Invicta
HOLDINGS LIMITED

INTEGRATED REPORT
FOR THE YEAR ENDED 31 MARCH

2017

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FINANCIAL HIGHLIGHTS FOR 2017

REVENUE
↑ 8%
TO R11.5 BILLION

OPERATING PROFIT BEFORE FOREIGN EXCHANGE MOVEMENTS
↑ 36%
TO R1.16 BILLION

PROFIT BEFORE TAX
↑ 58%
TO R981 MILLION

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS
↑ 26%
TO R533 MILLION

EARNINGS PER SHARE
↑ 26%
TO 499 CENTS

CASH GENERATED BY OPERATIONS
↑ 130%
TO R1.35 BILLION

NAV PER SHARE
↑ 5%
TO 4 715 CENTS

DIVIDEND PER SHARE
↑ 18%
TO 167 CENTS

HEADLINE EARNINGS PER SHARE
↑ 37%
TO 500 CENTS

ABOUT THIS REPORT

Invicta is committed to conducting its business ethically and responsibly with a view to creating value in the long-term interest of all stakeholders.

This Report is targeted at Invicta's shareholders, potential investors and the Group's other stakeholders. It covers the operational activities and financial performance of the Group for the period 1 April 2016 to 31 March 2017.

The Report demonstrates Invicta's commitment to corporate governance and compliance with the King III. The Report has been prepared to assist the Group's stakeholders to make an informed assessment of the Group and its ability to create and sustain value over the short, medium and long term.

The Report is prepared in terms of the Listings Requirements for integrated reporting and King III. It also meets the other legal requirements to which the Company must adhere, such as the Companies Act (2008).

The financial reporting contained in the Report complies with IFRS as applied to the annual consolidated financial statements.

The Company acknowledges that there are still areas of reporting to be improved upon in this Report and remains committed to addressing these issues in future subsequent reports.

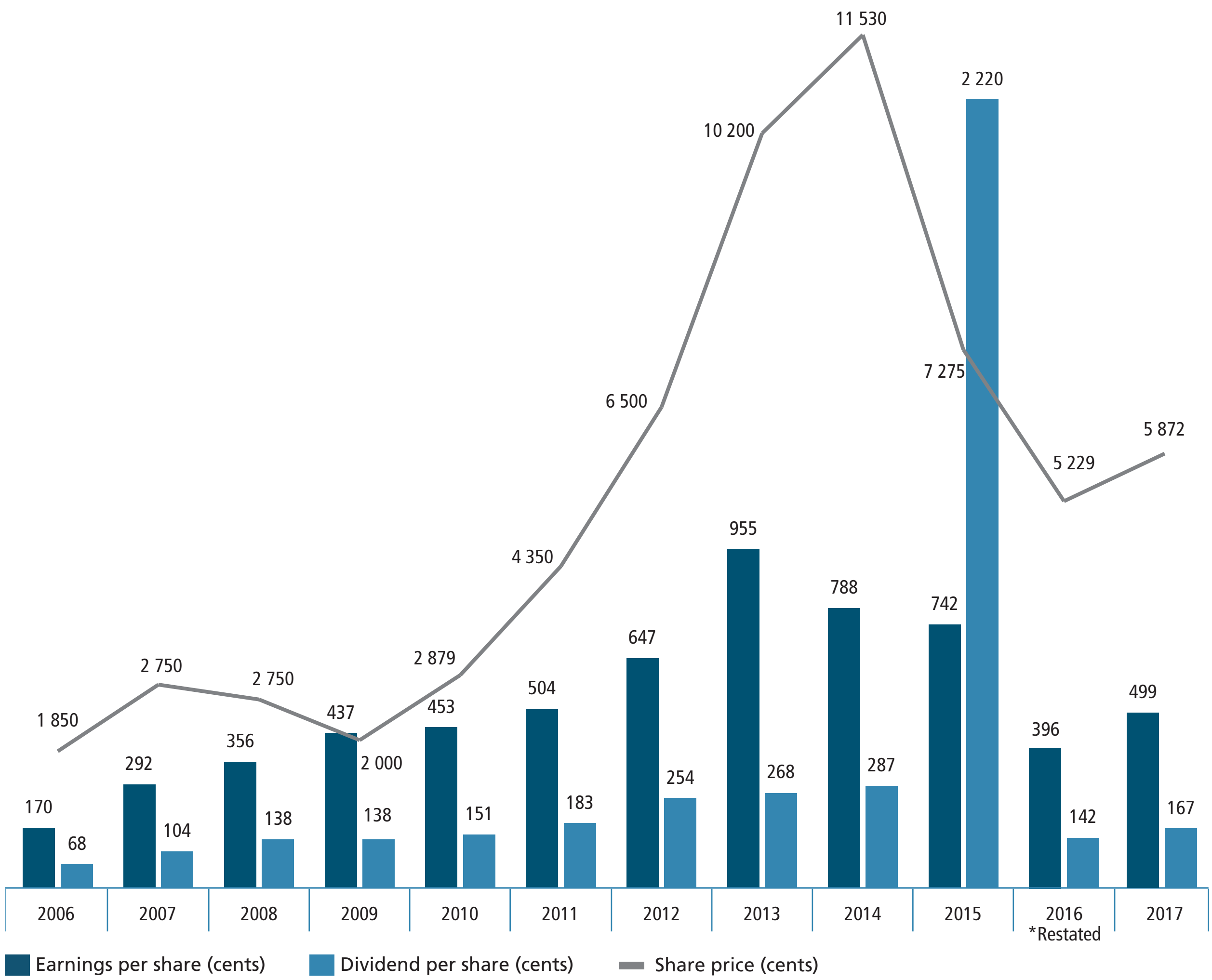
The board of directors of Invicta acknowledges that it is their responsibility to ensure the integrity of this Report and the board members have collectively assessed the content and believe it is a fair representation of the performance of Invicta and the Group. The board has therefore approved the Report to the Group's stakeholders.

FINANCIAL HIGHLIGHTS

for the year ended 31 March 2017

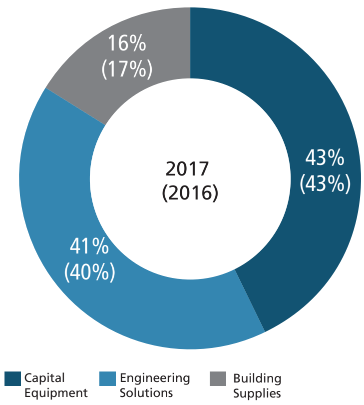
	2017 R'000	Restated 2016 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Revenue	**11 527 873**	10 635 850	10 635 850	10 459 567	10 464 511	7 557 899
Operating profit	**1 159 442**	853 408	846 265	1 014 179	1 042 950	883 759
Profit for the year	**611 807**	495 986	509 459	691 125	709 911	743 532
Equity attributable to the equity holders	**5 116 027**	4 856 672	4 866 780	4 459 973	3 077 073	2 690 077
Dividend per share (cents)	**167**	142	142	2 220	288	268
Earnings per share (cents)	**499**	396	391	742	788	955
Diluted earnings per share (cents)	**499**	396	391	741	788	948
Normalised earnings per share (cents)	**499**	396	391	742	788	737
Share price at the year-end (cents)	**5 872**	5 229	5 229	7 275	11 530	10 200

Earnings per share / dividend per share (cents)

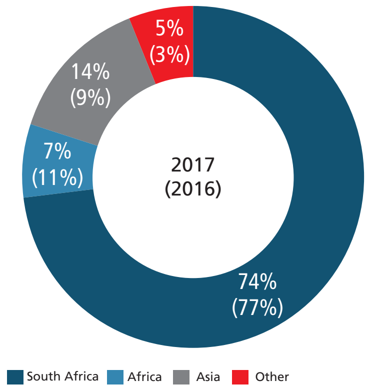


2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
5 599 464	4 533 801	3 968 872	4 523 535	3 335 496	2 663 398	1 907 754
601 081	505 493	453 293	497 356	360 379	281 229	197 843
478 775	426 222	365 389	362 812	300 856	217 724	125 165
1 895 231	1 611 265	1 442 966	1 206 055	1 025 591	886 161	716 296
254	183	151	138	138	104	68
647	504	453	437	356	292	170
604	480	441	437	354	288	169
647	–	–	–	–	–	–
6 500	4 350	2 879	2 000	2 550	2 750	1 850

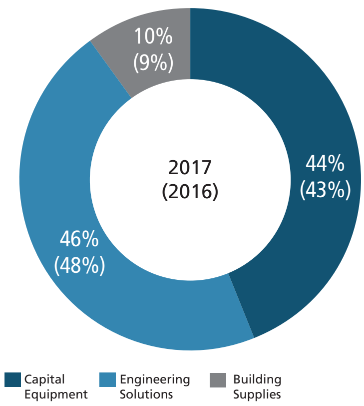
Revenue contribution by segment
(%)



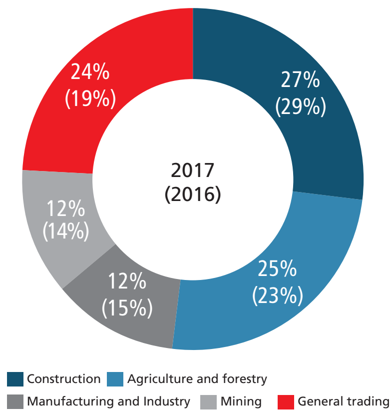
Revenue contribution by region
(%)



Operating profit contribution
(%)

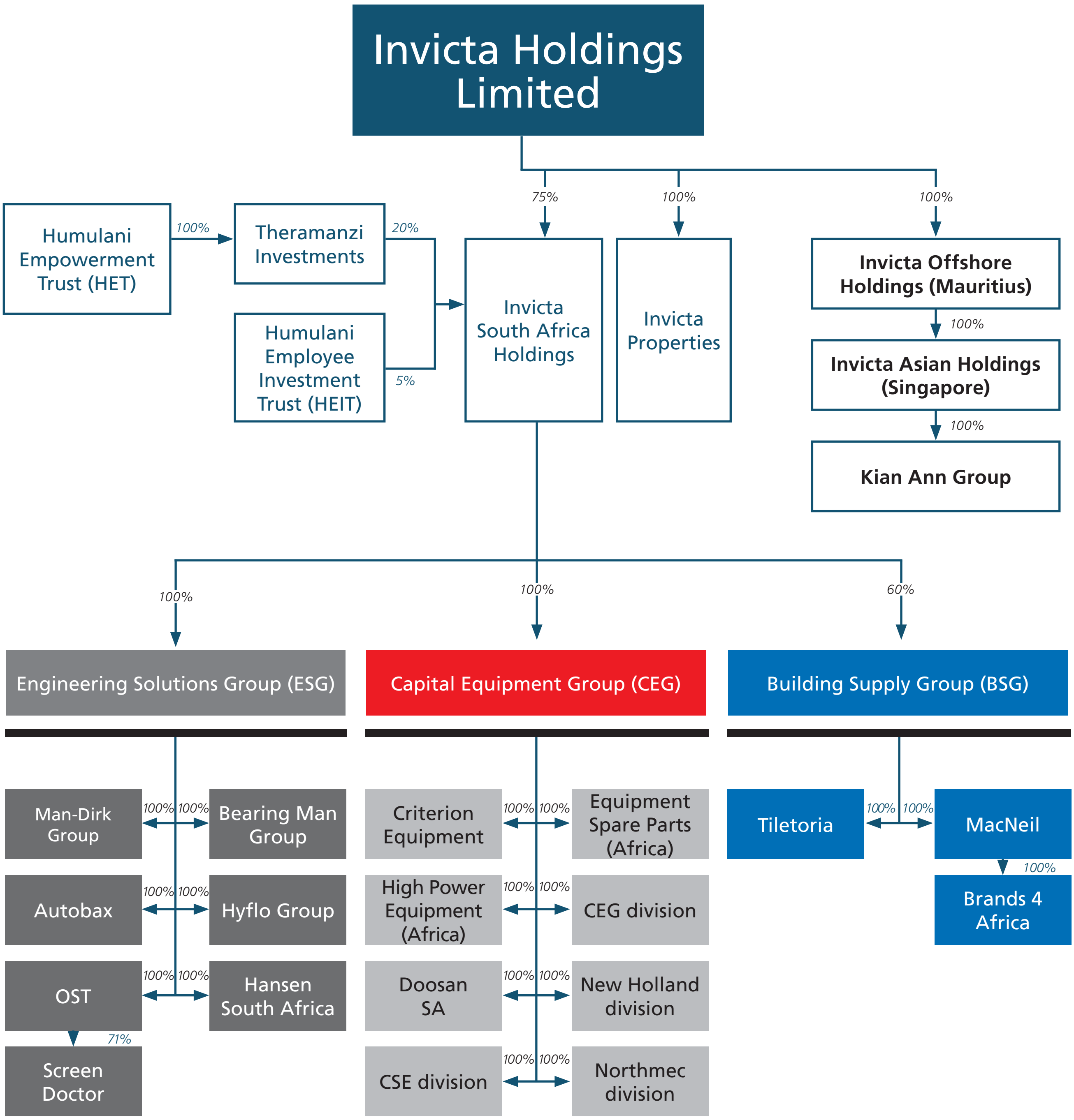


Revenue contribution by sector
(%)



01 Our business

GROUP STRUCTURE



GROUP AT A GLANCE

INVICTA IS AN INVESTMENT HOLDING AND MANAGEMENT COMPANY, CONTROLLING AND MANAGING ASSETS OF R16 265 MILLION (2016: R14 895 MILLION).

OUR OPERATIONS COMPRISE THREE MAIN BUSINESS SEGMENTS, NAMELY:

- CAPITAL EQUIPMENT
- ENGINEERING SOLUTIONS
- BUILDING SUPPLIES

CAPITAL EQUIPMENT GROUP (CEG)

- **Businesses with a leading position in the distribution of agricultural equipment**
- **Businesses with a leading position in the distribution of construction and forklift equipment**
- **International sourcing and distribution of OEM branded parts and components in southern Africa**
- **International sourcing and distribution of alternative parts and components for the replacement market in southern Africa and South East Asia**

The companies forming part of the Capital Equipment Group (CEG) of Invicta include:

Northmec
Wholesale and retail distributor of CASE IH full range of agricultural machinery, implements and related spares.

CSE
Wholesale and retail distributor of CASE earthmoving machinery, turf-grooming machinery, utility vehicles and related spares.

New Holland
Wholesale distributor of New Holland full range of agricultural machinery, implements and related spares.

Doosan SA
Wholesale and retail supplier of predominantly Doosan heavy earthmoving machinery for construction and mining applications.

Criterion
Importer and distributor of TCM leading materials handling equipment and related spares.

Equipment Spare Parts Africa (ESP)
Distributor of after-market replacement parts, ground engaging tools and undercarriage parts for earthmoving equipment.

Kian Ann Engineering (Kian Ann)
A large wholesale distributor of heavy earthmoving machinery, parts, truck parts and diesel engine components.

High Power Equipment (Africa) (HPE)
Retail distributor of Hyundai earthmoving machinery.

Landboupart
Distributor of after-market replacement parts for agricultural machinery.

ENGINEERING SOLUTIONS GROUP (ESG)

BUILDING SUPPLY GROUP (BSG)

- **Southern Africa's leading distributor of engineering consumable products, technical services and solutions**
- **Businesses with a leading presence in southern Africa with a network of 135 branches**
- **International sourcing and distribution of leading brands of engineering components and consumables to end-users in southern Africa**
- **Technical support and value-added assembly of components into customised systems and solutions for end-user customers**

The companies forming part of the Engineering Solutions Group (ESG) of Invicta include:

Bearing Man Group (BMG)

Engineering consumables including bearings, seals and gaskets, power transmission, material handling, fasteners, geared and electric drives, motors and tools.

Fluid technology products and solutions including hydraulic, pneumatic, filtration, lubrication.

Technical design, on-site installation, maintenance, breakdown, condition monitoring as well as design engineering and failure analysis services.

Hyflo Group

Hydraulic and pneumatic products and engineered solutions.

Hansen Transmissions SA

Industrial gearbox units.

Man-Dirk Group (including SA Tool and Sibuyile Industrial Supplies)

Tools and equipment, including personal protective equipment, lifting and welding products.

OST

Vibrator motors, tensioning and suspension systems.

Screen Doctor

Vibrating equipment and material handling solutions.

Autobax

Automotive components.

- **Production, sourcing and distribution of building supplies**

The companies forming part of the Building Supply Group (BSG) of Invicta include:

MacNeil Distribution

Importing, packaging, distribution and wholesaling of a wide range of sanitary ware, hardware and plumbing focused building supplies through distribution centres in Cape Town, Johannesburg, Durban, East London, Port Elizabeth and George.

MacNeil Plastics

Manufacturer of PVC, HDPE, LDPE, polypropylene pipes and fittings for the building, plumbing, industrial, electrical, agricultural, civil and mining sectors.

Brands 4 Africa

Exporting of building supplies and hardware into Africa, currently trading in Zimbabwe, Botswana, Mozambique, Namibia, Zambia, DRC and Malawi.

Doors Closures Locks SA (DCLSA)

An ironmongery business importing, packaging, distributing and wholesaling a full range of locks, handles, hinges and door closure systems to the hardware retail trade.

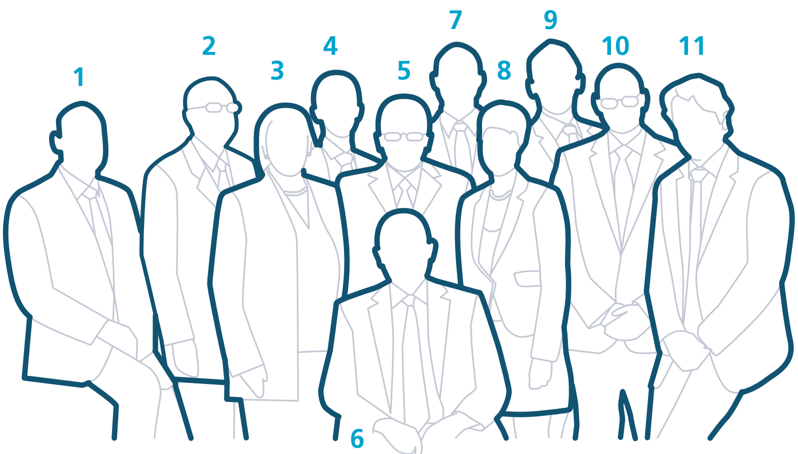
PVC Pipefit Engineering

A manufacturer of specialised fabricated PVC pipe fittings for the building, plumbing, industrial, agricultural, civil and mining sectors.

Tiletoria

Diversified flooring business: wholesaling, retailing and contracts through five major facilities in Johannesburg, Durban, Namibia (Windhoek), Cape Town and Port Elizabeth.

BOARD OF DIRECTORS
INVICTA HOLDINGS



1 I Tony Sinclair (62)

Executive director

Tony joined JI Case in 1982 and was appointed as branch manager in 1986. He joined CSE Equipment Company in 1989 and was appointed as divisional managing director in 1993 and managing director of the Capital Equipment Group (CEG) in 1998. In September 2006, he was appointed as an alternate director of Invicta and executive director of the board on 7 June 2007.

2 I Rashid Wally (73)

Independent non-executive director

Rashid was appointed as an independent non-executive director of Invicta on 30 July 2013. He has held various senior executive positions with IBM in Africa, Europe, the Middle East and South East Asia, including also Lenovo in Africa. Rashid has over 38 years of experience in the Information Technology sector and was chairman of the board and member of the audit committee of Mango Airlines (SOC) Limited. He resigned from the Mango board during the year having served 10 years in line with the Mango memorandum of incorporation.

Rashid is currently chairman of Fastjet PLC, a listed company on the London Stock Exchange AIM Section, and also serves on the audit and risk committee of Fastjet.

3 I Grace Chemaly (44)

Group company secretary and legal advisor

B.Iuris, LLB

Grace was admitted to practice as attorney, notary public and conveyancer in 1998 and has more than 10 years of experience as a company secretary and legal advisor in the JSE-listed environment.

4 I Craig Barnard (53)

Executive director

CA(SA), MBA, ACIS

Craig joined Sappi as management accountant in 1993, Group Five in their commercial development subsidiary in 1996 and was appointed commercial manager in 1997. In 1998, he joined the Invicta Group as financial manager and was appointed as director of CSE Equipment Company in 1999. In 2002, he was appointed as company secretary of Invicta and executive director of the Invicta board on 7 June 2007. Craig was succeeded by Grace Chemaly as company secretary on 1 January 2014 and remains in his current position as financial and commercial director of the Invicta Group.

5 I David Samuels (77)

Independent non-executive director

CA(SA)

David joined Trade and Industry Acceptance Corporation Limited in 1971 and was appointed as a director from 1980 to 1984. From 1989 to 2000 he was appointed managing director of Stenham Proprietary Limited. In 1996, he was appointed as non-executive director of Invicta and lead independent director as from 1 April 2014, which position he holds to date. He was also appointed as non-executive director of Bearing Man Limited in 2001 and chairman in 2002 until 2006, when Bearing Man Limited was de-listed from the JSE.

6 I Dr Christo Wiese (75)

Non-executive chairman

BA, LLB, DCom(h.c.)

Dr. Christo Wiese was appointed non-executive chairman of Invicta from October 1997 to April 2000 and a non-executive director since April 2000. He was re-appointed as non-executive chairman of Invicta in January 2006, which position he has held to date. He is currently also the chairman of Tradehold Limited, Shoprite Holdings Limited and Brait SE.

7 I Arnold Goldstone (56)

Executive director

BSc(Mech Eng), BCom(Hons), CA(SA)

Arnold was employed as a management consultant at KPMG prior to joining Invicta in January 1990 as financial manager. He was appointed financial director of Invicta in August 1991 and CEO in April 2000. On 1 May 2015, Arnold was succeeded as CEO of the Invicta Group by Charles Walters, from which date he assumed the position of executive deputy chairman of the Invicta board. Effective 1 February 2017, Arnold re-assumed the position of CEO of the Invicta Group.

8 I Ramani Naidoo (54)

Independent non-executive director

BA, LLB, Certificate Mergers & Acquisitions, LLM (Corporate Law)

Ramani was admitted to practice as attorney, notary public and conveyancer in 1998. She has over 15 years of experience as a director of companies, having served as a non-executive director on the boards of a number of private and public companies. In a private capacity, Ramani has been involved in various business ventures and commercial property developments and also has a particular interest and expertise in corporate governance and is a published author in the field. Ramani was appointed as an independent non-executive director of Invicta effective 20 February 2014.

9 I Adv. Jacob Wiese (36)

Non-executive director

BA (Value and Policy Studies), LLB, MIEM (Bocconi, Italy)

Adv. Jacob Wiese was appointed as non-executive director of Invicta effective 29 July 2010. He obtained his BA degree after which he worked at Lourensford Wine Estate, assisting in initiating events partnerships. Jacob subsequently obtained his master's degree in International Economics and Management and completed this degree as a participant in the MBA program. After returning to Lourensford for a brief period, he graduated as a Bachelor of Law student in 2008. In 2009, he completed his pupilage at the Cape Bar and was admitted as an advocate of the High Court on 8 May 2009.

10 I Byron Nichles (45)

Non-executive director

CA(SA), CGMA

Byron was appointed as CEO of ARB Holdings (JSE listed) in February 2009, tasked with driving the Group's growth strategy. He was previously the group CEO of Amalgamated Appliance Holdings Limited and a founding shareholder and director of Bridge Capital Group Limited. Byron has 14 years' financial services and advisory experience with Deloitte & Touche and Bridge Capital. Byron was appointed as CEO of BMG, succeeding Charles Walters effective 1 November 2014, from which date he was also appointed as an executive director on the Invicta board. Effective 31 October 2016, Byron tendered his resignation as CEO of BMG (now the Engineering Solutions Group) and assumed the role of non-executive director of Invicta effective 1 November 2016.

11 I Lance Sherrell (51)

Non-executive director

Lance was appointed as alternate director to Reg Sherrell on 27 May 2009 and was nominated as non-executive director of Invicta with effect from 29 July 2010, upon the retirement of Reg Sherrell. Lance studied commerce at the University of Cape Town and has been involved in the hospitality and motor trade industries for the past 15 years and is currently also a director and shareholder of the SMG Group (BMW). Lance represented South Africa as a rugby player in the national team in 1994.

12 I Charles Walters (49)

Executive director (Resigned 31 January 2017)

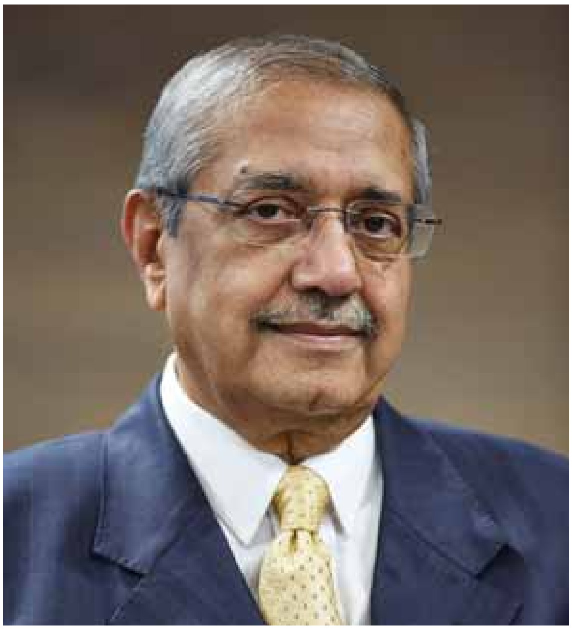
BSC(Mech Eng), BCom, MDP (Harvard)

Charles joined Anglo American Corporation in 1986 as corporate graduate engineering trainee, where he held numerous positions in both the Anglo Group and De Beers. He was appointed as marketing and sales manager (Pulp division) for Mondi SA in 1996 and managing director of Mondi Sales International in 2002. Charles was appointed as CEO of BMG (now Engineering Solutions Group) in September 2006. On 7 June 2007, Charles was appointed as an alternate director to David Samuels on the Invicta board and appointed as executive director on 31 July 2009. Charles was succeeded as CEO of BMG (now Engineering Solutions Group) by Byron Nichles effective 1 November 2014, from which date he assumed the position of deputy CEO of the Invicta Group. On 1 May 2015, Charles was appointed as CEO of the Invicta Group until 31 January 2017 when he resigned from this position.

BOARD OF DIRECTORS
INVICTA SA

Arnold Goldstone
Executive director

Craig Barnard
Executive director



Rashid Wally
Independent non-executive director

Ramani Naidoo
Independent non-executive director

02 Strategic overview

OUR OPERATING ENVIRONMENT

The environment in which Invicta operates is characterised by the following:

- Global growth slowdown in the past few years
- Slowdown in Chinese industrial production which has led to reduced demand for commodities and excess capacity of parts and
- components
- Depressed commodity prices impacted the global mining, steel and other resource industries
- Currency volatility experienced across Africa and Asia
- Global slowdown experienced in demand for agricultural and construction equipment
- Drought conditions in southern Africa worsened with resultant decline in farm incomes
- Downward price pressure on equipment and replacement parts experienced as a result of intensified competition and over-capacity
- Right-sizing of operating costs and working capital was required and achieved
- Active management of customer and supplier relationships was required in difficult circumstances
- Continued expansion of branch networks in Africa and Asia achieved
- South Africa and Malaysia both heavily impacted by the decline in resource markets, currency depreciation and political uncertainty
- Continued extensions of our supplier base and product ranges
- Regulatory and policy uncertainty affected investment sentiment in South Africa
- Labour disruption in South Africa
- Continued investment to modernise and expand our distribution facilities

OUR BUSINESS MODEL

Our business model is to invest in distribution businesses with strategic differentiation and competitive advantage in their respective markets.

Invicta management works in close cooperation with the management teams of our respective businesses to maximise growth, improve efficiencies, generate cash and improve returns on capital from our businesses. In addition, the teams seek value-enhancing acquisitions for the Group.

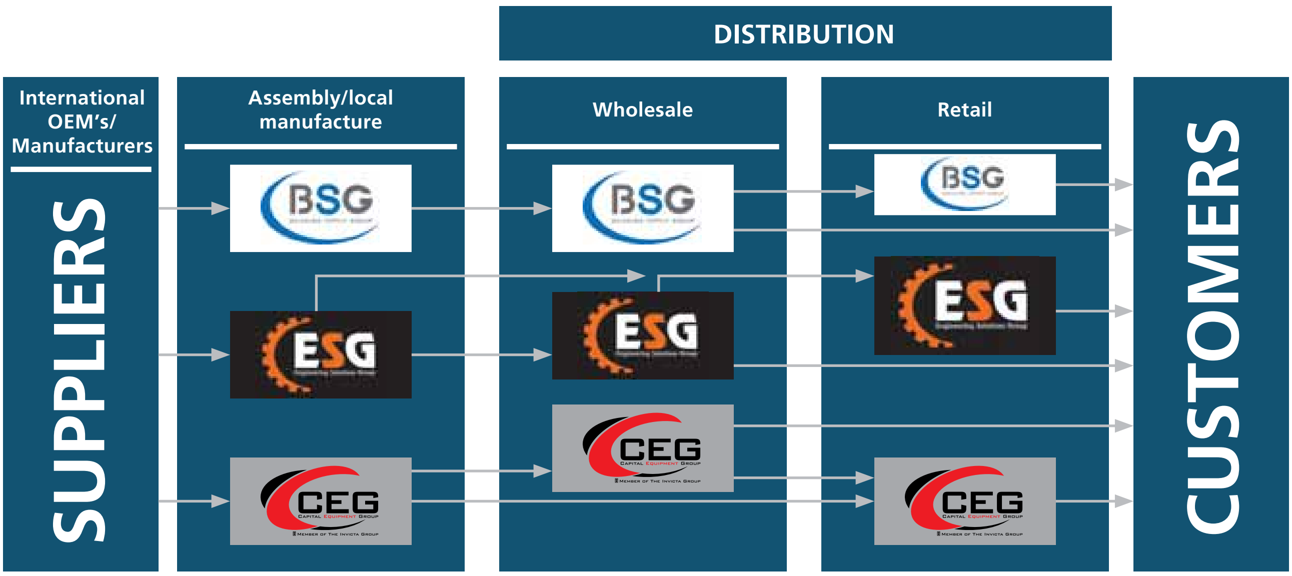
Our philosophy is to run a small cost-effective head office with divisional management taking responsibility for daily operations. A flat management structure also ensures quick decision-making.

We secure adequate and appropriate funding for the Group using the strength of our balance sheet. Capital is allocated to our businesses and projects with the best return.

Our philosophy is to own the strategic properties from which the Group's businesses operate.

All our businesses seek to secure exclusive distribution rights to leading global brands and sources of supply. The businesses in turn add value to our customers by providing them with unrivalled availability of product from the significant inventories we hold and a superior level of technical service and support.

We are continuously looking to grow and diversify our spread of customers, market segments, suppliers and geographies such that the inherent risks faced by our businesses are mitigated and growth is achieved.



STRATEGY

Our strategy is to grow our profitability and improve our efficiency in two ways:

- **Organic growth and efficiency**
  - Grow revenue by increasing volumes sold at optimised pricing
  - Grow revenue by extending the range of products and services offered
  - Grow revenue by increasing the number of sales outlets and branches
  - Optimise gross margins through careful product mix management
  - Improve gross margins by improved sourcing of product
  - Optimise overhead costs relative to sales
  - Optimise working capital relative to sales
  - Maximise generation of operating cash
  - Reduction of debt finance and interest costs
- **Acquisitions**
  - Augment our organic growth initiatives with select value-accretive acquisitions within each business division
  - Seek out larger value-accretive acquisitions which could form an additional vertical pillar of the Group
  - Manage the integration of acquisitions into the Group carefully in order to retain key skills and product distribution rights
  - Ensure each acquisition that is acquired has a good strategic and cultural fit with our Group
  - Maximise the potential earnings yield of acquisitions made relative to the Group's cost of capital
  - Seek diversification of our geographic footprint by expanding into other countries

OUR TOP PRIORITIES

FY2017

- Grow revenue by **12%** ✓ **8.5%**
- Grow EPS by **12%** ✓
- Complete the BMG expansion project on time and within budget Δ
- Control overhead costs and working capital levels ✓
- Improve BMG operating margin to above **10%** ✓
- Improve BSG operating margin to above **6%** ◇
- Continued expansion of African branch footprint Δ
- Continued expansion of SE Asian branch footprint Δ
- Operating cash conversion **>75%** ✓

✓ **Achieved**
Δ **Ongoing**
◇ **Business reflected as discontinued operation held for sale**

FY2018

- Grow EPS by **12%**
- Finalise the BMG expansion project on time and within budget
- Conclude the disposal of BSG
- Consolidate expansion of African operations
- Finalise the bolt-on acquisitions identified by CEG
- Focus on organic growth on agricultural operations of CEG

LOOKING AHEAD

2020 STRATEGIC OBJECTIVES

- An international parts distribution business
- Revenue of **R20 billion**
- **50%** of revenue from international markets
- Operating profit of **R1.6 billion**
- Operating margin **>8%**
- Attributable profit of **R1 billion**
- Attributable profit margin **>5%**
- Return on capital employed **>20%**
- Return on equity **>15%**

OUTLOOK

- Market demand expected to remain muted
- Price competition expected to continue
- Major focus on improving our cost competitiveness
- Market share gains through differentiation and service
- Organic growth will be difficult to achieve
- Several acquisitions under evaluation

OPPORTUNITIES AVAILABLE TO OUR BUSINESS

- Organic expansion into African markets
- Organic expansion into Asian markets
- Stressed economic conditions create opportunities to acquire businesses at attractive valuations
- Participate in and lead market consolidation
- Strong balance sheet supports ability to make international acquisitions
- International listing being sought to accelerate international acquisitions

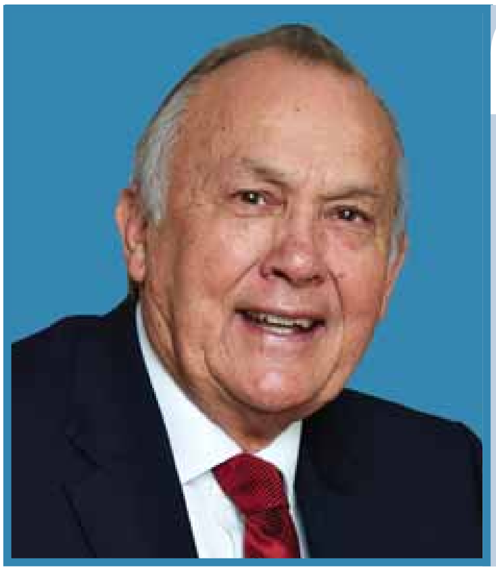
RISKS FACING OUR BUSINESS

- Reduced demand in mining, industrial, construction and agricultural markets
- Intensified competition pressurising margins
- Currency volatility in emerging markets
- Regulatory challenges in emerging markets
- Lack of gross domestic fixed investment and expansionary capital investment in our markets

KEY STAKEHOLDER GROUPS

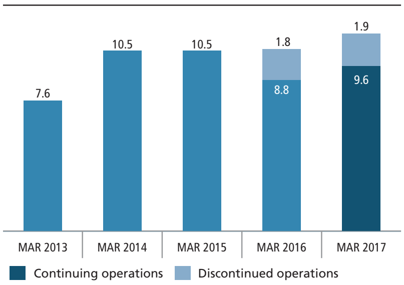
03 Performance overview

JOINT REPORT OF THE CHAIRMAN AND CEO

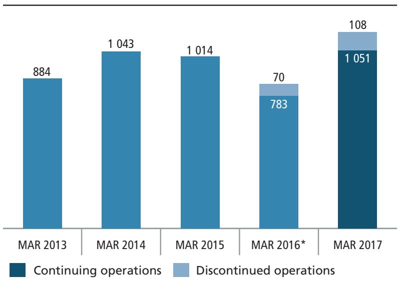


> THE GROUP HAS DELIVERED EXCEPTIONAL RESULTS FOR THE YEAR TO MARCH 2017 UNDER MOST DIFFICULT CIRCUMSTANCES
>
> **Dr Christo Wiese**
> *Non-executive chairman*

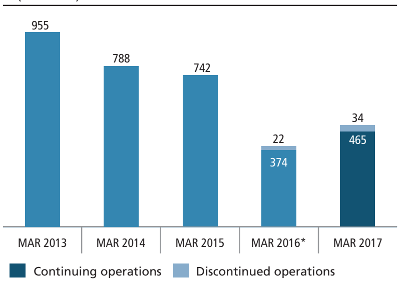
Revenue
(R billion)



Total operating profit before foreign exchange movements
(R million)



Basic earnings per share
(cents)



** Restated*

OVERVIEW OF THE YEAR

The Group has delivered exceptional results for the year to March 2017 under most difficult circumstances.

The conditions in the Group's diverse businesses proved to be challenging. Unusually high volatility in the Rand exchange rate, the worst drought in living memory, continued political turmoil and a recession in South Africa in quarters three and four of the financial year.

It is therefore extremely pleasing to be able to report such good results, which bear testimony to the resilience of the Group.

CONTINUING OPERATIONS

The continuing operations comprise:

- CEG (Capital Equipment Group) – agricultural machinery, construction machinery, forklifts and related parts, including Kian Ann, which is based in Singapore.
- ESG (Engineering Solutions Group) – distributor of engineering products, technical services and solutions including bearings, tools, electric motors, hydraulics etc.

