benefits	**1 111 503**	1 431 621	**–**	–
	Other (including salaries, bonuses, allowances, commissions, fringe benefits excluding retirement and medical)	**116 153 994**	108 340 005	**–**	–
		122 361 325	114 266 762	**–**	–
18	**Investment income**				
	Bank interest received	**–**	5 612	**–**	–
	South African Revenue Service	**3 776**	2 010	**–**	–
	Other	**18 341**	–	**–**	–
		22 117	7 622	**–**	–
19	**Finance costs**				
	Interest-bearing borrowings including instalment sale liabilities	**4 769 617**	4 662 001	**–**	–
	Bank overdraft	**2 362 682**	1 694 602	**123**	–
	South African Revenue Service	**36 293**	68 008	**1 446**	–
	Other	**585**	476	**–**	–
		7 169 177	6 425 087	**1 569**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

			Group		Company	
			2017 **R**	2016 R	**2017** **R**	2016 R
20	**Taxation**					
	South African normal tax at standard rate					
	– current year		**3 990 456**	10 473 339	**773 318**	817 832
	– prior year		**–**	–	**–**	–
	Deferred		**329 941**	678 151	**–**	–
			4 320 397	11 151 490	**773 318**	817 832
	Tax rate reconciliation					
	Normal tax rate	(%)	**28**	28	**28**	28
	Non-deductible expenditure	(%)	**1**	1	**–**	–
	Effective tax rate	(%)	**29**	29	**28**	28
21	**Earnings per share**					
	Weighted average number of shares					
	Shares in issue at the beginning of the year		**172 751 585**	172 751 585	**–**	–
	Movement		**–**	–	**–**	–
			172 751 585	172 751 585	**–**	–
	Reconciliation between earnings and headline earnings					
	Earnings		**10 373 456**	27 334 220	**–**	–
	(Profit)/loss on sale of plant and equipment		**(103 824)**	79 193	**–**	–
	Taxation on (profit)/loss on sale of plant and equipment		**29 071**	(22 174)	**–**	–
	Headline earnings		**10 298 703**	27 391 239	**–**	–
	Basic and diluted earnings per share	(cents)	**6.0**	15.8	**–**	–
	Headline and diluted headline earnings per share	(cents)	**6.0**	15.9	**–**	–

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
22 Notes to the cash flow statements				
22.1 Operating cash before working capital movements				
Profit before taxation	**14 693 853**	38 485 710	**2 760 404**	2 920 827
Adjusted for:				
Depreciation	**7 839 833**	7 089 596	**–**	–
Loss/(profit) on disposal of assets	**(103 824)**	79 193	**–**	–
Interest received	**(22 117)**	(7 622)	**–**	–
Finance costs	**7 169 177**	6 425 087	**1 569**	–
Movement in provisions	**775 357**	379 125	**–**	–
	30 352 279	52 451 089	**2 761 973**	2 920 827
22.2 Working capital movements				
Inventories	**(9 195 272)**	(17 152 884)	**–**	–
Trade and other receivables	**7 172 764**	(8 817 181)	**–**	–
Trade and other payables	**9 185 122**	6 655 475	**(1 159)**	1 213
Loans to subsidiaries	**–**	–	**(2 070 640)**	7 336 910
	7 162 614	(19 314 590)	**(2 071 799)**	7 338 123
22.3 Taxation paid				
Balance at the beginning of the year	**(2 062 607)**	(720 405)	**(40 464)**	(12 925)
Charge for the year	**(3 990 456)**	(10 473 339)	**(773 318)**	(817 832)
Balance at the end of the year	**(2 133 990)**	2 062 607	**106 393**	40 464
Taxation paid	**(8 187 053)**	(9 131 137)	**(707 388)**	(790 293)
22.4 Investment in property, plant and equipment				
Land and buildings	**–**	(4 658 436)	**–**	–
Plant and equipment	**(3 689 512)**	(2 380 084)	**–**	–
Office equipment	**(411 863)**	(12 533)	**–**	–
Motor vehicles	**(7 239 791)**	(7 845 899)	**–**	–
Computer equipment	**(554 651)**	(1 634 710)	**–**	–
Furniture and fittings	**(91 683)**	(516 870)	**–**	–
Total investment in property, plant and equipment	**(11 987 500)**	(17 048 532)	**–**	–
Non-cash portion of investment in property, plant and equipment	**9 789 791**	14 528 693	**–**	–
Land and buildings financed by mortgage bond	**–**	4 658 436	**–**	–
Plant and equipment financed by instalment sale liabilities	**2 550 000**	2 210 800	**–**	–
Motor vehicles financed by instalment sale liabilities	**7 239 791**	7 659 457	**–**	–
	(2 197 709)	(2 519 839)	**–**	–

Details of the mortgage bond and instalments sale liabilities are disclosed in notes 11 and 12.

		Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
22	**Notes to the cash flow statements (continued)**				
22.5	**Proceeds on disposal of property, plant and equipment**				
	Plant and equipment	**639 912**	–	**–**	–
	Computer equipment	**11 036**	10 021	**–**	–
	Furniture and fittings	**–**	–	**–**	–
	Motor vehicles	**1 045 946**	525 000	**–**	–
		1 696 894	535 021	**–**	–

		Instalment sale liabilities (long- and short-term portion) R	Interest-bearing liabilities (long- and short-term portion) R	Total R
22.6	**Reconciliation of liabilities arising from financing activities – 31December 2017**			
	Opening balance	**24 377 863**	**22 369 001**	**46 746 864**
	Cash			
	Repayment	**(8 724 739)**	**(5 005 225)**	**(13 729 964)**
	Non-cash			
	Acquisitions (new instalment sale liabilities)	**10 861 846**	**3**	**10 861 849**
		26 514 970	**17 363 779**	**43 878 749**

		Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
22.7	**Net cash and cash equivalents**				
	Cash and cash equivalents	**57 295 167**	40 782 429	**31 494**	50 277
	Bank overdraft	**(59 471 344)**	(50 908 607)	**–**	–
		(2 176 177)	(10 126 178)	**31 494**	50 277
23	**Commitments**				
	Capital expenditure				
	Contracted for:				
	– plant and equipment	**5 286 000**	2 550 000	**–**	–
	– motor vehicles	**–**	559 980	**–**	–
		5 286 000	3 109 980	**–**	–
	The above capital expenditure will be financed by instalment sale liabilities.				
	Operating leases				
	The minimum commitments are:				
	– property	**52 388 940**	57 177 260	**–**	–
	– plant and equipment	**1 322 142**	2 212 366	**–**	–
		53 711 082	59 389 626	**–**	–
	Payable within 1 year	**13 658 700**	15 946 624	**–**	–
	Payable in 2 to 5 years	**38 325 527**	36 513 970	**–**	–
	Thereafter	**1 726 854**	6 929 032	**–**	–
		53 711 081	59 389 626	**–**	–

No contingent rent is payable in respect of the operating leases.

