DENEB

INVESTMENTS LIMITED

Integrated Annual Report 2019

About this report

Deneb Investments Limited ("Deneb" or "the Group") is proud to present its fifth Integrated Annual Report.

This report aims to provide a balanced and concise understanding of Deneb's underlying investments, how we manage the Group from a corporate governance perspective, its social and environmental impact and our financial performance for the year under review.

The Group strives to be an exemplary corporate citizen and commits itself to the highest standards of corporate governance.

SCOPE AND BOUNDARY

The 2019 Integrated Annual Report covers the activities and performance of the Group for the financial year 1 April 2018 to 31 March 2019. The Group operates principally in South Africa and generates the majority of its revenue from South Africa. In addition, the Group has subsidiaries based in Switzerland and Hong Kong.

In preparing the Integrated Annual Report, we were guided by International Financial Reporting Standards ("IFRS"), the International Financial Reporting Interpretations Committee ("IFRIC") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE.

The Group implemented the recommendations of the King IV Report on Corporate Governance in South Africa, 2016 ("King IV") and has further applied the principle of materiality in determining the content and levels of disclosure throughout the Integrated Annual Report.

EXTERNAL ASSURANCE

The board, assisted by the audit and risk committees, is ultimately responsible for overseeing the integrity of the Integrated Annual Report. The Group's external auditors have assured the financial statements and accredited specialist agencies have verified the disclosure on broad-based black economic empowerment, property valuations and carbon emissions. The Group has implemented a combined assurance framework which considers the assurance provided by all independent assurance providers.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The integrity of the report is the responsibility of the board of directors. The directors confirm that the report is a fair representation of the integrated performance of the Group.

ADDITIONAL INFORMATION

Our 2019 Integrated Annual Report is available online at **www.deneb.co.za**

A printed copy of the financial statements is available on request from **info@deneb.co.za**

Contents

Company profile

DENEB INVESTMENTS LIMITED

Deneb Investments Limited is a diverse investment company operating in southern Africa and is listed on the JSE under the Financial Services – Speciality Finance sector.

BRANDED PRODUCT DISTRIBUTION

This segment is responsible for the sourcing and distribution of branded products. The businesses operating in this segment include Prima Toys, New Just Fun, Prima Interactive, Empire Stationery, HTIC, Oops, Seartec, OfficeBox and Clever Little Monkey. These enterprises supply and distribute an extensive selection of prestigious brands predominantly to the South African consumer.

Executive management:
Ian Morris, Juan Laubscher

PROPERTY

Vega Group Properties owns and manages a portfolio of industrial and commercial properties situated in KwaZulu-Natal and the Western Cape with a market value in excess of R1,4 billion.

Executive management:
Keith Robson

Executive directors

Stuart Queen
Chief Executive Officer

Gys Wege
Chief Financial Officer

Dave Duncan
Chief Operating Officer

Amon Ntuli
Human Resources

MANUFACTURING

Manufacturers of a wide variety of mainly industrial products for the mining, agricultural, construction, automotive, medical, hospitality and retail markets. The businesses operating in this segment are Blue Reef Water Solutions, Brits Nonwoven, Custom Extrusion, Formex Industries, Gold Reef Speciality Chemicals, Integrated Polypropylene Products, Premier Rainwatergoods and Romatex Home Textiles.

Executive management:
Claude du Plessis, Frederick Coetzee, Piet van Wyk, Hennie Venter, Riaan Coetzee, Sarah Doyle

Financial highlights

for the year ended 31 March

Rand thousands, unless otherwise indicated		2019	2018*
Revenue		**2 955 836**	2 546 771
Profit before taxation from continuing operations		**51 529**	51 065
Loss before taxation from discontinuing operations		**(83 458)**	(117 852)
Loss before taxation		**(31 929)**	(66 787)
Taxation (expense)/income		**(20 282)**	63 351
(Loss)/Profit after taxation		**(46 937)**	6 229
Comprehensive (loss)/income attributable to shareholders		**(14 703)**	22 179
Equity attributable to equity holders		**1 622 762**	1 673 214
Total tangible assets (excluding cash)		**3 447 439**	3 252 748
Return on total tangible assets – continuing operations	(%)	**4,7**	4,7
Return on shareholders' interest	(%)	**(0,9)**	1,3
Ratio of borrowings to capital and reserves	(%)	**75**	57

STATISTICS PER SHARE

In cents, where applicable	2019	2018*
Headline (loss)/earnings per share	**(4,47)**	(3,68)
Headline earnings – continuing operations	**5,58**	19,46
Headline loss – discontinuing operations	**(10,05)**	(23,14)
Basic (loss)/earnings per share	**(10,53)**	1,89
Basic earnings – continuing operations	**7,58**	27,09
Basic loss – discontinuing operations	**(18,11)**	(25,20)
Comprehensive (loss)/earnings per share	**(3,41)**	4,48
Operating cash flow	**(14)**	36
Net asset value	**374**	388
Market price – End of period	**226**	225
Price range – High	**300**	250
Price range – Low	**200**	141

Revenue, total tangible assets (excluding cash and deferred tax) and return on total tangible assets