Revenue of continued operations increased by 9.5% from R8.8 billion to R9.6 billion. Operating profit increased by 48% from R681 million to R1.010 billion. These results are outstanding in light of the trading conditions outlined earlier.

Basic earnings per share from continuing operations grew by 24% from 374 cents per share to 465 cents per share, whilst diluted earnings per share increased by 26% from 396 cents to 499 cents per share. The dividend for the year is up 18% from 142 cents per share to 167 cents per share, maintaining 2.75 times dividend cover on Basic EPS.

Cash generated by continuing operations was very strong at R1.35 billion, up 130% from R586 million in the prior year, which is an excellent performance.

CEG

The Capital Equipment segment continued to focus on the growing importance and contribution of original manufactured and aftermarket parts.

This division had a highly satisfactory year in a sector which was wracked by the worst drought in South Africa in over 100 years which resulted in equipment volume declines in the agricultural sector.

Despite this, revenue in CEG grew by 10.5% to R4.955 billion for the financial year through a combination of increased market share and an improved sales mix. This growth was all organic. Good gross margin management and exceptional cost control led to operating profit increasing by a phenomenal 30% to R470 million.

Invicta announced on 1 February 2017 that CEG had reached agreement with CNH Industrial ("CNH") that CNH

Arnold Goldstone
CEO

REVENUE
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TO R11.5 BILLION

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TO 499 CENTS

DIVIDEND PER SHARE
↑ 18%
TO 167 CENTS

will distribute their New Holland brand agricultural products directly into South Africa, Swaziland, Lesotho, Botswana and Namibia with effect from 1 May 2017. The impact on the Invicta Group results for the 2018 financial year is not expected to be material. The remaining distribution rights for other CNH branded products (CASEIH & CASE Construction) are not affected by this agreement. CEG will continue to support the New Holland agricultural products in the aftermarket.

ESG

The Engineering Solutions segment grew revenue by 8.5% (R366 million) to R4.665 billion for the year. A combination of careful gross margin management, and cost containment saw operating profit increasing by a pleasing 18% to R480 million.

The R350 million construction and infrastructural expansion programme at BMG World in Johannesburg has been highly successful, with the relocation of staff and inventory from the Durban facilities now complete. The Durban head office has now been completely shut down and sold off. Some of the efficiencies from the programme are already evident with the main benefits projected to come through after September 2017, when the new warehouse management and demand forecasting systems will become fully operational.

New branches in Tanzania, DRC and Ghana have started gaining momentum, adding to the non-South African operations already in place in Zambia, Mozambique, Swaziland, Namibia and Botswana.

DISCONTINUED OPERATIONS

BSG

The Building Supplies segment grew revenue by 3% to R1.896 billion. Operating profit was up by a highly commendable 55% to R108 million, adding R38 million during the year.

Investment in and construction of the new distribution facility in Midrand, Johannesburg to the value of R150 million is in progress. This logistics and warehousing hub will provide the infrastructure base for the continued strong growth expected from the Gauteng market and southern African territories.

Invicta announced the disposal of BSG to Steinhoff Doors and Building Materials Proprietary Limited on 16 February 2017. All conditions precedent have been met, except for Competition Commission approval, which is expected to be received within the next few months. The purchase consideration is based on an enterprise value of R732 million for 100% of BSG and excludes certain manufacturing and property businesses currently forming part of BSG, which will be disposed of separately.

JOINT REPORT OF THE CHAIRMAN AND CEO
(continued)

STRATEGIC FOCUS

The Group's strategic focus is to generate cash in its existing businesses and to invest this in making sound acquisitions that diversify the Group's revenue streams both within its product groups and geographically.

PROSPECTS

The Group remains resolute in its efforts to produce results above market benchmarks and its competitors. Trading conditions are expected to remain challenging in the year ahead.

The businesses that make up the Invicta Group have strong fundamentals and enjoy significant competitive advantage. Management will continue to consolidate the strengths of the current businesses that make Invicta one of the leading suppliers of industrial consumable products, capital equipment and parts in southern Africa.

DIRECTORATE

The changes to the directorate are set out in the Directors' Report. We want to make special mention, though, of changes to the executive team.

Byron Nichles resigned as CEO of the Engineering Solutions Group (ESG) effective 31 October 2016 after two years with the Group, and was appointed as a non-executive director of the Invicta board effective 1 November 2016.

Charles Walters resigned as CEO of the Invicta Group effective 31 January 2017 after nine years with the Group, the last two of which were as the Group CEO. Arnold Goldstone, who had led the Group as CEO from 2000 until 2015 was re-appointed as Group CEO effective 1 February 2017. For the past two years, Arnold has been executive deputy chairman, which role has now fallen away.

Changes like these to a small executive team can be very disruptive, but it is testimony to the quality of the leadership and the quality and depth of the larger executive group who support the senior executive team, that these changes were not too disruptive. Thank you to them for stepping up to the plate and taking on additional loads. Everything has settled down now and we look forward to maintaining the forward momentum.

APPRECIATION

The board is once again highly appreciative to the executive management, the respective management teams of our businesses and most importantly all the staff, for the excellent commitment and performance in what can only be described as difficult and uncertain economic times.

The board is confident that, with the strengths the Group possesses and the strategic decisions that the board will take, the Group will continue to deliver sustainable value to all stakeholders going forward.

Dr Christo Wiese
Chairman

Arnold Goldstone
CEO

DIVISIONAL MANAGEMENT

CAPITAL EQUIPMENT GROUP (CEG)

Anthony (Tony) Sinclair
CEO

Geoff Balshaw
Chief financial officer

Steve Kite
National service manager

LANDBOUPART

Ben Grobler
National parts and managing director

NORTHMEC

Johan van der Merwe
Managing director

NEW HOLLAND SA

Peter Askew
Managing director

DOOSAN SA

Chris Whitehead
Managing director

HPE

Alex Ackron
Managing director

CSE and CRITERION EQUIPMENT

Brenton Kemp
Managing director

ESP

Andrew Grobler
Managing director

KIAN ANN

Loy Soo Chew
Managing director

ENGINEERING SOLUTIONS GROUP (ESG)

Gavin Pelser
MD – BMG

BMG

Gavin Pelser
Managing director

Bennie Groenewald
Chief financial officer

Paul McKinlay
Chief operating officer

MAN-DIRK

Gavin Hall
Managing director

AUTOBAX

John Black
Managing director

OST

Nolene Streicher
Managing director

SCREEN DOCTOR

Brian Paoliello
Managing director

HYFLO

Emil Berning
Managing director

HANSEN TRANSMISSIONS SA

Mark Barbour
Managing director

BUILDING SUPPLY GROUP (BSG)

Neil Malherbe
CEO

Kevin Diab
Chief financial officer

MACNEIL

Andrew Keevy
National business development director

Pieter van der Merwe
Financial director

Shane Waters
Procurement director

Craig Lorden
Group director

TILETORIA

Patrick Thonissen
Managing director

Tommie Koeries
Financial director

Sven Swart
Group director

BRANDS 4 AFRICA

Brendon Riley
Managing director

CAPITAL EQUIPMENT GROUP (CEG)

Anthony (Tony) Sinclair
(CEO)

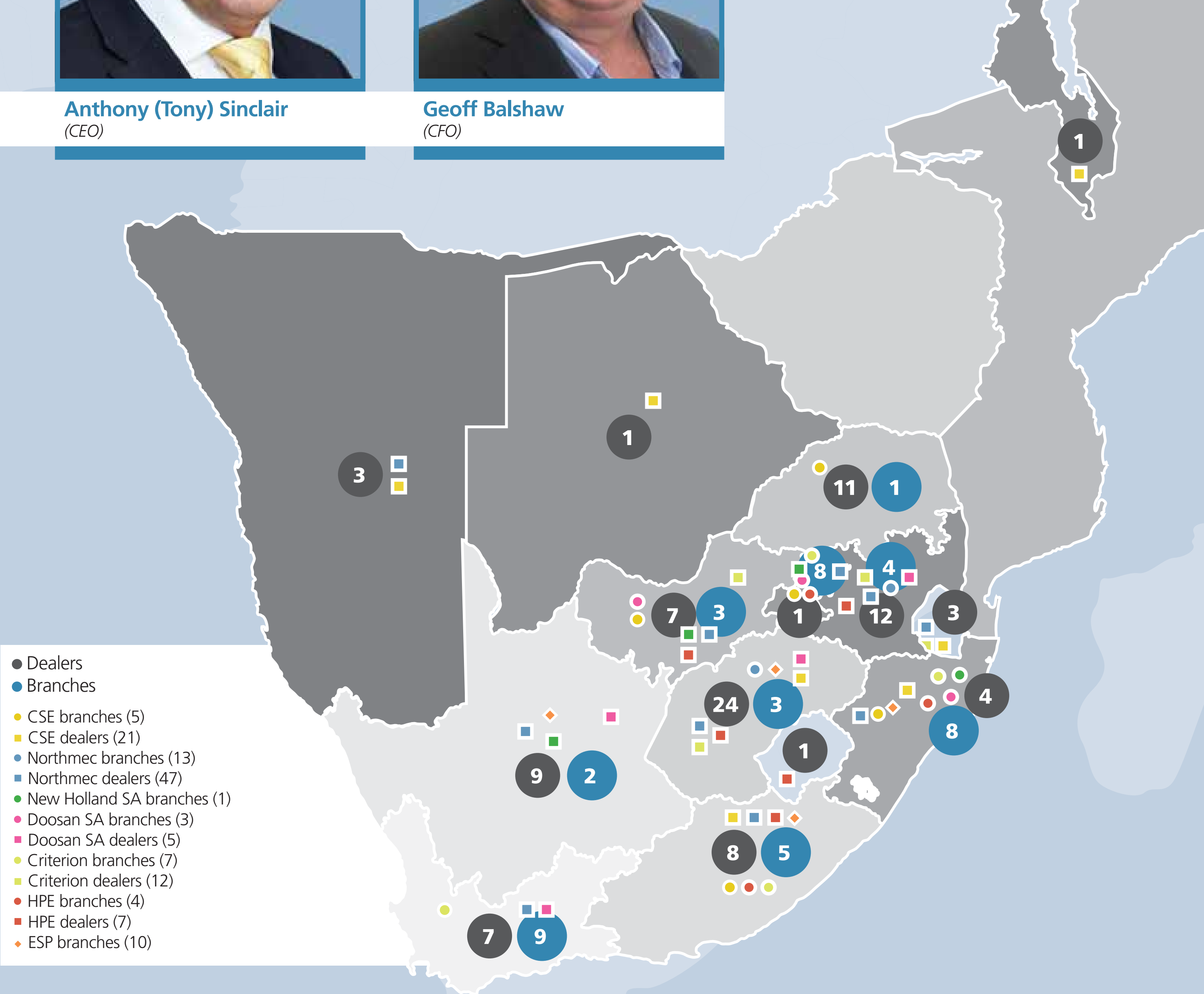
Geoff Balshaw
(CFO)

BRANCHES

43

DEALERS

92



AGRICULTURAL

CASE IH AGRICULTURE

NORTHMEC Established 1989

AFS AG-Solutions

Bunning

franco fabril

BIA Baldan

MASCHIO GASPARDO

WELGER

LELY

STORTI

jacto

SANTA IZABEL IMPLEMENTOS AGRICOLAS

Stara Constant Evolution

sitrex AGRICULTURAL MACHINERY

Trimble

RAVEN Simply improving your position.℠

GERINGHOFF

NEW HOLLAND AGRICULTURE

CAMARA

GERINGHOFF

MASCHIO GASPARDO

sitrex AGRICULTURAL MACHINERY

SANTA IZABEL IMPLEMENTOS AGRICOLAS

BRAUD

QT Quantum Field Services

LANDBOUPART TREKKER ONDERDELE · TRACTOR PARTS FIAT · FORD · JOHN DEERE · LANDINI · MASSEY FERGUSON · PERKINS

RELIANCE Power Parts

CARRARO

SANZ

FP DIESEL

AbileneMachine Ag Replacement Parts

ANGLO agriparts

CONSTRUCTION AND MINING

CASE CONSTRUCTION

CSE

PAR AIDE

RYAN

CUSHMAN

CARTCOM

RANSOMES JACOBSEN

TURFCO

Smithco

HYUNDAI HEAVY INDUSTRIES CO.,LTD.

HIGH POWER EQUIPMENT HPE AFRICA

SOOSAN

DOOSAN

EVERDIGM

EQUIPMENT AND SPARE PARTS

ESP

KIAN ANN ENGINEERING PTE LTD The Trusted Name In Heavy Machinery And Diesel Engine Parts A Member of Invicta Holdings Group

TCM FORKLIFT TRUCKS

Criterion Equipment

CAPITAL EQUIPMENT GROUP (CEG) (continued)

"The willingness and ability to evolve and adapt to the ever-changing market conditions, together with discipline, focus and good communication in the Capital Equipment Group, has assisted to maintain momentum and growth"

The Capital Equipment Group (CEG) has performed exceptionally well in difficult trading markets achieving a record operating profit.

- Revenue up 10.5%
- Operating profit up 29.8%
- Debtors well managed
- Margin management and cost containment
- Return on Capital employed up 21.2%
- Positive cash generation

Market conditions:

- Good rains in the last trading quarter
- Maize production in SA up 104%
- Maize prices down 34% on yellow and 58% on white maize
- Commodity prices low – mining production down
- Reduced level of investment in infrastructure by both private and public sectors
- Devaluation of the South African rand against the US$ has led to competitive pricing

Overall market demand for agricultural and construction equipment has declined in local and international markets, but despite negative market conditions, all CEG businesses have demonstrated improved results.

The results are very pleasing and have surpassed the board's expectations considering the current operating environment.

INTRODUCTION

The Capital Equipment Group (CEG) consists of local and international companies and divisions which operate in the supply of agricultural, construction and forklift equipment with a strong spare parts base. The South African division of CEG produced exceptional operating results considering the current state of the markets in which it trades. The performance of the international division, consisting of the companies which form part of Kian Ann, showed a pickup from the prior period especially in the last quarter of the year.

The CEG's overall revenue increased by 10.5% year-on-year to R4 955 billion. The strong results from the South African businesses were however limited by the lower growth in revenue recorded by Kian Ann.

Operating profit in the CEG segment increased by 29.8% to R470 million. The segment operating margin increased from 8.1% to 9.5% and return on capital employed increased from 16.6% to 21.1% in the period.

South African operations

In spite of continuous reduction in the volumes of units sold in each local sector due to external market factors such as drought, reduced government infrastructure spend and a 30% reduction in demand for forklifts over the last 24 months (with little indication of this trend reversing), market share gains across the CEG business have been achieved in each of the respective sectors. To ensure the continuous focus on maintaining momentum in the market, CEG's distribution footprint has also been increased further to allow access to a larger customer base, resulting in additional equipment sales and improved after sales support, which in turn has led to increased spare parts sales. In particular, the construction equipment businesses performed well in spite of deteriorating markets (decline in mining and construction), with Hyundai and CSE in particular, performing above expectations. In order to mitigate the decline in market demand, a heightened focus on parts, working capital and cost control was successfully adopted. Furthermore, the forklift business also performed above expectations, achieving its best operating profit since being acquired nine years ago.

Overall CEG's key fundamentals are to ensure that strong working capital discipline and stringent cost controls are maintained.

International operations

Kian Ann has shown positive growth despite the slowdown in resource and construction activity in South East Asia, with Singapore, Malaysia and Indonesia being hit the hardest. The business has had a revenue increase and managed to diversify its exposure to these markets in the past year by growing its revenue outside of South East Asia. Growth being achieved in Myanmar, India and the United Kingdom.

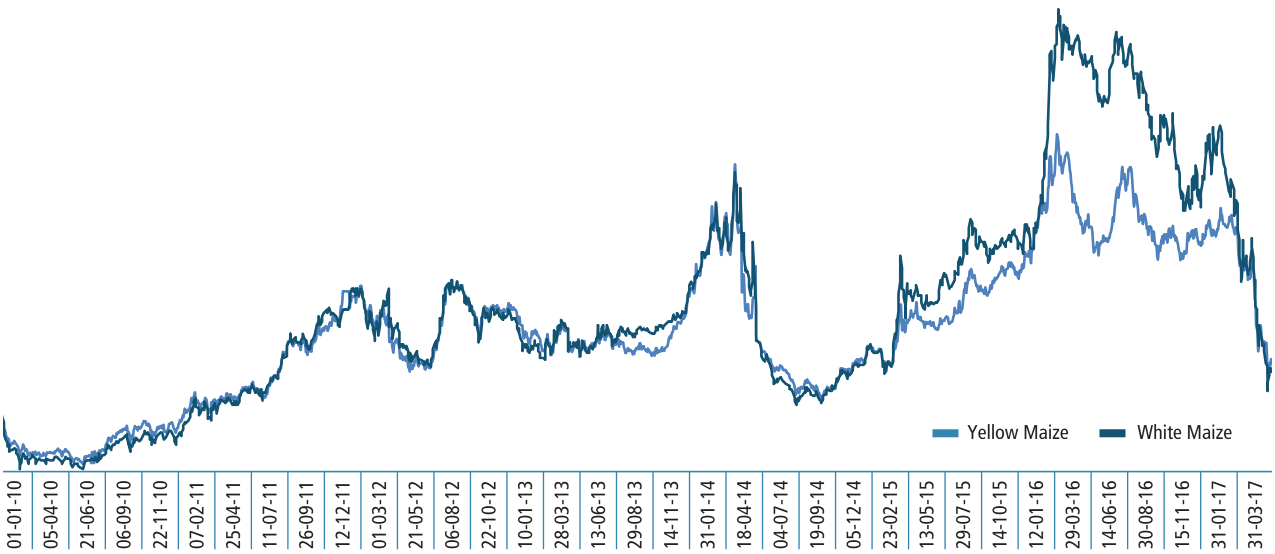
Furthermore, improved working capital management has allowed a further reduction in debt introduced into the business when it was acquired.

REVIEW OF OPERATIONS

Agriculture

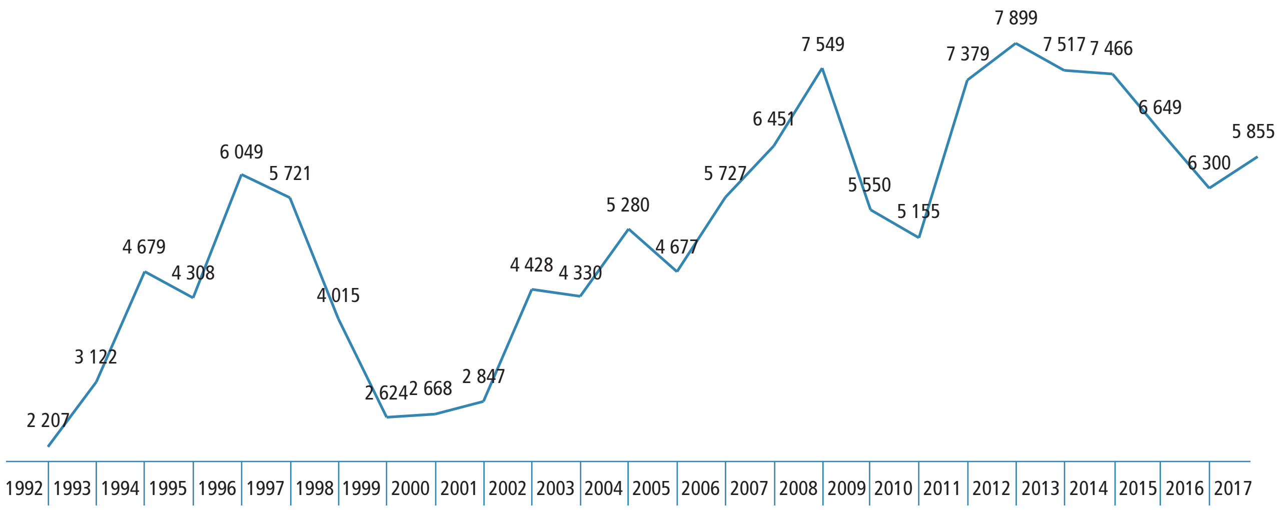
Despite continued drought in the western part of South Africa throughout 2016, the southern Cape and eastern parts of the country have enjoyed good rain falls, resulting in above average crop yields in these regions. Despite the soft commodity prices, business has remained buoyant leading to positive cash flows and demand for new agriculture equipment. In the last four months of trading, rain falls were wide spread which lifted the short-term outlook of farmers, resulting in increased demand for equipment. However, the maize price decreased substantially due to higher crop volume estimates (Yellow maize price decreased by 34% in 12 months). Fortunately, yields have subsequently increased but to insufficient levels to mitigate the decrease in price totally.

Maize Safex Prices April 2010 to end March 2017



Demand for agricultural tractors has declined by 9.7% during the year of trading with a shift toward higher kilowatt tractors. CEG has, however, gained significant market share in all tractor sectors with the exception only of the Orchard tractor sector.

Tractor unit sales total market (SA) – 1992 to 2016 (2017 estimate)



CAPITAL EQUIPMENT GROUP (CEG) (continued)

Northmec – CASEIH Agricultural Equipment

Northmec, the sole distributor of CaseIH agricultural equipment and many other well-known implement brands sourced from around the world, owns 13 retail outlets and also distributes through 43 wholesale outlets strategically located across South Africa to support key farming areas.

Considering the current market conditions in which Northmec trades, this division has had an exceptional year, with turnover increasing and operating profit exceeding the prior years' results. Operating margin has increased and tractor market share has nearly doubled for the year under review.

To ensure increased focus on the CaseIH brand, some distributors were strategically repositioned and new ones appointed. This meant the distribution foot print was increased providing better coverage and support for farmers. A new 5 500m^2 assembly plant will be ready for occupation mid-June 2017 improving the infrastructure for the expected growth of Northmec in the future.

The restructuring process undertaken, which also included the hiring of additional staff, created an improved base for growth which is evident in the results achieved during the year under review. Spare parts sales also increased contributing to a strong divisional overhead absorption rate.

Continuous support from CNH (the factory which manufactures the equipment) during the year has made a significant difference to the improvement of the supply of equipment, competitiveness of the product and access to low kilowatt tractors – providing access to segments of the market previously inaccessible, to assist in increasing market share.

New Holland Agricultural Equipment

New Holland South Africa (New Holland SA) has been the sole distributor of the New Holland brand of agricultural equipment, distributed through a network of over 80 wholesale outlets throughout the country.

Good performance from New Holland, meant it achieving similar turnover results as the previous trading period, with operating profit increasing by 21.2%. Competitive pricing and fore*x* management resulted in market share growth and the best financial results since this company was acquired 11 years ago. Improved inventory management and a dedicated focus on a single brand distribution network has contributed to this division's good performance. New Holland SA boasts a strong overhead absorption rate, with strong spare parts sales.

In January 2017, New Holland SA was informed by CNH that they have decided to enter the South African market directly to distribute the New Holland product. A 12-month notice period was provided.

Although New Holland SA will lose access to the equipment sales segment, the company still has a major share of the parts market in the country, thus efforts will be concentrated on building the aftermarket side of the business. Sadly, a total of 14 staff members will be retrenched due to the termination of the distribution agreement by CNH.

Management would like to thank all the staff of New Holland SA who contributed to the growth and success of the business since it was acquired 11 years ago.

Landboupart – After Market Agricultural Equipment Spare Parts

Landboupart, an importer of alternative spare parts for agricultural equipment has had another good year, growing significantly during the year under review.

CEG management looks forward to growing this business and further strategic plans include entering the e-commerce market.

Construction

There has been a significant reduction in demand in all sectors of construction equipment over the last 2.5 years with the exception of Articulated Dump Trucks (ADT's) and Excavators.

The weakening demand trend has been reflected in the construction and mining sector in the current reporting period due to reduced levels of government investment in infrastructure and depressed mineral prices. A large percentage of working equipment is standing idle resulting in reduced demand for spare parts and forcing plant hire rates below breakeven levels.

The significant drop in total unit demand in the sectors in which CEG construction divisions operate, resulted in the recording of an overall market decline of 16% over the last trading year. Despite this, all the divisions are profitable with strong cash flows.

Flexibility in each division due to their strong spare parts base, enables management to ensure continuous momentum is maintained by focusing on successfully getting units out in the market and by doing so, increasing market share in a declining market.

Case Construction Equipment (CSE), CASE Construction, Jacobsen/Ransomes Turf Equipment and Cartcom

Case Construction Equipment (CSE) has had a difficult trading year, however despite turnover being down, operating profit has increased. The market volumes of units in the segments in which CSE trades have declined over the last two years as follows - Loader Backhoes (TLB's) were down 37.3%, Skidsteers 35.8%, Excavators 24% and Front End Loaders 14.9%. There did not appear to be an improvement in these conditions in the first quarter of 2017, however the division is well prepared to weather the difficult markets ahead and continues to gain market share.

Parts performance remained strong, however a decline in workshop performance was visible, attributed to a large percentage of construction equipment standing idle.

The performance of the Jacobsen Turf division has improved in a market where golf courses are extending the life of their fleets resulting in an increase in the demand for spare parts. Turf contractors are recycling second hand machines rather than buying new machines. CSE continues to actively focus on its Jacobsen brand, increasing its market share in the golf course maintenance equipment sector.

Cartcom (golf cart rental company), performed within expectations and continues to generate strong cash flow. Management continues to wind down long-term rentals with the intention of eventually trading out of this business.

HPE – Hyundai Excavators, Loaders and Loader Backhoes

HPE has a distribution network through three owned branches and five independent distributors.

HPE has performed exceptionally well in difficult markets after a period of rebuilding the company and establishing a strong foundation for future growth with both sales and operating profit improving. There has been marked improvements in all areas of the business with spare parts sales increasing substantially, workshops going from a loss to a healthy profit and machine sales resulting in market share gains.

Management is confident that HPE is well placed to continue to make a positive contribution to CEG in the future. HPE generates positive cash flow through effective stock management. In order to provide customers with availability and competitive spare parts, further financial investment has been made to increase parts coverage. Cost control and improving market share are a priority in the coming year.

Doosan SA Excavators and Loaders

Doosan has a distribution network in South Africa of three owned retail branches and five independent wholesale distributors. The current year under review produced disappointing financial results.

The major challenge has been to compete in a declining market. The focus has thus been to maintain momentum in equipment unit sales by sacrificing margins and providing customers with high levels of after sales support. Further support from the factory has also assisted.

Doosan SA has a very strong spare parts base which provides support to the rest of the business.

Forklifts

Criterion Equipment – TCM forklift trucks

Criterion Equipment (Criterion) is the sole distributor of TCM forklift trucks in southern Africa, imported directly from China and Japan. Criterion distributes the TCM product through seven of its owned branches.

Major changes have been experienced in the forklift supplier landscape during the year under review. Overall industry volumes dropped significantly when compared to the previous year of trading, with the total number of imported units recorded at approximately 6 000 units for the year, a decrease of 17.7%. The aggregate decrease over the last two years stands at 33%.

Despite this decline, Criterion has gained market share and traded relatively well in these conditions, achieving its best operating profit, which is in stark contrast to the state of other companies in this sector in South Africa.

In spite of the challenges faced by the industry, an increase in the demand for short-term rentals has assisted to improve the financial performance of this business. Criterion continues to provide a meaningful contribution to CEG and will be adding more products in the future to improve market penetration.

Parts aftermarket

The spare parts divisions of CEG have performed exceptionally well, contributing significantly to gross profit. Margins have been maintained and the agricultural segment has further expanded through diversification into other product lines.

Equipment Spare Parts (ESP)

Strong sales growth performances from the various product lines enabled ESP to finish the year with satisfactory overall results. Profits were boosted through good margin management and cost control.

The supply to the construction market sector performed well. However, on the downside the mining sector was affected by a downturn in the sales into Africa, with the Western Cape and KwaZulu-Natal sales regions enjoyed relatively positive sales buoyancy throughout the year.

Once again ESP ended the year with strong results.

Kian Ann – After-market, Construction, Undercarriage and related spare parts

Kian Ann trades globally and is rated as one of the leading suppliers of undercarriage, ground engaging tools and truck spare parts in the world, with a strong presence in the South East Asian markets.

Although trading has been difficult, there are signs of improvement in the Asian markets. A focus on countries outside of the South-East Asia region has proved to be successful. Kian Ann adapted well to the market conditions by achieving a respectable operating profit with efficient cash generation, and good cost, inventory and debtors control.

Kian Ann management will continue to look for opportunities in other markets outside of South East Asia to build the business and has acquired a controlling interest in its UK based company Steve Woods Ltd, as well as a minority interest in an undercarriage roller company in China – further improving its distribution network and sourcing base.

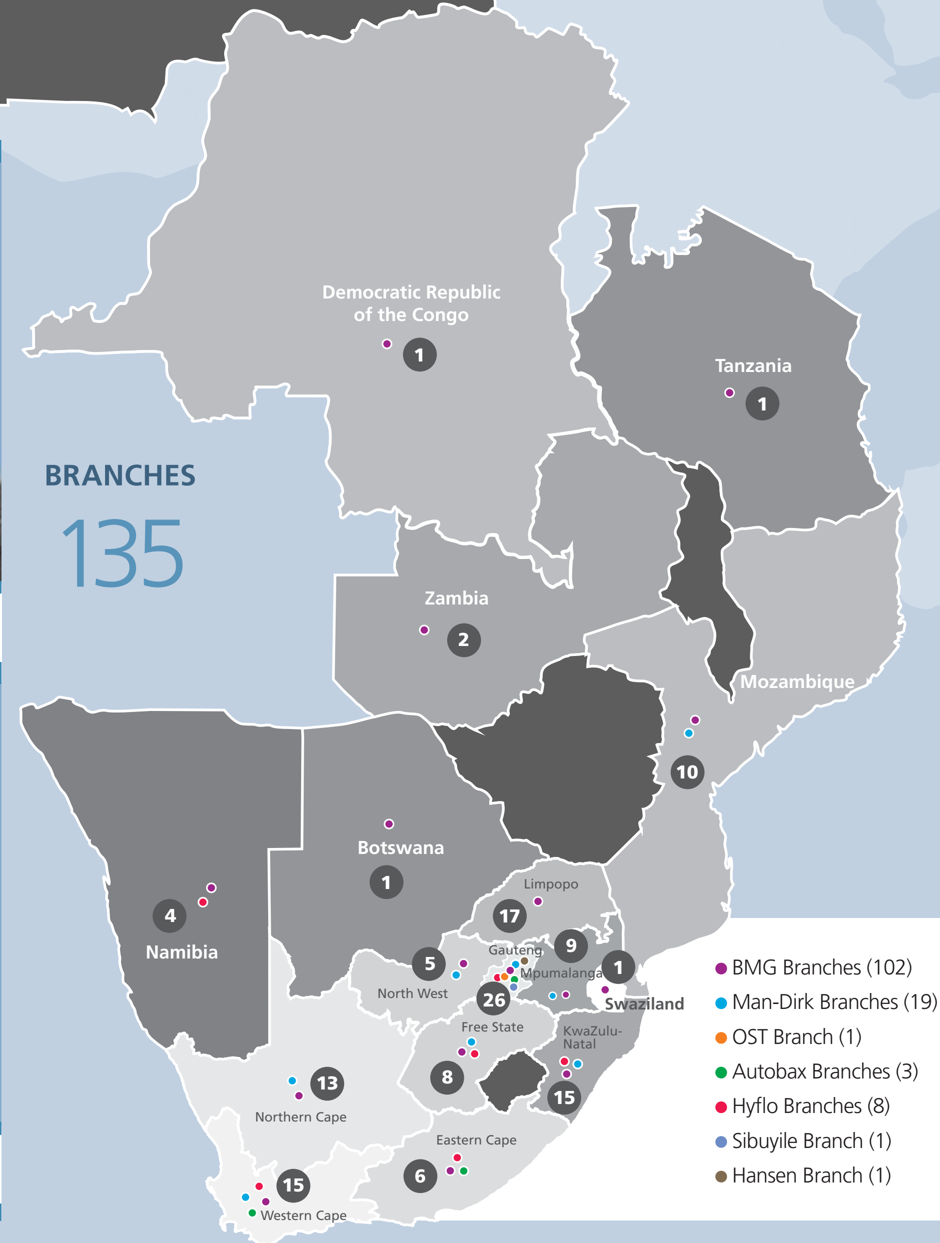
PROSPECTS

The results for the financial year under review are well above expectations and the aim in the next trading year, is to continue to adapt to the market changes:

- Take advantage of potential opportunities for acquisitions
- Improve unit sales
- Continue to build a strong spare-parts base

The financial and structural bases of all the companies in the Capital Equipment Group are sound and management look forward to another successful year going forward.

ENGINEERING SOLUTIONS GROUP (ESG)

BRANCHES

135

Gavin Pelser
(MD – BMG)

Bennie Groenewald
(CFO – BMG)

BMG				SUBSIDIARIES	
BEARINGS	**SEALS**	**POWER TRANSMISSION**	**TOOLS AND FASTENERS**	**MANDIRK**	**AUTOBAX**
NTN-SNR	Hallite	Fenner	Nord-Lock	Sibuyile	Timken
NSK-RHP	Leader	Kabelschlepp	CRC	Metabo	STC Shimizu
IKO	Garlock	Esco	Klingspor	Master Lock	Gates
Timken	TTO	Gates	IRtek	Gedore	Europart
Rollway	Trelleborg	Vulkan Drive Tech	Huck	Fluke	DLZ
Rollix	Loctite	Falk	Bosch	Somta	uniclips.com
HKT	Spanjaard	Tsubaki	Gedore	Pferd	
Total	Phoenix Technology	BTC	Thome + Schwind		
FSQ	Flexoid	Hutchinson			
BTC					
STAF					

DRIVES AND MOTORS	**MATERIALS HANDLING**	**FLUID TECHNOLOGY**	**TECHNICAL RESOURCES**	**HYFLO**	**HANSEN INDUSTRIAL GEARBOXES**
Varvel	System Plast	Festo	SPM	Eaton	OST Africa
Sumitomo Drive Technologies	uni chains	Kawasaki Staffa	Rayshim	Festo	SD Technologies
Nord Drivesystems	4B	Enerpac	IRtek	Voss	
BMG Motoline	Belting Solutions	InterApp	Easy-Laser	Rexroth Bosch Group	
Hansen	MLT	Klep Valve Solutions		Parker	
Danfoss	Ammeraal Beltech	Omsa		Stauff	
Zollern Dorstener		Eaton			
		Parker			

ENGINEERING SOLUTIONS GROUP (ESG) (continued)

- Results are very encouraging considering the geographic relocation of a number of businesses and divisions, including the relocation of the BMG finance team from Durban to BMG World in Johannesburg
- Revenue up 9%
- Operating profit up 18%
- Gross margin down due to product mix and volatility of the South African Rand
- No acquisitions during this financial year
- Strategic disposal of Wegezi
- Nearing completion of the upgrade of the BMG World in Johannesburg
- Relocation to BMG World completed

INTRODUCTION

The 2017 financial year continued to be an extremely tough year for the Engineering Solutions Group (ESG) with the continued lack of any new major projects or expansions. The welcomed rain in certain regions in South Africa, however, assisted the agricultural business within ESG. The year was spent on ESG's "Simplify for Success" initiative and the bedding down of BMG World.

The restructure and integration of the three strategic acquisitions concluded in 2016 were successfully completed.

FINANCIAL REVIEW

Improved trading conditions and tight cost management enabled ESG to deliver significantly better results. Commodity prices recovered to some extent although were fairly volatile. The drought in the Northern and Central regions of the country was largely alleviated, allowing the agricultural sector to recover. Heavy industry continued to be impacted by strong headwinds, with sales to customers reflected by these conditions.

Revenues increased by 9% to R4.7 billion (2016: R4.3 billion). No acquisitions were made during the year under review. The disposal of Wegezi (an electric motor rewinder and transformer business) reduced revenue growth by 4%. Margins were consistent overall, but in the core BMG business, margins suffered due to change in sales mix and competitive pressures. Costs increased at levels substantially below inflation due to tight management and ongoing rationalisation of central costs. Operating margins increased to 10% (2016: 9%) as a consequence.

Ensuring unrivalled levels of stock availability remains a strategic differentiator, however the constrained economic environment in the previous financial year caused inventory levels to exceed desired cover targets at the commencement of the current financial year. Management interventions and improved sales have restored inventory levels to desired levels. The debtor's book continues to be well managed despite increased pressure from large customers for extended terms. Debtors where exposure exceeds R250 000, continue to be insured.

Net operational assets increased to R2.0 billion (2016: R1.9 billion). Return on net segment assets increased to 24.1% (2016: 21.8%).

BMG

Through the "Simplify for Success" initiative to consolidate our business at BMG to "One Company, One Vision, One Strategy, One Site and One Route to market", all 16 product divisions now form part of our offering. These 16 product divisions are sold via our extensive branch network throughout Africa.

The following product divisions showed year-on-year growth through very challenging market conditions:

- Bearings
- Drive belts
- Ironware
- Geared motors
- Gasket
- Electronics
- Seals
- Belting light
- Belting heavy duty
- Fluidtech
- Tools and equipment
- Field service

With the instability of the South African Rand, price adjustments were minimised throughout the 2016/17 financial year.

BMG was successful on the limited projects that were awarded. The major growth, however, has come from market share gains.

BMG remains ESG's largest business. Focus will remain on our Bolt-On strategy to sell ESG's total offering to customers ensuring that the company adds value by being a part of every process.

BMG exited its La Lucia property relocating all head office and warehouse operations to BMG World in Johannesburg. All relocations have been completed, along with the consolidation of the Fluidtech business nationally. Hansen Transmissions SA has also moved into the BMG World Engineering facility.