24 Financial instruments by category including non-financial assets and liabilities

Financial assets by category including non-financial assets

	Loans and receivables R	Fair value through profit or loss – held for trading R	Fair value through profit or loss – designated R	Available for sale R	Non-financial assets R	Total R
GROUP						
2017						
Property, plant and equipment	**–**	**–**	**–**	**–**	**78 014 855**	**78 014 855**
Goodwill	**–**	**–**	**–**	**–**	**26 361 344**	**26 361 344**
Deferred taxation	**–**	**–**	**–**	**–**	**457 653**	**457 653**
Inventories	**–**	**–**	**–**	**–**	**177 863 712**	**177 863 712**
Trade and other receivables	**104 097 222**	**–**	**–**	**–**	**3 404 831**	**107 502 053**
Current tax receivable	**–**	**–**	**–**	**–**	**2 369 957**	**2 369 957**
Cash and cash equivalents	**57 295 167**	**–**	**–**	**–**	**–**	**57 295 167**
	161 392 389	**–**	**–**	**–**	**288 472 352**	**449 864 741**
GROUP						
2016						
Property, plant and equipment	–	–	–	–	75 460 258	75 460 258
Goodwill	–	–	–	–	26 361 344	26 361 344
Deferred taxation	–	–	–	–	127 144	127 144
Inventories	–	–	–	–	168 668 440	168 668 440
Trade and other receivables	112 711 031	–	–	–	1 963 786	114 674 817
Current tax receivable	–	–	–	–	1 779	1 779
Cash and cash equivalents	40 782 429	–	–	–	–	40 782 429
	153 493 460	–	–	–	272 582 751	426 076 211

24 Financial instruments by category including non-financial assets and liabilities (continued)

Financial assets by category including non-financial assets (continued)

	Loans and receivables R	Fair value through profit or loss – held for trading R	Fair value through profit or loss – designated R	Available for sale R	Non-financial assets R	Total R
COMPANY						
2017						
Investment in subsidiaries	**–**	**–**	**–**	**–**	**109 838 628**	**109 838 628**
Loans to Group companies	**28 921 657**	**–**	**–**	**–**	**–**	**28 921 657**
Cash and cash equivalents	**31 494**	**–**	**–**	**–**	**–**	**31 494**
	28 953 149	**–**	**–**	**–**	**109 838 628**	**138 791 777**
COMPANY						
2016						
Investment in subsidiaries	–	–	–	–	109 838 628	109 838 628
Loans to Group companies	26 851 016	–	–	–	–	26 851 016
Cash and cash equivalents	50 277	–	–	–	–	50 277
	26 901 293	–	–	–	109 838 628	136 739 92

Financial liabilities by category including non-financial liabilities

	Financial liabilities at amortised cost R	Fair value through profit or loss – held for trading R	Non-financial liabilities R	Total R
GROUP				
2017				
Instalment sale liabilities (including short-term portion)	**26 514 970**	**–**	**–**	**26 514 970**
Interest-bearing liabilities (including short-term portion)	**17 363 779**	**–**	**–**	**17 363 779**
Deferred taxation	**–**	**–**	**1 287 860**	**1 287 860**
Trade and other payables	**122 397 322**	**1 056 779***	**9 539 897**	**132 993 998**
Bank overdraft	**59 471 344**	**–**	**–**	**59 471 344**
Current taxation	**–**	**–**	**235 968**	**235 968**
Provisions	**–**	**–**	**4 645 837**	**4 645 837**
	225 747 415	**1 056 779**	**15 709 562**	**242 513 756**
GROUP				
2016				
Instalment sale liabilities (including short-term portion)	24 377 863	–	–	24 377 863
Interest-bearing liabilities (including short-term portion)	22 369 001	–	–	22 369 001
Deferred taxation	–	–	627 410	627 410
Trade and other payables	114 312 129	220 736*	10 348 068	124 880 933
Bank overdraft	50 908 607	–	–	50 908 607
Current taxation	–	–	2 064 387	2 064 387
Provisions	–	–	3 870 481	3 870 481
	211 967 600	220 736	16 910 346	229 098 682

* The following valuation technique is used for forward exchange contracts:
- Fair value of derivative financial instruments carried at fair value through profit or loss
- The fair value of all forward exchange contracts at year-end was calculated by comparing the contracted forward exchange rate for each contract to the equivalent year-end forward exchange contract rate for a term equal to the unexpired portion of such forward exchange contract as quoted by the Group's bankers.

Accordingly, level 2 inputs are used, which are inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities (the latter are level 1 inputs).

	Financial liabilities at amortised cost R	Fair value through profit or loss – held for trading R	Non-financial liabilities R	Total R
COMPANY				
2017				
Trade and other payables	**378**	**–**	**–**	**378**
Taxation	**–**	**–**	**106 394**	**106 394**
	378	**–**	**106 394**	**106 772**
COMPANY				
2016				
Trade and other payables	1 536	–	–	1 536
Taxation	–	–	40 464	40 464
	1 536	–	40 464	42 000

25 Risk management

Financial risk management

The Group's non-derivative financial instruments consist mainly of deposits with and borrowings from banks, trade receivables and trade payables and loans to and from subsidiaries.

These instruments either carry interest at market-related rates or are short term in nature. The book value of these financial instruments approximates fair value.

Derivative instruments used by the Group for hedging of foreign currency risk are forward exchange contracts. The Group does not speculate in the trading of these derivative instruments.

Foreign currency management

The Group transacts a portion of its purchases in foreign currency. Forward exchange contracts are used to reduce the risks arising from foreign currency fluctuations.

Foreign exchange risk

The Group generally covers all foreign transactions with forward exchange contracts on transaction date or on date of receipt of goods.

Foreign exchange exposure at year-end is disclosed in the sensitivity analysis below.

Interest rate risk management

Interest rates on all deposits with banks and external borrowings are variable and linked to prime overdraft rates.

Management monitors the level of interest rate risk by ensuring that the level of interest-bearing liabilities is such that a significant increase in interest rates does not materially impact on the overall profitability of the Group.

Credit risk management

Potential credit risk comprises trade accounts receivable, loans receivable, other receivables and cash deposits with banks.

Credit risk relating to trade accounts receivable is dispersed over a large number of customers.

There are no significant concentrations of credit risk in that no customer comprises more than 10% of accounts receivable.

The Group performs credit checks on all new customers and monitors the credit situation of each customer on an ongoing basis.

Where appropriate, accounts are secured through personal suretyships.

Please refer to note 7 for further disclosure relating to trade and other receivables.

The Group invests surplus funds only with major financial institutions.