	Revenue Continuing operations				Total tangible assets (excluding cash)			
	2019		2018*		2019		2018*	
Segment	Rm	%	Rm	%	Rm	%	Rm	%
Branded Product Distribution	**1 393**	**42**	1 228	38	**765**	**22**	774	24
Properties	**126**	**4**	111	3	**1 437**	**42**	1 302	40
Industrial Product Manufacturing	**953**	**28**	935	29	**530**	**16**	530	16
Automotive Parts Manufacturing	**483**	**14**	272	8	**317**	**9**	223	7
Discontinuing operations	**391**	**12**	669	22	**358**	**11**	411	13
Head office	**–**	**–**	–	–	**3**	**–**	12	–
	3 346	**100**	3 215	100	**3 410**	**100**	3 252	100

** Restated, refer to note 32*

	2019	2018*
	R000's	R000's
OPERATIONS		
Revenue	**2 955 836**	2 546 771
Continuing operations		
Operating profit before finance costs	**162 336**	152 745
Net finance costs	**(110 807)**	(101 680)
Profit before taxation	**51 529**	51 065
Taxation (expense)/income	**(20 282)**	63 351
Profit from continuing operations for the year	**31 247**	114 416
Loss from discontinuing operations for the year	**(78 184)**	(108 187)
(Loss)/Profit	**(46 937)**	6 229
(Loss)/Profit attributable to shareholders	**(45 471)**	8 130
Comprehensive (loss)/income attributable to shareholders	**(14 703)**	22 179
CASH FLOW		
Cash generated from operating activities before working capital changes	**167 303**	110 073
Cash generated from/(utilised by) operations – nominal	**(58 713)**	179 964
Net cash outflow from investing activities	**(179 415)**	(213 888)
FINANCIAL POSITION		
Capital and reserves	**1 622 762**	1 673 214
Net interest-bearing borrowings	**1 211 782**	960 714
Other non-interest-bearing debt (excluding deferred liabilities)	**472 167**	615 370
Net working capital excluding cash	**849 616**	674 818
Total tangible assets (excluding cash and deferred tax)	**3 409 697**	3 252 748
Total property portfolio	**1 406 866**	1 280 773

Financial highlights (continued)

for the year ended 31 March

		2019 R000's	2018* R000's
RATIOS			
Profitability			
Operating profit as a percentage of revenue – continuing operations	(%)	**5,5**	6,0
Profit for the period as a percentage of revenue – continuing operations	(%)	**1,1**	4,5
Return on total tangible assets – continuing operations	(%)	**4,7**	4,7
Return on investments (comprehensive income attributable to shareholders)	(%)	**(0,4)**	0,7
Return on shareholders' interest	(%)	**(0,9)**	1,3
Leverage			
Ratio of borrowings to capital and reserves	(%)	**75**	57
Ratio of debt to capital and reserves	(%)	**104**	94
Liquidity			
Current ratio	(times)	**1,5**	1,6
Solvency ratio	(%)	**9,0**	6,8
Finance charges cover	(times)	**1,5**	1,5
Productivity			
Total asset turnover ratio	(times)	**0,9**	0,8
Number of employees (continuing operations)		**2 751**	2 884
Revenue per employee	(Rand)	**1 074 459**	883 069
Operating profit before finance costs per employee	(Rand)	**59 010**	52 963
Assets per employee	(Rand)	**1 253 158**	1 127 860
Cash value-added factor	(%)	**40**	67
SHARE STATISTICS**			
Weighted average number of shares issued	(000)	**431 766**	429 358
Headline loss per share	(cents)	**(4,5)**	(3,7)
(Loss)/Earnings per share	(cents)	**(10,5)**	1,9
Comprehensive (loss)/income per share	(cents)	**(3,4)**	4,5
Distribution	(cents)	**3,0**	3,0
Headline earnings yield at period end	(%)	**(2,0)**	(1,6)
Distribution yield at period end	(%)	**1,3**	1,3
Distribution cover	(times)	**(1,5)**	(1,2)
Net asset value per share	(cents)	**374**	388
Total number of shares traded	(000's)	**1 303**	25 617
Total value of shares traded	(R000's)	**2 942**	45 899
Percentage of issued shares traded	(%)	**0,3**	5,9
Market price (cents) – Highest – ordinary	(cents)	**300**	250
– Lowest – ordinary	(cents)	**200**	141
– Period end – ordinary	(cents)	**226**	225

** Restated, refer to note 32*

***Refer to Analysis of Shareholders on page 117*

Value-added statement

for the year ended 31 March

	2019 R000's	2018 R000's
Cash derived from revenue	**3 091 659**	2 844 910
Paid to suppliers for materials and services	**2 235 962**	1 700 944
Cash value added	**855 697**	1 143 966
Interest received	**477**	591
Total wealth created	**856 174**	1 144 557
Distributed as follows:		
Employees		
Administration	**179 676**	195 958
Production	**238 253**	277 686
Sales	**118 784**	130 441
	536 713	604 085
Providers of capital		
Interest paid on borrowings	**111 284**	93 733
Distribution to shareholders	**12 940**	12 859
	124 224	106 592
Monetary exchanges with government		
Taxation (including customs and excise duty)	**161 477**	125 710
PAYE	**86 218**	91 705
VAT	**34 454**	88 877
Incentives	**(28 199)**	(52 376)
	253 950	253 916
Retained to develop future growth	**(58 713)**	179 964
Total wealth distributed	**856 174**	1 144 557

Value added is a measure of the wealth that the Group has created in its letting, manufacturing and distribution operations by adding value to the cost of its raw materials and services purchased.