BMG's Regional Service Centre roll out is progressing well, with KwaZulu-Natal, Mpumalanga and Cape Town completed. Port Elizabeth is scheduled to be completed in the first half of 2017/18.

BMG Africa operations

The BMG DRC operation (based in Lubumbashi) has had its first full financial year of trading with many challenges, however, these have now all been resolved. Growth in market share is on the horizon. BMG Tanzania (based in Mwanza) has had a difficult year with the downturn in the commodities markets. BMG Ghana (based in Tema) is set to open in July 2017.

Focus is to grow our markets in Africa to 30% of our business by 2022 (currently 13%).

Man-Dirk Group

Man-Dirk, the tool and equipment business, performed well in the year across all sectors in which it operates.

Recent acquisitions continued to perform above expectations and have integrated well into the existing business and footprint. The acquisitions further enhanced Man-Dirk's considerable buying power and routes to market.

Man-Dirk experienced a smooth leadership transition in the second half of the year when a new managing director was appointed to replace the outgoing incumbent, who retired in December 2016. A new financial director was appointed to replace the outgoing incumbent who was transferred as chief financial officer to BMG.

Autobax

Autobax has once again delivered a very pleasing performance. Under new management, the team has settled in very well and are now an integrated cohesive entity.

The company has invested strongly to upgrade their IT system including also their stock profile position. This investment will enable Autobax to continue providing world class service to all their customers.

The Autobax head office is now based in Johannesburg, where the core of the business is situated.

Market conditions continue to remain challenging as new competitors enter the arena, coupled by the volatile exchange rate. Despite this, Autobax has a clear strategy of "One Team, One Vision" in place and is set to return another good performance for the coming year.

Hyflo Group

While sales revenue was slightly down compared to the prior reporting period, Hyflo Southern Africa delivered a significantly improved bottom-line performance in line with expectation. This was primarily driven by increased component sales, overhead cost reductions, operational improvements and overall profitability. The disruptive impact of integration into ESG, including changes within the management team, has now been overcome.

A major export project in the oil and gas sector has been secured and is expected to open future opportunities in this market segment, especially as the oil price slowly recovers. The outlook for the next financial year is conservative and in line with a subdued South African economy. Focus will be on increasing market share for both component and project sales in selected core segments.

Hyflo Namibia continued to perform below expectations, however, with early signs of an economic recovery in the region, an improved set of results is expected in the year ahead. A new sales branch in Walvis Bay is earmarked in the new financial year to exploit opportunities in oil, gas, marine and mining market segments.

Hansen Transmissions SA

The Hansen acquisition has been successfully integrated into the BMG Engineering facility at BMG World. The business is continuing to operate as Hansen Transmissions SA, servicing existing and new contracts throughout Africa.

The business has performed well in line with expectations, with a large focus on repairs to original equipment specifications.

STRATEGIC DEVELOPMENTS

- Acquisitions

  There were no acquisitions for the period under review. Focus was to solidify and integrate all existing businesses within ESG.

- Simplify for Success (S4S)

  The S4S initiative launched in 2014 will be completed in September 2017.

  The final project to be completed is the implementation of the Warehouse Management System that is progressing on schedule.

  ESG will continue with the rollout of this initiative in regions throughout Africa.

- BMG World Upgrade

  The BMG World upgrade is complete. The final phase was seeing the relocation of the BMG finance team from La Lucia to BMG World in December 2016.

  The BMG World official opening is scheduled for September 2017.

- Outlook

  Due to the continued volatility of the exchange rate, the weak commodity prices and political challenges, we expect the year ahead to be very challenging.

  Within ESG though, the year will yield significant savings and operational efficiencies stemming from our "Simplify for Success" initiative (S4S) and the consolidation of BMG World. We expect additional cost savings from the consolidation in regional areas with the roll out of our national regional service centres.

Focus will be on our Bolt-On strategy to supply our full product and service offering to our customers, adding value to their business by being a part of their process.

In addition, our focal point and investment will be to achieve our 2022 strategy aimed at achieving 30% of our business from outside of South Africa's borders.

We will continue to evaluate strategic value adding acquisitions which will increase our 360 degree offering and value-add to our customers.

These factors and initiatives will contribute to a positive result for the coming year.

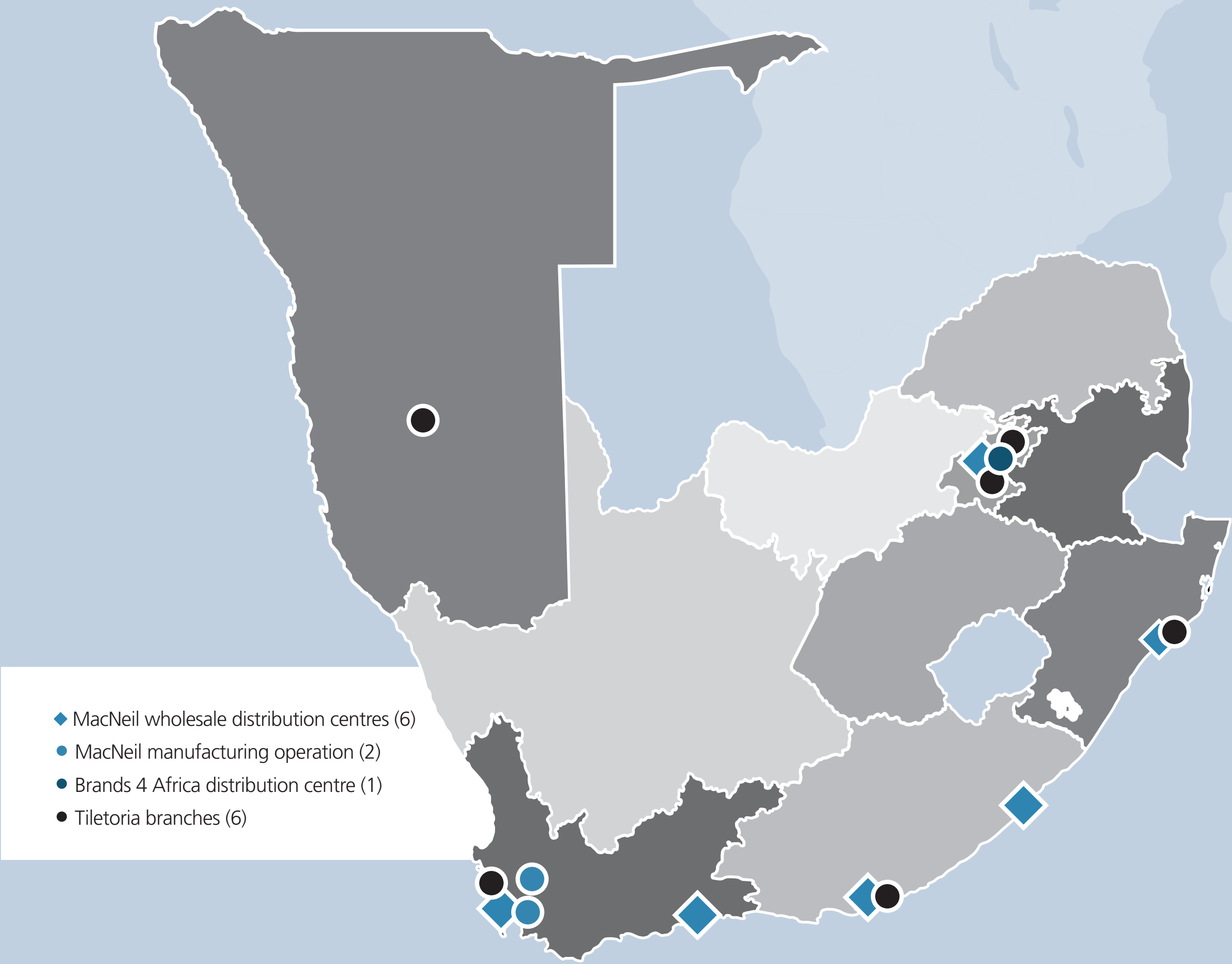
BUILDING SUPPLY GROUP (BSG)

Neil Malherbe
(CEO)

Kevin Diab
(CFO)

BRANCHES
15

PROVINCES
5



MACNEIL (Pty) Ltd

A reputable manufacturer, wholesaler and distributor of building supplies into South Africa and neighbouring countries

BATHROOMWARE	PLUMBING	FLOORING
Aqua D'or Shower Doors BIJIOU Solo Sanitary Ware triumph taps	AQUAMAC HDPE compression fittings GALMAC galvanised fittings MACNEIL PLASTICS (Pty) Ltd PVC Pipefit Engineering (Pty) Ltd TECE Intelligent housing technology triumph selection	KRONOTEX Floors for living DESIGN FLOORS Original Külberit since 1863

TIMBER	IRONMONGERY	EXPORT
MACNEIL DOOR & TIMBER	DCLSA	Brands 4 Africa

HARDWARE		
MASON EST 2016		ONE OWL ENTERPRISES The Wise Choice LODGE STOCK & BARREL "Suppliers of Everything Under the African Sun"

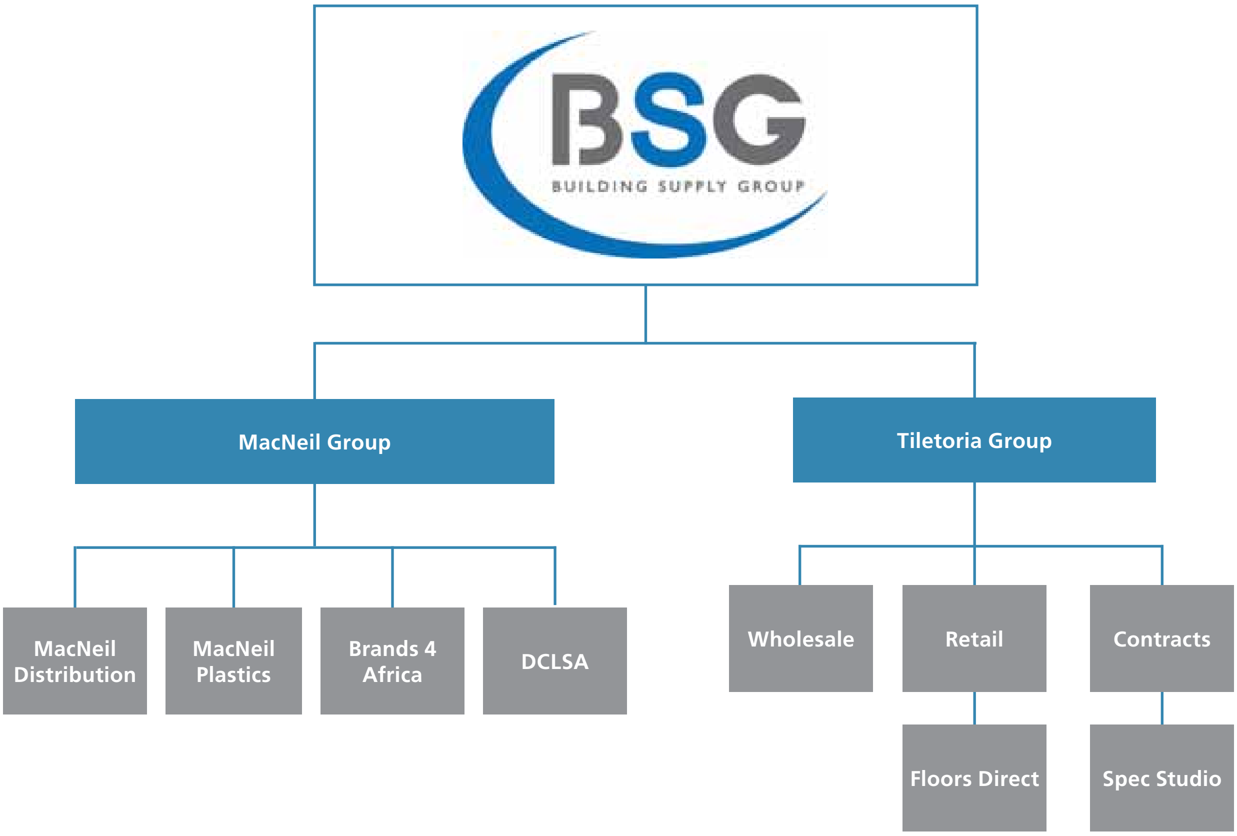
tiletoria

Tiletoria, one of the biggest independent tile distributors in the Western Cape with showrooms and warehouse in Cape Town, Johannesburg, Durban, Port Elizabeth and Namibia

Nature's Floor Vinyl Flooring · Crystalla Bathroomware · Kwela Tile Designs (Pty) Ltd · Bathroom Butler · isca taps · RAKO · GROHE · FRANKE · Douglas Jones the tile décor collection · tal · Cristacer · carlisle laminated wooden flooring

BUILDING SUPPLY GROUP (BSG) (continued)

BSG GROUP STRUCTURE



Building Supply Group (BSG) is the holding company of the MacNeil Group and the Tiletoria Group of companies. BSG operates from over 130 000m² of distribution facilities, employs in excess of 1 200 staff both nationally and internationally, imports in excess of 4 000 containers of building material products annually and exports in excess of 2 500 containers annually. BSG has its own in-house procurement facilities in Malaysia, China, South America and Mauritius. BSG's distribution abilities throughout South Africa and sub-Saharan Africa are a major strength, as all vehicles and distribution centres are controlled and owned by BSG. Consistency and reliability is a core focus of BSG. With its own in-house freight and logistics operations, BSG provides a full turnkey solution as it relates to the supply of building materials worldwide. BSG provides daily delivery service through "Brands 4 Africa", BSG's African export business, to a number of cross border countries including Namibia, Botswana, Zimbabwe, Zambia, DRC and Mozambique.

MacNeil Group

The MacNeil Group is in its fourth full year of trading since Invicta acquired a 60% stake in BSG.

Trading conditions have remained challenging throughout the sector for the period under review, coupled by the volatility in the currency and unstable commodity prices. The labour market has, however, remained stable throughout the year as well as the power supply from Eskom, which has had a positive impact on all business units within BSG, especially MacNeil Plastics and the PVC Pipefit Engineering manufacturing plants situated in Cape Town.

Government and infrastructure spend has remained at an all-time low, however, there have been signs of increased activity for the year ahead. Water, sanitation and sewerage requirements throughout the country are high on government's agenda, which will have a positive impact on BSG's manufacturing business for the coming year. BSG's coastal operations had their best performances to date, with increased construction activity due to the ever-increasing demand from both local and international investors for coastal properties. Property prices in the Western Cape have increased dramatically, spurring people to spend upwards, creating demand for high end products.

Despite the challenging environment in which the MacNeil Group has traded during the period under review, management have produced an excellent result on all fronts. Management have and will remain focused on stock control, cash generation, debt reduction and head count.

MacNeil's new facility in Durban has been bedded down and in full operation. The construction of a new 19 000m² distribution facility in Samrand (Johannesburg) is approximately eight months away from completion. The new Samrand facility will more than double the size of MacNeil's operational space for both its domestic Johannesburg operation as well as its African export business. The Samrand facility will bring about significant operational and supply chain efficiencies in line with management's ambition to double the size of MacNeil's Gauteng business by 2020.

MacNeil Distribution

MacNeil Distribution distributes, imports and exports a wide variety of well-established local and international branded building material products throughout South Africa and Africa. It supplies and services a wide customer base of building material retailers both independent and corporate through its national distribution foot print. MacNeil Distribution services its market with over 6 000 products from over 15 different countries.

MacNeil Plastics

MacNeil Plastics manufactures a comprehensive range of SARB, SATAS and ISO plastic pipes and fittings for the civil, mining, irrigation, plumbing and industrial markets. The plant operates 24 hours a day, 340 days a year, producing 15 000 tons of finished product annually and employing 300 employees at its manufacturing facilities.

Brands 4 Africa

Brands 4 Africa is a dedicated African export division with a unique seamless solution for taking building materials across border from South Africa. The Brands 4 Africa business has been in operation for over 25 years and has built up a strong loyal client base across many African countries.

DCLSA

DCLSA is a specialist ironmongery business (Doors, Closures and Locks South Africa). DCLSA imports, packages and distributes a large variety of quality SABS locks, handles, hinges and door closures to the hardware and retail industries.

Tiletoria Group

Tiletoria was established in 1995 as a flooring specialist in the Western Cape. In 2007, Invicta acquired a controlling stake in Tiletoria, following which the Tiletoria Group has since seen significant growth over the past nine years.

Tiletoria has cemented itself as one of the largest flooring solution businesses in South Africa with five major outlets in Cape Town, Johannesburg, Durban, Port Elizabeth and Namibia. A new specification store (Spec Studio) in Johannesburg was launched in April 2016. Tiletoria is confident that the Spec Studio will enhance its value-added service to customers. Tiletoria has also opened its new retail store in Umhlanga, which branch is operating well and focusing on the high end market.

The Tiletoria Group's extensive product offering, which includes ceramic and porcelain tiles, laminated flooring, vinyl flooring, engineered flooring, bathroom accessories, sanitary ware, showers and an extensive tap range, are readily available nationally throughout South Africa.

Tiletoria management has also undertaken a rebranding strategy over the past year which has been very successful. Substantial investment has been made upgrading all show rooms nationally. Tiletoria has a very clear target market in the middle to upper sector and aforementioned initiatives have vastly improved its performance over the past year.

The financial performance of the Tiletoria Group has been encouraging in a difficult economic environment.

The Tiletoria Group has established a good platform for 2018. Its new 11 000m^2 facility is under construction in Johannesburg, Malibongwe Drive, which will greatly enhance its retail footprint in a very key market.

BSG OUTLOOK

The MacNeil Group has now bedded down all its operations. Major focus will be on procurement to enhance margins in the challenging retail environment.

MacNeil Plastics is well positioned to improve its performance in the year ahead, with volumes increasing, labour and power now stabilised and a strong order book in place.

Tiletoria Group operations are well positioned in the current market. Stronger margins are expected to materialise through increased retail business, with Floors Direct increasing its footprint in Gauteng with installed flooring solutions seen as a growth area.

A combination of volatility, rand weakness, low commodity prices, and an increase in interest rates, however, all point to trading conditions remaining challenging for BSG for the year ahead.

SUSTAINABILITY REPORT

INVICTA GROUP SUSTAINABILITY HIGHLIGHTS FY2017

TOTAL EMPLOYEES
+/- 4 872

PERCENTAGE EMPLOYEES HDSA (GROUP AVERAGE)
44.8%

PERCENTAGE WOMEN EMPLOYEES (GROUP AVERAGE)
30.1%

EMPLOYEES TRAINED
2 564

TRAINING SPEND
R10.7 MILLION

COMPENSATION PAID (INCL. SALARIES, WAGES AND BENEFITS)
R757.2 MILLION

CSI/SED (SOCIO-ECONOMIC DEVELOPMENT) SPEND
R5.8 MILLION

CSI/SED SPEND ON EDUCATION
R4.5 MILLION

CSI/SED SPEND ON SKILLS DEVELOPMENT (Incl. ABET)
R267 000

PERCENTAGE PERMANENT EMPLOYEES
98.5%

*Excluding Kian Ann Group

HDSA PROCUREMENT SPEND
R149.8 MILLION

HUMULANI EMPOWERMENT TRUST
R11.9 MILLION

INTRODUCTION

As a responsible corporate citizen, Invicta recognises the importance of building and sustaining long-term reciprocal relationships with its stakeholders. Our sustainable growth depends on developing and maintaining strong partnerships with all of our stakeholders, who include customers, suppliers, employees, shareholders, banks, communities, governments and regulators.

Invicta is committed to creating long-term value for its stakeholders by embracing business opportunities, managing risk and providing sustainable businesses on an integrated approach to the communities in which it operates.

As the bulk of the Group's businesses involves the importing, distribution and sale of products, excluding only the engineering division of BMG and manufacturing undertaken in the BSG plastic factory, the Group's operations generally have a low impact on the environment. The Group is, however, mindful of the effects of climate change and environmental degradation and continues to search and where feasible, implement measures to mitigate the direct impact that Invicta's operations may have on the economic, social and environmental issues relevant to its business.

As detailed under the corporate governance section of this report, the Social and Ethics Committee assists the board with its responsibility towards sustainability with regard to practices that are consistent with good corporate citizenship, including also specifically the responsibilities detailed in the Companies Act (2008) relating to the Company's standing in terms of the United Nations Global Compact Principles, the OECD recommendations concerning corruption, the contribution to development within our communities, labour, employment, the environment, health and public safety.

Invicta's commitment to sustainability includes the following objectives across the Group:

- Acting in the best interest of Group principals, by representing them in a manner which brings credit to their products and brands;
- Ensuring that customers receive an integrated and environmentally sound solution, that meets their specific needs.
- Continuing to search for more efficient and productive products, and through its various operations, continues to develop these with its various principals around the world to offer more efficient solutions to the market.
- Delivering sustainable returns to shareholders by conducting business ethically.
- Continuing to measure expenditure on non-renewable resources and to eliminate any unnecessary or inefficient processes – the primary areas of consumption in the Group continue to be transport, fuel and electricity, accordingly the Group continually focuses on optimising and consolidating its warehouse locations and inventory holdings in a bid to minimise transport costs and fuel consumption.
- Promoting equal employment opportunities.
- Implementing and maintaining sound employment practices.
- Promoting improved opportunities for education through employment initiatives, the main thrust of the Group's corporate social investment.
- Providing employees with a safe working environment and encouraging a culture which allows them to achieve optimally and have a fulfilling career.
- Pioneering black economic empowerment initiatives and involving local communities in projects where possible across the Group.
- Promoting an entrepreneurial culture with well thought-out investment propositions; and
- Commitment to sound governance principles.

TRAINING, EDUCATION AND DEVELOPMENT OF EMPLOYEES

The Group's philosophy on training the right employee at the right time, provides returns not only for the employee, but also for the Company in increased productivity, knowledge, loyalty and contribution to the Group. Ongoing training and skills development also forms the basis of transformation and is an imperative for the Company to develop a competitive edge. In order to create this passion amongst Group's staff, Invicta assists employees to reach their full potential through ongoing training and development.

The Engineering Solutions Group (ESG) is a fully accredited merSeta training provider upskilling fitters utilising the learnership route. They also have workplace approval to train millwright apprentices. These trades ensure all technical and sales staff have the necessary technical foundation to deliver on their customer's needs. Specific sales training is rolled out nationwide by internal SME's. The e-learning portal was upgraded during the prior year to deliver on the growing training demands of the organisation. All staff are given the opportunity to enhance their product and computer skills via e-learning. Legislated training remains a priority for OHS/ISO requirements. Soft skills and management training is part of ESG's belief in life-long learning and includes having training opportunities available for career progression in the organisation.

Over the last four-year period, the Capital Equipment Group (CEG) has similarly invested in uplifting skills of their whole goods and parts sales and support employees and continues to focus on the grooming of qualified apprentices in various trades. CEG provides a broad range of initiatives, including technical, management and sales training, including also softer skills programmes, with technical courses being delivered via e-learning. E-learning provides the major benefit of being practical and flexible. Employees can log onto the system when practical to do so whilst learning can be applied immediately and shared with colleagues. In addition, e-learning also enhances much needed computer skills. All theoretical training is followed by practical training sessions delivered by the Group's various technical and other divisional resources available.

As part of the Company's holistic approach to employee development, the Group also offers educational assistance to employees who wish to further their own qualifications on a part-time basis, to complete courses that are relevant to their employment.

CSI PROJECTS – TRAINING, EDUCATION AND TECHNICAL SKILLS DEVELOPMENT

As a responsible South African citizen, the Group has focused on aligning its CSI spend with its core business objectives, thus allowing for true partnerships with its beneficiaries, the government and NGOs, in order to bring about long term, sustainable change and development for the benefit of all. The Group carefully selects initiatives that will have the maximum impact on basic needs of South Africans and, where an immediate need arises, it additionally undertakes *ad hoc* projects to address specific issues.

SUSTAINABILITY REPORT (continued)

The Group is also committed to partnering with projects that are focused on developing technical skills as a requirement for its Group business, and also for the country and the economy as a whole. During the 2017 financial year, the following external training, education and skills development initiatives were supported by the Group:

University of Pretoria – Tertiary education bursary granted by CEG to Shane Robbins (Department of Mechanical and Aeronautical Engineering)

Shane Robbins – Summary and Journey with CEG

"My name is Shane Robbins and I recently graduated with a Bachelor of Engineering in Mechanical Engineering with distinction as a CEG bursary student. I am currently pursuing my honours degree in the same field where I plan to continue by obtaining my master's degree.

My first encounter with CEG was near the end of my matric year at Jeppe High School for Boys when I was given the opportunity to interview as a prospective bursary student. From the moment I was introduced to associates of the CEG group, I was treated with courtesy and professionalism yet at the same time with kindness, a sense of approachability and the intent to give me a chance to hear who I was and what I was about. In the same interview, I was awarded the bursary which has had a monumental impact on me in terms of the support I have received, not only financially but also intellectually.

In my second and third years of study, I was awarded certificates of academic excellence from the Department of Mechanical and Aeronautical Engineering as well as receiving an invite to join the Golden Key International Honours Society who recognise academically strong students. In my final year at the end of 2016, I completed my degree with distinction. CEG assisted me over the duration of this period by helping me make decisions as I progressed as well as accommodating many of the expenses involved in the process.

For all that CEG has afforded me I am truly grateful as I believe that I may not have been able to obtain the accolades I have received and achieve the goals I have set for myself in the same manner. The bursary and the opportunity I was offered by the CEG group made my academic journey smoother and presented paths along the way that I could take with relative ease."

PROTEC – Preparing learners for successful careers in mathematics, science, technology and engineering

PROTEC was started in Soweto 25 years ago to assist school learners in previously disadvantaged communities to prepare for and successfully embark on careers in mathematics, science, technology and engineering, key focus areas for ESG's business. ESG/BMG has a long-standing relationship with the PROTEC organisation, which is the main beneficiary of its CSI budget.

Research results clearly indicate that the PROTEC branches are having a positive impact on the academic performance of beneficiaries from historically disadvantaged communities. During 2016/2017, the PROTEC grade 12 learners at branch level achieved a 100% pass rate and 418 distinctions were achieved by the matric class of 2016.

ESG/BMG has been a long-term supporter of the PROTEC branches in Tongaat and Inanda, Ntuzuma and KwaMashu in KwaZulu-Natal and have extended the ESG group's commitment to PROTEC by partnering PROTEC projects in Carletonville, Steelpoort and Rustenburg. The PROTEC projects with BMG are flagship projects for PROTEC as they were among those that produced the best matric results ever. Amongst these learners was a particular learner from Carletonville who achieved seven distinctions. Several of these students have made it into the ESG/BMG trainee programme which is a clear indication of the success of this CSI programme, in that it goes full circle with the ability to feed into ESG/BMG's business or that of its customers.

BMG Transformation manager Mbali Tshabalala with Sinethemba Dhlamini from PROTEC Tongaat, accepting her award for overall top achiever in grade 12 in her branch. Sinethemba was subsequently awarded a bursary from Sasol to study chemical engineering during 2017

PROTEC Tongaat students in their t-shirts donated by ESG/BMG

BURSARIES GRANTED DURING FY2017

SA College High School (SACS) – High School Scholarship	Yanga Tolashe – Grade 12
Kearsney College – High School Scholarship	Qiniso Xulu – Grade 09
Kearsney College – High School Scholarship	Clint Cele – Grade 11
Cornwall Hill College – High School Scholarship	Lethu Mahlawe – Grade 10
	Kutlwano Molapo – Grade 12
	Sibusiso Maseko – Grade 11

EMPLOYMENT EQUITY

Invicta and the Group are committed to providing an employment culture that is inclusive to all. It is Group policy to acknowledge and support South Africa's employment equity drive in ensuring that equal opportunities are directed at staff, regardless of race, colour, sexual orientation, sex, religion, creed or national origin.

The Group remains compliant with all aspects of the Employment Equity Act (1998) by adhering to the requirements of timeous submission of the relevant reports and plans.

Consultation with employees and communication of the reports and progress is monitored on an ongoing basis. Areas of strategic focus include the promotion of the constitutional right of equality for all in the workplace, elimination of unfair discrimination, redressing the effects of past discriminatory employment practices, achieving equitable representation in occupational categories and levels where possible, promoting the acquisition of skills by employees that will reflect qualifications and standards that are part of a national qualification framework and developing a culture in the Group of high quality lifelong learning.

The divisional human resources departments implement processes to address recruitment as well as the development of in-house talent through coaching, mentoring and succession planning.

INVICTA BOARD GENDER DIVERSITY POLICY

Invicta similarly supports the principles and aims of appropriate gender diversity at Invicta board level. To this end, the Invicta board adopted a board gender diversity policy during the 2017 financial year, and although no voluntary targets have been set as yet, the approach to gender diversity adopted by the board of Invicta is the aim to achieve an appropriate level of diversity, including where possible, diversity of race and gender at Invicta board level.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

B-BBEE status of companies

Performance in each of these areas by the Group and individual companies within the Group is measured with reference to the dti's Broad-Based Black Economic Empowerment (B-BBEE) scorecard and the Global Reporting Initiatives III guidelines.

Invicta has appointed Simanye to act as its consultants in terms of B-BBEE as well as The BEE Shop to re-certify the BEE status of its various companies. Invicta Company maintained its BEE status at a Level Four contributor in terms of the Broad-Based Rating Scorecard during the year under review, however, the majority of the individual operating companies and legal entities within the Group have improved ratings ranging mostly between Level Three and Level Two contributors.

Humulani Empowerment Trust (HET)

The Humulani Empowerment Trust (HET) was established by Invicta in 2011 to promote the broad-based socio and economic advancement of black women, black broad-based groups and black designated groups in and surrounding the operations of the Invicta Group. The beneficiaries of HET are defined in the trust deed as the employees selected from time to time by Humulani, immediate family of employees living and working in communities bordering or associated with Invicta Group's business.

HET projects supported during FY2017

LIV Village HET contribution R1 million plus cost of maintaining four households

LIV Village focuses on a solution to aid the crisis of orphaned and vulnerable children in South Africa, mostly due to HIV/AIDS. They place these children into a family environment with a trained foster mother to love them, a school to educate them, and where all their needs are met. These children are equipped with essential moral values and life-skills, and will grow up to be a generation that will influence positive change within South Africa, Africa and the world.

HET takes care of the expenses of four households at the LIV Village on a monthly basis. Additionally, HET made a R3.5 million investment with Alexander Forbes during 2016 and will further contribute R1 million to the investment for five consecutive years, whilst LIV Village will be able to withdraw approximately R550 000 per annum. The withdrawals will continue for 20 years subject to the funds being used according to the HET approved LIV Village mandate.

SUSTAINABILITY REPORT (continued)

Afrika Tikkun - HET contribution R1.2 million towards Diepsloot centre

Afrika Tikkun takes a holistic approach to the development of children and youth that seeks to address their educational, psychosocial, health and economic needs. In order to provide services and interventions that support young people from Cradle to Career, Afrika Tikkun has three core programmes, each focused on the specific developmental and age-appropriate needs of children and youth.

Nampo Combined Agricultural school - HET contribution R228 000

The Nampo Combined Agricultural School was established in January 1991 as a school for the children of farm workers in the Bothaville region and currently has just over 800 learners from Grade RR to Grade 12 – 200 of these learners reside on farms in and around Bothaville.

Nampo is classified as "No School Fees" aimed to provide education, nutrition and life-skills to learners in a very disadvantaged community. Nampo school prides itself on having been able to maintain a high academic standard since inception, boasting a matric pass rate of 100% for 2015 and 2016, which is not unusual for the school during the past decade.

HET contributed R228 000 in the 2017 financial year towards the salaries of the grade RR teacher and her assistance, including also the construction of a training workshop for grade 10 to 12 learners. HET had provided funding to the school since 2012 based on their growth, milestones achieved and outcomes.

GROW with Educare Centres - HET contribution R2.3 million towards operational costs and development of the GROW micro-franchise model

Access to Early Childhood Development (ECD) in marginalised communities in South Africa is among the most fundamental challenges facing the country's development. GROW with Educare Centres was established in 2013 to address this problem. The project is run by GW Foundation (a non-profit organisation) with the aim of upgrading existing childcare centres in low-income areas. The principals and teachers are thoroughly trained and provided with a full curriculum, operating system, teachers' guides, daily programmes, educational materials, toys, equipment, posters, books, policies and procedures, business skills and mentorship (a 'school in a box'). The quality, consistency and performance of each centre are ensured with structured due diligence and ongoing support and monitoring.

Growing up Africa: Devland Education Campus HET contribution 2016/2017: R1.1 million towards operational cost and staff salaries at the Devland Education Campus. A total amount of R2 000 000 was pledged with the balance being paid in monthly instalments

Growing Up Africa (GUA) was founded by Deborah Terhune in 2000 and registered officially in South Africa in 2012. The focus of GUA was specifically geared towards the building of specialised and well-equipped education and training facilities along with related infrastructure.

Devland Education Campus is GUA's third project in South Africa and is heading towards the final phase of construction. The 2000m^2 education campus will have five interchangeable classrooms, a cafeteria, kitchen, dining area (which can be converted into classrooms or workshop areas) a smaller auditorium that can seat 56 people and a larger auditorium that can seat up to 216 people.

The Devland Project ultimately aims to provide a safe and nurturing environment for collaborative and individual learning and growth.

Partners for Possibility - HET contribution in 2016/2017 R300 000 towards operational and administrative costs

Partners for Possibility (PfP) – Principals are partnered in a co-action and co-learning partnership with business leaders who bring their knowledge and skills about change leadership to the school in an effort to improve a school's education outcomes. The PfP Programme was founded in 2010 when the first business leader was partnered with a principal. There is a direct correlation between good school leadership and educational outcomes. Most school principals in South Africa have not been equipped with the skills and knowledge for their critically important leadership role. Partners for Possibility is specifically designed to address this.

Buhle Farming Academy - HET contribution in 2016/2017 R97 000 towards student transport costs to and from the livestock course

Buhle Farmers' Academy was established in 2000 to address the problem of the skills shortage amongst emerging farmers in the agricultural sector. They offer free, Agri-SETA accredited training courses to over 500 emerging farmers every year. Buhle offers courses in livestock, crop, vegetable and poultry production – these courses are highly practical with an intense focus on developing the trainees' business skills.

Buhle's mission is train new and aspiring farmers from across South Africa to run farming businesses that are both profitable and sustainable.

Global Teachers Institute: Future Leaders Programme - HET contribution in 2016/2017 R500 000 toward the development and implementation of the Future Leaders Programme

The Global Teacher's Institute (GTI) aims to empower student teachers, current faculty, school leaders, and education organisations globally by refocusing teacher training and professional development on ideas of personal growth and social change by changing the way teachers are trained.

The Future Leaders Programme (FLP) is a teacher development programme that provides school-based mentoring, workplace experience and professional development to pre-service teachers called Future Leaders. Future Leaders are enrolled in a B.Ed. or PGCE degree through Unisa which they complete as part of the programme. The programme currently has 82 Future Leaders at 10 school sites throughout under-developed areas in South Africa.

Ruth First Jeppe Memorial Trust - HET contribution in 2016/2017 R17 000 for learner registration fees. HET pledged to pay full scholarships for five girls, accordingly an additional R1.4 million will be paid over the course of the next five years

Jeppe High School for Girls launched the Ruth First Jeppe Memorial Trust (RFJMT) in memory of its most prominent alumna. The Trust aims to provide scholarships and support that will help turn other young women from ordinary circumstances into principled leaders who will make a difference in South African society. The criteria for selection are young women in grade 7 who are deserving, merit worthy and academically able and who, even at a young age, show characteristics of leadership, courage, determination and the ability to influence their communities positively.

Since the launch of the Trust in 2010, there have been 40 scholarship beneficiaries.

BMG Vryheid Xmas project

The managers of the BMG Vryheid branch decided that instead of giving each other gifts on Christmas in 2016, they were going to give gifts to the 19 children from Inkululeko Children's Home in Vryheid on 22 December 2016. They covered 19 shoe boxes with the money donated so generously from BMG Vryheid and filled them with toys, colouring books and educational goodies. All 19 children are orphans, of which the youngest is one-year old and was left in a government hospital at the age of two weeks, the eldest 14 years of age.

AME's – Man-Dirk local empowerment initiative

In April 2013, Man-Dirk (a subsidiary of BMG) embarked on a local empowerment distribution initiative in consultation with the platinum mining companies in the North West province which process was overseen by the Department of Mineral Resources (DMR). A local mining host community entrepreneur (local partner) who is operationally involved in the business holds 30% of the shares in the company established by area, with the balance of the shares held by Man-Dirk as technical development partner. Shanduka Black Umbrellas (Commercial Development Partners) provide Man-Dirk with a talent pool of potential partnership candidates.

The DMR has acknowledged the success of the Man-Dirk localisation initiative which was aligned to the DMR's drive to grow the number of black industrialises in mining communities and initiated discussions with Man-Dirk for the roll-out of similar initiatives in other provinces.

Mining pressure has resulted in additional AMEs being planned for the coming financial year in Mokopane, Steelpoort and Northern Cape.

During 2017, the AME's received the following accolades from the Shanduka Black Umbrella Enterprise Development Awards:

- 2017 AME Localisation DMR Commendation.
- 2017 AME Mooinooi Award Shanduka Black Umbrellas 2nd Best Ambassador (North West Region).
- 2017 AME Mooinooi Award Best Performing Company 3rd Runner Up (North West Region).
- 2017 AME Rustenburg Award Best Performing Company 2nd Runner Up (North West Region).