The Group's maximum exposure to credit risk at year-end is set out below:

	Group	
	2017	2016
	R	R
Trade receivables	**106 981 451**	109 425 279
Other receivables	**395 452**	1 958 722
Cash and cash equivalents	**57 295 167**	40 782 429
	164 672 070	152 166 430

The maximum exposure relating to trade receivables was arrived at by reducing the carrying value of trade receivables by value-added taxation.

The carrying value of other receivables was reduced by excluding non-financial assets to arrive at the maximum exposure of the Group relating to this item.

The carrying value of cash and cash equivalents represents the Group's maximum exposure to credit risk relating to this item.

The company's maximum exposure to credit risk at year-end is set out below:

	Company	
	2017	2016
	R	R
Loans to subsidiaries	**28 921 657**	26 851 016
Cash and cash equivalents	**31 494**	50 277
	28 953 151	26 901 293

The carrying value of loans to subsidiaries and cash and cash equivalents represents the company's maximum exposure to credit risk relating to these items.

Liquidity risk management

The Group manages liquidity risk by monitoring cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Group's facilities at 31 December 2017 are reflected in note 15.

Sensitivity analysis

		Foreign exchange risk			Interest rate risk		
		Profit/(loss) should the rand exchange rate change by 5%			Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appre-ciation R	Rand depre-ciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
GROUP							
2017							
Financial assets							
Bank and cash	57 295 167	–	–	–	57 295 167	1 145 903	(1 145 903)
Trade and other receivables	107 502 053	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	1 145 903	(1 145 903)
– profit after taxation	–	–	–	–	–	825 050	(825 050)
Financial liabilities							
Instalment sale agreements	26 514 971	–	–	–	26 514 971	(530 299)	530 299
Interest-bearing liabilities	17 363 779	–	–	–	17 363 779	(347 276)	347 276
Trade and other payables	132 993 998	8 670 582*	433 529	(433 529)	–	–	–
Bank overdraft	59 471 344	–	–	–	59 471 344	(1 189 427)	1 189 427
Impact of financial liabilities on:							
– profit before taxation	–	–	433 529	(433 529)	–	(2 067 002)	2 067 002
– profit after taxation	–	–	312 141	(312 141)	–	(1 488 241)	1 488 241
Overall impact on profit after taxation	–	–	312 141	(312 141)	–	(663 191)	663 191

* Of this amount, R7 787 027 relates to exposure in US dollar (of which R4 855 046 was covered by forward exchange contracts) and R883 555 relates to exposure in euro (of which R242 155 was covered by forward exchange contracts).

25 Risk management (continued)

Sensitivity analysis (continued)

		Foreign exchange risk			Interest rate risk		
		Profit/(loss) should the rand exchange rate change by 5%			Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appre-ciation R	Rand depre-ciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
COMPANY							
2017							
Financial assets							
Loans to subsidiaries	**28 921 657**	**–**	**–**	**–**	**28 921 657**	**578 433**	**(578 433)**
Bank and cash	**31 494**	**–**	**–**	**–**	**31 494**	**630**	**(630)**
Trade and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impact of financial assets on:							
– profit before taxation	**–**	**–**	**–**	**–**	**–**	**579 062**	**(579 062)**
– profit after taxation	**–**	**–**	**–**	**–**	**–**	**416 925**	**(416 925)**
Financial liabilities							
Trade and other payables	**378**	**–**	**–**	**–**	**–**	**–**	**–**
Impact of financial liabilities on:							
– profit before taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– profit after taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Overall impact on profit after taxation	**–**	**–**	**–**	**–**	**–**	**416 925**	**(416 925)**

Maturity analysis of financial liabilities

Instalment sale agreements and interest-bearing liabilities
Refer to notes 11 and 12.

Trade and other payables
Trade and other payables are payable within six months.

Bank overdrafts
Bank overdrafts are repayable on demand.

Loans to subsidiaries
Loans to subsidiaries are payable when and to the extent that cash is required to fund distributions to shareholders, normal operating expenses or taxation payments.

Sensitivity analysis (continued)

		Foreign exchange risk			Interest rate risk		
		Profit/(loss) should the rand exchange rate change by 5%			Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appre-ciation R	Rand depre-ciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
GROUP							
2016							
Financial assets							
Bank and cash	40 782 429	–	–	–	40 782 429	815 649	(815 649)
Trade and other receivables	114 674 817	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	815 649	(815 649)
– profit after taxation	–	–	–	–	–	587 267	(587 267)
Financial liabilities							
Instalment sale agreements	24 377 863	–	–	–	24 377 863	(487 557)	487 557
Interest-bearing liabilities	22 369 001	–	–	–	22 369 001	(447 380)	447 380
Trade and other payables	124 880 933	6 549 319*	327 466	(327 466)	–	–	–
Bank overdraft	50 908 607	–	–	–	50 908 607	(1 018 172)	1 018 172
Impact of financial liabilities on:							
– profit before taxation	–	–	327 466	(327 466)	–	(1 953 109)	1 953 109
– profit after taxation	–	–	235 775	(235 775)	–	(1 406 239)	1 406 239
Overall impact on profit after taxation	–	–	235 775	(235 775)	–	(818 972)	818 972

* Of this amount, R6 327 031 relates to exposure in US dollar and R222 288 to exposure in euro. The full exposure was covered by forward exchange contracts.

25 Risk management (continued)

Sensitivity analysis (continued)

		Foreign exchange risk			Interest rate risk		
		Profit/(loss) should the rand exchange rate change by 5%			Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appreciation R	Rand depreciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
COMPANY							
2016							
Financial assets							
Loans to subsidiaries	26 851 016	–	–	–	26 851 016	537 020	(537 020)
Bank and cash	50 277	–	–	–	50 277	1 006	(1 006)
Trade and other receivables	–	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	538 025	(538 025)
– profit after taxation	–	–	–	–	–	387 378	(387 378)
Financial liabilities							
Trade and other payables	1 536	–	–	–	–	–	–
Impact of financial liabilities on:							
– profit before taxation	–	–	–	–	–	–	–
– profit after taxation	–	–	–	–	–	–	–
Overall impact on profit after taxation	–	–	–	–	–	387 378	(387 378)

The Group defines capital as equity funding by shareholders and debt funding from external parties. Equity funding comprises share capital, share premium and reserves, less goodwill.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to provide optimal returns for shareholders through maintenance of an optimal capital structure.

In respect of capital structure, the Group limits its gearing, defined as interest-bearing liabilities to equity, to be below 70%.

Interest-bearing liabilities is reduced by cash and cash equivalents while equity is reduced by goodwill.

At year-end this ratio was 25% (2016: 33%).

26 Retirement benefits

The Group operates defined contribution retirement plans for the benefit of its employees. All permanent employees are required to become members of one of these plans. Contributions to retirement funding during the reporting period amounted to R5 095 828 (2016: R4 495 136).