The statement above shows how that wealth was created, and also how it was shared between employees and the providers of funds to the Group.

The statement takes into account the amounts retained and reinvested in the Group for the replacement of assets and the development of future operations.

Distribution of wealth	2019 %	2018 %
Employees	**60,5**	52,8
Government	**32,1**	22,2
Retained	**(6,6)**	15,7
Lenders	**12,5**	8,2
Shareholders	**1,5**	1,1
	100,0	100,0

Directors' profiles

EXECUTIVE DIRECTORS

Stuart Queen (47)
CHIEF EXECUTIVE OFFICER
BCompt (Hons), CA (SA)

Stuart was appointed to the board on 21 June 2013. Prior to that he was chief executive officer of Seardel Investment Corporation Limited and held various directorships within Hosken Consolidated Investments Limited including chief financial officer of Johnnic Holdings Limited. He is a member of the executive and risk committees.

Gys Wege (45)
CHIEF FINANCIAL OFFICER
BCompt (Hons), CA (SA)

Gys was appointed to the board as financial director on 21 June 2013. Prior to joining the board he served in various senior financial roles within the automotive logistics industry and was financial director of Seardel Investment Corporation Limited. He is a member of the executive, risk and social and ethics committees.

Amon Ntuli (61)
HUMAN RESOURCES

Amon was appointed to the board on 10 October 2014. He was the president of the Southern African Clothing and Textile Workers' Union ("SACTWU") from 1985 to 2003 and an executive director of Seardel Investment Corporation Limited until September 2014. He held various directorships in investment companies within SACTWU Investment Group, and is chairperson of the social and ethics committee.

Dave Duncan (British) (64)
CHIEF OPERATING OFFICER
BComm

Dave was appointed to the board on 10 October 2014 as chief operating officer. His career includes more than 30 years' experience in the manufacturing sector and he serves as a member of the executive committee.

John Copelyn (69)
CHAIRPERSON

BA (Hons), BProc

Johnny was appointed to the board on 10 October 2014. He joined Hosken Consolidated Investments Limited as chief executive officer in 1997. Prior to this he was a member of Parliament and general secretary of the Southern African Clothing and Textile Workers' Union. He holds various directorships including Platinum Group Metals Limited and is chairperson of Tsogo Sun Gaming, Tsogo Sun Hotels, HCI Foundation, Niveus Investments Limited and eMedia Holdings Limited.

Kevin Govender (48)
BCompt (Hons)

Kevin was appointed to the board on 10 October 2014. He joined Hosken Consolidated Investments Limited ("HCI") in 1997 and holds various directorships within the HCI group of companies, including eMedia Holdings Limited and Hosken Passenger Logistics and Rail Limited. He is a trustee of the HCI Foundation.

Yunis Shaik (61)
BProc

Yunis was appointed to the board on 10 October 2014. He is an executive director of Hosken Consolidated Investments Limited ("HCI"). Prior to his appointment at HCI Yunis was an attorney of the High Court and served as an acting judge in the Labour Court. He is a former deputy general secretary of the Southern African Clothing and Textile Workers' Union and served as a senior commissioner to the Commission for Conciliation, Mediation and Arbitration ("CCMA") in KwaZulu-Natal. He is also a director of Niveus Investments, Tsogo Sun Gaming and Hosken Passenger Logistics and Rail.

Directors' profiles (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Naziema Jappie (59)

BSocSc (Hons), MSocSc (specialising in Industrial and Labour Studies), PGDip (HE), Honorary Consul for the Republic of Maldives

Naziema was appointed to the board on 10 October 2014 and brings with her a distinguished and varied background in fields including higher education, labour law, conflict resolution, and performance and project management. She has served as SACTWU's National Education Officer, Executive Director at the Durban University of Technology and Dean of Students at the University of the Witwatersrand. She is currently employed as Director for the Centre for Educational Testing for Access and Placement at the University of Cape Town. She is also a non-executive director of Hosken Passenger Logistics and Rail Limited and Montauk Holdings.

Koktsi Faith Mahloma (Faith) (66)

Faith was appointed to the board on 20 May 2019. She served as a senior shop steward for 20 years until 2001; as an executive member of COSATU and vice president of SACTWU from 1987 to 2001; and as an executive member of the National Economic Development and Labour Council (NEDLAC) from 1997 to 2001. She has served as a director of Zenzeleni Clothing (Pty) Ltd and Hosken Passenger Logistics and Rail Limited, a member of the Municipal Public Accounts Committee and the Germiston Pension Fund Committee. She resigned as a ward councillor in 2016 after serving 10 years.