The criteria for the best performing companies award was based on the following items which is in line with Shanduka Black Umbrellas strategic objectives of ensuring that companies become sustainable within a three-year period – turnover, net profit, net asset value and cash.

QUALITY MANAGEMENT AND OCCUPATIONAL HEALTH AND SAFETY

The consistent supply of both quality products and services to customers is key to the Group's success. To this end, the Group continues to focus on the ISO quality system to assist in achieving this. The Group's Quality Management system is well established and the Group continues to progress the development and implementation of the OHSAS 18001 Occupational Health and Safety Management system in its major operations.

CEG has maintained its ISO 9001 certification with TUV Rheinland for all companies in the group.

BMG has maintained its ISO 9001 certification with Alpha Certification Services. The BMG Fluid Technology, BMG Engineering, Man-Dirk, Makona Hardware and Industrial divisions/companies have now also been included in the ISO certification.

BSG has included its MacNeil division in the ISO certification with TUV Rheinland.

APPRECIATION

The board wishes to take this opportunity to thank all the stakeholders in the Group for their ongoing commitment and loyalty to the development of a sustainable business and ongoing relationships with the Group.

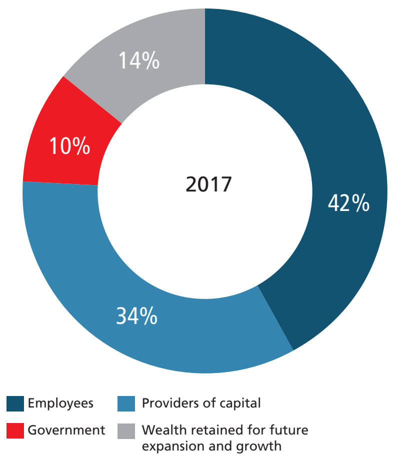
VALUE-ADDED STATEMENT

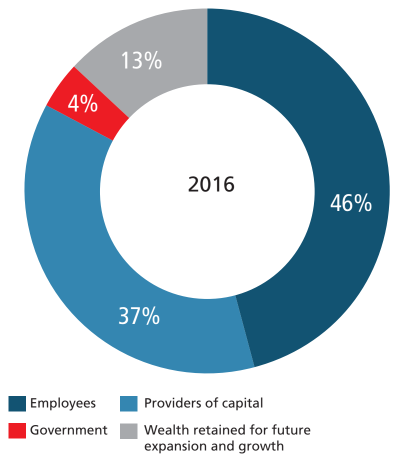
for the year ended 31 March 2017

The value-added statement shows the wealth that the Group has created through its activities and how this wealth has been distributed to stakeholders. The statement reflects the amounts retained and reinvested in the Group for the replacement of assets and the development of future operations.

	2017 R'000	Restated 2016 R'000	2016 R'000	% change
Revenue (continuing operations)	**9 631 811**	8 799 244	10 635 850	9%
Cost of goods and services	**(7 061 826)**	(6 782 208)	(8 424 047)	4%
Value added	**2 569 985**	2 017 036	2 211 803	27%
Income from investments	**776 047**	680 008	683 902	14%
Wealth created	**3 346 032**	2 697 044	2 895 705	24%
Wealth distribution:			–	
Employees				
Salaries, wages and benefits	**1 415 073**	1 177 234	1 345 950	20%
Providers of capital				
Dividends to shareholders	**235 192**	259 661	259 661	(9%)
Finance costs	**889 429**	797 073	817 940	12%
	1 124 621	1 056 734	1 077 601	6%
Government				
Corporate tax	**321 747**	92 264	105 539	249%
Wealth retained for future expansion and growth				
Amortisation of intangibles and depreciation of property, plant and equipment	**113 224**	123 383	123 383	(8%)
Retained income	**371 367**	247 429	243 232	50%
	484 591	370 812	366 615	31%
Wealth distributed	**3 346 032**	2 697 044	2 895 705	24%

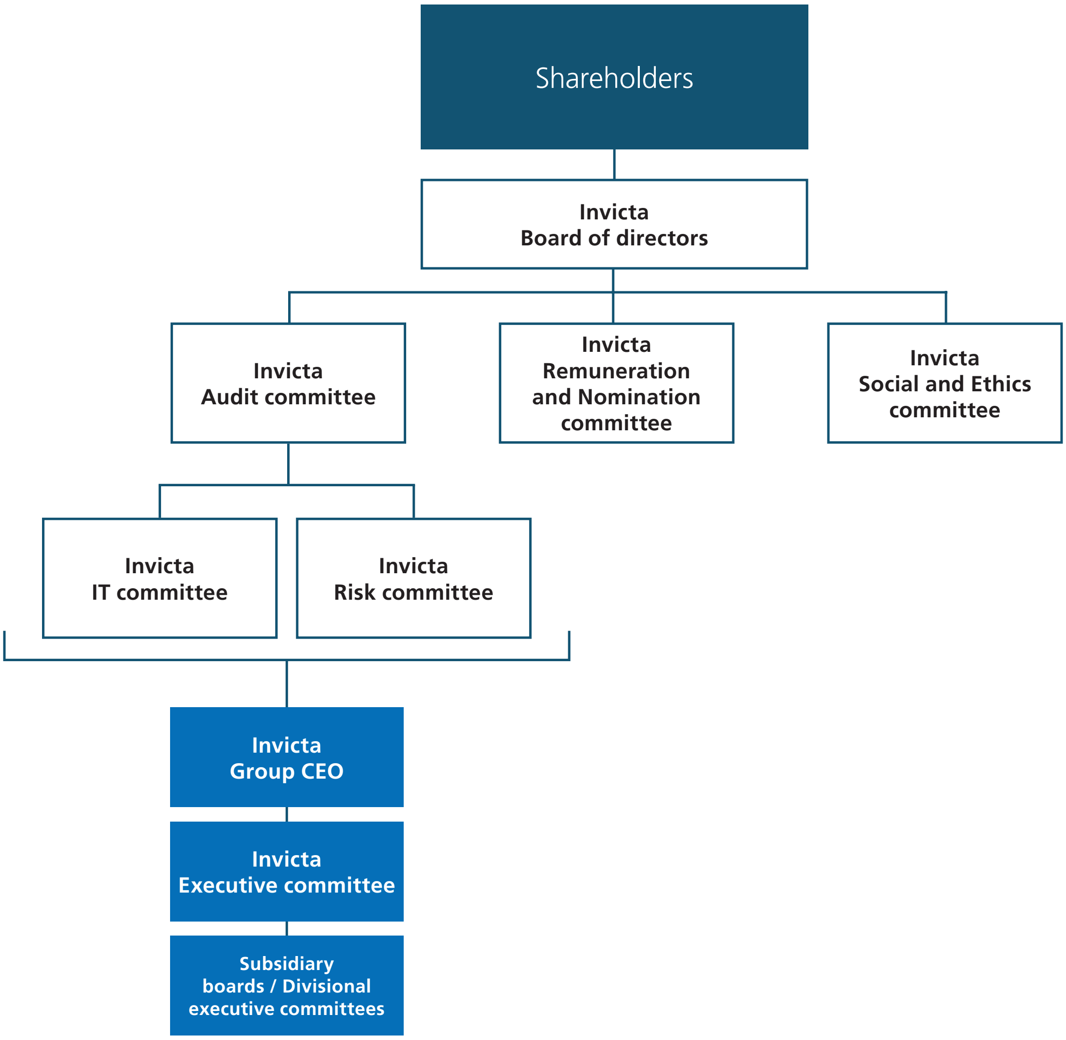
Distribution of wealth created:





04 Corporate governance report

GOVERNANCE STRUCTURE



GOVERNANCE REPORT

INTRODUCTION

The board of directors of Invicta and senior management across the Group are committed to the highest standards of corporate governance and take pride in their high moral and ethical business standards, accompanied by sound and transparent business practices. This includes the promotion, enhancement, development and protection of the business interests, reputation and goodwill of the Company and the Group.

The board is responsible for corporate citizenship and accountable for the stewardship of Group assets, which have ensured sustainable returns. The board continues to provide stakeholders with the assurance that the Group's business is managed responsibly.

As corporate governance is constantly evolving, Invicta continually focuses on seeking ways to improve on its corporate governance standards. The board is committed to and applies the principles contained in King III, which have been adopted on an "apply or explain" approach as more fully detailed hereinafter, and in doing so, continuously strives to achieve corporate governance best practice. The board is in the process of assessing King IV in order to implement its recommendations to further reinforce its corporate governance standards.

The board, assisted by the Audit committee, Risk committee, Remuneration committee (and Nomination committee), Social and Ethics committee, IT committee and Executive committee, is responsible for overall corporate governance and monitors compliance with all applicable laws, rules, codes, standards and the Listings Requirements, and ensures ongoing improvement in the Group's adherence to the principles set out in King III. The company secretary is responsible for assisting the board in monitoring compliance and the day-to-day management of corporate governance.

BOARD OF DIRECTORS

Structure and role of the board

The board has a unitary structure and comprises of 3 executive directors and 7 non-executive directors, of which 3 are considered independent non-executive directors. The profiles of the members of the board are set out on pages 8 and 9 of this Report.

Chairman and chief executive officer

The roles of the non-executive chairman and chief executive officer (CEO) are separated in accordance with the board's policy of division of responsibilities. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making. The chief executive officers or managing directors of the operating subsidiaries and divisions report to the Invicta Group CEO, who in turn reports to the Invicta board.

Executive directors

Executive directors are appointed by the board to oversee the day-to-day running of the Company. Executive directors are held accountable through regular reporting to the board, and their performance is measured against predetermined criteria.

Non-executive directors

Non-executive directors provide the board with advice and experience that is independent of management and the executive. The presence of independent non-executive directors on the board, and the critical role they play as board representatives on key committees, ensures that the Company's interests are served by impartial views that are separate from those of management and shareholders.

Independence assessment

Annually, the board considers where appropriate each director's independence and is of the view that the following aspects are important in assessing whether a non-executive director is independent:

- the director had not been employed in an executive capacity in the Group in the previous 3 years;
- the director had not served on the board for longer than 9 years – should this be the case, the board considers whether that director's independence, judgement and contribution to the board's deliberations could be compromised, or may appear to be compromised, by the length of service;
- does the director represent a major shareholder; or
- does the proportion of that director's shareholding in the Company or director's fees represent a material part of their wealth or income.

Board charter

A board charter, which is reviewed annually, has been adopted to guide the board in governance issues and sets a framework within which the board functions. The board charter sets out the board's duties and obligations, which include *inter alia* to:

- act as the focal point for, and custodian of, corporate governance by arranging its relationship with management, shareholders and other stakeholders of the Company along sound corporate governance principles;
- appreciate that strategy, risk, performance and sustainability are inseparable and gives effect to this by:
  - contributing to and approving the strategy;
  - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
  - identifying key performance and risk areas;
  - ensuring that the strategy will result in sustainable outcomes; and
  - considering sustainability as a business opportunity that guides strategy formulation;
- provide effective leadership on an ethical foundation;
- ensure that the Group is and is seen to be a responsible corporate citizen by having regard not only to the financial aspects of the business of the Group but also to the impact that business operations have on the environment and the society within which it operates;
- ensure that the Group's ethics are managed effectively;
- ensure that the Group has an effective and independent Audit committee and Risk committee;
- be responsible for the governance of risk;
- be responsible for information technology (IT) governance;
- ensure that the Group complies with applicable laws and considers adherence to non-binding rules and standards;
- ensure that there is an effective risk-based internal audit;
- appreciate that stakeholders' perceptions affect the Group's reputation;
- ensure the integrity of the Group's integrated report;
- act in the best interests of the Company at all times by ensuring that individual directors:
  - exercise their fiduciary duties with the necessary care, skill and diligence;
  - adhere to legal standards of conduct;
  - practice objective judgement with regard to the affairs of the Group independently from management, but with sufficient information to enable a proper and objective assessment;
  - are permitted to take independent advice in connection with their duties following an agreed procedure;
  - immediately disclose real or perceived conflicts to the board and deal with them accordingly; and
  - deal in securities only in accordance with the policy adopted by the board;
- elect a chairman of the board that is a non-executive director; and
- appoint and evaluate the performance of the CEO.

Director appointment and retirement policies

The board selects and appoints directors, including the CEO and executive directors. Prior to appointment, potential board appointees are subject to a fit and proper test as required by the Listings Requirements.

New appointments to the board are made through a process in which the Remuneration committee (acting as the Nomination committee) assists with the identifying of suitable candidates to be proposed to the board and to shareholders. Board appointments are made with a view to ensuring an appropriate blend of skills and experience is maintained. All board appointments are ratified by Invicta shareholders at the following AGM of the Company.

The non-executive directors are subject to retirement by rotation and re-election in accordance with the Company's memorandum of incorporation (MOI). At each AGM, at least one-third of the non-executive directors retire from office based on longest service. If eligible, available and recommended for re-election by the Remuneration committee (acting as the Nomination committee), their names are submitted for re-election at the AGM. This year Dr Christo Wiese, David Samuels, Lance Sherrell and Adv Jacob Wiese retire in terms of the MOI, and being eligible and available, are recommended for re-election. The aforementioned directors have considerable commercial experience and an excellent understanding of the Group's businesses.

Invicta board gender diversity policy

Invicta supports the principles and aims of appropriate gender diversity at Invicta board level. To this end, the Invicta board adopted a board gender diversity policy during the 2017 financial year, and although no voluntary targets have been set as yet, the approach to gender diversity adopted by the board of Invicta is as detailed below:

The Company will aim to achieve an appropriate level of diversity, including where possible, diversity of race and gender at Invicta board level. Should a vacancy on the board arise, or should there be a requirement for an additional board appointment, preference will be given to appropriate candidates who meet the skills, expertise, experience and background required to fill such board position(s). The board will endeavour to ensure a mix of skills, diversity and experience on the board which will best serve the interests of the Company and its stakeholders.

GOVERNANCE REPORT (continued)

Application of the policy in effecting new or replacement appointments to the board will be subject to the approval/ratification by the shareholders of the Company to such appointments at annual general meetings of the Company as required by the Companies Act (2008).

The Remuneration committee (which acts as the Nomination committee of the Company), is mandated to assist the board in managing the policy. The Remuneration committee will review the state of the board's gender representation on an ongoing basis and ensure that the policy is appropriately applied and make recommendations to the board regarding the appointment of suitable candidates. The Company will annually report to shareholders in its integrated report on how the board has considered and applied the policy in the nomination and appointment of directors to the board of the Company.

The policy will apply equally to any appointment of executive, non-executive and/or alternate directors to the board.

Professional advice and access to information

The board charter requires that non-executive directors have unfettered access to management of the Company at any time, and all directors are entitled at the Company's expense, to seek independent professional advice on any matters pertaining to the Group, where they deem this to be necessary, and are obliged to seek such advice in matters where they lack sufficient expertise to make an informed decision. When seeking independent advice, the directors must inform the company secretary and if it is relevant to Invicta or the Group, the company secretary will disclose the information to the CEO and the board.

The Company and all its subsidiaries and divisions are compliant with the provisions of the Promotion of Access to Information Act (2002). The manual in terms of this legislation is available from the registered office of the Company and on the Company's website.

Board evaluations

As required by King III, board effectiveness reviews are conducted on an annual basis with further reviews being conducted at appropriate intervals as and when required. Areas of improvement are noted and addressed on an ongoing basis.

Remuneration and directors' fees

Details on the remuneration of executive and non-executive directors are provided on page 99 of the Report.

Board meetings

The board meets at least four times a year with additional meetings held when necessary. The attendance at board meetings held during this period is set out below:

Dr Christo Wiese	4/4
David Samuels	3/4
Lance Sherrell	4/4
Adv Jacob Wiese	4/4
Rashid Wally	4/4
Ramani Naidoo	4/4
Arnold Goldstone	4/4
Charles Walters*	3/4
Craig Barnard	4/4
Tony Sinclair	4/4
Byron Nichles	4/4

* *Charles Walters resigned effective 31 January 2017. Neil Malherbe as the CEO of BSG attends board meetings by invitation.*

Board papers are issued to all directors prior to each meeting and contain relevant detail to inform members of the financial and trading position of the Company and each of its operating subsidiaries, as well as covering material issues pertaining to the Group.

Non-executive directors also maintain regular contact with executive directors to ensure that they are kept abreast of material matters that may require their input and guidance.

Changes to the board

- During the 2017 financial year, Byron Nichles resigned as CEO of the Engineering Solutions Group (ESG) effective 31 October 2016 and was appointed as a non-executive director of the Invicta board effective 1 November 2016.
- Lance Sherrell resigned as a member of the Audit committee effective 29 August 2016.
- Ramani Naidoo was appointed as a member of the Audit committee effective 2 September 2016.
- Charles Walters resigned as CEO of the Invicta Group effective 31 January 2017 and was replaced by Arnold Goldstone effective 1 February 2017.
- David Samuels resigned as chairman of the Social and Ethics committee effective 10 April 2017.
- Rashid Wally was appointed as chairman of the Social and Ethics committee effective 10 April 2017.

Board sub-committees

To enable the board to properly discharge its duties and responsibilities, the board is assisted by an Audit committee, Risk committee, Remuneration committee (which also acts as the Nomination committee), Social and Ethics committee, IT committee and Executive committee. Non-executive directors play a critical role as board representatives on the various board committees and ensure that the Company's interests are served by impartial, objective and independent views that are separate from those of management. Additionally, the board continuously strives to comply with the requirements of King III insofar as the composition of its sub-committees are concerned.

Each committee has a charter to guide the members in performing their duties and the members of the committees have access to management, Group records and external professional advice if and when required. The chairperson of each committee, in line with the recommendations of King III, attends the AGM of the Company where possible.

AUDIT COMMITTEE REPORT

See page 53.

RISK COMMITTEE REPORT

See page 54.

INTERNAL CONTROL

The directors have responsibility for the Group's systems of internal controls. These are designed to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. Operational and financial responsibilities are delegated to chief executive officers, financial directors and executives of the principal operating divisions.

The Group's system of internal controls is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. Furthermore, because of changing internal and external factors, the effectiveness of an internal control system may vary over time and must be continually reviewed and adapted.

The system of internal controls is monitored throughout the Group by the Audit committee and Risk committee, the Group internal audit department, management and employees as an integrated approach. The board reports that:

- to the best of its knowledge and belief, no material breakdown of the Group's internal control system occurred during the period under review;
- it is satisfied with the effectiveness of the Group's internal controls and risk management;
- it has no reason to believe that the Group's ethics policies have been transgressed in any material respect; and
- to the best of its knowledge and belief, no material breaches have occurred during the period under review of compliance with any laws and regulations applicable to the Group.

REMUNERATION COMMITTEE REPORT

During the year under review, the Remuneration committee was chaired by David Samuels (non-executive director), with the current members being Dr Christo Wiese and Mr Rashid Wally.

Arnold Goldstone (CEO) attends committee meetings *ex officio* by invitation and assists the committee in its deliberations, save when issues relating to his own compensation are discussed. No director is involved in the decision-making of his/her own remuneration.

The Remuneration committee meets at least annually and the attendance at meetings held was as follows:

David Samuels (chairman)	2/3
Dr Christo Wiese (member)	3/3
Rashid Wally (member)	3/3

Role of the Remuneration committee and terms of reference

The Remuneration committee has adopted a charter/terms of reference which is reviewed annually, setting out its duties and obligations. The committee is responsible for ensuring that the directors and executive management are appropriately remunerated. The committee is also responsible for the formulation of proposals of the fees paid to the non-executive directors for the board's consideration and shareholder approval.

The Remuneration committee is a committee of the board and is responsible for:

- making recommendations to the board on the general policy on executive remuneration, benefits, conditions of service and staff retention;
- determining the specific remuneration packages of executive directors and senior management of the Group including, but not limited to, basic salary, performance-based short- and long-term incentives, pensions and other benefits; and
- the design and operation of the Group's share incentive schemes.

The Company's auditors, Deloitte & Touche, have not provided advice to the committee. However, in their capacity as Group auditors, they perform normal audit procedures on the remuneration of directors.

Remuneration policy and principles of executive remuneration

The Group's remuneration policy aims to attract and retain high-calibre executives and to motivate them to develop and implement the Group's business strategy in order to optimise long-term shareholder value creation. The policy conforms with King III and is based on the following principles:

- Total rewards are set at levels that are competitive within the relevant market.
- Incentive-based rewards are earned through the achievement of demanding performance conditions consistent with shareholder interests over the short, medium and long term.
- Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle.
- The design of long-term incentives is prudent and does not expose shareholders to unreasonable financial risk.

Elements of executive remuneration

The four elements of executive remuneration consist of a base salary, benefits, an annual incentive and long-term incentives. The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term shareholder value creation. A further consideration has been the need to retain critical skills in the Group. The committee considers each element of remuneration relative to the market and takes into account the performance of the Group and the individual executive in determining both quantum and design.

The policy relating to each component of remuneration is summarised below:

Base salary

The base salary of the executives is subject to annual review. It is set to be competitive at the median quartile level, with reference to market practice in companies comparable in terms of size, market sector and business complexity. Group and Company performance, individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries.

Benefits

Benefits for executives include membership of a retirement fund and a medical aid, to which contributions are made by the executives and the Group.

Short-term incentive

All executives are eligible to participate in a short-term incentive with payment levels based on either corporate or individual performance or both. Key performance indicators are set on an individual basis each year. The incentive plan is contractual but not pensionable. The committee retains the discretion to make positive adjustments to bonuses earned at the end of the year on an exceptional basis, taking into account both Group performance and the overall and specific contribution of individual executives to meeting the Group's objectives.

The committee annually reviews measures to ensure that the targets set are appropriate, given the economic context and the performance expectations for the Group.

Details of the executive directors' remuneration are detailed on pages 99 of the Report.

GOVERNANCE REPORT (continued)

Long-term incentive

Invicta long-term share incentive and bonus bank scheme

In order to attract and retain key staff, the Group requires appropriate long-term incentive schemes. Many of the Group's operations require key technical skills which are often difficult to replace. In trying to address the critical factor, the committee, in consultation with industry professionals, has designed a long-term bonus incentive scheme for key executives. In terms of the scheme, executives are rewarded on their performance. The bonus scheme will constantly be reviewed by the committee for its effectiveness and will be amended from time to time if necessary. Divisional senior executives and management are on a cash-based bonus bank system, which ensures they are rewarded for performance in those areas over which they have direct influence.

Long-term share incentive – Share incentive right scheme

The Group employed a long-term bonus equity-settled share incentive right scheme (LBSIR scheme) for key executives in 2006. In terms of the LBSIR scheme executives are granted a bonus share incentive right (the bonus right) calculated with reference to a specified number of shares at a price equal to the weighted average five-day closing market price on the date of grant. The bonus right quantum is determined with reference to the executive's short-term bonus achieved in that year. The bonus right vests after a period of one year, (subject to the achievement of the performance conditions set for the executive), and the bonus right becomes exercisable after a further two-year period, after which the executive has a further two-year period in which to take up the bonus right before it lapses. The bonus right is determined based on the difference between the grant price and the weighted average five-day closing share price on the exercise date. The bonus, as determined by the formula were settled in cash and treated as such in the current and prior year. The intention is for the scheme to be reintroduced as an equity settled scheme with specific exercise dates.

The bonus right expense has been calculated using a Black-Scholes valuation model and is expensed over the appropriate period from the grant date and is recorded in the share appreciation reserve. Refer to note 34 on page 99 of this Report.

Executive directors' interests in the LBSIR scheme are set out in note 34 on page 100 of this Report.

Bonus bank scheme

In line with the principles stated above, the Remuneration committee has authorised the implementation of a bonus bank scheme at senior and middle-management level which entails management earning a performance-based bonus, which is effectively paid out over the subsequent three years.

A long-term loan scheme for executives on the board of Invicta

The purpose of the loan is to incentivise Invicta executives over the long-term by providing them with a mechanism to acquire a meaningful stake in Invicta, thereby aligning them with the interests of Invicta shareholders. The loans were granted in the 2012 financial year and are payable over seven years, bear interest at South African Revenue Services official interest rate and are secured by Invicta shares and other security at a ratio of 1.5:1.

External appointments

Executive directors are not permitted to hold external directorships or office without the approval of the Invicta board. If such approval is granted, directors may retain the fees payable from such appointments.

Directors' fees

Directors' payments for services as directors and other emoluments are set out in note 34 on page 99 of the Report. Members will be requested to consider an ordinary resolution approving these emoluments at the AGM.

Non-executive directors' fees

The annual fees payable to non-executive directors of the Company are based on a fee for attendance per meeting of the board and, where applicable, per meeting of sub-committees. An additional fee is paid to the chairman of both the board and the Audit committee.

Non-executive directors do not participate in the Company's annual bonus plan, or in any of its share incentive schemes.

Details of the non-executive directors' fees are detailed on page 99.

Directors' and executive management's service contracts

None of the directors are bound by service contracts. All executive directors, who are also directors of subsidiary companies, have an engagement letter which provides for a notice period of between one and three months to be given by either party.

The CEO of Invicta has no service contract.

The non-executive directors have a contract of employment with the Company which can be terminated on 30 days' notice by either the Company or the non-executive director.

Approval

This Remuneration report has been approved by the board of Invicta.

David Samuels
Chairman Remuneration committee

INFORMATION TECHNOLOGY COMMITTEE REPORT

An Information Technology ("IT") oversight committee was established by the Company for the Group on 20 February 2014. The committee has adopted a charter/terms of reference which is reviewed annually, setting out its duties and obligations. The IT oversight committee reports via the Audit committee to the board. The purpose of the committee is to:

- appraise major information technology ("IT") related projects and technology architecture decisions;
- ensure that the Company's IT programs effectively support the Group's business objectives and strategies;
- monitor the overall performance of the Company's senior IT management team; and
- advise the Audit committee and board on strategic or material IT-related matters.

The financial director of the Company acted as the chief information officer ("CIO") to interact on strategic IT matters at the board and other board committee meetings. Effective 1 November 2016, the Company appointed Llewelyn Bricknell as Invicta Group CIO.

The committee is authorised by the board to investigate any activity within its charter, and is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.

Compliance, transparency and accountability

The responsibility to facilitate compliance throughout the Company and the Group has been delegated by the board to the Audit committee, and in this regard the Audit committee must:

- ensure that the Company and the Group comply with applicable laws and consider adherence to relevant non-binding rules, codes and standards;
- ensure that the Company and the Group establish and maintain a compliance framework and process that is appropriate taking into account the laws, rules, codes and standards that are applicable in light of the compliance risk profile of the Company;
- ensure that the Company and the Group establish and implement a legal compliance policy;
- ensure that the Company and the Group establish and implement a compliance manual;
- identify, assess, advise on, monitor and report on the regulatory compliance risk of the Company and the Group, which will form part of the overall risk management framework of the Company;
- ensure that compliance monitoring and reporting be undertaken in a manner that is appropriate for the Company's circumstances; and
- ensure that a compliance culture is encouraged through leadership, establishing the appropriate structures, education and training, communication and measurement of key performance indicators relevant to compliance.

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics committee was established and constituted as a statutory committee of the Company on 30 April 2012, and also acts as the Social and Ethics committee of the Group in respect of its statutory duties in terms of section 72(4)(a) of the Companies Act (2008), and as a committee of the board in respect of all other duties assigned to it by the board.

The committee has adopted a charter/terms of reference which is reviewed annually, setting out its duties and obligations.

The purpose of this committee is to recognise the responsibility for the Company's actions and the encouragement of a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public. The ultimate objective of managing organisational integrity is to build an ethical corporate culture.

The committee's members are appointed by the board and consists of not less than three members, at least one of whom must be an independent non-executive director. Members may comprise non-directors such as senior management or persons with the relevant experience. The board appoints the chairman from the members of the committee and determines the period for which he/she shall hold office. In the absence of the chairman of the committee appointed by the board, the remaining members present shall elect one of their numbers present to chair the meeting. The board shall, from time to time, review and revise the composition of the committee, taking into account the need for an adequate combination of skills and knowledge.

Board members may attend committee meetings by invitation. Suitably qualified persons may also be co-opted onto the committee when necessary to render such specialist services as may be necessary to assist the committee in its deliberations on any particular matter, but shall have no voting rights.

The committee has the following functions:

- To provide guidance for the building and sustaining of an ethical corporate culture in the Company and the Group.
- To monitor the Company and Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to board charter matters relating to social and economic development, including the Company and the Group's standing in terms of the goals and purposes of the 10 principles set out in the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development (OECD) recommendations regarding corruption, the Employment Equity Act (1998), the Broad-Based Black Economic Empowerment Act (2003) and the Company's legal compliance framework as applicable from time to time.
- To promote good corporate citizenship, including the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed and record of sponsorship, donations and charitable giving.
- To care for the environment, health and public safety, including the impact of the Company and Group's activities and of its products or services.
- To promote consumer relationships, including the Company and Group's advertising, public relations and compliance with consumer protection laws.
- To monitor labour and employment, including the Company and Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions and the Company and Group's employment relationship and its contribution towards the educational development of its employees.
- To review any statements on ethical standards or requirements for the Company and Group including the procedures or review system implemented, to promote and enforce compliance.
- To review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company.
- Where requested, make recommendations on any material potential conflict of interest or questionable situations.
- Ensure that ethics-related policies are drafted and implemented.
- Reporting on and disclosing the Company and Group's ethics performance.
- To draw matters within its mandate to the attention of the board as the occasion requires.
- To report, through one of its members, to the shareholders at the Company's AGM on matters within its mandate.

The committee is chaired by Rashid Wally and the appointed members are Arnold Goldstone and Craig Barnard. (David Samuels resigned as a member of the committee on 10 April 2017).

STAKEHOLDER COMMUNICATION

Members of the board meet on an *ad hoc* basis with institutional and other investors, investment analysts and members of the financial media. Discussions at such meetings are restricted to matters that are in the public domain in accordance with the Group's Information Policy on inside/price sensitive information.

Shareholders are informed, by means of press announcements and releases in the media and/or printed matter sent to such shareholders, and/or announcements on the JSE SENS system, of all relevant corporate matters and financial reporting as required in terms of prevailing legislation. In addition, such announcements are communicated via a broad range of channels in both the electronic and print media. The Group has also embarked on a more formal approach to providing feedback in respect of the year-end results with interviews scheduled for both radio and television after the relevant media and SENS announcements have been made.

The Company maintains a corporate website www.invictaholdings.co.za containing financial and other information, including interim and annual results. The website has links to the websites of each major operating division of Invicta.

The Group continues to look at ways of allowing electronic shareholder participation with its transfer secretaries as provided for in the Companies Act (2008).

GROUP COMPANY SECRETARY

All directors have unfettered access to the advice and services of the company secretary and to Company records, information, documents and premises. The company secretary minutes all board and committee meetings and maintains the registers required by statute. The company secretary, assists the board in fulfilling its functions and is empowered by the board to perform her duties. The company secretary, directly or indirectly:

- assists the chairman and CEO with induction of new directors;
- assists the board with director orientation, development and education;
- ensures that the Group complies with all legislation applicable/relevant to the Group;
- monitors the legal and regulatory environment and communicates new legislation and any changes to existing legislation relevant to the board and divisions; and
- provides the board with a central source of guidance and assistance.

During the year under review, and in compliance with paragraph 3.84(i) and (j) of the Listings Requirements, the board evaluated Ms Grace Chemaly, the company secretary for the period under review, and is satisfied that she is competent, suitably qualified and experienced.

Furthermore, since Ms Grace Chemaly is not a director, nor is she related to any of the directors, thereby negating a potential conflict of interest, it was agreed that she maintains an arm's length relationship with the board. The board undertakes a general evaluation of the company secretary performance on an annual basis in order to identify possible steps for improvement, which are communicated to her by the chairman.

SHARE DEALING

Share dealing and conflicts of interest

Directors and designated employees with access to financial results and/or price-sensitive information are prohibited from dealing in Invicta shares during closed or prohibited periods, and clearance and approval procedures and processes are in place throughout the Group.

Directors, senior management and all staff across the Group are required to separate their personal transactions from the Company's transactions. Annually, and thereafter at each board meeting, directors are required to disclose to the chairman any potential conflict of interest and any other directorships held by them. Directors who disclose a potential conflict of interest recuse themselves from discussion of the matter which may give rise to the conflict of interest.

Corporate ethics

The Group is committed to achieving high standards of ethical behaviour. The ethics hotline is independently run by Deloitte Tip-Offs Anonymous. Deloitte Tip-Offs Anonymous has been certified by the External Whistle-Blowing Hotline Services Provider Standard E01.1.1. This hotline can be used by all stakeholders to report any suspected unethical behaviour. Calls are investigated by the internal audit division.

The board adopted a formal code of ethics during 2004 and as aforementioned, a Social and Ethics committee was established on 30 April 2012.

The key pillars of the code include adherence to the legal framework of the country and ensuring that the Group is not brought into disrepute, against the overriding background of transparency in all transactions.

Gift policy

All gifts, free services and any other transactions with the Group's suppliers, customers or any third party which take place by virtue of an employee's position in or their relationship with the Group should be disclosed to and approved by their immediate superior. An electronic register is maintained and recorded by the respective divisional and Invicta Audit committee at each meeting. A similar policy applies to the giving of gifts by employees to customers and also applies to the receipt/provision of entertainment. Cash payments, irrespective of the amount involved, may not be accepted. Any offers of travel and accommodation to any employee, irrespective of value, should be approved by the respective divisional head/manager and should similarly comply with the requirements for acceptance of gifts. All employee expense claims are subject to both internal and external audit.

SUBSIDIARIES

Invicta's major subsidiaries are listed on pages 88 and 89 of this Report.

SPONSOR

In compliance with the Listings Requirements, Deloitte & Touche Sponsor Advisory Services Proprietary Limited acts as sponsor to Invicta.

KING III COMPLIANCE CHECKLIST

As required by the Listings Requirements, the following table discloses the status of the Company's compliance with King III and reasons for non-compliance, if applicable:

King III index	Comply
Ethical leadership and corporate citizenship	
Effective leadership based on an effective ethical foundation	Yes
Responsible corporate citizen	Yes
Effective management of ethics	Yes
Assurance statement on ethics in the integrated report	Yes
Board and directors	
The board is the focal point for and custodian of corporate governance	Yes
Strategy, risk, performance and sustainability are inseparable	Yes
Directors act in the best interest of the Company	Yes
The Chairman of the board is an independent non-executive director	(1)
A framework for the delegation of authority has been established	Yes
The board comprises a balance of power, with a majority of non-executive directors who are independent	(2)
Directors are appointed through a formal process	Yes
Formal induction and ongoing training of directors is conducted	Yes
The board is assisted by a competent, suitably qualified and experienced company secretary	Yes
Annual performance evaluations of the board, its committees and individual members are undertaken	Yes
Appointment of well-structured committees	Yes
An agreed governance framework between the Group and its subsidiary boards is in place	Yes
Directors and executives are fairly and responsibly remunerated	Yes
Remuneration of directors and three most highly paid employees is disclosed	(3)
The Company's remuneration policy is approved by the shareholders	Yes
Audit Committee	
Effective and independent	Yes
Suitably skilled and experienced independent non-executive directors	Yes
Chaired by an independent non-executive director	Yes
Oversees integrated reporting	Yes
A combined assurance model is applied to improve efficiency in assurance activities	Yes
Satisfies itself of the expertise, resources and experience of the Company's and the Group's finance function	Yes
Oversees internal audit	Yes
Integral to the risk management process	Yes
Oversees the external audit process	Yes
Reports to the board and shareholders on how it has discharged its duties	Yes
Governance of risk	
The board is responsible for the governance of risk	Yes
The board determines the levels of risk tolerance	Yes
The Audit Committee and Risk Committee assist the board in carrying out its risk responsibilities	Yes
The board has delegated the process of managing of risk to management	Yes
The board ensures that risk assessments are performed on a continual basis	Yes
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Yes
The board ensures that management implements appropriate risk responses	Yes
The board receives assurance regarding the effectiveness of the risk management process	Yes
Sufficient risk disclosure to stakeholders	Yes

KING III COMPLIANCE CHECKLIST (continued)

King III index	Comply
Governance of information technology	
The board is responsible for the governance of Information Technology (IT)	Yes
IT is aligned with the performance and sustainability objectives of the Company	Yes
Management is responsible for the implementation of an IT governance framework	Yes
The board monitors and evaluates significant IT investments and expenditure	Yes
IT is an integral part of the Company's risk management	Yes
IT assets are managed effectively	Yes
The Audit Committee assists the board in carrying out its IT responsibilities	Yes
Compliance with laws, rules, codes and standards	
The board ensures that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Yes
The board and each individual director and senior manager has a working understanding of the effect of laws, rules, codes and standards applicable to the Company and its business	Yes
Compliance risk forms an integral part of the Company's risk management process	Yes
The implementation of an effective compliance framework and process has been delegated to management	Yes
Internal audit	
The board ensures that there is an effective risk-based internal audit	Yes
Internal audit follows a risk-based approach to its plan	Yes
Internal audit provides a written assessment of the effectiveness of the Company's system of internal controls and risk management	Yes
The Audit Committee is responsible for overseeing internal audit	Yes
Internal audit should be strategically positioned to achieve its directives	Yes
Governing stakeholder relationships	
The board appreciates that stakeholders' perceptions affect the Company's reputation	Yes
Management proactively deals with stakeholder relationships	Yes
There is an appropriate balance between its various stakeholder groupings	Yes
Equitable treatment of shareholders	Yes
Disputes are resolved effectively, efficiently and as expeditiously as possible	Yes
Integrated reporting and disclosure	
The board ensures the integrity of the Company's integrated report	Yes
Sustainability reporting and disclosure should be integrated with the Company's financial reporting	Yes
Sustainability reporting and disclosure should be independently assured	(4)

The board is of the opinion that the Group has, in all material respects and where relevant, complied with King III during the year under review, and wishes to highlight the following:

1. Dr Christo Wiese, who is a non-executive director, is also the chairman of the board. It is the view of the board that the non-independence of the chairman is a positive factor in ensuring that the decisions taken by the board are guided by a chairman whose perspective is aligned with long-term interests of all shareholders. Mr David Samuels maintains his role as the Company's lead independent director. In addition, to ensure good governance, and as recommended by King III, the chairmanship of all the board committees is held by Mr David Samuels, excluding only the Social and Ethics committee which is now chaired by Rashid Wally.