27 Directors' emoluments

2017	Services as directors R	Salary R	Allowances R	Bonuses and performance-related payments R	Retirement and related benefits R	Long-term retention payments R	Motor vehicle benefits R	Other benefits R	Total R
Executive directors									
Gary Davidson	**–**	**4 171 550**	**–**	**–**	**–**	**377 778**	**131 664**	**97 140**	**4 778 132**
Martin Slier	**–**	**2 346 702**	**–**	**–**	**228 398**	**250 000**	**–**	**75 990**	**2 901 090**
	–	**6 518 252**	**–**	**–**	**228 398**	**627 778**	**131 664**	**173 130**	**7 679 222**
Non-executive directors									
Ian Stern	**603 000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**603 000**
Boitumelo Tlhabanelo	**394 000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**394 000**
Shane van Niekerk	**323 000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**323 000**
Frank Davidson	**205 000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**205 000**
	1 525 000	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 525 000**

Directors are paid from Sharp Move Trading 260 (Pty) Ltd, a wholly owned subsidiary of KayDav Group Limited.

Key management and prescribed officers are defined as directors of KayDav Group Limited.

Number of shares	Direct	Indirect
Interest of directors		
Beneficial		
Ian Stern	**300 000**	**–**
Gary Davidson	**13 695 794**	**28 923 660**
Martin Slier	**6 000 100**	**–**
	19 995 894	**28 923 660**

No movement in the interest of directors occurred between the year-end and the date of this report.

2016	Services as directors R	Salary R	Allowances R	Bonuses and performance-related payments R	Retirement and related benefits R	Long-term incentive payments R	Motor vehicle benefits R	Other benefits R	Total R
Executive directors									
Gary Davidson	–	3 823 538	–	–	–	511 413	131 664	103 187	4 569 802
Martin Slier	–	2 158 742	18 662	–	219 772	344 162	–	78 485	2 819 823
	–	5 982 280	18 662	–	219 772	855 575	131 664	181 672	7 389 625
Non-executive directors									
Ian Stern	1 325 000	–	–	–	–	–	–	–	1 325 000
Boitumelo Tlhabanelo	756 833	–	–	–	–	–	–	–	756 833
Shane van Niekerk	400 250	–	–	–	–	–	–	–	400 250
Frank Davidson*	91 667	–	–	–	–	–	–	–	91 667
	2 573 750	–	–	–	–	–	–	–	2 573 750

* Frank Davidson was appointed on 30 June 2016.

Directors are paid from Sharp Move Trading 260 (Pty) Ltd, a wholly owned subsidiary of KayDav Group Limited.

Key management and prescribed officers are defined as directors of KayDav Group Limited.

Number of shares	Direct	Indirect
Interest of directors		
Beneficial		
Ian Stern	300 000	–
Gary Davidson	13 325 794	28 923 660
Martin Slier	6 000 100	–
	19 625 894	28 923 660

28 Related parties

Related parties are those that control or have significant influence over the Group or company, including major investors and key management personnel and parties that are significantly controlled or influenced by the Group or company, including subsidiaries.

Related party

Companies	**Nature of relationship**
Davidson's Holding Company (Pty) Ltd	Subsidiary
Sharp Move Trading 260 (Pty) Ltd	Subsidiary
Sign and Seal Trading 154 (Pty) Ltd	Subsidiary

Directors

KayDav Group Limited

Gary Davidson
Martin Slier
Ian Stern
Boitumelo Tlhabanelo
Shane van Niekerk
Frank Davidson

Companies for which the directors of KayDav Group Limited are also directors

- Davidson's Holding Company (Pty) Ltd (Gary Davidson and Martin Slier)
- Sharp Move Trading 260 (Pty) Ltd (Gary Davidson and Martin Slier)
- Sign and Seal Trading 154 (Pty) Ltd (Gary Davidson and Martin Slier).

Significant shareholders	**% holding 2017**	**% holding 2016**
The David Brouze Trust	**45.0**	45.0
The Davidson Family Trust	**33.5**	33.5
Gary Davidson	**7.9**	7.7
Craig Dawson	**5.1**	5.1

Related-party transactions

Directors

Directors' emoluments are set out in note 27. The executive directors are the key management personnel for the Group and company and there are no other prescribed officers.

Shareholders

Premises rented from the Davidson Family Trust (major shareholder) resulted in a rent charge of R3 102 229 (2016: R2 872 443) for the year.

At year-end the combined rental amounted to R277 352 (2016: R256 807) per month and escalates at 8% per annum. The rental agreements will expire on 30 November 2020.

Investment and loans

Related-party investment and loans of the holding company are reflected in notes 4 and 8.

No guarantees have been issued in respect of these loans.

Investment income

KayDav Group Limited earned interest amounting to R2 787 006 (2016: R2 946 416) for the year ended 31 December 2017 from loans to subsidiaries.

	2017 R	2016 R
29 Segmental analysis		
For the year ended 31 December 2017 the following reportable operating segments were identified: – Board Distribution and Adaptation – Packaging		
Other, referred to below, relates to the head office function.		
Segmental revenue		
Board Distribution and Adaptation	**868 459 371**	905 481 498
Packaging	**79 366 558**	67 100 354
Internal revenue	**(2 804 197)**	(4 829 704)
	945 021 732	967 752 148
Internal revenue relates to sales from the Packaging segment to the Board Distribution and Adaptation segment.		
Segmental results		
Board Distribution and Adaptation	**14 680 027**	38 479 331
Packaging	**7 185 920**	6 449 432
Other	**(25 034)**	(25 588)
Operating profit before interest	**21 840 913**	44 903 175
Inter-segment transactions are entered into under normal commercial terms and conditions available to third parties.		
Operating assets		
Board Distribution and Adaptation	**375 355 604**	373 609 186
Packaging	**33 767 655**	27 674 702
Other	**18 831 633**	1 447 130
Internal balances	**(7 279 104)**	(3 145 074)
	420 675 788	399 585 944
Segment assets consist of property, plant and equipment, inventory, trade receivables and operating cash and excludes taxation assets, investments and intangible assets.		
Operating liabilities		
Board Distribution and Adaptation	**176 521 490**	168 454 239
Packaging	**7 409 769**	5 812 876
Other	**64 337 780**	55 284 851
Internal balances	**(7 279 104)**	(3 145 074)
	240 989 935	226 406 892
Segment liabilities include trade and other payables, bank overdraft, provisions, instalment sale liabilities and interest-bearing liabilities and exclude taxation liabilities.		
Capital expenditure		
Board Distribution and Adaptation	**10 284 565**	14 227 540
Packaging	**1 643 942**	1 829 974
Other	**58 993**	991 018
	11 987 500	17 048 532
Capital expenditure comprises additions to property, plant and equipment.		
Depreciation		
Board Distribution and Adaptation	**6 773 811**	6 412 790
Packaging	**634 941**	394 032
Other	**431 081**	282 774
	7 839 833	7 089 596

30 Subsidiaries

	Issued share capital	Shares at cost less amounts written off	Amount receivable R
Direct holdings			
Wholly owned			
Davidson's Holding Company (Pty) Ltd	200	200	–
Indirect holdings			
All wholly owned via Davidson's Holding Company (Pty) Ltd			
Sharp Move Trading 260 (Pty) Ltd	150	Indirect	28 921 657
Sign and Seal Trading 154 (Pty) Ltd	200	Indirect	–

31 New and Revised Standards not yet effective and that have not been early adopted by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. These Standards, amendments or Interpretations have not been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

Information on new Standards, amendments and Interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new Standards and Interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments

The new Standard for financial instruments (IFRS 9) replaces IAS 39 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Management has identified the following areas that are expected to be most impacted by the application of IFRS 9.