Mohamed Ahmed (54)

BCompt

Mohamed was appointed to the board on 10 October 2014. He is a director of Montauk Holdings Limited, Hospitality Property Fund and Tsogo Sun Hotels Limited and previously held directorships in Hosken Consolidated Investments Limited, Seardel Investment Corporation Limited, MTN and Real Africa Holdings. He is the chairperson of the audit, risk and remuneration committees and was appointed the lead independent non-executive director on 10 October 2014.

Chief executive officer's report

The Group made some good progress in the year under review, despite various challenges. The brand distribution businesses, with a few notable exceptions, struggled with a softer retail environment and saw both turnover and margins under pressure. The manufacturing businesses were negatively impacted by the poor economic conditions which saw demand soften. This is particularly true for the manufacturing businesses interfacing into the construction and mining sectors. The advent of load shedding towards the end of the financial year also put the manufacturing businesses under strain.

Turnover from continuing operations was up R409 million (16%) to just shy of R3 billion. This growth is attributable in part to acquisitions made in the prior year being held for a full 12-month period in the current reporting period. However, certain of the businesses did manage to achieve good growth despite the difficult environment, most notably Formex, our automotive component manufacturing business.

Gross margins as reported reflect a decline of 110 basis points. However, profits and losses on foreign exchange are recorded in the other income and expenses line, below gross profit. The other side of the foreign exchange profit and loss will, to a large extent, reflect in the landed cost of products sold and thus needs to be considered in any analysis of gross margins. In the current year the Group recorded a foreign exchange profit of R15 million as opposed to a foreign exchange loss of R26 million in the prior period. Adjusting for this, gross margins increased by 50 basis points year-on-year, which is more reflective of the operating reality.

The Group's toy distribution businesses Prima Toys and New Just Fun Group were affected by one of their significant customers, Ensolor (Pty) Ltd t/a Hamleys, being placed into business rescue. The Group's exposure to Hamleys was some R18 million although this was mitigated by insurance cover which recouped some R15 million. However, for reporting purposes, the R18 million bad debt write-off is included in selling expenses whilst the insurance recoupment is recorded in other income. This, together with the large swing in foreign exchange profit and loss, mentioned above, accounts for most of the variance in the other income and expense line. The other increases in the cost lines are largely explained by the fact that, as mentioned, the acquisitions are reported for 12 months in the current year and only for a portion of the corresponding period.

Operating profit before fair value adjustments from continuing operations was up R40 million (37%). The weaker property market meant that investment properties were revalued up by just R13 million in the current period as opposed to R44 million in the prior period. However, owner-occupied properties were revalued up by R31 million in the current year as compared to R29 million in the prior period. The revaluation of the owner-occupied properties is recorded in the other comprehensive income section of the report.

In the prior year, we recognised a deferred tax asset which resulted in taxation income of R63 million being reported. In the current year we have reported a taxation expense of R20 million. The swing in the taxation number results in the Group reporting a profit after tax from continuing operations of R31 million, down R83 million (73%) on the prior period.

The Group has started a process to divest from certain businesses, namely Winelands Textiles, Frame Knitting Manufacturers, Brand ID and First Factory Shops. The businesses have been put on the market for sale and we will update shareholders of the progress as and when appropriate. The results for these businesses are disclosed under discontinuing operations and reflect a loss in the current period of R78 million as compared to a loss of R108 million in the prior period. These losses can be broken down into operating loss of R35 million (2018: R87 million), impairments and restructuring costs of R40 million (2018: R30 million), interest charges of R8 million (2018: R1 million) and tax credits of R5 million (2018: R10 million).

Stuart Queen
Chief executive officer
22 July 2019

Corporate governance report

Deneb is committed to a high standard of corporate governance. Sound corporate governance principles are viewed as pivotal to delivering the Group's strategic and sustainability objectives.

This report provides our stakeholders with insight as to how the board and its underlying committees are overseeing and guiding the Group's performance and strategy. It further outlines our corporate structure which is responsible for ensuring compliance with internal policies and external regulation.

BOARD OF DIRECTORS

Deneb's board of directors is tasked with both leading and controlling the Group's strategy and operations. The basis for good governance at Deneb is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The collective experience and diversity of the directors bring a broad perspective and insight. Their knowledge comes from a diverse array of backgrounds and specialist skills across a range of sectors including law, accounting, manufacturing, logistics, education and industrial relations.

BOARD COMPOSITION

As at 31 March 2019, the board of directors comprised 10 members: six non-executive directors and four executive directors. Three of the six non-executive directors are independent.

The composition of the board is regularly reviewed to ensure a balance of power and authority, negate individual dominance in the decision-making processes and promote race and gender diversity as per the Gender and Race Diversity Policies.

Subsequent to year-end, Ms R D Watson resigned and Ms K F Mahloma was appointed to the board.

BOARD APPOINTMENT

The appointment to the board of directors is governed by a formal board-approved mandate regulating the terms of reference and incorporates the provisions of the Companies Act of South Africa and the mandatory provisions as stipulated in paragraph 3.84 of the JSE Listings Requirements, including the Gender and Race Diversity Policies and the memorandum of incorporation of the company. There is a distinct division of responsibilities at board level so that no single individual has unfettered powers of decision-making. The board as a whole, within its powers and in a formal and transparent manner, is responsible for the selection and appointment of directors. Directors do not have a fixed term of appointment and there is no mandatory retirement age for non-executive directors.