2. With the total board consisting of 10 members, seven being non-executive directors, the majority of the board members are non-executive directors with three members being independent. The majority of the non-executive directors are also shareholders, and from a Group point of view, is considered beneficial to all stakeholders, as it aligns their interests with that of all other shareholders and stakeholders.

3. King III requires that the salaries of the three most highly paid employees, who are not executive directors, should be disclosed. Due to their specialised skills, the highly competitive South African equipment and engineering environment in which the Group operates and the employees' value to the Company, the board does not wish to disclose this information for each of the individuals but has disclosed the total salaries of the employees concerned on page 105.

4. King III requires that the Company's sustainability report be audited by an independent external professional. The entire integrated report is reviewed by the Invicta Audit committee and recommended to the board for approval. The board has not found it necessary to obtain independent assurance as it is comfortable with the accuracy of the sustainability reporting. Environmental issues are not material in the Group or its operations, accordingly no empirical data is considered necessary to be provided at this stage.

05 Audited annual consolidated financial statements

Invicta Holdings Limited

Annual Consolidated Financial Statements

For the year ended 31 March 2017

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF INVICTA HOLDINGS LIMITED

The directors of the Company are responsible for the preparation of the annual consolidated financial statements and related financial information that fairly presents the state of affairs and the results of the Group.

The annual consolidated financial statements set out in this Report have been prepared under the supervision of Mr C Barnard CA(SA), Financial and Commercial Director, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) interpretations, applicable to companies reporting under IFRS, the Companies Act (2008), the Listings Requirements, the SAICA Financial Reporting Guides and Financial Pronouncements as issued by the Accounting Practices Committee. These are based on appropriate accounting policies, consistently applied, which are supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for carrying out an independent examination of the annual consolidated financial statements in accordance with International Standards on Auditing and in compliance with the Companies Act (2008) and reporting their findings thereon. The independent auditors' report is set out on pages 60 to 62 of the Report.

To enable the board to meet its responsibilities, i) systems and internal control and ii) accounting and information systems, have been implemented. These are aimed at providing reasonable assurance that risk of error, fraud or loss is reduced. The Group's internal audit function, which has unrestricted access to the Group's Audit and Risk committees, evaluates and, if necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The Audit and Risk committees, together with the internal auditors, play an oversight role in matters relating to financial and internal control, accounting policies, reporting and disclosures.

To the best of its knowledge and belief, based on the above and after making enquiries, the board of directors of Invicta confirms that it has every reason to believe that the Group has adequate resources in place to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going-concern basis in preparing the annual consolidated financial statements.

The annual consolidated financial statements for the year ended 31 March 2017, which appear on pages 53 to 105, were approved by the board on 22 June 2017 for publication on 26 June 2017 and are signed on its behalf by:

C Barnard
Director

Cape Town
22 June 2017

A Goldstone
Director

Cape Town
22 June 2017

CERTIFICATION BY THE GROUP COMPANY SECRETARY

In accordance with the provisions of section 88(2) of the Companies Act (2008), I certify that, to the best of my knowledge and belief, the Company has filed for the financial year ended 31 March 2017, all such returns and notices as are required of a public company in terms of the said Act, and that all such returns and notices appear to be true, correct and up to date.

GM Chemaly
Group company secretary

Cape Town
22 June 2017

AUDIT COMMITTEE REPORT

BACKGROUND

The Audit committee is guided by a charter that is informed by the Companies Act (2008) and is approved by the board as and when it is amended. The charter includes the specific requirements as set out in the Companies Act (2008), pertaining to audit committees.

PURPOSE

The purpose of the Audit committee is:

- To assist the board in its evaluation of the overall adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the management of the business in compliance with all applicable legal requirements, corporate governance and accounting standards.
- To provide a forum for communication between the board, management, and the internal and external auditors.
- To review and confirm the independence objectively and effectiveness of the internal and external auditors, and to review and approve the engagement of the external auditors for non-audit work.
- To introduce such measures as in the committee's opinion may serve to enhance the reliability, integrity and objectivity of financial information, statements and affairs of the Group.
- To provide support to the board on the risk management of the Group through the establishment of a Risk committee.
- To monitor compliance of the Group with legal requirements and the Group's ethics policies.
- To ensure a high standard of corporate governance is adhered to at all times within the Group.
- To review and monitor the internal audit function.

The Audit committee has further established audit committees at its major operating divisions which meet on a quarterly basis and which report back to the Invicta Audit committee through the relevant divisional chief executive officers or managing directors and Group Financial and Commercial Director as the chairman of the divisional audit committees.

MEMBERSHIP

The committee members were appointed at the Annual General Meeting (AGM) of the Company on 30 August 2016. The committee comprises solely non-executive directors, with all three members being independent.

The members are:

- David Samuels *(chairman)*
- Rashid Wally *(member)*
- Ramani Naidoo *(member)*

(Lance Sherrell resigned as an Audit committee member on 29 August 2016 and was replaced by Ramani Naidoo effective 2 September 2016)

The Audit committee members are considered to be independent of executive management.

Shareholders will be requested to approve the re-appointment of the members of the Audit committee at the AGM scheduled for 7 September 2017.

Attendance at meetings by Audit committee members during the year were as follows:

David Samuels (chairman)	3/4
Rashid Wally (member)	4/4
Lance Sherrell (member) *	1/4
Ramani Naidoo (member) **	3/4

*** Lance Sherrell resigned 29 August 2016**

**** Ramani Naidoo appointed 2 September 2016**

In addition to members, the chairman of the committee may request personal or written representation from Group and Company directors as well as internal and external audit.

AUDIT COMMITTEE REPORT (continued)

External audit

In terms of section 90 of the Companies Act (2008), the committee nominated Deloitte & Touche as the independent auditor and T Marriday as the designated partner, who is a registered independent auditor, for appointment for the 2017 audit. This appointment was approved by shareholders at the AGM on 30 August 2016. The committee has satisfied itself through enquiry that the auditor of Invicta and the Group is independent as defined by the Companies Act (2008) and as per the standards stipulated by the auditing profession.

Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate their independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2017 financial year. The budgeted fee was considered appropriate for the work that could reasonably have been foreseen at that time. The final fee will be agreed on completion of the audit. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services, and each engagement letter for such work is reviewed and approved by the committee. Meetings are held with the auditor where management is not present and no matters of concern were raised.

The committee has again nominated, for approval at the AGM, Deloitte & Touche as the external auditor and T Marriday as the designated auditor for the 2018 financial year.

RISK COMMITTEE REPORT

BACKGROUND

Responsibility for managing Group risk lies ultimately with the Invicta board. The Risk committee, the boards of subsidiary companies, executive committees and management at operational level assist the Invicta board in discharging its responsibilities in this regard by identifying, monitoring and managing risk on an ongoing basis.

Risk management specifically includes the consideration of:

- the risk profile and management of strategic and operational risk within the Group;
- the risk profile and risk management of major projects and acquisitions;
- the impact of environmental, economic and geopolitical factors;
- the adequacy of self-insurance and external insurance programs; and
- the risk profile and management of information technology (IT).

Risk management

As detailed above, the board manages risk through the Risk committee, which is a sub-committee of the Audit committee. The Risk committee has identified a number of key risk areas which it believes require monitoring and detailing to stakeholders, which are summarised below:

Strategic risk review

The Group has internally held further strategic risk evaluations at both Group and divisional levels. The results of this exercise have allowed management and the board to reprioritise risks and consequentially the actions taken to mitigate these. The Risk committee monitors the progress of the implementation of the above processes, with written submissions and presentations being done by management to the committee at least annually.

The Risk committee continues to monitor and evaluate the risk reports provided by the various operational risk committees and to report on these including any Group risks and Group strategies formulated to the Audit committee and the board.

Exchange rate fluctuations

Most of the Group's businesses involve the importation of product and, accordingly, changes in exchange rates can and do significantly affect the performance of operations. To date, the board has adopted the policy of hedging all its material foreign exchange exposures. Increased volatility in the Rand value has further confirmed that this approach adopted is the correct one in the current environment.

Product supply

Based on the highly competitive markets in which the Group operates, specific focus is given to sourcing competitively priced quality products around the world. Executive directors and senior management have specific programs on an annual basis, including visiting of selected international trade fairs and supplier functions, to benchmark existing product ranges and to source new lines. The Group has established permanent buying as well as quality assessment operations in those sourcing regions, which are material to the Group's purchases.

Distribution network and infrastructure

The distribution of the Group's products is critical to its sales performance and takes place through a wide and entrenched network of its own outlets as well as third party distributors. The support, communication and business model used to govern these relationships, enjoys primary focus at the operating entities' executive committee meetings, and may involve direct liaison with the relevant parties by the non-executive directors of the board where appropriate. The efficiency and viability of these different distribution arrangements are continuously monitored and restructured as appropriate.

Trade and funding facilities

The availability of both trade and funding facilities are strategic to the ongoing performance and success of the Group. The board monitors and controls these on an ongoing basis and will continue to raise capital as needed based on funding requirements.

Skills and leadership

The Group, through ongoing initiatives and training programs, endeavours to attract, retain and empower a work force that strives for continuous improvement and excellence in servicing its customer base. The Group has a strong focus on leadership and ensuring that it has the right leadership and skills present in all of its businesses.

Geographical expansion

The Group will continue considering both international and African investments as part of its expansion strategy in order to continually grow and diversify exposure to markets and expand its customer base.

Key audit matters

The Audit committee has assessed the key audit matters included in the external auditors' report and has concluded that these matters have been appropriately addressed.

Annual financial statements

In view of the Audit committee having fulfilled its mandate, it recommended the annual consolidated financial statements for approval to the board. The board subsequently approved the annual consolidated financial statements, which will be open for discussion at the forthcoming AGM.

Group financial director

As required by the Listings Requirements, the committee confirms that the Group and Company's Financial and Commercial Director, Mr Craig Barnard, has the necessary expertise and experience to carry out his duties.

David Samuels
Chairman of the Audit committee
22 June 2017

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

INVICTA HOLDINGS LIMITED

The directors have pleasure in presenting their report, which forms part of the consolidated annual financial statements of the Group for the year ended 31 March 2017.

A restatement of the prior year results (FY2016) has resulted in the prior year comparative numbers being restated. The effect of this is not material and has resulted in a R5.5 million reduction of the prior period net profit after taxation.

In the context of the consolidated annual financial statements, the term "Group" refers to the Company, its subsidiaries and associates.

NATURE OF BUSINESS

The Company is an investment holding and management company. The various operations of the Group are summarised below with an expanded explanation of the various businesses detailed in the operating divisions' reviews.

INVICTA SOUTH AFRICA HOLDINGS PROPRIETARY LIMITED (INVICTA SA)

Operational holding company of all the South African Invicta Group operations.

Invicta SA has 25% of its ordinary shares under the control of BBBEE parties.

- 20% of Invicta SA's ordinary shares are held by Theramanzi Investments Proprietary Limited (Theramanzi), a wholly-owned subsidiary of the Humulani Empowerment Trust (HET). The HET was established by Invicta in 2011 to promote the broad-based socio and economic advancement of black women, black broad-based groups and black designated groups in areas in and surrounding the operations of the Invicta Group. The beneficiaries of HET are defined in the trust deed as the employees selected from time to time by the Company and also includes immediate family of employees living and working in communities bordering or associated with Invicta Group's business. It is intended that disbursements made by the HET will initially be in the areas of education in projects that are considered to create sustainable community improvements. The HET is structured in the form of what is considered to be a broad-based trust, with an enhanced empowerment status.
- 5% of Invicta SA's ordinary shares are held by the Humulani Employee Investment Trust (HEIT). The beneficiaries of the HEIT are all HDSA employees of the Group (i.e. black, indian, coloured and african) who do not participate in any other share incentive scheme of the Group.
- In terms of IFRS 10 Consolidated Financial Statements, the ordinary issued share capital of Invicta SA owned by the HEIT and Theramanzi (wholly-owned by the HET), has been consolidated.

Invicta's operations comprise three main business segments, namely:

- Capital Equipment Group (CEG)
- Engineering Solutions Group (ESG)
- Building Supplies Group (BSG)

CAPITAL EQUIPMENT

- Businesses with a leading position in the distribution of agricultural equipment.
- Businesses with a leading position in the distribution of construction and forklift equipment.
- International sourcing and distribution of OEM branded parts and components in southern Africa.
- International sourcing and distribution of alternative parts and components for the replacement market in southern Africa and South-East Asia.

The companies forming part of the Capital Equipment Group (CEG) of Invicta include:

Northmec
Wholesale and retail distributor of CASEIH full range of agricultural machinery, implements and related spares.

CSE
Wholesale and retail distributor of CASE earthmoving machinery, turf-grooming machinery, utility vehicles and related spares.

New Holland SA
Wholesale distributor of New Holland full range of agricultural machinery, implements and related parts. As announced on SENS on 1 February 2017, CEG has reached agreement with CNH Industrial ("CNH") that CNH would distribute their New Holland brand of agricultural products directly into South Africa, Swaziland, Lesotho, Botswana and Namibia with effect from 1 May 2017. The impact on the Invicta Group results for the 2018 financial year is not expected to be material. CEG will continue to support the New Holland agricultural products in the aftermarket.

Doosan SA
Wholesale and retail supplier of predominantly Doosan heavy earthmoving machinery for construction and mining applications.

Criterion
Importer and distributor of TCM leading materials handling equipment and related parts.

Equipment Spare Parts Africa (ESP)
Distributor of after-market replacement parts, ground engaging tools and undercarriage parts for earthmoving equipment.

Kian Ann Engineering (Kian Ann)
A large wholesale distributor of heavy earthmoving machinery parts, truck parts and diesel engine components.

High Power Equipment Africa (HPE)
Retail distributor of Hyundai earthmoving machinery.

Landboupart
Distributor of after-market replacement parts for agricultural machinery.

ENGINEERING SOLUTIONS

- Southern Africa's leading distributor of engineering products, technical services and solutions.
- Businesses with a leading presence in southern Africa with a network of 135 branches.
- International sourcing and distribution of leading brands of engineering components and consumables to end-users in southern Africa.
- Technical support and value-added assembly of components into customised systems and solutions for end-user customers.

The companies forming part of the Engineering Solutions Group (ESG) of Invicta include:

Bearing Man Group (BMG)
Engineering consumables including bearings, seals and gaskets, power transmission, material handling, fasteners, geared and electric drives and motors and tools.

Fluid technology products and solutions including hydraulic, pneumatic, filtration and lubrication.

Technical design, on-site installation, maintenance, breakdown, condition monitoring as well as design engineering and failure analysis services.

Hyflo Group
Hydraulic and pneumatic products and engineered solutions.

Hansen Transmissions SA
Industrial gearbox units.

Man-Dirk Group (including SA Tool and Sibuyile Industrial Supplies)
Tools and equipment, including personal protective equipment, lifting and welding products.

OST
Vibrator motors, tensioning and suspension systems.

Screen Doctor
Vibrating equipment and material handling solutions.

Autobax
Automotive components.

BUILDING SUPPLIES

- Production, sourcing and distribution of building products.

The companies forming part of the Building Supply Group (BSG) of Invicta include:

MacNeil Distribution
Importing, packaging, distribution and wholesaling of a wide range of sanitary ware and plumbing focused building supplies through distribution centres in Cape Town, Johannesburg, Durban, East London, Port Elizabeth and George.

MacNeil Plastics
Manufacturer of PVC, HDPE, LDPE, polypropylene pipes and fittings for the building, plumbing, industrial, electrical, agricultural, civil and mining sectors.

Brands 4 Africa
Exporting of building supplies and hardware into Africa, currently trading in Zimbabwe, Botswana, Mozambique, Namibia, Zambia, DRC and Malawi.

Doors Closures Locks SA (DCLSA)
An ironmongery business importing, packaging, distributing and wholesaling a full range of locks, handles, hinges and door closure systems to the hardware retail trade.

PVC Pipefit Engineering
A manufacturer of specialised fabricated PVC pipe fittings for the building, plumbing, industrial, agricultural, civil and mining sectors.

Tiletoria
Diversified flooring business - wholesaling, retailing and contracts through five major facilities in Johannesburg, Durban, Namibia (Windhoek), Cape Town and Port Elizabeth.

COMPLIANCE WITH ACCOUNTING STANDARDS

The Group's consolidated annual financial statements comply with IFRS, the Companies Act (2008) and the Listings Requirements.

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

GROUP RESULTS

	2017 R'000	2016 R'000
Revenue from continuing operations	**9 631 811**	8 799 244
Profit for the year from continuing operations	**575 302**	471 646

TAXATION

With respect to the provision for potential tax liability disclosed in note 7 of the Report, it is concluded that the directors of Invicta have applied appropriate judgement in assessing the tax treatment of instruments in the tax computations and that the Group has reasonable tax provision for any potential exposures.

MANAGEMENT PHILOSOPHY

Invicta adopts a hands-on approach to managing its subsidiaries. Each subsidiary is self-contained and has its own CEO or MD and a complete complement of financial and administration infrastructure. The Invicta Group CEO is, however, actively involved in the executive committees of all operations, with executive directors of the Group actively controlling and participating on the boards of subsidiaries. Cash flow is always a major focus of the Group. The board aims to add value by providing expertise and guidance to subsidiary management teams where feasible, and by pooling best practices within the Group.

SHARE CAPITAL AND SHARE PREMIUM

The authorised share capital of the Company remained unchanged at 134 000 000 ordinary shares of five cents each and 18 000 000 cumulative non-participating preference shares of no par value.

DEMATERIALISING OF SHARES (STRATE)

Shareholders are again requested to note that, as a result of clearing and settlement of trades through the Strate system, the Company's share certificates are no longer good for delivery for trading. Dematerialisation of the Company's share certificates is now a prerequisite when dealing in its shares.

AUDITORS

Deloitte & Touche continued in office as auditors of the Company and its major subsidiaries for 2017.

At the Annual General Meeting (AGM), shareholders will be requested to reappoint Deloitte & Touche as auditors of Invicta and the Group and to confirm that T Marriday will be the designated audit partner for the 2018 financial year.

SPONSOR

Deloitte & Touche Sponsor Services Proprietary Limited acts as sponsor to the Company in terms of the Listings Requirements.

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited serves as the registrar and transfer secretaries of the Company.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's interests in its material subsidiaries and associates are set out in the attached annual consolidated financial statements in notes 18 and 19 on pages 88 to 90 of the Report.

DIVIDENDS

Details of the ordinary dividends paid are reflected in note 31 on page 97 of the Report.

The Company's current dividend policy is to consider an interim dividend at a 3.5 times dividend cover ratio on normalized earnings per share, with a final dividend being considered to bring the annual dividend cover ratio on earnings per share to no less than 2.75 times.

Details of the preference share dividends paid are reflected in note 31 of the Report.

DIRECTORS

Details of the directors and group company secretary during the year and at the date of this Report are reflected on pages 8 and 9. During the 2017 financial year, Byron Nichles resigned as CEO of the Engineering Solutions Group (ESG) effective 31 October 2016 and was appointed as a non-executive director of the Invicta board effective 1 November 2016. Lance Sherrell resigned as a member of the Audit committee effective 29 August 2016 and was replaced by Ramani Naidoo effective 2 September 2016. Charles Walters resigned as CEO of the Invicta Group effective 31 January 2017. Arnold Goldstone was re-appointed as CEO effective 1 February 2017. David Samuels resigned as chairman of the Social and Ethics committee effective 10 April 2017 and was replaced by Rashid Wally effective 10 April 2017.

DIRECTORS' CONTRACTS

No material contracts have been entered into between the Company or the Group and the directors during the year under review.

DIRECTORS' FEES

Directors' payments for services as directors and other emoluments for the past year are set out in note 34 on pages 99 to 101 of the Report. Members will be requested to consider a special resolution approving the remuneration of each non-executive director for the 2018 financial year as required by the Companies Act (2008) and an ordinary resolution to endorse the remuneration policy and its implementation at the AGM.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

The total direct and indirect interest declared by the directors in the issued ordinary share capital of the Company at 31 March 2017 was 52% (2016:59%).

The total direct and indirect interest declared by the directors in the preference share capital of the Company at 31 March 2017 was 31%(2016:21%).

The details of the directors' shareholding are reflected in note 36 on page 102 of the Report.

DISCONTINUED OPERATIONS AND SUBSEQUENT EVENTS

During the current year the directors announced the disposal of the Company's Building Supply Group (BSG) business to Steinhoff Doors and Building Materials Proprietary Limited effective 1 April 2017. As at the date of this Report, all conditions precedent to the transaction have been met save only for Competition Commission approval which is expected to be received within the first six months of the 2018 financial year. The transaction excludes certain manufacturing and property businesses currently forming part of BSG, which will be disposed of separately.

ACQUISITIONS AND DISPOSALS

No material acquisitions or disposals were concluded during the current financial year. Refer to note 38 of the Report.

UNISSUED SHARE CAPITAL

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of the Companies Act (2008) and the Listings Requirements. As this general authority remains valid only until the next AGM, which is to be held on Thursday, 7 September 2017, members will be requested at the AGM to consider an ordinary resolution placing the said ordinary shares under the control of the directors until the 2018 AGM.

REPURCHASE OF SHARES

It makes sound business sense for a company to acquire its own shares under certain circumstances. Thus, the directors consider it appropriate to secure a general authority for the Company to repurchase ordinary and preference shares on the open market of the JSE in order to provide the Company with maximum flexibility regarding the repurchase of its own shares.

The Group has over the years repurchased ordinary shares which are held at subsidiary level. The treasury shares are eliminated on consolidation and are thus treated as cancelled from a financial reporting perspective.

The Company's memorandum of incorporation (MOI) allows the Company to purchase its own shares if shareholders have, by way of special resolution, given the Company a general authority to affect such purchase or a specific authority to affect a specific purchase of its own shares, subject to the requirements of the Companies Act (2008) and the Listings Requirements.

NOTICE OF ANNUAL GENERAL MEETING

Notice to shareholders detailing all necessary resolutions relating to the Company affairs is set out on pages 110 to 113 of the Report.

Signed on behalf of the board of directors

Dr Christo Wiese	**Arnold Goldstone**
Chairman	*Chief executive officer*

Cape Town
22 June 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INVICTA HOLDINGS LIMITED

OPINION

We have audited the consolidated financial statements of Invicta Holdings Limited and its subsidiaries (the Group) set out on pages 63 to 105, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa (2008).

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 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation of goodwill	
As disclosed in note 13, the Group's goodwill balance is R615.4 million, the majority of which is allocated to two cash generating units ("CGU"). The goodwill classified as held for sale amounts to R69.1 million as disclosed in note 9. In accordance with IAS 36 – Impairment of Assets, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. There are various factors affecting the valuation of the goodwill balance, which are outlined below: • The Directors have disposed of the BSG operating segment. The effective date of the transaction is after year-end with the transaction closing date, being the first day of the month following month in which competition commission approval is obtained. There is a risk that the recoverable amount (fair value less costs to sell) is less than the carrying amount of the CGU and hence the goodwill for this CGU required impairment; • CNH international have communicated their intention to revoke the Groups distribution rights of the New Holland agricultural equipment, there is a risk that the goodwill relating to the CEG cash generating unit required impairment; and • The recent downgrade of the country to sub investment grade by the ratings agencies, negatively impacts the growth rates, terminal value as well as the pre-tax discount rates used in the free cash flow models that support the goodwill. The value of the goodwill balance as well as the significant judgement used in the inputs into the free cash flow models makes the valuation of goodwill a key audit matter.	In evaluating the goodwill, we performed various procedures, including the following: • Critically evaluated the directors' free cash flow models used in determining whether impairments exist for each CGU; • Utilised our corporate finance specialists in assessing the reasonableness of the model used for the value in use calculation as well assessed the key inputs into the model such as pre-tax discount rate and terminal growth rates against external market data; • Assessed the reasonability of future cash flow forecasts based on current year actual performance and changes to the business; • Have stress tested the model by changing key inputs used to determine the sensitivity of the model to these inputs; and • Inspected the signed contract between Invicta South Africa Holdings Proprietary limited and Steinhoff Doors and Building Materials Proprietary Limited for the sale of BSG to ensure that the recoverable amount (fair value less costs to sell) is higher than the net asset value if the BSG operating segment. We found the free cash flow model as well as the inputs used in the calculations of the value in use to be acceptable. We have found the presentation and disclosures in respect of the goodwill to be consistent with the requirements of IFRS. We found the selling price of the BSG CGU is higher than the net asset value of the CGU and as a result concur with the directors that the goodwill relating to the BSG CGU is not impaired.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Valuation of inventory obsolescence provision</td><td></td></tr>
<tr><td>As disclosed in note 21 of the consolidated financial statement, the Group’s total inventory balance is R3.6 billion (2016: R4.1 billion). The Group primarily sells its inventory to the mining, construction and agricultural industries. The drought that has gripped the country for most of the 2016 calendar year, the continued depressed commodity prices as well as the downgrading of the country to sub investment grade by the rating agencies are all factors that are expected to negatively impact these industries.

In addition, the Group has received a letter from CNH International indicating their intention to revoke the Group’s distribution rights of New Holland Equipment in South Africa.

The factors mentioned above impacts the assumptions and judgements made when calculating the provision for inventory obsolescence, and this, together with the quantum of the inventory balance, makes the valuation of inventory a key audit matter.</td><td>In evaluating the inventory balance, we performed various procedures, including the following:

• Tested the design and implementation of controls that have been implemented around the significant accounting estimates in determining the obsolescence provision. The estimates were also reviewed for bias, reasonability, and consistency;
• Assessed the level of actual inventory written off during the year as well as any write offs to ensure appropriately approved and whether it impacted the provisions;
• Inspected communication and agreements from CNH International to support that the inventory with respect to New Holland is carried at the lower of net realisable value and cost; and
• Performed substantive detail testing, on a sample basis, as well as analytical procedures on the inventory balance on hand to ensure it is carried at the lower of cost and net realisable value.

We concurred with the Directors’ that the inventory obsolescence provision is appropriate and inventory is carried at the lower of cost and net realisable value as required by IAS 2 – Inventories.</td></tr>
<tr><td>Provision for taxation</td><td></td></tr>
<tr><td>As disclosed in:

• Note 25.1, the Group has a loan of R3.4 billion (2016: R3.1 billion) with Serec Capital (Pty) Ltd. The loan bears interest at a proportionate compounded quarterly fixed rate of 11.73% per annum. The fixed date of repayment is the 15th August 2018.
• Note 12, the Group has a financial investment with Gryphon Financial Engineering (Pty) Ltd in the form of preference shares. The shares are redeemable on the 15th August 2018.

The South African tax legislation is highly specialised and complex and the treatment of the transactions described above varies based on the underlying nature of the items. Accordingly there is significant judgement involved in determining the tax treatment for these instruments.

The South African Revenue Services (“SARS”) also requested information on these structures described above from the directors which has been provided.

The directors are currently negotiating with SARS to settle this tax matter and have as a result have raised a tax liability of R150 million as disclosed in note 7 and the Directors Report.

The value of possible tax exposure, calculation of the tax liability raised, as well as significant judgement involved makes the tax treatment of these instruments a key audit matter.</td><td>Our procedures focused on evaluating the directors’ determination of the tax treatment of the instrument as well as an evaluation as to whether the Group has sufficiently provided for any potential tax exposures.

We involved our tax specialist to evaluate the tax provisions and potential exposures, with a particular focus on the Directors’ judgement and treatment of the instruments in the tax computations.

We have, together with our tax specialist:

• Reviewed the legal opinions that the Directors have obtained with regards to these transactions;
• Inspected all correspondence between SARS and the Group and received confirmation from the directors that they have provided all information requested by SARS and all correspondence has been provided to us for inspection.

We found that the directors applied appropriate judgement in assessing the tax treatment of the instruments and that the Group has a reasonable tax provision for any potential exposures based on the information provided to us.</td></tr>
</table>

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors’ Report, the Audit Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated 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 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 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.

INDEPENDENT AUDITORS REPORT (continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated 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 Audit committee 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 Audit committee 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 Audit committee, we determine those matters that were of most significance in the audit of the consolidated 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 Deloitte & Touche has been the auditor of Invicta Holdings Limited for 29 years.

Deloitte + Touche

Deloitte & Touche
Registered Auditor
Per: T Marriday
Partner
22 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R'000	Restated 2016 R'000
Continuing operations			
Revenue		**9 631 811**	8 799 244
Cost of sales		**(6 557 964)**	(6 208 470)
Gross profit		**3 073 847**	2 590 774
Selling, administration and distribution costs		**(2 022 669)**	(1 807 310)
Operating profit before foreign exchange movements	3	**1 051 178**	783 464
Net foreign exchange cost	4	**(40 748)**	(102 489)
Operating profit		**1 010 430**	680 975
Interest paid	5	**(889 429)**	(797 073)
Dividends received from financial investments		**302 617**	327 647
Share of profits of associates	19	**4 106**	5 607
Interest received	6	**469 325**	346 754
Profit before taxation from continuing operations		**897 049**	563 910
Taxation	7	**(321 747)**	(92 264)
Profit for the year from continuing operations		**575 302**	471 646
Discontinued operations			
Profit for the year from discontinued operations	8	**36 505**	24 340
Profit for the year		**611 807**	495 986
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss:			
Exchange differences on translating capitalised loans		**(10 788)**	–
Exchange differences on translating foreign operations		**(82 482)**	164 129
Total comprehensive income for the year		**518 537**	660 115
Profit attributable to:			
Owners of the company		**533 304**	424 219
Non-controlling interest		**(3 932)**	(1 940)
Preference shareholders		**82 435**	73 707
		611 807	495 986
Total comprehensive income attributable to:			
Owners of the company		**447 004**	590 280
Non-controlling interest		**(10 902)**	(3 872)
Preference shareholders		**82 435**	73 707
		518 537	660 115
Basic earnings per share from continuing operations (cents)	10	**465**	374
Basic earnings and normalised earnings per share (cents)	10	**499**	396
Diluted earnings per share (cents)	10	**499**	396
Dividends per share (cents)	24	**167**	142

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 R'000	Restated 2016 R'000	Restated 2015 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	**1 640 530**	1 495 251	1 274 365
Financial investments	16	**1 981 805**	1 789 724	1 615 938
Goodwill	12	**615 354**	662 936	664 936
Other intangible assets	13	**160 721**	169 201	174 154
Financial assets	14	**64 394**	103 234	131 555
Finance lease receivables	15	**46 169**	27 611	14 102
Long-term receivables	17	**3 373 550**	2 944 568	2 523 700
Investment in associates	19	**103 448**	18 411	22 892
Deferred taxation	7	**181 261**	187 079	165 315
		8 167 232	7 398 015	6 586 957
Current assets				
Inventories	20	**3 662 856**	4 092 849	3 803 416
Trade and other receivables	21	**1 541 960**	1 970 913	1 941 824
Current portion of finance lease receivables	15	**40 518**	36 577	15 162
Current portion of financial investments	16	**709 156**	568 621	1 202 422
Current portion of long-term receivables	17	**1 573**	5 408	1 523
Taxation prepaid		**16 113**	27 137	18 855
Bank and cash balances	22	**1 052 517**	781 922	721 018
		7 024 693	7 483 427	7 704 220
Assets classified as held for sale	9	**1 073 053**	12 058	–
TOTAL ASSETS		**16 264 978**	14 893 500	14 291 177
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital	23	**5 424**	5 424	5 424
Share premium	23	**2 653 151**	2 653 151	2 653 151
Treasury shares	23	**(68 057)**	(85 011)	(80 098)
Preference shares	25	**750 000**	750 000	750 000
Share appreciation reserve		**–**	17 128	27 784
Non-distributable reserve		**(138 324)**	(101 998)	(100 776)
Foreign currency translation reserve		**183 781**	259 293	93 232
Retained earnings		**1 730 052**	1 358 685	1 111 256
Equity attributable to the equity holders		**5 116 027**	4 856 672	4 459 973
Non-controlling interest		**152 084**	183 310	175 679
SHAREHOLDERS' EQUITY		**5 268 111**	5 039 982	4 635 652

	Notes	2017 R'000	Restated 2016 R'000	Restated 2015 R'000
LIABILITIES				
Non-current liabilities				
Long-term borrowings	27	**6 792 919**	6 064 087	5 506 305
Financial liabilities	26	**64 394**	100 252	131 496
Deferred taxation	7	**35 042**	28 994	32 755
		6 892 355	6 193 333	5 670 556
Current liabilities				
Trade and other payables	28	**1 938 470**	2 209 951	2 360 330
Provisions	29	**198 170**	196 490	193 980
Share appreciation rights liability		**5 443**	8 474	–
Taxation liabilities		**170 052**	32 124	37 918
Shareholders for dividends		**49 593**	48 082	40 105
Current portion of long-term borrowings	27	**864 211**	939 276	1 176 983
Current portion of financial liabilities		**–**	–	28 022
Bank overdrafts	22	**206 451**	225 788	147 631
		3 432 390	3 660 185	3 984 969
Liabilities associated with assets held for sale	9	**672 122**	–	–
TOTAL LIABILITIES		**10 996 867**	9 853 518	9 655 525
TOTAL EQUITY AND LIABILITIES		**16 264 978**	14 893 500	14 291 177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital R'000	Share premium R'000	Treasury shares R'000	Preference share capital R'000
Balance at 31 March 2015	5 424	2 653 151	(80 098)	750 000
Total comprehensive income	–	–	–	–
Preference dividends paid	–	–	–	–
Treasury shares purchased	–	–	(4 913)	–
Ordinary dividends paid	–	–	–	–
Share appreciation rights change in classification	–	–	–	–
Share appreciation rights exercised	–	–	–	–
Transfer from non-distributable reserve	–	–	–	–
Foreign currency effect	–	–	–	–
Non-controlling interest arising on acquisitions and purchases of non-controlling interests	–	–	–	–
Balance at 31 March 2016 (Restated)	**5 424**	**2 653 151**	**(85 011)**	**750 000**
Total comprehensive income	**–**	**–**	**–**	**–**
Preference dividends paid	**–**	**–**	**–**	**–**
Ordinary dividends paid	**–**	**–**	**–**	**–**
Other reserve movements	**–**	**–**	**6 750**	**–**
Value recognised as a result of the derecognition of the put option on directors' loans	**–**	**–**	**10 204**	**–**
Non-controlling interest arising on acquisitions of subsidiaries	**–**	**–**	**–**	**–**
Purchases of non-controlling interests	**–**	**–**	**–**	**–**
Balance at 31 March 2017	**5 424**	**2 653 151**	**(68 057)**	**750 000**

Restated Share appreciation reserve R'000	Other reserves R'000	Foreign currency translation reserve R'000	Restated Retained earnings R'000	Attributable to equity shareholders R'000	Non-controlling interest R'000	Total R'000
27 784	(100 776)	93 232	1 111 256	4 459 973	175 679	4 635 652
–	1 399	166 061	496 613	664 073	13 712	677 785
–	–	–	(73 707)	(73 707)	–	(73 707)
–	–	–	–	(4 913)	–	(4 913)
–	–	–	(193 930)	(193 930)	(9 601)	(203 531)
(8 179)	–	–	–	(8 179)	–	(8 179)
(4 018)	–	–	–	(4 018)	–	(4 018)
–	(4 563)	–	1 367	(3 196)	3 196	–
1 541	–	–	–	1 541	–	1 541
–	1 942	–	17 086	19 028	324	19 352
17 128	**(101 998)**	**259 293**	**1 358 685**	**4 856 672**	**183 310**	**5 039 982**
–	**–**	**(75 512)**	**604 951**	**529 439**	**18 686**	**548 125**
–	**–**	**–**	**(82 435)**	**(82 435)**	**–**	**(82 435)**
–	**–**	**–**	**(159 028)**	**(159 028)**	**(9 047)**	**(168 075)**
(17 128)	**5 618**	**–**	**7 879**	**3 119**	**(3 146)**	**(27)**
–	**–**	**–**	**–**	**10 204**	**–**	**10 204**
–	**–**	**–**	**–**	**–**	**25 797**	**25 797**
–	**(41 944)**	**–**	**–**	**(41 944)**	**(63 516)**	**(105 460)**
–	**(138 324)**	**183 781**	**1 730 052**	**5 116 027**	**152 084**	**5 268 111**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	**1 347 957**	585 599
Finance costs		**(879 612)**	(1 068 195)
Dividends paid to group shareholders	31	**(235 192)**	(259 661)
Dividends paid to non-controlling interest		**(9 047)**	(9 601)
Taxation paid	32	**(188 896)**	(146 539)
Interest and dividends received		**736 798**	831 321
Net cash inflow/(outflow) from operating activities		**772 008**	(67 076)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment and other intangible assets		**95 858**	139 128
Additions to property, plant and equipment		**(435 201)**	(308 672)
Additions to intangible assets		**(16 820)**	(10 703)
Acquisition of subsidiaries	33	**(42 020)**	(80 083)
Acquisition of associate		**(99 892)**	(2 315)
Dividend received from associate		**–**	3 262
Proceeds on sale of Wegezi		**9 240**	477
Net increase in long-term receivables and finance lease receivables		**(404 726)**	(406 056)
Net increase in financial investments		**(192 081)**	(173 786)
Net (increase)/decrease in current portion of financial investments, long-term and finance lease receivables		**(140 641)**	608 501
Net cash outflow from investing activities		**(1 226 283)**	(230 247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long-term borrowings		**733 843**	472 912
Share appreciation rights settled		**–**	(4 018)
Treasury shares acquired		**–**	(4 913)
Decrease in current portion of long-term borrowings and financial liabilities		**(62 946)**	(266 086)
(Acquisition)/disposal of non-controlling interest		**(46 317)**	18 487
Net cash inflow from financing activities		**624 580**	216 382
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**170 305**	(80 941)
Cash and cash equivalents at the beginning of the year		**556 134**	573 387
Effect of foreign exchange rate movement on cash balance		**(25 358)**	63 688
Cash and cash equivalents at the end of the year		**701 081**	556 134
CASH AND CASH EQUIVALENTS			
Bank and cash balances		**1 052 517**	781 922
Bank overdrafts		**(206 451)**	(225 788)
Cash and cash equivalents of continuing operations	22	**846 066**	566 134
Cash and cash equivalents classified as available for sale	9	**(144 985)**	–
Total		**701 081**	556 134

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. Statement of compliance

The consolidated annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS, the Companies Act (2008), the JSE Listings Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council .The financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments. Invicta Holdings is a company, incorporated in the Republic of South Africa. The Company's shares are publicaly traded**.** The principal accounting policies adopted are set out below.