Given the nature of the financial instruments held by the entity, our review of IFRS 9 has determined that the only potential impact might be on:

- The impairment of trade receivables due to the change to the impairment model. The model most suited to the nature of our balances would be the use of one of the practical expedients – using a provision matrix. Based on the historical loss ratios, and given that the Group applies some of these principles already, we are of the view that the impact would not be material
- The impact on the intercompany loan in the company's own financial statements due to the "expected credit loss" requirements. Management does not expect the impact to be material based on our current view that the loan would be a low-risk intercompany loan.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The new Standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Management has reviewed the implications of IFRS 15. The Group is a wholesaler of wood-based panels and related hardware as well as packaging materials and machinery. Sales are made for cash or short-term credit. The most important consideration for management was whether our policies on returns constitute a right of return as defined by the Standard. Customers do not have a general right of return but deficient products are exchanged. This practice is not a right of return for the purposes of the Standard. We have determined that the application of IFRS 15 would not have a material impact on the revenue recognition policies of the Group. As a result of this conclusion no formal decision has been taken on the transitional provisions.

31 New and Revised Standards not yet effective and that have not been early adopted by the Group (continued)

IFRS 16 Leases

IFRS 16 will replace IAS 17 Leases and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Group is in the process of:

- Performing a full review of all agreements to assess which contracts will become lease contracts under IFRS 16's new definition of a lease
- Deciding which transitional provision to adopt – either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- Determining which optional accounting simplifications are available and whether to apply them
- Assessing the additional disclosures that will be required.

We believe that the application of the Standard will have a material impact on the Group's financial statements, especially relating to property rental agreements. Whereas operating leases were previously off-balance sheet assets and liabilities, it will now be recognised.

We expect to involve an external IFRS advisor to assist in applying this Statement.

32 Subsequent events

No material change has taken place in the affairs of the Group between the end of the financial period and the date of this report that will require adjustment or disclosure in the annual financial statements.

ANALYSIS OF SHAREHOLDERS

at 31 December 2017

	Number of shareholders	% of total number of shareholders	Number of shares	% of total issued capital
Analysis of shareholdings				
1 – 1 000	46	33.1	13 398	0.0
1 001 – 10 000	27	19.4	150 232	0.1
10 001 – 100 000	40	28.8	1 300 951	0.8
100 001 – 1 000 000	18	12.9	4 118 190	2.4
1 000 001 and more	8	5.8	167 168 814	96.7
	139	100.0	172 751 585	100.0
Major shareholders (holding 5% or more of shares in issue)				
The David Brouze Trust			77 776 174	45.0
The Davidson Family Trust			57 847 320	33.5
Mr Gary Frank Davidson			13 695 794	7.9
Mr Craig Graeme Dawson			8 883 863	5.1

* Note: Mr Gary Frank Davidson has a 50% indirect beneficial interest in The Davidson Family Trust.

	Number of shareholders	% of total number of shareholders	Number of shares	% of total issued capital
Shareholder spread				
Non-public				
Directors of KayDav Group Limited and its subsidiaries**	4	2.9	57 803 418	33.5
Shareholders with an interest of 10% or more in the company other than directors of KayDav Group Limited and its subsidiaries***	2	1.4	106 699 834	61.7
Public	133	95.7	8 248 333	4.8
	139	100.0	172 751 585	100.0

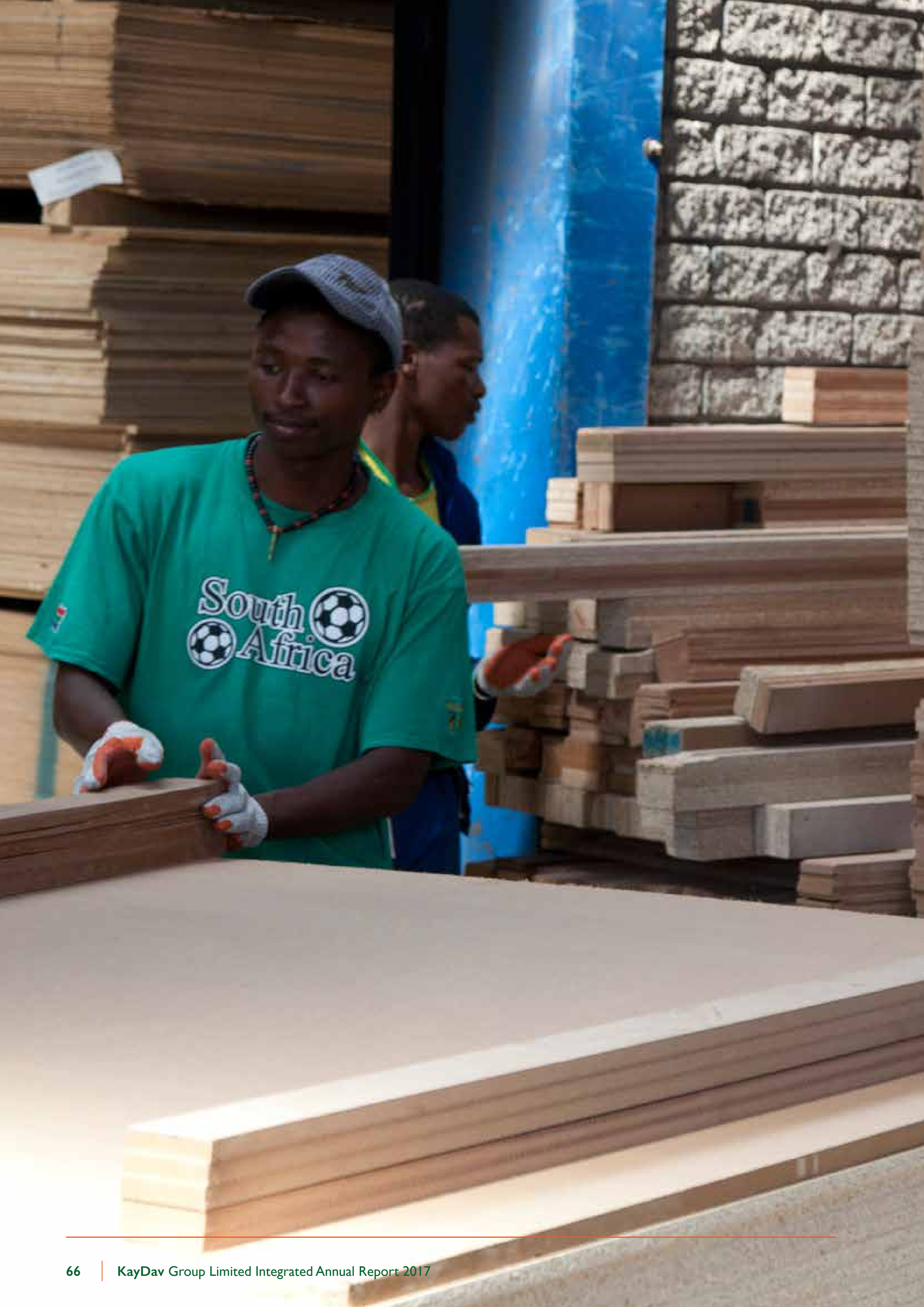
** Includes the 50% indirect beneficial interest in The Davidson Family Trust of Mr Gary Frank Davidson.