Mr J A Copelyn has been appointed by the board as the non-executive chairperson. The roles of chairperson and chief executive officer are separate with a clear division of responsibilities.

The company's memorandum of incorporation provides that at the annual general meeting held each year, 1/3 (one-third) of the non-executive directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than 1/3 (one-third) shall retire from office. In addition, if at the date of any annual general meeting any director will have held office for a period of 5 (five) years since his/her last election or appointment, he/she shall retire at such annual general meeting. A retiring director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated office.

The company's ultimate controlling shareholder is Hosken Consolidated Investments Limited ("HCI"). Four of the non-executive directors, namely Messrs J A Copelyn, T G Govender, Y Shaik and Ms R D Watson, also serve on the HCI board. Subsequent to year-end, Ms R D Watson resigned from the board.

INDEPENDENCE OF DIRECTORS

Deneb's non-executive directors acknowledge the need for their independence, while recognising the importance of good communication and close co-operation with executive management. The directors are entitled to seek independent professional advice at the company's expense concerning the company's affairs and have access to any information they may require in discharging their duties as directors. Deneb has appointed Mr M H Ahmed as the company's lead independent non-executive director and is responsible for verifying, on an annual basis, the independence and objectivity of the independent non-executive directors. This is done by assessing any circumstance or relationships that could affect such independence.

BOARD ATTENDANCE

The board meets at least four times a year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. Directors are provided with substantive board papers to enable them to consider the issues on which they are requested to make decisions.

The following table details each director's board meeting attendance during the year under review:

	15 May 2018	16 August 2018	14 November 2018	12 March 2019
M H Ahmed	√	√	√	√
J A Copelyn	√	√	√	√
D Duncan	√	√	√	√
T G Govender	√	√	x	√
N B Jappie	√	√	√	√
A M Ntuli	√	√	√	√
S A Queen	√	√	√	√
Y Shaik	√	√	√	√
R D Watson	√	√	√	√
G D T Wege	√	√	√	√

√ In attendance
x Apologies

COMPANY SECRETARY

The company secretary is Ms C L Philip who provides support and guidance to the board in matters relating to governance, ethical conduct and their fiduciary duties. Where required, the company secretary facilitates induction and training for directors tailored to their individual needs and co-ordinates the annual board and committee evaluation process. Directors have unrestricted access to the advice and services of the company secretary. The company secretary does not fulfil any executive management function and maintains an arm's length relationship with the board and its directors. The company secretary is responsible for the functions as set out in section 88 of the Companies Act of South Africa (as amended). The board has assessed the company secretary and is satisfied that she has the competence, qualifications, independence and experience to fulfil the role of company secretary. All board, committee and shareholders' meetings are properly recorded as per the requirements of the Companies Act.

APPLICATION OF KING IV

King IV advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

Deneb has reviewed the practices underpinning the principles promoted in King IV. Many of these principles are entrenched in the Group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that Deneb, in all material aspects, complies with the major recommendations of King IV to ensure that sound corporate governance and structures are applied within the Group.

In terms of part 5.4, principle 14 of King IV, the company's remuneration policy and implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. These votes enable shareholders to express their views on the remuneration policy and implementation report adopted. Furthermore, King IV recommends that the remuneration policy should record the measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% or more of the voting rights exercised by the shareholders. As the non-binding advisory votes taken at the AGM held on 22 October 2018 were passed by the requisite majority, there was no further engagement with shareholders in this regard.

For the detailed King IV application register, please visit the company's website at **www.deneb.co.za**

DEALINGS IN THE COMPANY'S SECURITIES

Deneb complies with the continuing obligations of the Listings Requirements of the JSE. The company's directors, executives and senior employees are prohibited from dealing in Deneb securities during prescribed restricted periods. The company secretary regularly disseminates written notices to inform them of the insider trading legislation and advises them of closed periods. All directors and senior executives are required to obtain clearance from the company secretary prior to dealings in the company's securities. All dealings in the company's securities are disclosed in terms of the applicable Listings Requirements.

WHISTLE-BLOWER HOTLINE

A whistle-blower hotline has been implemented in all the businesses of the Group. This service, operated by an independent service provider, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing and control issues or other concerns. It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. The follow-up on all reported matters is co-ordinated by internal audit and reported to the social and ethics committee.

GOVERNANCE OF INFORMATION TECHNOLOGY

The board of directors is responsible for information technology ("IT") governance. The board tasks the Group head of IT to ensure IT governance compliance within the Deneb Group. The Group head of IT further provides oversight and direction on business level IT strategy, IT investment and the efficiency and effectiveness of IT. IT risk management is aligned with the Group risk management structure and is channelled by way of the risk management committee. The committee receives feedback on critical risk issues, the solutions proposed and progress reports.

BOARD COMMITTEES

Deneb's board has established committees to assist it to discharge its duties. The committees play a pivotal role in guiding and overseeing strategy, enhancing high standards of governance and achieving increased effectiveness within the Group. The committees comprise members of the board and executive officers of the Group. Board committees are free to take independent, outside professional advice within the scope of their terms of reference and as deemed necessary to carry out their duties. The Group's chief executive officer and other members of the executive management whose presence is required for such committees' effective performance of their responsibilities are invited to be in attendance at committee meetings. The board has established five committees to assist in discharging its responsibilities:

Executive committee

Chairperson: Mr S A Queen

Role: The executive committee is responsible for controlling the day-to-day operational activities of the Group, and the development and implementation of the board strategy.