1.2. Significant accounting judgements

Preparing financial statements in conformity with IFRS requires judgements and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

Tax matters

The Group has a loan with Serec Capital which bears interest at a proportionate compounded quarterly fixed rate per annum and has a fixed repayment date. The Group also has a financial investment with Gryphon Financial Engineering Proprietary Limited in the form of preference shares which are redeemable on a fixed date. The South African tax legislation is highly specialised and complex and the treatment of transactions such as the ones described above varies based on the underlying nature of the items. Accordingly, there is significant judgement involved in determining the tax treatment for these instruments.

Share-based payments

Equity settled

The grant date fair value of share incentives issued to employees in equity-settled share-based payment transactions is accounted for in the share-based compensation reserve over the vesting period, if any. The reserve is adjusted at each reporting period when the entity revises its estimates of the number of share incentives that are expected to vest. The impact of revisions of original estimates, if any, are recognised in the income statement, with a corresponding adjustment to this reserve in equity.

Cash settled

Due to the volatility in the share price over the past few years, the valuation of the cash settled share appreciation rights (SAR's) involves significant estimate. The Directors use the Black Scholes Model pricing model to determine the fair value of the SAR's. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The change in intention in 2016 relating to the settlement of the SAR's from equity to cash settled has necessitated the restatement of the 2016 results reported, further information and particulars regarding the restatement can be found in note 39.

Provision for inventory obsolescence

Merchandise and finished goods is provided for based on the ageing on of the inventory. Capital equipment is assessed on an item by item basis and is provided for if the asset has been damaged. Service parts are provided for based on the ageing of the inventory and is provided for at 20% if it is 2 years old and fully provided for by year 6.

Provision for doubtful debts

The impairment is based on an assessment of receivables on an individual basis. The assessment takes certain factors into account such as terms of the receivable, payment history, subsequent payments received and the receivables trading history within the group.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation of each individual item of plant and equipment. The estimation of residual values of assets is based on management's judgement of whether the assets will be sold and what their condition will be at that time.

1.3. Discontinued operations and non-current assets held for sale

During the current year, the Group announced their decision to dispose of their Building Supply Group segment. The decision to sell was taken based on the board's decision to divest from the business, based on the strategic direction the Invicta Group was taking, the relative metrics of the operation and the prospects going forward. The segment is being sold to Steinhoff Doors and Building Materials Proprietary Limited and the effective date of the sale is 1 April 2017, whilst the transaction closing date will be the 1st day of the month following the month in which the last of the conditions precedent in the sale contract are fulfilled. The segment has been disclosed as a discontinued operation in the current year. All assets and liabilities of the segment will be transferred to assets classified as held for sale and liabilities associated with assets classified as held for sale respectively.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4. Operating segments

The operating segments are determined by the board of directors, who is the chief operating decision maker, and are based on the three main operating divisions namely Engineering Solutions Group (ESG), Capital Equipment Group (CEG) and Building Supplies Group (BSG), with a fourth segment for all group, financing and other operations. Engineering solutions is a distributor of bearings, seals, power transmission components, drives, belting, fasteners, filtration systems and hydraulics. Capital equipment is a wholesaler and retail distributor of agricultural machinery, implements and related spares, retail supplier of predominantly heavy earthmoving machinery for construction and mining applications, importer and distributor of leading material handling equipment and related spares, after-market replacement parts of earthmoving equipment, large distributor of heavy earthmoving machinery parts and diesel engine components and a distributor of Hyundai Construction Equipment. Building supplies is an importer, packager, distributor and wholesaler of plumbing, manufacturer of PVC, HDPE, LDPE, polypropylene pipes, and fittings, exporter of buildings supplies and a diversified flooring business. The building supplies segment has been disclosed as a discontinued operation in the current year.

1.5. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The group policy has been applied by the segments as follows:

CEG

- Sale of equipment and spare parts is recognised when the goods are delivered to the customer.
- Rendering of equipment servicing or repairs is recognised once the service or repair has been completed.
- Maintenance revenue is recognised over the term of the maintenance contract.
- Interest income is recognised on finance leases and cash balances and is recognised on a time basis.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5. Revenue recognition (continued)

ESG

- Sale of parts is recognised when the goods are delivered to the customer.
- Rendering of services is recognised based on the stage of completion of the transaction, based on the proportion that costs incurred to date bear to the total costs of the project.
- Interest income is recognised on cash balances and is recognised on a time basis.

1.6. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The group policy has been applied by the segments as follows:

CEG

- The cost of finished goods and goods in transit for both equipment and parts is the landed cost of the goods plus the costs incurred to bring it to a selling location, and it is accounted for on the first in first out method.
- The cost for work in progress is the costs of direct parts, labour costs and travel costs.

ESG

- The cost of finished goods and goods in transit for both equipment and parts is the landed cost of the goods plus the costs incurred to bring it to a selling location, and it is accounted for on the first in first out method.
- The cost for work in progress is the costs of direct parts, labour costs and travel costs.
- The cost of contracts in progress is the cost of the contract less costs expensed proportionally to stage of payments received.

1.7. Property plant and equipment

Land is stated at cost whilst other fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses. Buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. They are depreciated over the term of the lease land that the building occupies.

Assets held under finance lease are depreciated over their useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is calculated on the straight-line basis, so as to write the cost of the assets down to their residual values, at the following rates per annum, which are expected to approximate the estimated useful lives of the assets concerned.

	CEG	*ESG*
Buildings	–	–
Freehold buildings	Over the term of the lease	–
Plant and equipment	10 – 20%	10 – 20%
Leasehold improvements	Over the term of the lease	Over the term of the lease
Motor vehicles	20 – 25%	20 – 25%
Office equipment	10 – 33%	10 – 33%
Forklifts	25%	–

The residual values of owned land and buildings are estimated to approximate cost and as a result these are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

1.8. Goodwill

Any impairment loss for goodwill is recognised directly in profit or loss. The Group's significant cash generating units are the Capital Equipment Group and the Engineering Solutions Group, because management believe this is the smallest identifiable group of assets that generates cash inflows that are largely independent.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9. Other intangible assets

Other intangible assets consist of the following:

- Computer software which is amortised on the straight-line basis over a period of three years.
- Re-acquired agency rights, which are calculated with reference to the agency's forecast trading results to the end of the contracted lease term are amortised over the remaining contractual term of the agency agreement.
- Distribution agreements, trademarks, brands, and customer relationships arising on the acquisition of subsidiaries are amortised over a period of five to seven years.

1.10. Financial instruments

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method as reduced by appropriate allowances for estimated irrecoverable amounts.

Long-term receivables

Long term receivables consist of a receivable relating to fees and interest receivable on the credit default swap relating to the Serec loan, an investment in ordinary shares where the dividends receivable are contractual and loans to directors. They are measured at amortised cost using the effective interest rate method.

Investments

Investments consist of an investment in Gryphon Financial Engineering (Pty) Ltd preference shares and FirstRand Bank listed bonds. They are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as either investments held for trading and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. Impairment losses are recognised in profit or loss.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade payables

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

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward exchange contracts and interest rate swaps) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments, forecast transactions and interest rate fluctuations relating to bank loans. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11. Provisions

Warranty provision

The warranty provision represents warranty income that has been deferred and which is recognised on a systematic basis over the warranty term. It is expected that the majority of warranty claims will be incurred within two years after the reporting period.

Employee benefit provisions

The provisions for employee entitlements to wages and salaries represent the amount that the group has a present obligation to pay as a result of employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

1.12. Business combinations

The following business combinations took place during the current year:

- Investment of 100% was made in Arc Engineering Since 1934 Proprietary Limited.
- Additional investment was made in Steve Woods Limited increasing the Group's ownership interest to 50.01%.
- Additional investment was made in Compact Computer Solutions Proprietary Limited increasing the Group's interest to 100%.
- Additional investment was made in D&D Lifting and Crane Services Proprietary Limited increasing the Group's interest to 100%.

Goodwill arising from a business combination includes the consideration transferred, the amount of any non-controlling interest, and the fair value of any previously held equity interest in the acquiree less the fair value of the identifiable net assets, which includes intangible assets, of the acquiree.

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and that control is not transitory, are referred to as common control transactions. Where there are common control transactions in the Group, predecessor accounting is applied.

1.13. Investment in associates

The results of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The Group acquired a 27.6% share in Kunshan Kensetsu Buhin Co. Limited during the current year.

1.14. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The classification and recognition of the group as a lessor has been applied as follows:

CEG

- Construction equipment is leased on finance lease to customers, the receivable is determined as the present value of future minimum lease payments. Interest is accounted for over the term of the lease using the net investment method through profit or loss.
- Forklifts and golf carts are leased on operating lease to customers and are accounted for on a straight-line basis over the term of the lease through profit or loss.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Leasing (continued)

The group policy has been applied by the segments as follows:

CEG

- Construction equipment is leased on finance lease from the bank for the purpose of leasing to customers, the liability is accounted for at the present value of future minimum lease payments. Interest is accounted for over the term of the lease at a constant rate on the remaining balance of the liability through profit or loss.
- Property is leased on operating lease and is accounted for on a straight-line basis over the term of the lease through profit or loss.

ESG

- Motor vehicles are leased on finance lease to contribute to the Group's motor fleet, the liability is accounted for at the present value of future minimum lease payments. Interest is accounted for over the term of the lease at a constant rate on the remaining balance of the liability through profit or loss.
- Property, equipment and motor vehicles are leased on operating lease and are accounted for on a straight-line basis over the term of the lease through profit or loss.

1.15. Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated annual financial statements, the results and financial position of each entity are expressed in currency units, which are the functional currency of the Group, and the presentation currency for the consolidated annual financial statements. The only material exposure to the Group in this regard is the Kian Ann Group whose functional currency is the Singapore dollar.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts and options. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in currency units using exchange rates prevailing on the statements of financial position date. Income and expense items are translated at the average exchange rates for the each prevailing month, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

1.16. Adoption of new and revised international financial reporting standards

During the year, there were no new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to the Group's operations and effective for its reporting period.

The following new standards, interpretations and amendments to existing standards are not yet effective as at 31 March 2017. The group is currently evaluating the effects of these standards and interpretations, which have not been early adopted:

IFRS 2 – Share-based Payment (amendments)	Annual periods beginning on or after 1 January 2017
IFRS 9 (2014) – Financial Instruments – Classification and Measurement	Annual periods beginning on or after 1 January 2018
IFRS 12 – Disclosure of Interest in Other Entities (amendments)	Annual periods beginning on or after 1 January 2017
IFRS 15 – Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019
IAS 7 – Cash flow statement	Annual periods beginning on or after 1 January 2017
IAS 12 – Income taxes (amendments)	Annual periods beginning on or after 1 January 2017
IAS 28 – Investment in Associates and Joint Ventures (amendments)	Annual periods beginning on or after 1 January 2018
IFRIC 22 – Foreign currency transactions and advance consideration	Annual periods beginning on or after 1 January 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

2. BUSINESS SEGMENTS

The building supplies segment has been disclosed as a discontinued operation in the current year and is therefore presented separately from the total continuing revenue and results.

2.1 Segment revenues and operating profit

The following is an analysis of the Group's revenue and results from operations by reportable segments:

	Segment revenue		Segment operating profit before foreign exchange movements	
	2017 R'000	2016 R'000	**2017 R'000**	Restated 2016 R'000
Engineering solutions	**4 665 157**	4 298 874	**479 762**	406 226
Capital equipment	**4 954 925**	4 483 878	**469 813**	361 989
Group, financing and other operations	**11 729**	16 492	**101 603**	15 249
Total continuing	**9 631 811**	8 799 244	**1 051 178**	783 464
Building supplies	**1 896 062**	1 836 606	**108 264**	69 944
Total	**11 527 873**	10 635 850	**1 159 442**	853 408

2.2 Segment assets and liabilities

	2017 R'000	Restated 2016 R'000
Segment assets		
Engineering solutions	**2 758 272**	2 729 534
Capital equipment	**4 085 804**	3 850 263
Group, financing and other operations	**8 347 849**	7 318 251
Total continuing	**15 191 925**	13 898 048
Building supplies	**1 073 053**	995 452
Total assets	**16 264 978**	14 893 500
Segment liabilities		
Engineering solutions	**719 727**	793 788
Capital equipment	**1 779 389**	1 595 349
Group, financing and other operations	**7 825 629**	6 860 950
Total continuing	**10 324 745**	9 250 087
Building supplies	**672 122**	603 431
Total liabilities	**10 996 867**	9 853 518

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than goodwill, deferred and current tax assets, financial assets and investments in associates. Goodwill relating to the discontinued operations has been allocated to assets classified as held for sale.
- All liabilities are allocated to reportable segments other than current tax and financial liabilities, current tax and deferred tax liabilities.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

2. BUSINESS SEGMENTS (continued)

2.3 Other segment information

	Depreciation and amortisation		Additions to property, plant and equipment and intangible assets	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Engineering solutions	**50 221**	50 409	**126 322**	50 663
Capital equipment	**62 366**	70 953	**53 333**	59 432
Group, financing and other operations	**5 686**	10 186	**235 725**	171 230
Total continuing	**118 273**	131 548	**415 380**	281 325
Building supplies	**19 865**	20 242	**36 641**	38 050
Total	**138 138**	151 790	**452 021**	319 375

Geographical segments

The Group has not reported segment information by geographical location as the operations occur substantially within southern Africa. The Singapore operations have been included in the capital equipment segment and accounts for 48% of the total assets and 35% of the total liabilities in the capital equipment segment.

Customers

The Group has not reported segment information by customer as no customer contributes in excess of 2% of the Group's total revenue.

3. PROFIT FROM CONTINUING OPERATIONS

	2017 R'000	Restated 2016 R'000
Operating profit before foreign exchange movements is arrived at after taking into account the following items:		
Income		
Profit on disposal of property, plant and equipment	**11 355**	62 043
Expense		
Impairment of property, plant and equipment	**3 517**	–
Impairment of goodwill	–	12 934
Impairment of loans receivable	**3 089**	–
Loss on disposal of investments	**5 286**	–
Auditors' remuneration	**9 956**	9 411
– Current year	**9 456**	9 485
–Other services	**500**	(74)
Employment costs	**1 335 056**	1 113 265
Operating lease expenses	**135 862**	156 440
– Premises	**101 082**	124 406
– Equipment	**4 466**	7 581
– Motor vehicles	**29 695**	24 237
– Other	**619**	216
Pension and provident fund contributions to defined contribution plans	**80 017**	63 969

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		2017 R'000	Restated 2016 R'000
4.	**NET FOREIGN EXCHANGE COST**		
	Foreign exchange losses on trade assets and liabilities	**(44 391)**	(102 385)
	Foreign exchange gains/(losses) on debt	**3 643**	(104)
	Total	**(40 748)**	(102 489)
5.	**INTEREST PAID**		
	Bank overdrafts and loans	**(8 525)**	(12 427)
	Finance leases	**(6 901)**	(3 224)
	Long-term borrowings	**(874 003)**	(781 422)
	Total	**(889 429)**	(797 073)
6.	**INTEREST RECEIVED**		
	Bank overdrafts and loans	**105 860**	68 160
	Finance leases	**11 065**	–
	Long-term receivables	**352 400**	278 594
	Total	**469 325**	346 754
7.	**TAXATION**		
	South African normal taxation		
	Current tax		
	– current year	**280 543**	104 159
	– prior year	**1 180**	(794)
	Deferred tax		
	– current year	**12 388**	(23 410)
	– prior year	**(2 200)**	196
	Withholding tax	**888**	–
	Share transfer tax	–	9
	Foreign tax	**28 948**	12 104
	Total taxation for continuing operations	**321 747**	92 264
	Reconciliation of tax rate	**%**	%
	Statutory tax rate	**28,0**	28,0
	Dividends received and accrued	**(9,4)**	(16,3)
	Provision for potential tax liability	**16,7**	–
	Impairment of goodwill	–	2,3
	Consulting fees non-deductible	**0,6**	1,8
	Other permanent differences and exempt income	**(3,2)**	(0,6)
	Foreign tax differentials	**3,2**	1,1
	Effective tax rate	**35,9**	16,3

The directors of Invicta have applied appropriate judgement in assessing the tax treatment of instruments in the tax computations and that the Group has reasonable tax provision for any potential exposures

Estimated tax losses in the Group amount to R224 867 912 (2016: R312 551 936). A deferred tax asset of R62 963 015 (2016: R87 514 542) has been raised with respect to these tax losses. The directors are of the opinion that based on the cash flow forecasts, the entities will make sufficient taxable profits to utilise the tax losses in the foreseeable future.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

7. TAXATION (continued)

7.1 Deferred tax

	2017 R'000	Restated 2016 R'000
Net balance at the beginning of the year	**158 085**	132 560
Acquisition of subsidiaries	**(1 497)**	821
Share options exercised	**–**	(418)
Foreign currency translation	**2 671**	(3 167)
Disposal of subsidiaries	**(92)**	–
Charge from the statement of comprehensive income	**(2 591)**	28 289
Charged directly to equity	**191**	–
Reclassified to assets held for sale	**(10 548)**	–
Net balance at the end of the year	**146 219**	158 085
Comprising:		
Capital allowances	**(12 838)**	(40 647)
Tax losses	**62 963**	87 515
Provisions	**94 419**	110 537
Other temporary differences	**1 675**	680
Total	**146 219**	158 085
Disclosed as:		
Deferred taxation asset	**181 261**	187 079
Deferred taxation liability	**(35 042)**	(28 994)
Total	**146 219**	158 085

8. DISCONTINUED OPERATIONS

Analysis of profit for the year from discontinued operations

The results of the discontinued operations (i.e. BSG) included in the profit for the year have been set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2017 R'000	2016 R'000
Profit for the year from discontinued operations		
Revenue	**1 896 062**	1 836 606
Cost of sales	**(1 381 524)**	(1 377 938)
Gross profit	**514 538**	458 668
Selling, administration and distribution cost	**(406 274)**	(388 724)
Operating profit before foreign exchange movement	**108 264**	69 944
Net foreign exchange profit	**978**	5 260
Operating profit	**109 242**	75 204
Interest paid	**(26 041)**	(20 868)
Interest Received	**714**	3 894
Profit before taxation	**83 915**	58 230
Total attributable taxation	**(17 822)**	(14 907)
Attributable taxation	**(25 419)**	(19 982)
Attributable deferred tax	**7 597**	5 075
Profit from discontinued operations	**66 093**	43 323
Non-controlling interest relating to discontinued operations	**(29 588)**	(18 983)
Total profit for the year from discontinued operations	**36 505**	24 340

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
8. DISCONTINUED OPERATIONS (continued)		
Cashflows from discontinued operations		
Net cash inflows from operating activities	**22 949**	23 256
Net cash outflows from investing activities	**(28 425)**	(34 788)
Net cash outflows from financing activities	**3 964**	(16 533)
Net cash inflows	**(1 512)**	(28 065)

The BSG business has been classified and accounted for at 31 March 2017 as a disposal group held for sale (refer to note 9).

Impairment of disposal group

The Company has not recognised any impairment losses in respect of the Building Supply Group business, neither when the assets and liabilities were reclassified as held for sale nor at the end of the reporting period (refer to Note 9)

	2017 R'000	2016 R'000
9. ASSETS CLASSIFIED AS HELD FOR SALE		
Assets related to BSG classified as held for sale	**1 073 053**	–
Liabilities of BSG associated with assets held for sale	**672 122**	–
Property, plant and equipment	**137 693**	12 058
Long-term receivables	**897**	–
Goodwill	**69 110**	–
Other intangible assets	**8 594**	–
Deferred tax asset	**13 319**	–
Inventories	**460 757**	–
Trade and other receivables	**335 486**	–
Prepaid taxation	**2 842**	–
Bank and cash balances	**44 355**	–
Assets of classified as held for sale	**1 073 053**	12 058
Long-term borrowings	**63 714**	–
Deferred tax liability	**2 771**	–
Trade and other payables	**329 275**	–
Provisions	**4 460**	–
Taxation liabilities	**4 173**	–
Shareholders for dividends	**4 760**	–
Current portion of long-term borrowings	**73 629**	–
Bank overdrafts	**189 340**	–
Liabilities of associated with assets classified as held for sale	**672 122**	–
Net assets of classified as held for sale	**400 931**	12 058

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		2017 R'000	Restated 2016 R'000
10.	**EARNINGS PER SHARE**		
	Basic earnings per share from continuing operations (cents)	**465**	374
	Basic earnings and normalised earnings per share (cents)	**499**	396
	Diluted earnings per share	**499**	396
10.1	**Basic earnings per share from continuing operations**		
	The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share from continuing operations are as follows:		
	Profit from continuing operations attributable to owners of the Company	**496 799**	399 879
	Weighted average number of ordinary shares for the purposes of basic earnings per share from continuing operations	**106 953**	107 013
	Reconciliation of profit from continuing operations attributable to owners of the company		
	Profit for the year attributable to owners of the company	**533 304**	424 219
	Less: Profit for the year from discontinued operations	**(36 505)**	(24 340)
	Profit from continuing operations attributable to owners of the company	**496 799**	399 879
10.2	**Basic earnings and normalised earnings per share**		
	The earnings and weighted average number of ordinary shares used in the calculation of basic and normalised earnings per share are as follows:		
	Profit for the year attributable to owners of the company	**533 304**	424 219
	Weighted average number of ordinary shares for the purposes of basic earnings per share from continuing operations	**106 953**	107 013
10.3	**Diluted earnings per share**		
	The earnings used in the calculation of diluted earnings per share are as follows:		
	Profit for the year attributable to owners of the company	**533 304**	424 219
	Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**106 953**	107 013
	Reconciliation of diluted weighted average number of ordinary shares		
	Basic number of ordinary shares	**106 953**	107 013
	Diluted number of ordinary shares	**106 953**	107 013

There are 893 277 potential anti-dilutive shares in issue, these will become anti-dilutive should the put option on the directors' loan be exercised.

		2017 R'000	Restated 2016 R'000
10.4	**Headline earnings per share**		
	Headline earnings per share from continuing operations (cents)	**466**	341
	Headline earnings and diluted headline earnings per share (cents)	**500**	364
	Normalised headline earnings per share (cents)	**500**	380

This calculation is based on the weighted average number of 106 952 915 (2016: R107 012 549) ordinary shares in issue during the year. It is derived, after taxation and non-controlling interest, as follows:

Reconciliation of normalised headline earnings per share

	2017 R'000	Restated 2016 R'000
Headline earnings attributable to owners of the company	**534 560**	389 163
Relocation cost	–	25 000
Tax on relocation cost	–	(7 000)
Normalised headline earnings attributable to owners of the company	**534 560**	40 716

Normalised headline earnings per share was calculated to exclude the once-off relocation costs incurred by the Group, whereby the head office of the BMG division moved from Durban to Johannesburg.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

10. EARNINGS PER SHARE (continued)

10.4 Headline earnings per share (continued)

2017	Gross R'000	Taxation	Non-controlling interest	Preference dividends	Attributable to equity holders
Earnings attributable to ordinary shareholders	**897 049**	**(321 747)**	**3 932**	**(82 435)**	**496 799**
Adjusted for:					
Gain from bargain purchase price recognised	**(235)**	**–**	**–**	**–**	**(235)**
Net profit on disposal of property, plant and equipment	**(11 355)**	**2 871**	**307**	**–**	**(8 177)**
Loss on disposal of investments	**5 286**	**(1 480)**	**–**	**–**	**3 806**
Profit on disposal of other assets	**(231)**	**65**	**–**	**–**	**(166)**
Impairment of property, plant and equipment	**3 517**	**–**	**–**	**–**	**3 517**
Impairment of loans	**3 089**	**–**	**–**	**–**	**3 089**
Headline earnings for purposes of headline earnings per share from continuing operations	**897 120**	**(320 291)**	**4 239**	**(82 435)**	**498 633**
Headline earnings per share contribution from discontinued operations	**35 927**	**–**	**–**	**–**	**35 927**
Headline earnings for purposes of headline and diluted headline earnings per share	**933 047**	**(320 291)**	**4 239**	**(82 435)**	**534 560**

Headline earnings per share contribution from discontinued operations is adjusted by deducting the profit on sale of property, plant and equipment of R578 000 (2016: R366 000) from the profit for the year from discontinued operations R36 505 000 (2016: R24 340 000)

Restated 2016	Gross R'000	Taxation	Non-controlling interest	Preference dividends	Attributable to equity holders
Earnings attributable to ordinary shareholders	563 910	(92 264)	1 940	(73 707)	399 879
Adjusted for:					
Profit on disposal of property, plant and equipment	(62 043)	16 974	142	–	(44 927)
Impairment on property, plant and equipment	(2 663)	–	–	–	(2 663)
Impairment of intangible assets	12 935	–	–	–	12 935
Profit on disposal of investments	(35)	–	–	–	(35)
Headline earnings for purposes of headline earnings per share from continuing operations	512 104	(75 290)	2 082	(73 707)	365 189
Headline earnings per share contribution from discontinued operations	23 974	–	–	–	23 974
Headline earnings for purposes of headline and diluted headline earnings per share	536 078	(75 290)	2 082	(73 707)	389 163

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant and equipment R'000	Leasehold improvements R'000
Net book value at 31 March 2015	915 997	126 983	21 475
Additions	187 493	25 026	7 107
Acquisition of subsidiaries	–	8 936	231
Impairment	2 355	–	–
Depreciation for the year	(17 070)	(27 072)	(6 298)
Classified as held for sale	(12 058)	–	–
Transfer from intangible assets	–	–	–
Disposals	(53 016)	(753)	(882)
Category transfer	1 044	93	294
Foreign currency translation	70 937	7 528	2 458
Net book value at 31 March 2016	**1 095 682**	**140 741**	**24 385**
Additions	**296 409**	**27 546**	**6 306**
Acquisition of subsidiaries	**32 671**	**4 010**	**–**
Disposal of subsidiary	**–**	**(3 374)**	**(516)**
Impairment	**–**	**–**	**(3 517)**
Depreciation for the year	**(8 477)**	**(21 567)**	**(3 312)**
Classified as held for sale	**(27 119)**	**(56 020)**	**(1 989)**
Transfer to intangible assets	**–**	**–**	**–**
Disposals	**(36 881)**	**(3 108)**	**(81)**
Category transfer	**(1 991)**	**(2 026)**	**(3 484)**
Foreign currency translation	**29 082**	**(5 359)**	**(769)**
Net book value as at 31 March 2017	**1 379 376**	**80 843**	**17 023**
2016			
Cost	1 195 719	280 481	53 839
Accumulated depreciation	(100 037)	(139 740)	(29 454)
Total	1 095 682	140 741	24 385
2017			
Cost	**1 473 410**	**195 557**	**43 727**
Accumulated depreciation	**(94 034)**	**(114 714)**	**(26 704)**
Total	**1 379 376**	**80 843**	**17 023**

* *The depreciation charge relating to the forklifts hire fleet, golf cars fleet and machinery rental fleets disclosed in cost of sales amount to R24 914 004 (2016: R28 406 232)*

\# *Depreciation includes depreciation from the discontinued operations*

11.1 Details of the land and buildings

A register containing details of land and buildings is available for inspection during business hours at the registered office of the company by members or their duly authorised agents.

11.2 Encumbrances

The Group has encumbered land and buildings, motor vehicles, plant and equipment and machinery having a carrying value of R402 million (2016: R306 million) to secure mortgage bonds, finance lease liabilities and certain long-term borrowings as detailed in note 27.

Motor vehicles R'000	Furniture, fittings and office equipment R'000	Computer equipment R'000	Rental assets R'000	Total R'000
57 285	37 077	18 849	96 698	1 274 364
28 940	14 879	15 477	29 750	308 672
10 339	512	2 232	–	22 250
–	–	–	308	2 663
(20 127)	(10 994)	(18 770)	(27 177)	(127 508)
–	–	–	–	(12 058)
–	–	20 664	–	20 664
(5 890)	(1 734)	(510)	(13 791)	(76 576)
123	(1 138)	(416)	–	–
112	883	862	–	82 780
70 782	**39 485**	**38 388**	**85 788**	**1 495 251**
30 025	**19 046**	**20 849**	**35 020**	**435 201**
1 839	**1 158**	**147**	**–**	**39 825**
(926)	**(90)**	**(284)**	**–**	**(5 190)**
–	**–**	**–**	**–**	**(3 517)**
(19 734)	**(14 741)**	**(12 805)**	**(24 914)**	**(105 550)**
(36 785)	**(13 053)**	**(2 727)**	**–**	**(137 693)**
–	**–**	**(24 645)**	**–**	**(24 645)**
(6 932)	**(1 166)**	**(765)**	**(23 264)**	**(72 197)**
2 214	**5 293**	**(6)**	**–**	**–**
(3 583)	**398**	**(724)**	**–**	**19 045**
36 900	**36 330**	**17 428**	**72 630**	**1 640 530**
185 010	138 781	163 660	242 693	2 260 183
(114 228)	(99 296)	(125 272)	(156 905)	(764 932)
70 782	39 485	38 388	85 788	1 495 251
132 747	**132 961**	**111 779**	**224 889**	**2 315 070**
(95 847)	**(96 631)**	**(94 351)**	**(152 259)**	**(674 540)**
36 900	**36 330**	**17 428**	**72 630**	**1 640 530**

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
12. GOODWILL		
Goodwill arising on acquisition of subsidiaries		
At the beginning of the year	**662 936**	664 936
Gross value	**683 879**	672 944
Accumulated impairment	**(20 943)**	(8 008)
Acquisition of subsidiaries	**23 527**	18 773
Goodwill impaired during the year	**–**	(12 935)
Measurement period adjustment	**–**	(7 317)
Reclassify to assets classified as held for sale	**(69 110)**	–
Currency realignment	**(1 999)**	(521)
At the end of the year	**615 354**	662 936
Gross value	**623 362**	683 879
Accumulated impairment	**(8 008)**	(20 943)
The carrying amount of goodwill was allocated to cash-generating units (CGUs) as follows:		
BMG segment	**221 915**	221 108
CEG segment	**362 219**	362 219
BSG Segment	**–**	69 110
Other	**31 220**	10 499
Total	**615 354**	662 936

Impairment testing of goodwill

The group has allocated goodwill to its cash-generating units. The recoverable amounts of these cash-generating units have been determined based on value in use calculations. Value in use is based on discounted cash flow calculations. The group based its cash flow calculations on the five-year budgeted and forecast information. The long-term average growth rates were used to extrapolate cash flows into the future. The pre-tax discount rates used reflect specific risks relating to the relevant cash-generating units whilst maximising the use of market observable data. Other assumptions included in cash flow projections are closely linked to entity-specific key performance indicators. Management believe that any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating units. With respect to the goodwill allocated to the BSG CGU, the recoverable amount has been determined based on the selling price less costs to sell compared to the carrying value of the CGU.

The headroom in the Group's two material CGUs as per the reporting date was as follows:

	Pre-tax discount rate	Terminal value growth rate	Annual growth rate	Value in use R'000	Carrying Amount R'000	Headroom R'000
CGU ESG	**12,1%**	**5,5%**	**5% – 10%**	**3 059 593**	**221 915**	**2 837 678**
CGU CEG	**12,3%**	**5,5%**	**(1%) – 5%**	**1 760 615**	**362 219**	**1 398 396**

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

13. OTHER INTANGIBLE ASSETS

	Computer equipment R'000	Reacquired agency rights R'000	Distribution agreements R'000	Trademarks, house brands and non-compete intangibles R'000	Contractual and non-contractual customer relationships R'000	Total R'000
Net book value at 31 March 2015	22 861	57 080	5 846	8 677	79 690	174 154
Additions	1 546	7 954	–	1 203	–	10 703
Acquisition of subsidiaries	16	–	–	–	–	16
Amortisation for the year	(985)	(6 033)	(2 430)	(1 720)	(13 114)	(24 282)
Transfer to property, plant and equipment	(20 664)	–	–	–	–	(20 664)
Foreign currency translation	322	(769)	3 595	2 093	24 033	29 274
Net book value at 31 March 2016	**3 096**	**58 232**	**7 011**	**10 253**	**90 609**	**169 201**
Additions	**6 192**	**10 457**	**–**	**171**	**–**	**16 820**
Amortisation for the year	**(8 040)**	**(5 473)**	**(4 257)**	**(1 536)**	**(13 282)**	**(32 588)**
Classified as held for sale	**(4 525)**	**–**	**–**	**(2 425)**	**(1 644)**	**(8 594)**
Transfer from property, plant and equipment	**24 645**	**–**	**–**	**–**	**–**	**24 645**
Disposals	**(17)**	**–**	**–**	**–**	**–**	**(17)**
Category transfer	**–**	**(3 635)**	**3 635**	**–**	**–**	**–**
Foreign currency translation	**553**	**157**	**(655)**	**(814)**	**(7 987)**	**(8 746)**
Net book value at 31 March 2017	**21 904**	**59 738**	**5 734**	**5 649**	**67 696**	**160 721**
2016						
Cost	6 576	91 088	28 357	22 370	154 526	302 917
Accumulated depreciation	(3 480)	(32 856)	(21 346)	(12 117)	(63 917)	(133 716)
Total	3 096	58 232	7 011	10 253	90 609	169 201
2017						
Cost	**57 421**	**92 250**	**34 466**	**13 962**	**134 338**	**332 437**
Accumulated depreciation	**(35 517)**	**(32 512)**	**(28 732)**	**(8 313)**	**(66 642)**	**(171 716)**
Total	**21 904**	**59 738**	**5 734**	**5 649**	**67 696**	**160 721**

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
14. FINANCIAL ASSETS		
Credit default swap derivative – Serec Capital (Pty) Ltd (note 27)	**64 394**	100 252
Interest rate swap derivative	**–**	2 982
Total	**64 394**	103 234

The value of the put option was determined by discounting the contractual stream of payments.

	2017 R'000	2016 R'000
15. FINANCE LEASE RECEIVABLES		
Due within one year	**49 554**	42 506
Due in the second to fifth years inclusive	**50 951**	31 001
	100 505	73 507
Unearned interest on finance leases	**(13 818)**	(9 319)
Net investment in finance lease	**86 687**	64 188
Net investment in finance leases can be analysed as follows:		
Due within one year	**40 518**	36 577
Due in the second to fifth years inclusive	**46 169**	27 611
Net investment in finance lease	**86 687**	64 188

The Group entered into finance lease agreements for certain of its equipment and forklifts. The average term of finance leases entered into is five years.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contract is prime-linked.

