

Independent auditor's report

To the shareholders of Deneb Investments Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Deneb Investments Limited (the Group) set out on pages 46 to 118, 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 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 Deneb Investments Limited as at 31 March 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Valuation of owner-occupied and investment properties (R459 million and R759 million respectively)

Refer to notes 2, 9 and 10 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Owner-occupied properties and investment properties are measured at fair value in the Group's financial statements, and at every year-end the change in fair value is reflected in other comprehensive income and in profit or loss respectively.</p> <p>The valuation models applied are subject to a high degree of judgement, are complex and require consideration of the existing market conditions, estimates regarding projected income, occupancy rates and capitalisation rates. A relatively small percentage change in valuations of individual properties, in aggregate, could result in a material impact on the financial statements.</p> <p>Due to the significance of these assets to the consolidated financial statements and the judgement involved in their valuation, this matter was considered to be a key audit matter.</p>	<p>In this area our audit procedures included, among others, evaluating the competency of the external experts engaged by the Group to value the properties, in the context of their ability to generate a reliable estimate of the fair value. The assessment of the external experts included but was not limited to, assessing their professional qualifications, experience and independence from the Group.</p> <p>We critically assessed the valuation methodology applied, and considered whether it is in line with accounting requirements and best practice. We challenged all key assumptions, including projected income (derived from rental income and property operating costs), occupancy and capitalisation rates. Specifically, we performed our own assessment of these inputs and compared rental income and occupancy percentages to current tenancy contracts on a sample basis, and property operating costs to budgeted cost for the year.</p> <p>Capitalisation rates were compared to relevant industry rates. Our challenge of the assumptions on capitalisation rates also involved performing sensitivity analyses to determine the extent of change in those assumptions that either individually or collectively would be required for the valuation to be materially misstated.</p> <p>We also considered whether the Group's disclosures met the requirements of the relevant accounting standards, as well as whether the disclosure in respect of the inputs into the valuation properly reflected the assumptions used.</p>

Other information

The directors are responsible for the other information. The other information comprises the Audit committee report, the Declaration by company secretary and the Directors' report as required by the Companies Act of South Africa, and the Integrated Annual Report. 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated 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 or 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (continued)

To the shareholders of Deneb Investments Limited

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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 KPMG Inc. has been the auditor of Deneb Investments Limited for four years.

KPMG Inc.
Registered Auditor



Per I M Engels
Registered auditor
Chartered Accountant (South Africa)
Director

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4 September 2017