The Deneb executive committee comprises Messrs S A Queen (chairperson, chief executive officer), G D T Wege (chief financial officer), D Duncan (chief operating officer), K Robson (Properties, Corporate and Legal Services) and I Morris (Branded Product Distribution).

The executive committee meets formally once a week and executive committee members attend the monthly operational meetings of each operating entity within the Group. Such formal weekly and monthly meetings include the review of strategic, operational and financial results. The board is apprised of progress through reporting at board meetings and regular communication with management.

Audit committee

Chairperson: Mr M H Ahmed

Role: The audit committee oversees the Group's financial statements and reporting processes, including the system of internal financial controls. The committee's report is presented on pages 32 and 33.

Risk committee

Chairperson: Mr M H Ahmed

Chief risk officer: Mr D Levin

Role: The risk committee is primarily responsible for the governance of risk in accordance with the framework of the Group's risk management policy. The committee's report is presented on pages 22 and 23.

Remuneration committee

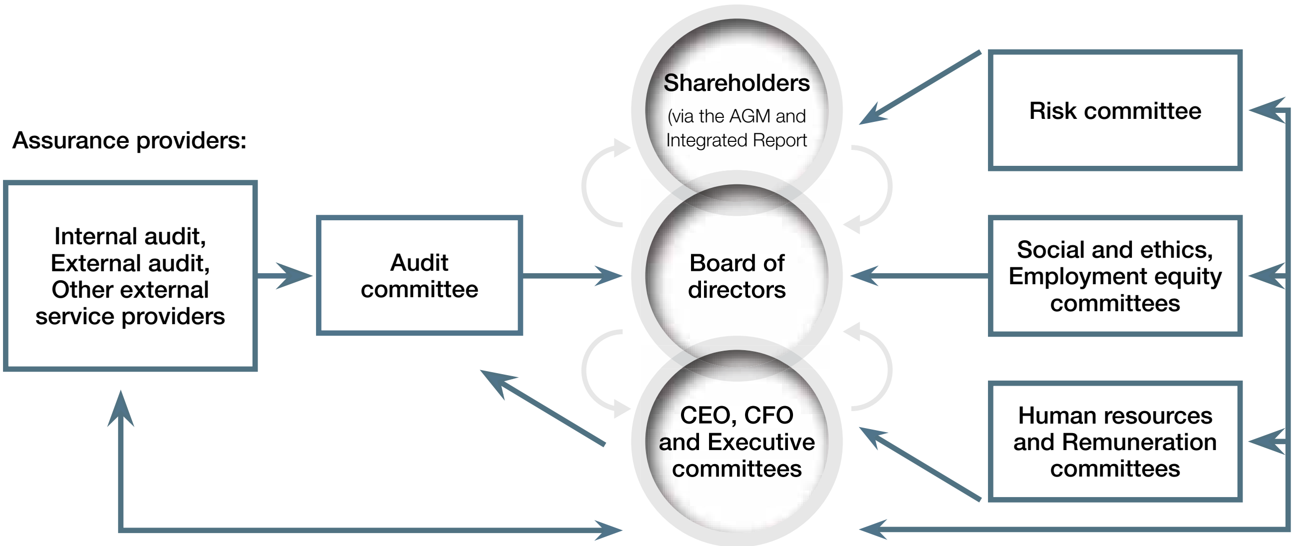
Chairperson: Mr M H Ahmed

Role: The remuneration committee ensures that the Group's directors and senior management are fairly rewarded for their individual contribution to overall performance and aligned with the Group's strategy and performance goals. The committee's remuneration report and remuneration implementation report are presented on pages 24 to 29.

Social and ethics committee

Chairperson: Mr A M Ntuli

Role: The social and ethics committee monitors activities relating to ethics, stakeholder engagement and the social impact of the company on communities within which it operates. The committee also monitors progress across all areas of strategic empowerment as well as compliance with transformation codes. The committee's report is presented on pages 16 to 20.



Social and ethics committee report

This report aims to provide Deneb's stakeholders with insight into the Group's social values and the ethos we strive to maintain in our daily conduct and stakeholder interaction.

The Group's social, ethics and sustainability objectives remained unchanged and are as follows:

- the continued transformation of the Group's human capital;
- preserving natural resources; and
- constructively influencing the socioeconomic development of the areas in which we operate.

The Deneb social and ethics committee is a formal committee of the board and functions within its documented terms of reference.

MEMBERS

The members of the committee consisted of Mr A M Ntuli (executive director), Ms R D Watson (independent non-executive director), Mr S Rubidge (Group IR executive) and Mr G D T Wege (executive director). The members are appointed by the board and the committee elected Mr A M Ntuli as chairperson. Subsequent to year-end Ms R D Watson resigned from the committee. Despite not consisting of a majority of non-executive directors as envisaged by King IV, the board is of the opinion that the current composition of the committee is satisfactory to discharge the committee's roles and responsibilities. The board is in the process of appointing a new non-executive member to the committee.