*** Excludes 50% of the holding of The Davidson Family Trust, being the beneficial interest of Mr Gary Frank Davidson.

	Number of shareholders	% of total number of shareholders	Number of shares	% of total issued capital
Distribution of shareholders				
Individuals	111	79.9	32 737 443	19.0
Partnerships	1	0.7	11 908	0.0
Close corporations	4	2.9	268 300	0.2
Private companies	12	8.6	850 307	0.5
Public companies	1	0.7	1 565 563	0.9
Trusts	9	6.5	137 299 969	79.4
Retirement funds	1	0.7	18 095	0.0
	139	100.0	172 751 585	100.0

Share trades during the period

Opening price	(cents)	120
Closing price	(cents)	100
High	(cents)	150
Low	(cents)	41
Volume	(number of shares)	923 074


South
Africa

NOTICE OF ANNUAL GENERAL MEETING

KayDav Group Limited
(Registration number 2006/038698/06)
JSE share code: KDV
ISIN: ZAE000108940
("KayDav" or "the company" or "the Group")

Notice is hereby given that the annual general meeting of shareholders of KayDav will be held at the offices of Grant Thornton, 52 Corlett Drive, Wanderers Office Park, Illovo, 2196, Gauteng on Thursday, 17 May 2018 at 10:00 (the "annual general meeting") for the purposes of transacting the following business, with or without amendment:

a) to receive, consider and adopt the annual financial statements of the company and the Group as at and for its year ended on 31 December 2017, together with the reports of the directors and auditors thereon and the reports of the Audit and Risk Committee and the Social and Ethics Committee contained in the Integrated Annual Report;

b) transacting any other business as may be transacted at the annual general meeting of shareholders of a company; and.

c) considering and, if deemed fit, adopting with or without modification, the shareholder ordinary and special resolutions set out herein.

Important dates to note

Record date for receipt of notice purposes	Friday, 23 March 2018
Last day to trade in order to be eligible to vote	Tuesday, 8 May 2018
Record date for voting purposes (**"voting record date"**)	Friday, 11 May 2018
Last day to lodge forms of proxy for administrative purposes by 10:00	Tuesday, 15 May 2018
Annual general meeting held at 10:00	Thursday, 17 May 2018
Results of annual general meeting released on SENS	Thursday, 17 May 2018

In terms of section 62(3)(e) of the Companies Act (Act No. 71 of 2008) (the "Companies Act" or the "Act"):

- a shareholder who is entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or two or more proxies to attend and participate in and vote at the annual general meeting in the place of the shareholder, by completing the form of proxy in accordance with the instructions set out therein;
- a proxy need not be a shareholder of the company; and
- KayDav shareholders recorded in the register of the company on the voting record date (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the annual general meeting. In this regard all KayDav shareholders recorded in the register of the company on the voting record date will be required to provide identification satisfactory to the chairperson of the annual general meeting. Forms of identification include valid identity documents, driver's licences and passports.

ORDINARY RESOLUTIONS

Ordinary resolution 1: Adoption of annual financial statements

"Resolved that the annual financial statements of the company for the year ended 31 December 2017, including the Directors' Report and the Report of the Audit and Risk Committee, be and are hereby received and adopted."

In order for ordinary resolution 1 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 2: Re-election of director (Frank Davidson)

"Resolved that Frank Davidson, who retires by rotation in terms of article 26.8 of the company's memorandum of incorporation ("MOI") and who is eligible and available for re-election, be, and is hereby re-elected as a director of the company."

A *brief curriculum vitae* of Frank Davidson can be found on page 7 of the annual report of which this notice forms part.

In order for ordinary resolution 2 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

The board has considered the past performance and contribution of the above director and recommends his re-election to the board.

Ordinary resolution 3: Re-election of director (Boitumelo Tlhabanelo)

"Resolved that Boitumelo Tlhabanelo, who retires by rotation in terms of article 26.8 of the company's MOI and who is eligible and available for re-election, be, and is hereby re-elected as a director of the company."

A brief *curriculum vitae* of Boitumelo Tlhabanelo can be found on page 6 of the annual report of which this notice forms part.

In order for ordinary resolution 3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

The board has considered the past performance and contribution of the above director and recommends his re-election to the board.

Ordinary resolution 4: Appointment of auditors

"Resolved that Grant Thornton, together with Kerrin Kuhn as the designated audit director, be and are hereby reappointed as auditors of the company for the ensuing financial year and the directors be and are hereby authorised to fix the remuneration of the auditors."

The Audit and Risk Committee has confirmed Grant Thornton's independence and nominated Grant Thornton for appointment as auditors of the company under section 90 of the Companies Act and in accordance with paragraph 3.86 of the JSE Listings Requirements. In order for ordinary resolution 4 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 5: Appointment of Audit and Risk Committee members

"Resolved that the members of the company's Audit and Risk Committee set out below be and are hereby appointed with effect from the end of this annual general meeting in terms of section 94(2) of the Companies Act and each by way of a separate resolution. The membership as proposed by the board of directors of the company, all of whom are independent non-executive directors, is:

5.1 Boitumelo Tlhabanelo, as member and chairperson of the Audit and Risk Committee;

5.2 Ian Stern, as member of the Audit and Risk Committee, notwithstanding Ian's dual role as chairperson of the board of directors and member of the Audit and Risk Committee;

5.3 Shane van Niekerk, as member of the Audit and Risk Committee; and

5.4 Frank Davidson, as member of the Audit and Risk Committee."

Brief *curricula vitae* in respect of the above Audit and Risk Committee members can be found on page 6 of the annual report of which this notice forms part.