	2017 R'000	2016 R'000
16. FINANCIAL INVESTMENTS		
Unlisted securities		
Gryphon Financial Engineering (Pty) Ltd – preference shares	**1 981 801**	1 789 719
The preference shares are redeemable on 15 August 2018. Government bonds have been pledged as security via a put option with Gryphon Support Services (Pty) Ltd (refer to note 26). The preference shares are measured at amortised cost. Preferences dividends are accounted for at a fixed contracted rate over the life of the asset. Preference dividends received are recognised in profit and loss.		
Listed Securities		
FirstRand Bank listed bonds – FRB11	**709 094**	568 621
These bonds earn interest at Jibar plus 2.9% payable quarterly and are tradable on the Johannesburg Stock Exchange. The bonds are carried at their fair value which is determined based on the market value of the underlying market securities. The investment is held for trading purposes and therefore has been accounted for as current.		
Other	**66**	5
Total	**2 690 961**	2 358 345
Current portion of financial investments	**(709 156)**	(568 621)
Long-term portion of financial investments	**1 981 805**	1 789 724

	2017 R'000	2016 R'000
17. LONG-TERM RECEIVABLES		
Serec Capital (Pty) Ltd	**1 840 134**	1 504 785
This amount relates to fees and interest receivable on the credit default swap relating to the Serec loan, which has a fixed date of repayment of 15 August 2018.		
The loan is measured at amortised cost. Interest is measured based on a contracted rate and is recognised in profit and loss.		
Pixiu Optimal Investments (Pty) Ltd – Ordinary shares	**1 524 237**	1 414 603
The returns on the investment are contractually required to be reinvested. The investment is secured by a put option against Gryphon Support Services Proprietary Ltd which is in turn secured by South African Government Bonds of an equivalent value in terms of a Credit Support Annexure to the ISDA Master Agreement.		
The investment is carried at cost plus reinvested dividends. The investment will be redeemed on 15 August 2018 in conjunction with the settlement of the put option relating to the Gryphon preference shares.		
Directors' loans to acquire Invicta Holdings Limited shares	**4 946**	11 303
The loans earn interest of 6.75% – 8% per annum and are repayable by 30 June 2018. Invicta Holdings Limited shares have been provided as security at a ratio of 150% of the initial loans provided.		
The directors have a put option equal to 75% of the initial loan value which can be exercised during the seven-year loan period. All regulatory approvals have been obtained for this transaction.		
The directors' loans are measured at amortised cost. Interest is measured based on a contracted rate and is recognised in profit and loss.		
Other loans	**5 806**	19 285
	3 375 123	2 949 976
Current portion of long-term receivables	**(1 573)**	(5 408)
Total	**3 373 550**	2 944 568
Net carrying amount of receivables are as follows:		
On demand or within one year	**1 573**	5 408
In second to fifth year inclusive	**3 373 240**	2 944 568
After five years	**310**	–
Total	**3 375 123**	2 949 976
Unearned finance income	**526 460**	864 822
Gross carrying amount of receivables are as follows:		
On demand or within one year	**1 626**	5 408
In second to fifth year inclusive	**3 899 647**	3 809 390
After five years	**310**	–
Total	**3 901 583**	3 814 798

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

18. INVESTMENT IN SUBSIDIARIES

Details of the Group's subsidiaries at 31 March 2017 are as follows:

Name of subsidiary	Principal activity	Place of operation	Effective holding of ownership interest and voting power held 2017	2016
DIRECT HOLDINGS				
Invicta Offshore Holdings	Investment holding company	Mauritius	**100%**	100%
Invicta Africa (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Invicta IT Solutions (Pty) Ltd	Trading company	South Africa	**100%**	0%
Invicta Finance (Pty) Ltd	Financial company	South Africa	**100%**	100%
Invicta Funding Ltd	Financial company	South Africa	**100%**	100%
Invicta South Africa Holdings (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Invicta Treasury Holdings (Pty) Ltd	Treasury company	South Africa	**100%**	100%
October Winds Trading 48 (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Invicta Properties (Pty) Ltd	Property holding company	South Africa	**100%**	100%
Goldquest International Hydraulics SA (Pty) Ltd	Trading company	South Africa	**100%**	100%
INDIRECT HOLDINGS				
A. T. Group Holdings Co. Ltd	Investment holding company	Thailand	**80%**	80%
A.T. Truck & Bus Parts Co. Ltd	Trading company	Thailand	**64%**	64%
AfriAsian Trading (Pte) Ltd	Dormant	Singapore	**100%**	100%
Africa Maintenance Equipment (Lephalale) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Africa Maintenance Equipment (Mooinooi) (previously OMSA (Pty) Ltd)	Trading company	South Africa	**100%**	100%
Africa Maintenance Equipment (Rustenburg) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Africa Maintenance Equipment (Thabazimbi) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Allegiance Parts Sdn Bhd	Trading company	Malaysia	**72%**	0%
Allegiance Parts and Services Co Ltd	Trading company	Singapore	**48%**	48%
Allegiance Parts and Services Pte Ltd	Trading company	Singapore	**48%**	0%
Alpha Bearings (Pty) Ltd	Trading company	South Africa	**49%**	49%
Arc Eng Since 1934 (Pty) Ltd	Trading Company	South Africa	**100%**	0%
Bearing Man (Botswana) (Pty) Ltd	Trading company	Botswana	**100%**	100%
Bearing Man (Maputo) (Pty) Ltd	Trading company	Mozambique	**66%**	66%
Bearing Man (Mozambique) LDA	Trading company	Mozambique	**100%**	100%
Bearing Man (Namibia) (Pty) Ltd	Trading company	Namibia	**100%**	100%
Bearing Man (Swaziland) (Pty) Ltd	Trading company	Swaziland	**100%**	100%
Bearing Man Group Limited (Zambia)	Trading company	Zambia	**100%**	100%
Bearing Man Group Tanzania Ltd	Trading company	Tanzania	**70%**	70%
BMG Congo SARL	Trading company	Democratic Republic of Congo	**70%**	0%
Bearing Man Group (Pty) Ltd	Trading company	South Africa	**100%**	100%
BMG Offshore Holdings	Investment holding company	Mauritius	**100%**	100%
BMG West Africa Ltd	Trading company	Ghana	**70%**	0%
Commercial Car Components Logistics Ltd	Trading company	United Kingdom	**50,1%**	50,1%
Compact Computer Solutions (Pty) Ltd	Trading company	South Africa	**100%**	40%
Criterion Equipment (Pty) Ltd	Trading company	South Africa	**100%**	100%
D&D Lifting and Crane Services (Pty) Ltd	Trading company	South Africa	**100%**	48%
Disa Equipment (Pty) Ltd	Trading company	South Africa	**100%**	100%
Edmik Engineering (Pty) Ltd	Dormant	South Africa	**100%**	100%
Equipment Spare Parts (Africa) (Pty) Ltd	Trading company	South Africa	**100%**	100%
Erf 29 Samcor Park (Pty) Ltd	Property holding company	South Africa	**100%**	100%
Farmmac (Pty) Ltd	Dormant	South Africa	**100%**	100%

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

18. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of operation	Effective holding of ownership interest and voting power held 2017	2016
INDIRECT HOLDINGS (continued)				
General Electrical Mechanical Tool & Engineering (Pty) Ltd	Trading company	South Africa	**100%**	100%
GK-IT Environmental Services (Pty) Ltd	Trading company	South Africa	**75%**	67%
Hansen Transmissions South Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
High Power Equipment Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
Hi-Quip Hydraulics (Pty) Ltd	Dormant	South Africa	**100%**	100%
Humulani Marketing (Pty) Ltd	Trading company	South Africa	**100%**	100%
Humulani Marketing Mozambique Lda	Dormant	Mozambique	**100%**	100%
Hyflo Namibia	Trading company	Namibia	**100%**	100%
Hyflo Southern Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
Invicta Asian Holdings (Pte) Ltd	Investment holding company	Singapore	**100%**	100%
Invicta Offshore Trading	Trading company	Mauritius	**100%**	100%
Kian Chue Hwa (Industries) (Pte) Ltd	Trading company	Singapore	**80%**	80%
Kian Ann Districentre (Pte) Ltd	Trading company	Singapore	**100%**	100%
Kian Ann Engineering (Pte) Ltd	Trading company	Singapore	**100%**	100%
Kian Ann Engineering Trading (Shanghai) Co. Ltd	Trading company	Singapore	**100%**	100%
Kian Ann Investment (Pte) Ltd	Trading company	Singapore	**100%**	100%
Makona Hardware & Industrial (Pty) Ltd	Trading company	South Africa	**100%**	70%
Man-Dirk (Pty) Ltd	Trading company	South Africa	**100%**	100%
Man-Dirk East (Pty) Ltd	Dormant	South Africa	**74%**	74%
Maroblox (Pty) Ltd (trading as Autobax)	Trading company	South Africa	**100%**	100%
Metric and Imperial Tool Systems (Pty) Ltd	Trading company	South Africa	**100%**	100%
MRO Produtos Industriais Lda	Trading company	Mozambique	**80%**	80%
North American Tractor and Excavator Parts Inc.	Trading company	Canada	**100%**	100%
Northmec Equipment Zambia Ltd	Dormant	Zambia	**100%**	100%
Nova Vida Limitada	Trading company	Mozambique	**80%**	80%
Operational Marketing (Pty) Ltd	Trading company	South Africa	**100%**	100%
Oscillating Systems Technology Africa (Pty) Ltd	Trading company	South Africa	**100%**	100%
Pt. Allegiance Primaparts Indonesia	Trading company	Singapore	**80%**	80%
Pt. Haneagle Heavyparts Indonesia	Trading company	Indonesia	**99%**	99%
Rumiset (Pty) Ltd	Trading company	South Africa	**100%**	100%
SA Tool (Pty) Ltd	Trading company	South Africa	**100%**	100%
Salestalk 452 (Pty) Ltd	Property holding company	South Africa	**50%**	50%
Screen Doctor (Pty) Ltd	Trading company	South Africa	**71%**	71%
SET Agency (Pty) Ltd	Trading company	South Africa	**100%**	100%
Sibuyile Industrial Supplies (Pty) Ltd	Trading company	South Africa	**100%**	0%
Spring Lights 149 (Pty) Ltd	Trading company	South Africa	**75%**	60%
Steve Woods Limited	Trading company	United Kingdom	**50,01%**	33,3%
Theramanzi Investments (Pty) Ltd	Investment holding company	South Africa	**100%**	100%
Trendy Property Investments (Pty) Ltd	Property holding company	South Africa	**100%**	60%
Turnkey Hydraulics (KZN) (Pty) Ltd	Dormant	South Africa	**100%**	100%

The 5% and 20% of the ordinary issued share capital on Invicta South Africa Holdings (Pty) Ltd owned by the Humulani Employee Investment Trust and Theramanzi Investments (Pty) Ltd (owned by the Humulani Empowerment Trust) respectively, have been consolidated in terms of IFRS 10 Consolidated Financial Statement. Refer to the Directors' report for further details.

A register containing details of the other direct and indirect subsidiaries is available for inspection during business hours at the registered office of the company by members or their duly authorised agents.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

19. INVESTMENT IN ASSOCIATES

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights 2017	2016
Automan Co. Limited	Trading company	Myanmar	**20%**	20%
Kunshan Kensetsu Buhin Co. Limited (KKB)*	Trading company	China	**28%**	0%
SKL Equipment Pte Ltd	Trading company	India	**50%**	0%

** KKB is the Groups most significant associate*

Summarised financial information of the Groups associates as set out below:	2017 R'000	2016 R'000
Total assets	**533 345**	144 715
Total liabilities	**(264 929)**	(90 404)
Net assets	**268 416**	54 311
Revenue for the year	**700 650**	153 899
Profit for the year	**84 528**	8 860
Group's share of profits of associate	**4 106**	5 607
Reconciliation of carrying amount:		
Balance as at 31 March 2016	**18 411**	22 892
Acquisition of associates	**99 892**	2 315
Equity accounted earnings, net of taxation	**4 106**	5 607
Dividends received	**–**	(3 261)
Elimination of unrealised profits	**3 136**	(1 879)
Sale of associates	**–**	(477)
Impairment of Investment in Associate	**–**	(403)
Portion of revaluation reserves	**–**	(3 883)
Foreign currency translation	**(1 154)**	(2 500)
Change in ownership of associate to subsidiary	**(20 943)**	–
Carrying value at the end of the year	**103 448**	18 411

Kunshan Kensetsu Buhin Co. Ltd was the only significant acquisition of associates during the financial year ending 31 March 2017. The company was acquired for R96 709 978. Invicta Holdings Group portion of the net assets of Kunshan Kensetsu Buhin Co. Ltd is R70 343 754 giving rise to notional goodwill of R26 366 224.

20. INVENTORIES

Merchandise	**146 163**	150 094
Finished goods	**3 616 692**	4 204 708
Work in progress	**18 019**	19 586
Goods in transit	**363 873**	245 349
Provision for obsolete stock	**(481 891)**	(526 888)
Total	**3 662 856**	4 092 849
The cost of inventories recognised as an expense in respect of write-downs of inventory to net realisable value	**13 783**	30 972
Inventory recognised in the statement of comprehensive income	**6 471 002**	7 382 891

	2017 R'000	2016 R'000
21. TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 451 165**	1 841 759
Provision for doubtful debts	**(90 409)**	(102 826)
Prepayments	**30 971**	24 754
Forward exchange contract asset	**677**	
Other receivables	**149 556**	207 226
Total	**1 541 960**	1 970 913
The directors consider that the carrying value of trade and other receivables approximates fair value at year-end.		
Movement in provision for doubtful debts		
Opening balance	**102 826**	113 639
Acquisition of subsidiaries	**1 011**	2 330
Disposal of subsidiaries	**(1 973)**	–
Amounts written off during the year, net of recoveries	**(9 529)**	(3 328)
Net provision raised/(reversed) during the year	**10 488**	(16 872)
Foreign currency translation	**(6 473)**	7 057
Reclassified as non-current assets held for sale	**(5 941)**	–
Closing balance	**90 409**	102 826

Trade receivables past due and not impaired

All past due receivable balances have been assessed for recoverability and it is believed that their credit quality remains intact. A significant portion of the balance relates to Kian Ann (Pte) Ltd ("Kian Ann"), whose policy is to provide in full for trade receivables older than 12 months. In addition all past due trade receivables relating to Kian Ann are assessed on a case-by-case basis, as 70% of their trade receivables have been their customers for five years and longer.

An ageing analysis of these past due trade receivables that have not been impaired, is as follows:

	2017 R'000	2016 R'000
61 to 90 days	**41 060**	96 666
91 to 120 days	**50 673**	109 594
More than 120 days	**73 633**	23 975
Total	**165 366**	230 235
Trade receivables past due and impaired		
Less than 30 days	**6 127**	185
30 to 60 days	**1 434**	883
61 to 90 days	**4 239**	6 214
91 to 120 days	**1 318**	4 074
More than 120 days	**77 291**	91 470
Total	**90 409**	102 826

Credit risk management

Potential areas of credit risk consist of trade accounts receivable and short-term cash investments. Trade accounts receivable consist of a widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. Provision is made for specific bad debts and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee or a bad debt provision. It is Group policy to deposit short-term cash investments with only the major banks.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
22. CASH AND CASH EQUIVALENTS		
Bank and cash balances	**1 052 517**	781 922
Bank overdrafts	**(206 451)**	(225 788)
Total	**846 066**	556 134

	2017 Bank R'000	2017 Trading R'000	2016 Bank R'000	2016 Trading R'000
BANKING AND TRADING FACILITIES				
Gross facility balances	**841 425**	**5 265 030**	509 612	4 541 506
Facilities utilised	**(261 347)**	**(3 383 781)**	(222 901)	(1 411 859)
Facilities available	**580 078**	**1 881 249**	286 711	3 129 647

These facilities are cancellable on notice being given by the facility provider.

These facilities are secured by cross-sureties provided by Group companies.

The directors are of the view that there are adequate facilities in place to operate for the next 12 months.

	2017 R'000	2016 R'000
23. SHARE CAPITAL AND PREMIUM		
Authorised		
134 000 000 (2016: 134 000 000) ordinary shares of 5 cents each	**6 700**	6 700
Issued		
108 494 738 (2016: 108 494 738) ordinary shares of 5 cents each at the end of the year	**5 424**	5 424
Unissued shares		
The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Number of shares	**25 505**	25 505
Share premium		
The ordinary share premium is made up as follows:	**2 653 151**	2 653 151
Treasury shares		
1 541 823 (2016: 1 541 823) ordinary shares of 5 cents each	**(77)**	(77)
Share premium on 1 541 823 (2016: 1 541 823) ordinary shares	**(49 329)**	(49 329)
Values not derecognised as a result of the put option on the directors' loans	**(18 651)**	(35 605)
Balance at 31 March 2017	**(68 057)**	(85 011)

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
24. ORDINARY DIVIDENDS		
Final		
75,28 cents paid on 1 August 2016 (2016: 111,99 cents) to shareholders registered in the books of the company on 27 July 2016	**81 675**	121 503
Interim		
72 cents paid on 5 December 2016 (2016: 67 cents) to shareholders registered in the books of the company on 29 November 2016	**78 116**	72 691
Special dividend		
Dividends received on treasury shares	**(2 271)**	(2 601)
Dividends distributed by The Humulani Employee Investment Trust	**1 508**	2 337
Total	**159 028**	193 930

In accordance with IAS 10 Events after the reporting period the final dividend of 94,51 cents per share (2016: 75,28 cents) proposed by the directors has not been reflected in the financial statements as it had not been declared at the year-end.

	2017 R'000	2016 R'000
25. PREFERENCE SHARES		
Authorised		
18 000 000 (2016: 18 000 000) cumulative, non-participating preference shares of no par value	**1 800 000**	1 800 000
Issued		
7 500 000 (2016: 7 500 000) cumulative, non-participating preference shares of R100 each	**750 000**	750 000

The Group has no contractual obligation to redeem the preference shares and dividends are only payable if declared by the Group and so these have been treated as equity.

Capital risk management

Capital is managed to ensure that operations are able to continue as a going concern, whilst maximising return to stakeholders through an appropriate debt and equity structure. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, preference shares, debentures, a credit default swap and equity. Capital risk was reviewed in detail by the Board in the corporate restructure process and assessment of new acquisitions.

	2017 R'000	2016 R'000
26. FINANCIAL LIABILITIES		
Put option derivative on the Gryphon Financial Engineering (Pty) Ltd preference shares (refer to note 12)	**64 394**	100 252
Total financial liabilities	**64 394**	100 252
***Less*: Current portion of financial liabilities disclosed in current liabilities**	**–**	–
Total	**64 394**	100 252

The value of the put option was determined by discounting the contractual stream of payments.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
27. LONG-TERM BORROWINGS		
27.1 Secured borrowings		
Finance lease agreements	**93 910**	112 253
The lease agreements are measured at amortised cost and are repayable between 14 and 60 months and bear interest at fixed rates between 9.5% and 11.5% per annum. The leases are repaid in equal monthly instalments. No arrangements have been entered into for contingent rental payments. The borrowings are secured by certain motor vehicles as detailed in note 11.		
Mortgage bonds	**140 767**	192 203
The mortgage bonds are measured at amortised cost and are repayable over 120 months. The mortgage bonds attract interest at a prime linked rate which varies between 9.15% and 10.5%. These bonds are secured by certain land and buildings as referred to in note 11.		
Serec Capital (Pty) Ltd loan	**3 450 589**	3 115 230
The loan is measured at amortised cost and bears interest at a proportionate compounded quarterly fixed rate of 11.73% per annum. The fixed date of repayment is 15 August 2018. The Group may, however, elect to repay the loan at an earlier date without premium or penalty. The loan is secured by a credit default swap as detailed in note 15.		
Industrial Development Corporation loans	**–**	24 955
The loans are measured at amortised cost and bear interest at a rate between the prime rate less 0.4% and 0.7% per annum. The loans are redeemable in 48 to 120 monthly instalments. These loans are secured by sureties provided by Group companies. These loans have been disclosed as liabilities associated with assets held for sale in the current year.		
Preference shares issued to Standard Bank	**750 000**	750 000
The preference shares are measured at amortised cost and mature in April 2021 and have a dividend coupon rate of Jibar plus 2%, and the dividends are payable semi-annually. These preference shares are secured by cross-sureties provided by Group companies.		
Short-term loan from Southchester RF (Pty) Ltd	**251 575**	200 959
The loan is measured at amortised cost and bears interest at three-month Jibar plus 1.3%. R200 million is repayable on 11 December 2017 and R50 million is repayable on 10 July 2017. The loan is secured by an investment in FirstRand Bank bonds (FRB11) (refer to note12).		
Loans from DBS Bank and OCBC Bank	**110 323**	255 363
The loan is measured at amortised cost and bears interest at an aggregate of the variable swap offer rate and the applicable margin rate which varies between 2.37% and 2.86% per annum. The loan is repayable in 20 quarterly instalments. The quarterly instalments commenced in September 2013 and will mature in June 2018. These loans are secured by property in Kian Ann Engineering (Pte) Ltd.		
Short-term US Dollar loan from Standard Bank	**335 938**	442 153
The loan is measured at amortised cost and bears interest at a rate of three month Libor plus 2% and matures on 19 December 2017. The loan is secured by cross-sureties provided by Group companies.		
ABSA term loan	**251 733**	251 510
The loan is measured at amortised cost and bears interest at a rate of three-month Jibar plus 2.10% and matures on 7 December 2018. The loan is secured by cross-sureties provided by Group companies.		
Balance carried forward	**5 384 835**	5 344 626

27. LONG-TERM BORROWINGS (continued)

27.1 Secured borrowings (continued)

	2017 R'000	2016 R'000
Balance brought forward	**5 384 835**	5 344 626
Standard Bank term loan	**153 370**	–
The loan is measured at amortised cost and bears interest at a rate of three month Jibar plus 2.53% and matures in April 2021. The loan is secured by cross-sureties provided by group companies.		
ABSA USD loan	**96 649**	–
The loan is measured at amortised cost and bears interest at a rate of USD Libor plus 2.6% and matures in March 2020. The loan is secured by cross-sureties provided by group companies.		
27.2 Unsecured borrowings		
Other borrowings	**84 691**	72 837
The amounts payable are measured at amortised cost and are unsecured, bear interest at a range of between 3.3% and 8.75% where applicable, and no fixed repayment terms have been set. The loans are long-term in nature and from a diverse range of lenders.		
Gryphon Financial Engineering (Pty) Ltd	**1 840 134**	1 504 785
This amount relates to fees and interest payable on the put option relating to the Gryphon preference shares, which has a fixed date of repayment of 15 August 2018. This amount is measured at amortised cost.		
Trust receipts and bills payable	**97 451**	81 115
Trust receipts and bills payable are measured at amortised cost and are unsecured, bear interest at a range of 1.2% to 2.2% per annum and have an average maturity of three months from the end of the reporting period.		
Total borrowings	**7 657 130**	7 003 363
***Less*: Current portion of long-term borrowings disclosed in current liabilities**	**(864 211)**	(939 276)
Total long-term borrowings	**6 792 919**	6 064 087
Net carrying amount of borrowings are repayable as follows:		
On demand or within one year	**864 211**	939 276
In second to fifth year inclusive	**6 744 317**	6 024 671
After five years	**48 602**	39 416
Total	**7 657 130**	7 003 363
Unearned finance costs	**1 475 399**	1 238 166
Gross carrying amount of borrowings are repayable as follows:		
On demand or within one year	**937 736**	1 757 645
In second to fifth year inclusive	**8 138 633**	6 444 468
After five years	**56 160**	39 416
Total	**9 132 529**	8 241 529

There is no limit on the Group's borrowings and guarantees in terms of the company's memorandum of incorporation.

27.3 Interest rate risk management

The Group is exposed to interest rate risk on its variable rate borrowings. The exposure to interest rate risk is managed using derivatives, where it is considered appropriate, and through a closely monitored cash management system. The impact of a change in the interest rate of 2% will have an effect of approximately R36 million (2016: R42 million) on the statement of profit and loss and other comprehensive income.

27.4 Liquidity risk management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	Restated 2016 R'000
28. TRADE AND OTHER PAYABLES		
Trade payables	**1 483 714**	1 627 630
Other payables	**384 628**	523 386
Forward exchange contract liability	**18 624**	–
Employee benefit liabilities	**51 504**	58 935
Total	**1 938 470**	2 209 951

The directors are of the opinion that trade and other payables approximate fair value. Foreign exchange contracts are measured at fair value based on the prevailing exchange rates at year-end. Changes in fair value are recognised in profit and loss.

	2017 R'000	Restated 2016 R'000
29. PROVISIONS		
Employee benefit provisions	**171 927**	112 166
Warranties and service provisions	**26 243**	64 324
Other provision	**–**	20 000
Total	**198 170**	196 490
Movements in provisions		
Employee benefit provisions		
Balance at the beginning of the year – restated	**112 166**	144 168
Charged to income	**101 434**	89 671
Utilised during the current year	**(27 094)**	(145 715)
Acquisition of subsidiaries	**1 741**	8 582
Transfer to liabilities associated with assets held for sale	**(4 124)**	–
Transfer (to)/from other payables	**(11 302)**	11 892
Foreign currency translation	**(894)**	3 568
Balance at the end of the year	**171 927**	112 166

The provisions for employee entitlements to wages and salaries represent the amount that the group has a present obligation to pay as a result of employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

	2017 R'000	Restated 2016 R'000
Warranties and service provisions		
Balance at the beginning of the year	**64 324**	49 812
Charged to income	**28 241**	12 907
Utilised during the current year	**(65 928)**	(6 678)
Transfer from other payables	**–**	8 116
Acquisition of subsidiaries	**(2)**	–
Transfer to liabilities associated with assets held for sale	**(336)**	–
Foreign currency translation	**(56)**	167
Balance at the end of the year	**26 243**	64 324

The provision has been recognised for expected warranty claims on certain products sold during the last three financial years. The amount of the provision is uncertain, but a reasonable estimate has been made. The expected timing of the utilisation of the provision is uncertain, but it is estimated to be within the next three years. Due to the timing of the utilisation of this provision being uncertain, it has been classified as current.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
30. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
Profit before taxation	**980 964**	622 141
Adjusted for:		
Depreciation	**105 550**	127 508
Amortisation of intangible assets	**32 588**	24 282
Impairment of property, plant and equipment	**3 517**	(2 663)
Impairment of goodwill	**–**	12 935
Impairment of loans	**3 089**	–
Impairment of investment in associate	**–**	403
Exchange differences on translating capital loans	**(10 788)**	–
Value recognised as a result of the derecognition of the put option on directors' loans	**9 516**	–
Net profit on disposal of property, plant and equipment	**(11 355)**	(62 552)
Profit on disposal of other assets	**(231)**	–
Loss/(profit)on sale of investment	**5 286**	(35)
Gain from bargain purchase price recognised	**(235)**	–
Finance costs	**879 612**	1 068 195
Dividend received	**(302 617)**	(327 647)
Share of profits of associate	**(4 106)**	(5 607)
Interest received	**(434 181)**	(503 674)
Share appreciation rights movement	**(3 031)**	(9 491)
Unrealised (profit)/loss in associates	**(3 136)**	1 879
Cash generated before movements in working capital	**1 250 442**	945 674
Working capital changes:	**97 515**	(360 075)
Decrease/(Increase) in inventories	**5 404**	(168 697)
Decrease in trade and other receivables	**72 580**	28 273
Increase/(decrease) in trade and other payables and provisions	**19 531**	(219 651)
Cash generated from operations	**1 347 957**	585 599
31. DIVIDENDS PAID TO GROUP SHAREHOLDERS		
Amounts unpaid at the beginning of the year	**48 082**	40 106
Dividends paid	**159 028**	193 930
Preference dividends accrued/paid	**82 435**	73 707
Amounts unpaid at the end of the year	**(54 353)**	(48 082)
Total	**235 192**	259 661
32. TAXATION PAID		
Amounts unpaid at the beginning of the year	**4 987**	19 063
Acquisition of subsidiary	**2 131**	(2 998)
Charged to the statement of comprehensive income	**336 979**	135 461
Disposal of subsidiary	**69**	–
Amounts unpaid at the end of the year	**(155 270)**	(4 987)
Total	**188 896**	146 539

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

33. ACQUISITION OF SUBSIDIARIES

The significant acquisitions undertaken in the current year related to Steve Woods Limited, Compact Computers Solutions (Pty) Ltd, Arc Engineering Since 1934 (Pty) Ltd, and D&D Lifting and Crane Services (Pty) Ltd. The Group acquired control of these companies by purchasing controlling share of their share capital. These subsidiaries are all operational within the same segments as the current Group, thus the board identified these businesses based on their ability to assist the Group with its expansion and growth. The goodwill is based on the provisional fair values of the assets and liabilities, including identifiable intangible assets at acquisition date. Refer to note 18 for effective dates and holdings. Effective control was obtained through the purchase of the majority equity of these subsidiaries. Goodwill arose on these acquisitions because the cost of these combinations included a control premium. In addition, the consideration paid for these combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Subsidiary	Industry
Steve Woods Ltd	Supplier of new and refurbished excavators and undercarriage parts to the United Kingdom
Compact Computer Solutions (Pty) Ltd	Provides information technology services to fellow subsidiaries
Arc Eng Since 1934 (Pty) Ltd	Supplier of welding products
D&D Lifting and Crane Services (Pty) Ltd	Supplier of engineering components and technical solutions

	2017 R'000	2016 R'000
Fair value of net assets acquired		
Property, plant and equipment	**39 825**	22 250
Intangible assets	**–**	16
Long-term receivables	**4 871**	–
Taxation prepaid	**–**	4 633
Bank and cash	**(1 162)**	33 760
Inventories	**60 434**	120 421
Trade and other receivables	**39 707**	57 362
Deferred taxation	**(1 497)**	821
Long-term borrowings	**(23 176)**	(53 626)
Trade and other payables	**(50 826)**	(87 654)
Provisions	**(1 739)**	–
Current portion of long-term borrowings	**–**	(357)
Taxation liabilities	**(2 131)**	(1 634)
Net tangible asset value	**64 306**	95 992
Non-controlling interest*	**(25 797)**	922
Fair value of net assets acquired	**38 509**	96 914
Bank and cash	**1 162**	(33 760)
Net fair value of net assets acquired	**39 671**	63 154
Cash outflow on acquisitions	**42 020**	80 083
Fair value of associate investment previously held	**20 943**	–
Fair value of net assets acquired	**(39 671)**	61 310
Total goodwill	**23 527**	18 773
Total gain on bargain purchase	**(235)**	–
** Measured based on the net asset value of the aquiree at the acquisition date.*		
Profit / (loss) after tax since acquisition date included in the consolidated results for the year	**2 789**	(5 018)
Revenue since acquisition date included in the consolidated results for the year	**129 177**	189 953
Profit / (loss) after tax should the business combinations have been included for the entire year	**8 700**	(34 658)
Revenue should the business combinations have been included for the entire year	**190 110**	425 498

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

34. DIRECTORS' EMOLUMENTS

2017	Directors' fees R'000	Audit and remuneration committee fees R'000	Salary and benefits R'000	Retirement benefits R'000	Performance related remuneration R'000	Total before share incentive scheme payments R'000	Share incentive scheme payments R'000	Total R'000
Executive directors*								
C Barnard	–	–	**2 749**	**312**	**3 095**	**6 156**	–	**6 156**
A Goldstone	–	–	**2 173**	**284**	**5 000**	**7 457**	–	**7 457**
AM Sinclair	–	–	**3 394**	**264**	**4 000**	**7 658**	–	**7 658**
CE Walters**	–	–	**2 802**	**211**	–	**3 013**	–	**3 013**
B Nichles ***	–	–	**1 933**	**168**	**236**	**2 337**	–	**2 337**
	–	–	**13 051**	**1 239**	**12 331**	**26 621**	–	**26 621**
Non-executive								
CH Wiese	**830**	**27**	–	–	–	**857**	–	**857**
DI Samuels	**97**	**210**	–	–	–	**307**	–	**307**
JD Wiese	**129**	–	–	–	–	**129**	–	**129**
LR Sherrell	**129**	**29**	–	–	–	**158**	–	**158**
RA Wally	**176**	**169**	–	–	–	**345**	–	**345**
R Naidoo	**176**	**87**	–	–	–	**263**	–	**263**
B Nichles***	**65**	–	–	–	–	**65**	–	**65**
	1 602	**522**	–	–	–	**2 124**	–	**2 124**
Total	**1 602**	**522**	**13 051**	**1 239**	**12 331**	**16 650**	–	**16 650**

** The directors' emoluments paid to the executive directors are paid by a subsidiary of Invicta Holdings Limited.*

*** CE Walters resigned as an executive director with effect from 31 January 2017 and has received consulting fees amounting to R600 000 since resignation.*

**** Resigned as an executive director with effect from 31 October 2016, and appointed as a non-executive director with effect from 1 November 2016.*

2016	Directors' fees R'000	Audit and remuneration committee fees R'000	Salary and benefits R'000	Retirement benefits R'000	Performance related remuneration R'000	Total before share incentive scheme payments R'000	Share incentive scheme payments R'000	Total R'000
Executive directors*								
C Barnard	–	–	2 623	313	–	2 936	473	3 049
A Goldstone	–	–	2 170	287	–	2 457	391	2 848
AM Sinclair	–	–	3 269	265	–	3 534	363	3 897
CE Walters	–	–	3 381	256	–	3 637	378	4 015
B Nichles	–	–	3 212	288	–	3 500	–	3 500
	–	–	14 655	1 409	–	16 064	1 605	17 669
Non-executive								
CH Wiese	830	27	–	–	–	857	–	857
DI Samuels	129	213	–	–	–	342	–	342
JD Wiese	129	–	–	–	–	129	–	129
LR Sherrell	129	116	–	–	–	245	–	245
RA Wally	154	142	–	–	–	296	–	296
R Naidoo	154	–	–	–	–	154	–	154
	1 525	498	–	–	–	2 023	–	2 023
Total	1 525	498	14 655	1 409	–	18 087	1 605	19 692

** The directors' emoluments paid to the executive directors are paid by a subsidiary of Invicta Holdings Limited.*

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

34. DIRECTORS' EMOLUMENTS (continued)

	2017 Number of Incentives	2017 Weighted average incentive rights cost (Black-Scholes) Rand	2016 Number of Incentives	2016 Weighted average incentive rights cost (Black-Scholes) Rand
Outstanding at the beginning of the year	**1 015 742**	–	1 412 356	–
Lapsed, cancelled or exercised during the year	**(546 543)**	–	(396 614)	–
Outstanding at the end of the year	**469 199**	–	1 015 742	–

	Tranche 9	Tranche 10	Tranche 11	Tranche 12
Number of grants	193 467	565 486	132 207	124 582
Cancelled	–	(289 754)	(132 207)	(124 582)
Grant date	11 Jun 12	13 Mar 14	29 Jul 14	12 Mar 15
Grant price	R64,37	R120,93	R104,58	R75,40
Adjusted grant price	R50,03	R91,47	R79,11	R75,40
Option value – Black Scholes	10,16	12,61	N/A	N/A
	3 years	3 years	3 years	3 years
	%	%	%	%
Expected volatility (daily)	2,3	2,3	1,5	1,8
Dividend yield	4,3	4,3	3,0	2,8
Risk free rate	7,7	7,7	7,7	7,7

2017	Outstanding rights beginning of year	Strike price	Granted during the year	Lapsed and cancelled during the year	Taken up during the year	Outstanding rights end of year	Date granted/ adjusted	Option value –Black-Scholes (Rands)
A Goldstone	336 257		–	47 597	–	288 660		
	146 340	66,14	–	–	–	146 340	11 Jun 12	10,16
Adjusted*	47 127	(16,11)	–	–	–	47 127	23 Jan 15	10,16
	108 007	120,93	–	36 002	–	72 005	13 Mar 14	12,61
Adjusted*	34 783	(29,46)	–	11 595	–	23 188	23 Jan 15	12,61
C Barnard	132 943		–	44 315	–	88 628		
	100 559	120,93	–	33 520	–	67 039	13 Mar 14	12,61
Adjusted*	32 384	(29,46)	–	10 795	–	21 589	23 Jan 15	12,61
CE Walters**	276 471		–	276 471	–	–		
	114 890	120,93	–	114 890	–	–	13 Mar 14	
Adjusted*	36 999	(29,46)	–	36 999	–	–	23 Jan 15	
Adjusted*	124 582	75,40	–	124 582	–	–	12 Mar 15	
AM Sinclair	137 866		–	45 955	–	91 911		
	104 283	120,93	–	34 761	–	69 522	13 Mar 14	12,61
Adjusted*	33 583	(29,46)	–	11 194	–	22 389	23 Jan 15	12,61
B Nichles***	132 204		–	132 204	–	–		
	100 000	104,58	–	100 000	–	–	29 Jul 14	
Adjusted*	32 204	(25,47)	–	32 204	–	–	23 Jan 15	

** The spot price and number of incentives had been adjusted to account for the effect of the special dividend declared and the rights offer in 2015*

*** Resigned as an executive director with effect from 31 January 2017*

**** Resigned as an executive director with effect from 31 October 2016*

There were no share appreciation rights exercised by the directors in 2017 (2016: R2,7 million)

34. DIRECTORS' EMOLUMENTS (continued)

2016	Outstanding rights beginning of year	Strike price	Granted during the year	Lapsed and cancelled during the year	Taken up during the year	Outstanding rights end of year	Date granted/ adjusted	Option value – Black Scholes (R)	Average weighted prices on rights taken up
A Goldstone	402 359		–	–	66 102	336 257			
	50 000	42,55	–	–	50 000	–	1 Mar 11		38,11
Adjusted*	16 102	(10,36)	–	–	16 102	–	23 Jan 15		38,11
	146 340	66,14	–	–	–	146 340	11 Jun 12	10,47	
Adjusted*	47 127	(16,11)	–	–	–	47 127	23 Jan 15	10,47	
	108 007	120,93	–	–	–	108 007	13 Mar 14	12,60	
Adjusted*	34 783	(41,82)	–	–	–	34 783	23 Jan 15	12,60	
C Barnard	190 232		–	–	57 289	132 943			
	43 334	42,55	–	–	43 334	–	1 Mar 11		40,38
Adjusted*	13 955	(10,36)	–	–	13 955	–	23 Jan 15		40,38
	100 559	120,93	–	–	–	100 559	13 Mar 14	12,60	
Adjusted*	32 384	(41,82)	–	–	–	32 384	23 Jan 15	12,60	
CE Walters	333 760		–	–	57 289	276 471			
	43 334	42,55	–	–	43 334	–	1 Mar 11		38,79
Adjusted*	13 955	(10,36)	–	–	13 955	–	23 Jan 15		38,79
	114 890	120,93	–	–	–	114 890	13 Mar 14	12,60	
	36 999	(41,82)	–	–	–	36 999	23 Jan 15	12,60	
Adjusted*	124 582	75,40	–	–	–	124 582	12 Mar 15	14,12	
AM Sinclair	195 155		–	–	57 289	137 866			
	43 334	42,55	–	–	43 334	–	1 Mar 11		38,53
Adjusted*	13 955	(10,36)	–	–	13 955	–	23 Jan 15		38,53
	104 283	120,93	–	–	–	104 283	13 Mar 14	12,60	
Adjusted*	33 583	(41,82)	–	–	–	33 583	23 Jan 15	12,60	
B Nichles	132 204		–	–	–	132 204			
	100 000	104,58	–	–	–	100 000	29 Jul 14	12,97	
Adjusted*	32 204	(25,47)	–	–	–	32 204	23 Jan 15	12,97	

** The spot price and the number of incentives have been adjusted to account for the effect of the special dividend declared by the Group as well as the rights offer.*

35. EVENTS AFTER THE REPORTING PERIOD

During the current year the directors announced a plan to dispose of the Group's Building Supply Group business. The business is being sold to Steinhoff Doors and Building Materials Proprietary Limited and the effective date of the transaction is after year end with the transaction closing date being the 1st day of the month following the month in which the last of the conditions precedent in the sale contract are fulfilled. The business has therefore been disclosed as a discontinued operation and asset held for sale at year end, refer to note 8 and note 9 for the detailed disclosure. No further items other than those disclosed in this note occurred after the reporting period.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

36. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

	Number of shares held 2017		Number of shares held 2016	
	Direct interest	Indirect interest	Direct interest	Indirect interest
ORDINARY SHARES				
C Barnard	**315 008**	**346 528**	315 008	346 528
A Goldstone	**262 281**	**4 060 016**	262 281	4 060 016
DI Samuels	**382 000**	**2 153 743**	382 000	3 154 184
LR Sherrell	**30 801**	**7 612 723**	30 801	11 647 361
AM Sinclair	**598 956**	**–**	633 014	–
JD Wiese	**–**	**150 000**	–	–
CH Wiese	**–**	**40 765 697**	–	40 765 697
PREFERENCE SHARES				
C Barnard	**–**	**10 750**	–	10 750
A Goldstone	**200 000**	**115 761**	200 000	115 761
LR Sherrell	**–**	**–**	–	160 000
AM Sinclair	**10 000**	**–**	10 000	–
JD Wiese	**–**	**581 800**	–	381 000
CH Wiese	**–**	**1 381 598**	–	1 281 598

LR Sherrell – 3 034 638 Ordinary Shares included in indirect holding in 2016 transferred from estate late RE Sherrell to RE Sherrell's spouse DJ Sherrell.