MEETINGS

The committee holds a minimum of two meetings per annum. Additional meetings are convened on request of any of the members. The table below records the attendance of committee members at meetings:

	27 March 2019	17 April 2018
A M Ntuli	√	√
S Rubidge	√	√
R D Watson	√	√
G D T Wege	√	√

√ *In attendance*

FUNCTIONS

The committee fulfilled the following functions:

- monitored the Group's progress on transformation of human capital, including:
  - broad-based black economic empowerment ("B-BBEE") and employment equity;
  - prevention of corruption;
  - adherence to the Group's code of ethics;
  - prevention of discrimination;
  - promotion of equality;
  - consumer relations; and
  - labour and skills development;
- monitored the Group's activities in relation to social activities and the socioeconomic development of communities in which it operates and adherence to the principles of the United Nations Global Compact;
- monitored the company's practices pertaining to environmental impacts of its operations and preservation of natural resources; and
- highlighting key matters arising from the above to the board.

TRANSFORMATION OF HUMAN CAPITAL

Deneb continued on its transformation journey and embraced the objectives of creating a representative workforce within a work environment free from discrimination and prejudice.

As reported in the 2018 Integrated Annual Report, Deneb, being a member of the HCI Group of companies, has adopted the Group's B-BBEE accreditation methodology. On this basis, Deneb is proud of its Level 2 Contributor Status with a total score of 98,02 (2018: 98,10) out of a potential 109 points. The Group's B-BBEE status was accredited on 19 July 2019. The measurement criteria consist of five elements and we accordingly provide stakeholders with our progress on each of these elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development and Socioeconomic Development.

Transformation continues to be monitored and managed within a governance framework which includes the social and ethics committee, an internal transformation committee in which the chief executive participates, and the subsidiary transformation forums.

The B-BBEE profile is summarised below:

Element	Maximum score	Actual score
Ownership	25,00	25,00
Management Control	19,00	13,78
Skills Development	20,00	18,06
Enterprise and Supplier Development	40,00	36,18
Socioeconomic Development	5,00	5,00
Overall score	**109,00**	**98,02**

OWNERSHIP AND MANAGEMENT CONTROL

Applying the B-BBEE methodology, Deneb's black ownership percentage is 76,10%. In addition, of the total shareholding, 43,52% is owned by black women. Further, 88% of Deneb's employees are black. The Group's 2019/2020 accreditation is published on the company's website at **www.deneb.co.za**

Deneb implemented programmes across all entities to achieve the Group's transformation objectives. These programmes include, amongst other things, the implementation of an in-house learning and development plan and a management trainee programme where graduates are employed and given the opportunity to work within several of the Group's businesses. The programme is structured to ensure the trainee gains exposure across various industries and business functions, which will equip the participants with sufficient experience to excel in future employment.

SKILLS DEVELOPMENT

Training continues to be a key driver across the Group's businesses, with the development of employees taking on even greater emphasis.

Greater focus is being placed on mentorship skills enabling senior management to impart critical knowledge and skills to our upcoming junior management team. In this regard we are seeing a greater understanding of job requirements and improvements, particularly in our manufacturing areas.

A number of senior management staff will be retiring in the next few years and we have identified development candidates who have progressed through various training interventions (learnerships, internships and skills programmes). These employees are being groomed to take over these crucial roles resulting in seamless handovers in critical areas and assisting us to achieve our Employment Equity targets and goals.

Businesses have been able to access funding from the Fibre Processing and Manufacturing SETA through funding for apprenticeships, learnerships, bursaries, skills programmes and workplace experience students which are still in progress. The various businesses make this possible through the annual submission of Workplace Skills Plans and Discretionary Grant applications to the SETA.

Technical training continues unabated particularly in the manufacturing divisions. We are very proud to report that a number of apprentices have qualified as artisans and even more will be undergoing trade tests this year. Many of these apprentices will secure permanent employment within the group enabling us to greatly strengthen our technical base. We are also very pleased to have a number of females who are undergoing this training currently and doing extremely well in what was a previously male dominated arena.

As a major boost to our training we have been able to secure training from international machine suppliers who have given us vital insight into world class technical training and skills transfer, which has been greatly beneficial to our teams.

The KZN Clothing and Textile cluster continues to provide valuable input in many aspects of training by providing technical and textile skills transfers to our employees through a variety of training interventions through both classroom and factory visit skills transfers.

Training continues to play a fundamental role in our day-to-day activities as we continue on our journey of continuous learning and development.

ENTERPRISE AND SUPPLIER DEVELOPMENT

As a result of the Group's enterprise and supplier development plan in assisting local black empowerment entities to build and distribute their products, the Group procured some 90,5% of its discretionary merchandise and services from empowered local suppliers. The Group views such development of local black entities as imperative to the development and growth of the South African economy.

Deneb continued to participate as a member of the HCI Group's Supplier Club. The Supplier Club aims to develop small, medium and micro enterprises as a solution to support and develop emerging businesses through financial and non-financial benefits.