In order for ordinary resolutions 5.1, 5.2, 5.3 and 5.4 (each voted on as separate resolutions) to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 6 (separate non-binding advisory votes): Approval of the company's remuneration policy and endorsement of the company's remuneration implementation report relating to the payment of remuneration for the 2017 financial year.

Explanatory note

Per principle 14 of the King Report on Corporate Governance for South Africa, 2016 ("King IV"), the company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof. Shareholders are requested to endorse the company's remuneration policy set out in the Remuneration Committee Report on page 14 and the remuneration implementation report set out on page 16 of the integrated annual report of which this notice forms part, by way of non-binding advisory votes.

Approval of the company's remuneration policy

6.1 "Resolved that the company's remuneration policy contained in the annual report of which this notice forms part be approved."

Endorsement of the company's remuneration implementation report

6.2 "Resolved that the company's remuneration implementation report contained in the annual report of which the notice forms part be endorsed by way of a non-binding advisory vote of shareholders of the company."

In the event that 25% or more of shareholder votes are cast against these resolutions the directors are committed to engage with shareholders to address any legitimate and reasonable objections and concerns.

Ordinary resolution 7: Signature of documentation

"Resolved that any director of the company be and is hereby authorised to sign all such documents and do all such things as may be necessary or incidental to the implementation of ordinary resolutions 1, 2, 3, 4, 5 and 6 and special resolutions 1 and 2."

In order for ordinary resolution 7 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

SPECIAL RESOLUTIONS

Special resolution 1: Financial assistance to related or inter-related companies

"Resolved that, to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance, as contemplated in section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or interrelated (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure until the next annual general meeting provided that such authority shall not extend beyond two years, and further provided that in as much as the company's provision of financial assistance to its subsidiaries will at any and all times be in excess of one-tenth of 1% of the company's net worth, the company hereby provides notice to its shareholders of that fact."

In order for special resolution 1 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Reason for and effect of special resolution 1

In appropriate circumstances and if the need arises, the company would like the ability to provide financial assistance in accordance with section 45 of the Companies Act. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted, provided that the board of directors of the company be satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act. In the circumstances and in order to, *inter alia*, ensure that the company's subsidiaries and other related and interrelated companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 1. Therefore, the reason for, and effect of, special resolution 1 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Act) to the entities referred to in special resolution 1 above.

Notice in terms of section 45(5) of the Companies Act in respect of special resolution 1

Notice is hereby given to shareholders of the company in terms of section 45(5) of the Companies Act of a resolution adopted by the board authorising the company to provide such direct or indirect financial assistance as specified in the special resolution above:

a) by the time that this notice of annual general meeting is delivered to shareholders of the company, the board will have adopted a resolution ("section 45 board resolution") authorising the company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or inter-related companies or corporations of the company and/or to any 1 (one) or more members of any such related or inter-related company or corporation and/or to any 1 (one) or more persons related to any such company or corporation.

b) the section 45 board resolution will be effective only if and to the extent that special resolution 1 is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to any such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.

c) inasmuch as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company.

Special resolution 2: Approval of directors' remuneration for their services as directors

To consider and if deemed fit, to pass with or without modification, the following special resolutions by way of separate resolutions:

2.1 "Resolved, as a special resolution, that the fees payable by the company to the non-executive directors for their services as directors (in terms of section 66 of the Companies Act) be and are hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

Fees for the 2018 financial year (excluding VAT):

Name	Annual fee R
Chairperson of the board	477 000
Member of the board	175 000
Chairperson of the Remuneration Committee	52 000
Member of the Remuneration Committee	30 000
Chairperson of the Audit and Risk Committee	185 000
Member of the Audit and Risk Committee	96 000
Chairperson of the Social and Ethics Committee	34 000
Member of the Social and Ethics Committee	15 000

2.2 Resolved, as a special resolution, that an annual increase not exceeding 8% of the fees payable by the company to the non-executive directors for their services as directors be and is hereby approved for the subsequent year."

Reason for and effect of special resolution 2.1

To obtain shareholder approval by way of a special resolution in accordance with section 66(9) of the Companies Act for the payment by the company of remuneration to each of the non-executive directors of the company for each non-executive director's services as a non-executive director for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, in the amounts set out under special resolution 2.1.

Reason for and effect of special resolution 2.2

As the fees payable to non-executive directors are, from time to time, benchmarked to other companies of a similar size taking into account the estimated time and the other requirements of directors, an annual increase not exceeding 8% is proposed for approval in the subsequent year.

In order for special resolutions 2.1 and 2.2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass those resolutions.

QUORUM

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present or represented by proxy (and if the shareholder is a body corporate, must be represented) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Link Market Services South Africa (Pty) Ltd (13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001), for the purposes of being entitled to attend, participate in and vote at the annual general meeting is Friday, 11 May 2018 (the "voting record date").

VOTING AND PROXIES

A member who is entitled to attend and vote at the annual general meeting may appoint one or more proxies (who need not be a member of the company) to attend, speak and vote in his stead.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share in the company held by such shareholder.

A form of proxy is attached for the convenience of any KayDav shareholder holding certificated shares who cannot attend the annual general meeting but who wishes to be represented thereat. Forms of proxy may also be obtained on request from the company's registered office. For administrative purposes, the completed form of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or e-mailed to meetfax@linkmarketservices.co.za to be received by 10:00 on Tuesday, 15 May 2018. Alternatively, the form of proxy may be handed to the chairperson of the annual general meeting or to the transfer secretaries at the annual general meeting, at any time prior to the commencement of the annual general meeting or at any time prior to voting on any resolution proposed at the annual general meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the shareholder subsequently decide to do so.

Attached to the form of proxy is an extract of section 58 of the Companies Act, to which shareholders are referred.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary letter of representation to attend.

Dematerialised shareholders, who have elected "own name" registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the annual general meeting must complete and return the attached form of proxy and lodge it with the transfer secretaries of the company, Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or e-mail it to meetfax@linkmarketservices.co.za, which, for administration purposes, should be received by 10:00 on Tuesday, 15 May 2018.

All beneficial owners whose shares have been dematerialised through a CSDP or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting. Such shareholder must not complete the attached form of proxy.

In terms of section 63(1) of the Companies Act meeting participants will be required to provide identification to the reasonable satisfaction of the chairperson of the annual general meeting and the chairperson must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably satisfied.

ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the annual general meeting by way of telephone conference call. Shareholders or their proxies who wish to participate in the annual general meeting by telephone conference call as aforesaid, will be required to advise the company thereof by no later than 10:00 on Tuesday, 15 May 2018 by submitting, by e-mail to Martin Slier at m.slier@kaydav.co.za, or by fax, to be faxed to 086 519 2014 marked for the attention of Martin Slier, relevant contact details including an e-mail address, cellular number and landline, as well as full details of the shareholder's title to shares issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of materialised shareholders), and (in the case of dematerialised shareholders) written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised shares. Upon receipt of the required information, the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting. Shareholders must note that access to the electronic communication will be at the expense of the shareholders who wish to utilise the facility. Shareholders who wish to participate in the annual general meeting by electronic participation must further note that they will not be able to vote during the annual general meeting. Such shareholders, should they wish to have their vote counted at the annual general meeting, must, to the extent applicable:

(i) complete the proxy form; or

(ii) contact their CSDP or stockbroker,

in both instances as set out above.

By order of the board

CIS Company Secretaries (Pty) Ltd
Company Secretary

22 March 2018

KayDavGroup

FORM OF PROXY

KayDav Group Limited
(Registration number 2006/038698/06)
JSE share code: KDV
ISIN: ZAE000108940
("KayDav" or "the company" or "the Group")

For use by shareholders of KayDav holding certificated shares and/or dematerialised shareholders who have elected "own name" registration, nominee companies of Central Securities Depository Participants ("CSDPs") and brokers' nominee companies, registered as such at the close of business on the voting record date, at the annual general meeting to be held at 10:00 on Thursday, 17 May 2018 at the offices of Grant Thornton, 52 Corlett Drive, Wanderers Office Park, Illovo, 2196, Gauteng ("annual general meeting") or any postponement or adjournment thereof.

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders, other than with "own name" registration, should provide instructions to their appointed CSDP or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

I/We ______________________________ (BLOCK LETTERS PLEASE)
of ______________________________ (ADDRESS)
being the holder/s of ______________________________ KayDav shares hereby appoint:
1 ______________________________ or failing him/her,
2 ______________________________ or failing him/her,
3 the chairperson of the annual general meeting,

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment or postponement thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed at the annual general meeting, and to vote on the resolutions in respect of the ordinary shares registered in my/our name/s, in the following manner (see note 2):

	Number of votes†		
	Shares		
	For*	**Against***	**Abstain***
Ordinary resolution 1 – Adoption of annual financial statements			
Ordinary resolution 2 – Re-election of Frank Davidson as director			
Ordinary resolution 3 – Re-election of Boitumelo Tlhabanelo as director			
Ordinary resolution 4 – Appointment of auditors			
Ordinary resolution 5 – Appointment of Audit and Risk Committee members			
5.1 Boitumelo Tlhabanelo			
5.2 Ian Stern			
5.3 Shane van Niekerk			
5.4 Frank Davidson			
Ordinary resolution 6 – Non-binding advisory votes on remuneration			
6.1 Remuneration policy			
6.2 Remuneration implementation report			
Ordinary resolution 7 – Signature of documents			
Special resolution 1 – Financial assistance to related or interrelated companies			
Special resolution 2 – Approval of directors' remuneration for their services as directors			
2.1 Fees for the 2018 financial year			
2.2 Annual increase not exceeding 8%			

† One vote per share held by KayDav shareholders recorded in the register on the voting record date.
* Mark "for", "against" or "abstain" as required. If no options are marked, the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this ______________________________ day of ______________________________ 2018

Signature ______________________________

Assisted by me (where applicable) ______________________________
(State capacity and full name)

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a shareholder of the company. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

For administrative purposes the forms of proxy must be deposited at Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 or posted to PO Box 4844, Johannesburg, 2000 or e-mailed to meetfax@linkmarketservices.co.za so as to arrive by 10:00 on Tuesday, 15 May 2018. Alternatively, the form of proxy may be handed to the chairperson of the annual general meeting or to the transfer secretaries at the annual general meeting, at any time prior to the commencement of the annual general meeting or at any time prior to voting on any resolution proposed at the annual general meeting.

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. This form of proxy is only to be completed by those ordinary shareholders who are:
   a) holding ordinary shares in certificated form; or
   b) recorded in the sub-register in electronic form in their "own name",

   on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Link Market Services South Africa (Pty) Ltd, being Friday, 11 May 2018 and who wish to appoint another person to represent them at the annual general meeting.
2. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company (being Link Market Services South Africa (Pty) Ltd) that their shares are registered in their name.
3. Beneficial shareholders whose shares are not registered in their "own name", but in the name of another, for example, a nominee, may not complete a proxy form, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instruction on voting their shares, or obtaining a proxy to attend, speak and, on a poll, vote at the annual general meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space, with or without deleting "the chairperson of the annual general meeting". The person whose name stands 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.
5. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. However, 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 in respect of which you desire to vote. If: (i) a shareholder fails to comply with the above; or (ii) gives contrary instructions in relation to any matter or any additional resolution(s) which are properly put before the annual general meeting; or (iii) the resolution listed in the proxy form is modified or amended, the member will be deemed to authorise the chairperson of the annual general meeting, if the chairperson is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat. If, however, the member has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in (i) to (iii) above, then the proxy shall comply with those instructions.
6. The forms of proxy should be lodged at Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 or posted to PO Box 4844, Johannesburg, 2000 or e-mailed to meetfax@linkmarketservices.co.za so as to be received by 10:00 on Tuesday, 15 May 2018. Alternatively, the form of proxy may be handed to the chairperson of the annual general meeting or the transfer secretaries at the annual general meeting, at any time prior to the commencement of the annual general meeting or at any time prior to voting on any resolution proposed at the annual general meeting.
7. The completion and lodgement of this form of proxy will not preclude the relevant 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. In addition to the aforegoing, 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. 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 at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
8. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder/s concerned wish/es to vote.
9. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Link Market Services South Africa (Pty) Ltd or waived by the chairperson of the annual general meeting.
11. 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 Link Market Services South Africa (Pty) Ltd.
12. Where there are joint holders of shares:
    a) any one holder may sign the form of proxy; and
    b) the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint holder/s of shares.
13. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the annual general meeting by giving written notice of the appointment of that representative. This notice will not be effective at the annual general meeting unless it is accompanied by a duly certified copy of the resolution or other authority in terms of which that representative is appointed and is received at Link Market Services South Africa (Pty) Ltd, at 13th Floor, 19 Ameshoff Street, Braamfontein Johannesburg, 2001 to reach the company by 10:00 on Tuesday, 15 May 2018.
14. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

EXTRACT FROM THE COMPANIES ACT

15. The aforegoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, 2008 (the "Companies Act"), as required in terms of that section. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act, is attached to this form of proxy.

EXTRACT FROM THE COMPANIES ACT

"58. Shareholder right to be represented by proxy

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that 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.

(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 a company provides otherwise –
  (a) a shareholder of that 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 a 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 a 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 who 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."

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