LR Sherrell – 160 000 Preference Shares indicated as indirect holdings in 2016 transferred from estate late RE Sherrell's spouse DJ Sherrell.

DI Samuels – 1 200 000 Ordinary Shares included in indirect holding in 2016 no longer meet the definition of an associate in terms of the JSE Listings Requirements

All other directors' share transactions have been disclosed via a SENS announcement

There have been no significant changes in directors' shareholdings between 31 March 2017 and date of this Report.

37. COMMITMENTS

	2017 R'000	2016 R'000
Commitments in respect of unexpired rental agreements for premises:		
– Payable within one year	**185 069**	115 961
– Payable within two to five years	**215 921**	372 183
– Payable within more than five years	**148 205**	–
Total	**549 195**	488 144
Commitments in respect of unexpired rental agreements for motor vehicles:		
– Payable within one year	**29 414**	21 643
– Payable within two to five years	**25 383**	37 558
– Payable within more than five years	**–**	–
Total	**54 797**	59 201
Commitments in respect of unexpired rental agreements for office equipment:		
– Payable within one year	**3 632**	2 352
– Payable within two to five years	**8 117**	4 171
– Payable within more than five years	**4**	–
Total	**11 753**	6 523
Commitments in respect of contracted capital expenditure	**118 290**	182 344

Expenditure will be financed from existing cash facilities.

38. FINANCIAL RISK MANAGEMENT

The Group is considered to be exposed to interest rate, credit, liquidity and foreign currency risk. Interest rate, credit and liquidity risk have been disclosed in notes 21 and 27.

Foreign currency risk management

The majority of the Group's monetary assets and liabilities are denominated in South African Rand. The Kian Ann monetary assets and liabilities are denominated in Singapore Dollar together with the assets and liabilities of the BMG foreign entities which are denominated in various foreign currencies.

	ZAR R'000	SGD R'000	Other R'000	Total R'000
Foreign currency monetary assets and liabilities				
Total assets	13 750 987	2 019 938	494 053	**16 264 978**
Total liabilities	(9 828 424)	(826 660)	(341 783)	**(10 996 867)**
Total	3 922 563	1 193 278	152 270	**5 268 111**

The following table details the Group's sensitivity to a reasonable increase or decrease in South African Rand against the Singapore Dollar, at the reporting date, on the profit for the year of the Group's major foreign operation.

	Value in foreign currency SGD'000	Spot Rate at Year-End R	Change in Foreign Currency Rate %	Effect on profit before tax R'000
2017				
Profit for the year	**5 676**	**9,61**	**(12,18)**	**(6 642)**
2016				
Profit for the year	7 158	10,94	23,75	18 599

The Group utilises currency derivatives to eliminate or reduce the exposure to its foreign currency denominated assets and liabilities, and to hedge future transactions. The Group has entered into certain forward exchange contracts in various currencies which will be utilised for the settlement of orders placed on suppliers and which are due for payment in the coming year. It is the Group's policy not to speculate in foreign exchange contracts.

At year-end, open forward exchange contracts are mark-to-market and the profits and losses arising on the contracts are recognised in the statement of comprehensive income. The estimated net fair values have been determined at the year-end, using available market information and appropriate valuation methodologies.

The forward exchange contracts in place at the year-end to cover current and future inventory purchases, are as follows:

	Foreign currency '000	Average exchange rate	Rand R'000
2017			
US Dollar	**30 594**	**13,6783**	**418 474**
Euro	**21 866**	**15,1701**	**331 710**
Yen	**665 895**	**7,9291**	**83 981**
British Pound	**510**	**16,4216**	**8 375**
2016			
US Dollar	35 916	15,4975	556 610
Euro	16 714	17,0335	284 698
Yen	742 999	7,3617	100 928
British Pound	300	22,0800	6 624

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

38. FINANCIAL RISK MANAGEMENT (continued)

The Group is mainly exposed to foreign currencies in US Dollar, Euro, Yen and British Pounds and uses Forward Foreign Exchange Contracts (FEC's) to cover specific foreign currency exposures.

The following table details the Group's sensitivity to a reasonable increase or decrease in ZAR against the relevant foreign currencies as at the reporting date. The percentages used below represent management's assessment of the reasonably possible change in foreign exchange rates, based on historical volatilities of these currencies. The sensitivity analysis includes only outstanding FEC's as at the reporting date. A positive number below indicates an increase in profit where the ZAR strengthens by the percentages below against the relevant currency. For a weakening of the ZAR by the percentages below against the relevant currency, there would be a comparable impact on the profit, and the balances would be negative. The impact on the Group's equity is not provided as the FECs are not designated as hedging instruments in a cash flow hedge.

2017	Fair value of FEC R'000	Spot Rate at year-end R	Change in Foreign Currency Rate %	Effect on profit before tax R'000
US Dollar	**418 474**	**13,42**	**(9%)**	**(37 663)**
Euro	**331 710**	**14,30**	**(15%)**	**(49 757)**
Yen	**83 981**	**1,95**	**(15%)**	**(12 597)**
British Pound	**8 375**	**16,84**	**(20%)**	**(1 675)**
2016				
US Dollar	556 610	14,72	20%	111 322
Euro	284 698	16,76	30%	85 409
Yen	100 928	2,28	(20%)	(20 186)
British Pound	6 624	21,17	19%	1 259

Fair value disclosure

The following is an analysis of the financial instruments that are measured subsequent to initial recognition at fair value. They are grouped into Levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities

Level 2 – fair value is determined using directly observable inputs other than Level 1 inputs

Level 3 – fair value is determined on inputs not based on observable market data

2017	Balance at year-end R'000	Valuation technique(s) and key inputs	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial assets at fair value					
FirstRand Bank Bonds	**709 094**	**3**	**709 094**	–	–
Forward exchange contract asset	**677**	**1**	**677**	–	–
Financial liabilities at fair value					
Foreign trade payables	**1 089 685**	**4**	**–**	**1 089 685**	**–**
Foreign exchange contract liability	**18 625**	**1**	**18 625**	–	–
2016					
Financial assets at fair value					
FirstRand Bank Bonds	568 621	3	568 621	–	–
Financial liabilities at fair value					
Foreign trade payables	1 024 388	4	–	1 024 388	–

Valuation technique(s) and key inputs:

1. Discounted contractual stream of payments using the zero-swap curve at the valuation date.
2. Face value less specific related provision.
3. Expected settlement value.
4. Determined by the spot rate at year-end.

There have been no transfers between the levels during the financial year disclosed.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, are limited to dividends received from subsidiaries of R182 million (2016: R443 million).

Remuneration of key management personnel

The remuneration of key management personnel of the Group, is set out below:

	2017 R'000	2016 R'000
Long- and short-term employee benefits	**64 028**	71 701
Retirement benefits	**3 674**	3 541
Total	**67 702**	75 242

40. RESTATEMENT

This restatement has been accounted for due to the proactive monitoring process at JSE. In the previous year, the Company accounted for the employee share incentive scheme as equity settled rather than cash-settled.

As a result of the proactive monitoring process at JSE a review of the annual consolidated financial statements was performed by management, during the review it was noted that in the previous year the Company had accounted for a portion of the employee benefits as a provision rather than trade and other payables.

The correction of the error results in adjustments as follows:

2016	As previously reported	Restatement adjustments	As restated
Statement of financial position			
Share appreciation rights reserve	**(31 433)**	**14 305**	**(17 128)**
Retained earnings	**(1 354 488)**	**(4 197)**	**(1 358 685)**
Deferred tax asset	**188 712**	**(1 633)**	**187 079**
Share appreciation rights liability	**–**	**(8 474)**	**(8 474)**
Trade and other payables	**(2 151 016)**	**(58 935)**	**(2 209 951)**
Provisions	**(255 425)**	**58 935**	**(196 490)**
Statement of comprehensive income			
Selling, administration and distribution costs	**2 203 177**	**(7 143)**	**2 196 034**
Taxation - deferred tax	**(29 922)**	**1 633**	**(28 289)**
Net effect on profit for the year	**2 173 255**	**(5 510)**	**2 167 745**
Other note disclosure			
Basic earnings and normalised earnings per share (cents)	**391**	**5**	**396**
Diluted earnings per share (cents)	**391**	**5**	**396**
Headline earnings per share (cents)	**359**	**5**	**364**
Diluted headline earnings per share (cents)	**358**	**6**	**364**
Normalised headline earnings per share (cents)	**375**	**5**	**380**

2015	As previously reported	Restatement adjustments	As restated
Statement of financial position			
Trade and other payables	(2 315 720)	(44 610)	(2 360 330)
Provisions	(238 590)	44 610	(193 980)

As the change in intention from equity settled to cash settled share based payment was made by management during the 2016 financial year, the restatement has not affected the 2015 Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

06 SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

ORDINARY SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholdings	%	Number of Shares	%
1 – 1 000 shares	2 257	61.00	755 174	0.70
1 00 – 10 000 shares	1 113	30.08	3 434 903	3.17
10 001 – 100 000 shares	226	6.11	6 800 997	6.27
100 001 – 1 000 000 shares	87	2.35	28 406 679	26.18
1 000 001 shares and over	17	0.46	69 096 985	63.68
Totals	**3 700**	**100.00**	**108 494 738**	**100.00**

Distribution of Shareholders	Number of shareholdings	%	Number of Shares	%
Banks/Brokers	59	1.59	5 540 680	5.11
Close corporations	48	1.30	99 233	0.09
Endowment funds	19	0.51	516 767	0.48
Individuals	2 834	76.61	11 170 107	10.30
Insurance companies	16	0.43	1 171 723	1.08
Investment companies	1	0.03	388 475	0.36
Medical schemes	2	0.05	36 601	0.03
Mutual funds	90	2.43	21 183 412	19.52
Other corporations	31	0.84	133 221	0.12
Private companies	130	3.51	50 219 282	46.29
Public company	2	0.05	35 610	0.03
Retirement funds	38	1.03	6 907 573	6.37
Treasury shares	2	0.05	1 541 823	1.42
Trusts	428	11.57	9 550 231	8.80
Totals	**3 700**	**100.00**	**108 494 738**	**100.00**

Public/Non-Public Shareholders	Number of shareholdings	%	Number of Shares	%
Non-public Shareholders	**35**	**0.95**	**58 219 576**	**53.66**
Directors and associates of the Company holdings	33	0.90	56 677 753	52.24
Treasury stock	2	0.05	1 541 823	1.42
Public Shareholders	**3 665**	**99.05**	**50 275 162**	**46.34**
Totals	**3 700**	**100.00**	**108 494 738**	**100.00**

Beneficial shareholders holding 3% or more	Number of Shares	%
Wiese, CH	40 765 697	37.57
Foord	8 798 010	8.11
Sherrell Family Trust	7 643 524	7.05
Goldstone, A	4 322 297	3.98
Government Employees Pension Fund	3 403 070	3.14
Totals	**64 932 598**	**59.85**

SHAREHOLDER INFORMATION (continued)

PREFERENCE SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholdings	%	Number of Shares	%
1 – 1 000 shares	594	52.52	306 976	4.09
1 001 – 10 000 shares	457	40.41	1 450 948	19.35
10 001 – 100 000 shares	68	6.01	2 018 659	26.92
100 001 – 1 000 000 shares	11	0.97	2 434 554	32.46
1 000 001 shares and over	1	0.09	1 288 863	17.18
Totals	**1 131**	**100.00**	**7 500 000**	**100.00**

Distribution of Shareholders	Number of shareholdings	%	Number of Shares	%
Close corporations	18	1.59	104 985	1.40
Endowment funds	17	1.50	162 801	2.17
Individuals	773	68.36	1 799 688	24.00
Insurance companies	4	0.35	76 565	1.02
Mutual funds	34	3.01	1 733 552	23.10
Other corporations	10	0.88	47 127	0.63
Private companies	55	4.86	2 785 341	37.14
Retirement funds	2	0.18	2 634	0.04
Trusts	218	19.27	787 307	10.50
Totals	**1 131**	**100.00**	**7 500 000**	**100.00**

Public/non-public Shareholders	Number of shareholdings	%	Number of Shares	%
Non-public Shareholders	**11**	**0.97**	**2 299 909**	**30.66**
Directors and Associates of the Company holdings	11	0.97	2 299 909	30.66
Public Shareholders	**1 120**	**99.03**	**5 200 091**	**69.34**
Totals	**1 131**	**100.00**	**7 500 000**	**100.00**

Beneficial Shareholders holding 3% or more	Number of Shares	%
Wiese, CH	1 381 598	18.42
Nedbank Group	807 687	10.77
Wiese, JD	581 800	7.76
Peregrine	350 715	4.68
Odendaal, R (Rula Bulk Materials Handling (Pty) Ltd)	361 313	4.82
Goldstone, A	315 761	4.21
Totals	**3 798 874**	**50.66**

SHAREHOLDER DIARY

Financial year-end	31 March 2017
Declaration of preference share dividend	Monday, 12 June 2017
Declaration of ordinary share dividend	Thursday, 22 June 2017
Publication of financial results for the year	Monday, 26 June 2017
Integrated Report posted to shareholders	Friday, 30 June 2017
Last day to trade to receive preference share dividend	Tuesday, 4 July 2017
Preference shares commence trading "ex" dividend	Wednesday, 5 July 2017
Record date for preference share dividend	Friday, 7 July 2017
Preference share dividend payable	Monday, 10 July 2017
Last day to trade to receive ordinary share dividend	Tuesday, 1 August 2017
Ordinary shares commence trading "ex" dividend	Wednesday, 2 August 2017
Record date for ordinary share dividend	Friday, 4 August 2017
Ordinary share dividend payable	Monday, 7 August 2017
Annual general meeting	Thursday, 7 September 2017

NOTICE OF ANNUAL GENERAL MEETING

Invicta Holdings Limited
Registration number 1966/002182/06
Incorporated in the Republic of South Africa
Share code: IVT Ordinary Share • ISIN: ZAE000029773
IVTP Preference Share • ISIN: ZAE000173399
("Invicta" or "the Company" or "the Group")

NOTICE OF ANNUAL GENERAL MEETING ("AGM") OF SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2017

Notice is hereby given that the AGM of shareholders of Invicta will be held in the boardroom, Invicta offices, 3rd Floor, Pepkor House, 36 Stellenberg Road, Parow Industria, Cape Town on Thursday, 7 September 2017 at 10:00.

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of being entitled to attend and vote at the meeting is Friday, 1 September 2017 and last date of trade is Tuesday, 29 August 2017.

Record date for determining which shareholders are entitled to receive the AGM notice is Friday, 30 June 2017.

All meeting participants will be required to provide identification. Acceptable forms of identification include valid identity documents, driver's licences and passports.

The purpose of the meeting is to transact the business set out below and to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

NOTE

For the special resolutions numbers 1 to 4 to be adopted, the support of at least 75% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

For the ordinary resolutions numbers 1 to 4 and numbers 6 and 7 to be adopted, the support of more than 50% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

For ordinary resolution number 5 to be adopted, the support of at least 75% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

SPECIAL RESOLUTION 1 – GENERAL AUTHORITY TO REPURCHASE SHARES

SPECIAL RESOLUTION 1.1 – GENERAL AUTHORITY TO REPURCHASE ORDINARY SHARES

"**RESOLVED THAT**, the Company and/or any subsidiary of the Company be and is hereby authorised by way of a general approval as contemplated in section 48 of the Companies Act (2008) as amended, to acquire from time to time any of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation ("MOI") of the Company, the provisions of the Companies Act (2008) and the Listings Requirements, where applicable (each as presently constituted and amended from time to time)."

SPECIAL RESOLUTION 1.2 – GENERAL AUTHORITY TO REPURCHASE PREFERENCE SHARES

"**RESOLVED THAT**, the Company and/or any subsidiary of the Company be and is hereby authorised by way of a general approval as contemplated in section 48 of the Companies Act (2008) as amended, to acquire from time to time any of the issued preference shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act (2008) and the Listings Requirements, where applicable (each as presently constituted and amended from time to time)."

As it relates to Special resolution 1.1 and 1.2, it is recorded that, as at the date of this Report, the Listings Requirements provide, *inter alia*, that the Company or any subsidiary of the Company may only make a general repurchase of ordinary or preference shares ("Securities") of the Company subject to the following:

- The repurchase of Securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- Authorisation thereto being given by the MOI of the Company;
- This general authority shall only be valid until the Company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution/s;
- In determining the price at which the Company's Securities are acquired by the Company in terms of this general authority, the maximum premium at which such Securities may be acquired will be 10% (ten percent) of the weighted average of the market price at which such Securities are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such Securities by the Company;
- The acquisitions of Securities in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital or issued preference share capital, whichever is applicable, from the date of the grant of this general authority;
- A resolution by the board of directors authorising the repurchase, stating that the Company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group;
- The Company or its subsidiaries will not repurchase Securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements;
- When the Company has cumulatively repurchased 3% of the initial number of the relevant class of Securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- The Company only appoints one agent to effect any repurchase(s) on its behalf.

Additional disclosure in terms of the Listings Requirements section 11.26 and 11.27

The Listings Requirements require the following disclosure, some of which are elsewhere in this Report of which this notice forms part as set out below:

- Directors and management – pages 8 and 9;
- Major beneficial shareholders – pages 107 and 108;
- Directors' interests in ordinary and preference shares – page 102; and
- Share capital of the Company – page 92.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 52 of the Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution/s and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution/s contains all information required by law and the Listings Requirements.

MATERIAL CHANGES

Other than the facts and developments reported on in the Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the Audit report and the date of this notice.

STATEMENT OF BOARD'S INTENTION

The board, at the date of this Report, has no definite intention of repurchasing Securities in Invicta on the open market of the JSE. It is however proposed, and the board believes it to be in the best interest of the Company, that shareholders pass a special resolution/s granting the board a general authority to acquire its own Securities and permit subsidiary companies of Invicta to acquire Securities in the Company.

Pursuant to a general repurchase other than Securities repurchased by one or more of the subsidiary companies to be held as treasury shares, application will be made to the JSE for the cancellation and delisting of the Securities in question. The cancellation of the Securities will be effected by way of a reduction of the ordinary or preference share capital, whichever is applicable.

STATEMENT OF DIRECTORS

The Company's directors undertake that after considering the effect of such maximum repurchase, for a period of 12 (twelve) months following the date of this notice of AGM:

a. the Company and the Group will be in a position to repay their debts in the ordinary course of business;

b. the assets of the Company and the Group, being fairly valued in accordance with IFRS, will be in excess of the liabilities of the Company and the Group;

c. the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes;

d. the working capital will be adequate to continue the ordinary business purposes of the Company and the Group; and

e. the working capital will be adequate to continue the ordinary business purposes of the Company and the Group.

SPECIAL RESOLUTION 2 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

"**RESOLVED THAT**, the remuneration of each non-executive director of the Company be approved, each by way of a separate vote, as a special resolution in terms of section 66 of the Companies Act (2008), for the 2018 financial year as follows:

2.1	Chairman of the Invicta board	R743 261 per annum
2.2	Chairman of the Invicta Audit committee	R74 326 per annum
2.3	Members of the Invicta board	R34 214 per meeting
2.4	Members of the Invicta Audit committee	R30 674 per meeting
2.5	Members of the Invicta Remuneration committee	R28 315 per annum
2.6	Members of the Invicta Social and Ethics committee	R28 315 per annum
2.7	Members of the Invicta SA board	R16 517 per meeting

SPECIAL RESOLUTION 3 – SECTION 44 FINANCIAL ASSISTANCE

"**RESOLVED THAT** in terms of section 44(3)(a)(ii) of the Companies Act (2008), the provision from time to time of financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) by the Company to any executive or employee of the Company or any subsidiary of the Company, for purposes of or in connection with, the subscription for or acquisition of any option or securities issued or to be issued by the Company or a related or inter-related company, be and is hereby approved."

Such approval shall be in place for a period of two years from the date of adoption of this special resolution number 3 and be subject further to sections 44(3)(a) and (b) of the Companies Act (2008) which state that the board may not authorise such financial assistance unless (i) the particular provision of financial assistance is pursuant to an employee share scheme that satisfies the requirements of section 97 of the Companies Act (2008); (ii) the board is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test contemplated in section 4 of the Companies Act (2008) and (iii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

SPECIAL RESOLUTION 4 – SECTION 45 FINANCIAL ASSISTANCE

"**RESOLVED THAT** in terms of section 45(3)(a)(ii) of the Companies Act (2008), the provision from time to time of financial assistance by the Company to any related or inter-related company of the Company, be and is hereby approved."

Such approval shall be in place for a period of two years from the date of adoption of this special resolution number 4 and be subject further to section 45(3)(b) of the Companies Act (2008) which states that the board may not authorise such financial assistance unless the board is satisfied that (i) immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test contemplated in section 4 of the Companies Act (2008); and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT (2008) IN RESPECT OF SPECIAL RESOLUTION NUMBER 4

Notice is hereby given to shareholders of the Company in terms of section 45 (5) of the Companies Act (2008) 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 AGM is delivered to shareholders of the Company, the board would 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 (2008) to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related company or corporation and/or to any 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 the special resolution under the heading "Special resolution number 4" is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the board being satisfied that (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 (2008), 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 (2008); and

NOTICE OF ANNUAL GENERAL MEETING (continued)

c. in as much 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. Such notice will also be provided to any trade union representing any employees of the Company where applicable.

ORDINARY RESOLUTION 1 – APPROVAL OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

To receive and consider the Directors' report, annual consolidated financial statements of the Group, as well as the Audit committee report for the year ended 31 March 2017.

ORDINARY RESOLUTION 2.1 TO 2.4 – RE-ELECTION OF DIRECTORS

To re-elect, each by way of a separate vote, the following directors who retire by rotation at the AGM, but being eligible, offer themselves for re-election:

2.1 Dr Christo Wiese

2.2 David Samuels

2.3 Lance Sherrell

2.4 Adv. Jacob Wiese

Abbreviated biographical details of the above directors are set out on pages 8 and 9 of this Report.

ORDINARY RESOLUTION 3 – ENDORSEMENT OF REMUNERATION POLICY

"**RESOLVED THAT** shareholders endorse, through a non-binding advisory vote required by King III, to ascertain shareholders' view on the Company's remuneration policy and its implementation. The Company's remuneration report is set out on pages 45 and 46 of this Report."

ORDINARY RESOLUTION 4 - TO PLACE THE AUTHORISED BUT UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

"**RESOLVED THAT** the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (2008), the MOI of the Company and the Listings Requirements, where applicable (each as presently constituted and amended from time to time), such authority to remain in force until the Company's next AGM."

ORDINARY RESOLUTION 5 – TO AUTHORISE THE DIRECTORS TO ISSUE SHARES FOR CASH

"**RESOLVED THAT** the directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the Company, or to allot, issue and grant options to subscribe for, all or any of the authorised but unissued ordinary shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the provisions of the Companies Act (2008), the MOI of the Company, the Listings Requirements, where applicable (each as presently constituted and amended from time to time)."

It is recorded that, as at the date of this Report, the Listings Requirements provide, *inter alia*, that the Company may only undertake a general issue for cash subject to the following:

- The equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue.
- Any such issue will only be made to "public shareholders" as defined in the Listings Requirements and not to related parties, unless the JSE otherwise agrees.
- The number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent), 16 274 210 shares of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year, plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and fully underwritten, or an acquisition which has had final terms announced.
- This authority shall be valid until the Company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given.
- A paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time after any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue.
- In determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.

As stated above, and in terms of the Listings Requirements, 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at the AGM must be cast in favour of ordinary resolution 5 for it to be approved.

ORDINARY RESOLUTION 6 – REAPPOINTMENT OF INDEPENDENT AUDITOR FOR THE 2018 FINANCIAL YEAR

"**RESOLVED THAT** the reappointment of Deloitte & Touche, registered auditors, as independent auditors of the Company and to appoint T Marriday as the designated audit partner for the following year be confirmed."

ORDINARY RESOLUTIONS 7.1 TO 7.3 – RE-ELECTION OF AUDIT COMMITTEE MEMBERS

"**RESOLVED THAT**, subject to the passing of ordinary resolution 2.2 above, the following non-executive directors be re-elected, each by way of a separate vote, as members of the Audit committee of the Company for the period from 1 April 2017 until the conclusion of the next AGM of the Company in 2018:

7.1 David Samuels (chairman)

7.2 Ramani Naidoo (member)

7.3 Rashid Wally (member)

Abbreviated biographical details of the above directors are set out on pages 8 and 9 of this Report.

VOTING INSTRUCTIONS

In terms of the Companies Act (2008), any member entitled to attend and vote at the AGM may appoint one or more persons as proxy, to attend and speak and vote in his stead. A proxy need not be a member of the Company. Shareholders are requested to deposit forms of proxy at the office of the transfer secretaries 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays) if possible, alternatively before the start of the meeting with the company secretary.

If your Invicta shares have been dematerialised and are held in a nominee account, then your Participant, previously named Central Securities Depository Participant (CSDP) or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the AGM and thereafter cast your vote in accordance with your instructions.

If you have not been contacted it would be advisable for you to contact your Participant or broker, as the case may be, and furnish them with your instructions. If your Participant or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them, or, if the mandate is silent in this regard, to abstain from voting.

Dematerialised shareholders whose shares are held in a nominee account must not complete the attached form of proxy.

Unless you advise your Participant or broker timeously in terms of the agreement between yourself and your Participant or broker by the cut-off time advised by them that you wish to attend the AGM or send a proxy to represent you, your Participant or broker will assume you do not wish to attend the AGM or send a proxy. If you wish to attend the AGM, your Participant or broker will issue the necessary letter of representation to you to attend the meeting.

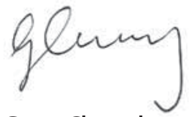
Shareholders who have dematerialised their shares through a Participant or broker, other than "own name" registered dematerialised shareholders, who wish to attend the AGM, must request their Participant or broker to issue them with a letter of representation, or they must provide the Participant or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the Participant or broker.

SHAREHOLDER RIGHTS

In terms of the Companies Act (2008), shareholders have the right to be represented by proxy as stated herein.

1. At any time, a shareholder of the Company may appoint any individual, including an individual who is not a shareholder of the Company, as a proxy to:
   - participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
   - give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60;
   - provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.
2. A proxy appointment:
   - must be in writing, dated and signed by the shareholder; and
   - remains valid for the duration of the AGM for which it was signed; or
   - 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 MOI of the Company provides otherwise:
   - a shareholder of the Company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
   - 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
   - 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:
   - 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;
   - the appointment is revocable unless the proxy appointment expressly states otherwise;
   - if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy; and
   - 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 the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
6. If the instrument appointing a proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act (2008) or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to:
   - the shareholder; or
   - the proxy or proxies, if the shareholder has directed the Company to do so, in writing; and 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 MOI, or the instrument appointing the proxy, provides otherwise.
8. If the Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of instrument for appointing a proxy:
   - the invitation must be sent to every shareholder which is entitled to notice of the meeting at which the proxy is intended to be exercised;
   - the invitation, or form of instrument supplied by the Company for the purpose of appointing a proxy, must:
     – bear a reasonably prominent summary of the rights established by this section;
     – contain adequate blank space;
     – 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;
   - the Company must not require that the proxy appointment be made irrevocable; and
   - the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.
9. Subsection (8)(b) and (d) do not apply if the Company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

By order of the board



Grace Chemaly
Group company secretary

Cape Town
22 June 2017

DEFINITIONS

AGM	Annual General Meeting
BBBEE	Broad Based Black Economic Empowerment
BMG	Bearing Man Group
BSG	Building Supply Group
CEG	Capital Equipment Group
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
Companies Act (2008)	Companies Act No. 71 of 2008
CSE	Case Construction Equipment
CSI	Corporate Social Investment
DCLSA	Doors Closures Locks SA
DRC	Democratic Republic of the Congo
EBIT	Earnings before interest and taxes
ESP	Equipment Spare Parts
EPS	Earnings Per Share
ESG	Engineering Solutions Group
FD	Financial Director
HDSA	Historically Disadvantaged South African
HDPE	High-density polyethylene
HET	Humulani Empowerment Trust
HEIT	Humulani Employee Investment Trust
HPE	High Power Equipment
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
Invicta / Company / Group	Invicta Holdings Limited and subsidiary companies
Invicta SA	Invicta South Africa Holdings Proprietary Limited
IRBA Code	Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors
ISA	International Standards on Auditing
ISO	International Organisation for Standardisation
IT	Information Technology
JSE	Johannesburg Stock Exchange
King III	King III Code on Corporate Governance
LDPE	Low-density polyethylene
Listings Requirements	JSE Listings Requirements
MOI	Memorandum of Incorporation
MD	Managing Director
NAV	Net Asset Value
OEM	Original Equipment Manufacturer
PVC	Polyvinyl chloride
Report	Invicta Holdings Limited Integrated Report 2017
SA	South Africa
SAB	South African Bureau of Standards
SATAS	South African Technical Auditing Service

FORM OF PROXY

INVICTA HOLDINGS LIMITED
Registration number 1966/002182/06
Incorporated in the Republic of South Africa
Share code: IVT Ordinary Share • ISIN: ZAE000029773
Share code: IVTP Preference Share • ISIN: ZAE000173399
("Invicta" or "the Company" or "the Group")

For use by shareholders who are:

1. Registered as such and who have not dematerialised their Invicta ordinary shares; or
2. Hold dematerialised Invicta ordinary shares in their own name;

at the Invicta AGM to be held in the boardroom, Invicta Holdings Limited, 3rd Floor, Pepkor House, 36 Stellenberg Road, Parow Industria, Cape Town on Thursday, 7 September 2017 at 10:00.

Dematerialised shareholders holding shares other than with "own name" registration, must inform their Participant or broker of their intention to attend the AGM and request their Participant or broker to issue them with the necessary letter of representation to attend the AGM in person and vote, or provide their Participant or broker with their voting instructions should they not wish to attend the AGM in person. These shareholders must not use this form of proxy.

I/We (please print name in full) ______________________________

of (address) ______________________________

being a shareholder(s) of Invicta and holding ______________ ordinary shares hereby appoint (name in block letters)

1. ______________________________ or failing him

2. ______________________________ or failing him

3. the chairman of the AGM as my/our proxy to act for me/us at the AGM which will be held on Thursday, 7 September 2017 at 10:00 in the boardroom of Invicta Holdings Limited at 3rd Floor, Pepkor House, 36 Stellenberg Road, Parow Industria, Cape Town for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name(s) (as per note 2 above).

	Number of votes (one per share)		
	For	Against	Abstain
Special resolution 1 General authority to repurchase shares			
Special resolution 1.1 General authority to repurchase ordinary shares			
Special resolution 1.2 General authority to repurchase preference shares			
Special resolution 2 Remuneration of non-executive directors			
2.1 Chairman of the Invicta board – R743 261 per annum			
2.2 Chairman of the Invicta Audit committee – R74 326 per annum			
2.3 Members of the Invicta board – R34 214 per meeting			
2.4 Members of the Invicta Audit committee – R30 674 per meeting			
2.5 Members of the Invicta Remuneration committee – R28 315 per annum			
2.6 Members of the Invicta Social and Ethics committee – R28 315 per annum			
2.7 Members of the Invicta SA board – R16 517 per meeting			
Special resolution 3 Section 44 financial assistance			
Special resolution 4 Section 45 financial assistance			
Ordinary resolution 1 Approval of annual consolidated financial statements for the Group as at 31 March 2017			

	Number of votes (one per share)		
	For	Against	Abstain
Ordinary resolution 2.1 To re-elect as director Dr. Christo Wiese			
Ordinary resolution 2.2 To re-elect as director David Samuels			
Ordinary resolution 2.3 To re-elect as director Lance Sherrell			
Ordinary resolution 2.4 To re-elect as director Adv. Jacob Wiese			
Ordinary resolution 3 Endorsement of the Company's remuneration policy and its implementation			
Ordinary resolution 4 To place the authorised but unissued shares under the control of the directors			
Ordinary resolution 5 To authorise the directors to issue shares for cash			
Ordinary resolution 6 To confirm the re-appointment of Deloitte & Touche as independent auditors of the Company and T Marriday as the designated audit partner for the 2018 financial year			
Ordinary resolution 7.1 To re-elect as Audit committee member David Samuels (Chairman)			
Ordinary resolution 7.2 To re-elect as Audit committee member Ramani Naidoo			
Ordinary resolution 7.3 To re-elect as Audit committee member Rashid Wally			

Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at on 2017

Signature

Assisted by (where applicable)

Number of shares

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the AGM.

Please read the notes below.

NOTES TO THE PROXY FORM

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the AGM" but any such deletion must be initialed by the shareholder.
2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he deems fit in respect of all the shareholder's votes exercisable there at. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
3. Any alteration or correction made to this form must be initialed by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the AGM.
5. The completion and lodging of this form will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
6. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
8. Where there are joint holders of any shares:
   - any one holder may sign this form of proxy;
   - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
9. Shareholders are requested to deposit forms of proxy at the office of the transfer secretaries in Johannesburg (Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. PO Box 61051, Marshalltown, 2107). 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays) if possible, alternatively before the start of the meeting with the company secretary.

COMPANY INFORMATION

Company registration number
1966/002182/06

Nature of business
Investment holding and management company

Group company secretary
Grace Chemaly
PO Box 851
Isando
1600

Registered office
3rd Floor
Pepkor House
36 Stellenberg Road
Parow Industria
Cape Town
7493

Postal address
PO Box 6077
Parow East
Cape Town
7501

Auditors
Deloitte & Touche Registered Auditors
Deloitte & Touche Place
The Woodlands
Woodlands Drive
Woodmead
Sandton

2196
Private Bag X6
Gallo Manor
2052

Share transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196

PO Box 61051
Marshalltown
2107

Sponsors
Deloitte & Touche Sponsor Services Proprietary Limited
Deloitte & Touche Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
2196

Private Bag X6
Gallo Manor
2052

Bankers
Standard Bank of South Africa Limited
Absa Bank Limited
First National Bank (A division of FirstRand Bank Limited)
Nedbank Limited
Citibank
DBS Bank Limited
OCBC Bank
Maybank
Bank of China
Standard Chartered Bank

Attorneys
Bernadt, Vukic, Potash and Getz
10th Floor
BP Centre
Thibault Square
Cape Town
8001

PO Box 252
Cape Town
8000

Website
www.invictaholdings.co.za

Audit committee
David Samuels – *Chairman*
Ramani Naidoo
Rashid Wally

Executive and Risk committee
Arnold Goldstone
Craig Barnard
Tony Sinclair

Remuneration committee
David Samuels – *Chairman*
Dr Christo Wiese
Rashid Wally
Arnold Goldstone *(ex officio)*