SOCIOECONOMIC DEVELOPMENT

The Deneb Group of companies acknowledges its social responsibility towards the communities in which we operate. The various companies within the Deneb Group have been involved in a number of community projects which have, in the main, benefited needy organisations and causes in the areas where the companies are situated. Projects and support have covered a broad spectrum of organisations which range from support for women and children, HIV/AIDS rehabilitation organisations, education, destitute and abused women and children. Support has been given by providing financial support, supply of goods and services and in a number of instances the time of management and staff. There are many people, particularly the elderly, who do not have family or friends to love, care and visit them. In many instances, employees have also collected from fellow employees to add to the support provided by the company. It is humbling to see this spirit of giving and sharing amongst our employees.

The Jess Foord Foundation continues to grow and have a greater footprint in the community. Statistics over a 12-month period confirm that over 45 000 people have directly benefited from initiatives undertaken and supported by the foundation. 50% of these beneficiaries fall into the age category 0 – 16 years and 35% in the age category 16 – 35 years. Almost 65% are females.

The Ncedolwethu Educare Centre provides a safe haven for abandoned and underprivileged children on a daily basis. The centre cares for some 50 children, providing them with food and a safe learning environment while their parents/guardians are at work. The children range in ages from 1 – 6 years and Ncedolwethu Educare prepares the children for school.

Zimbambeni Old Age Home, which means “we hold together and will not let go”, have been provided with “goodie bags” filled with toiletries and other essentials which were collected via a so-called “fellow employee funding” initiative and which was matched by the company. Employees have also given freely of their time to visit the old age home and spend time with the senior citizens who otherwise lead a lonely life as many of them do not have family and friends visiting them. These visits have made a difference in the lives of these senior citizens.

Building supplies have been provided to various organisations including the Blessings Creche, TLC Old Age Home and La Wilda School for the disabled. These donations have assisted these needy organisations to upgrade their facilities thereby improving the lives of the children, the aged and lesser abled who are supported by these organisations.

Seartec partnered with the Centre for the Advancement of Science and Maths in an ambitious project to raise R2 million through crowd funding to provide 100 000 top-of-the-range Sharp scientific calculators to students who cannot afford these. This initiative, which included workshops to show the students how to effectively use the various functions on the calculators, will ensure these students have the tools to improve their Maths and Science results. Only 9% (55 000) of the matric students achieved more than 50% for Maths in 2016.

In addition to the above, during the year the Deneb Group of companies continued to provide support and to be involved with a number of other needy and deserving organisations, including St Monica’s Children’s Home, Bright Star Safe Home, St Luke’s Hospice, Maranatha Old Age Home, the Cancer Association of South Africa, Hillcrest Aids Centre Trust and the Ethelbert Child and Youth Care Centre.

In these times of electronic communication and technical advancement, we sometimes forget the importance of human interaction. Kathy Calvin is credited with the quotation:

> “Giving is not just about making a donation.
> It is about making a difference”.

Deneb is proud of the difference that these interventions have made in the lives of many.

ENVIRONMENTAL MANAGEMENT

Deneb’s carbon footprint

The carbon footprint contained in this report was calculated consistent with prior years and according to the WRI/WBCSD’s GHG Protocol, a widely used corporate GHG accounting and reporting standard. Conversion factors were sourced from the Intergovernmental Panel on Climate Change (“IPCC”) 2006 Guidelines and the South African Department of Environmental Affairs Technical Guidelines for Monitoring, Reporting and Verification of GHG Emissions by Industry. Some emission factors, such as those for travel, were sourced from the Department for Environment, Food and Rural Affairs.

The organisational boundary was set according to the operational control approach, whereby the Group reports on facilities and activities over which it has operational control.

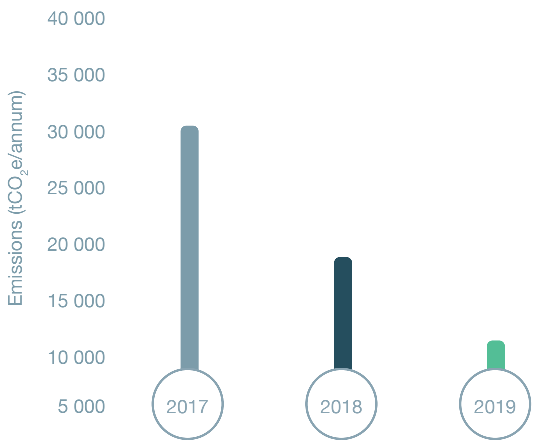
In keeping with last year's methodology, emissions from waste, refrigerants and oils and lubricants were excluded. GHG emissions from these sources are minor in comparison to emissions from sources such as fuel combustion and electricity use.

Deneb's total carbon footprint (Scope 1 and 2 emissions) for 2019 was 40 424 (2018: 52 965) tCO_2e, a 24% decrease compared to the prior year. During the prior year, the Group discontinued its textile plant situated in Paarl. Should one exclude the carbon footprint from the Paarl plant in the prior year numbers, the carbon footprint reduced by 11% on a like-for-like basis. The biggest contributors to Scope 1 and 2 emissions are:

- Winelands Textiles (21%);
- Frame Knitting Manufacturers (21%); and
- Formex (15%).

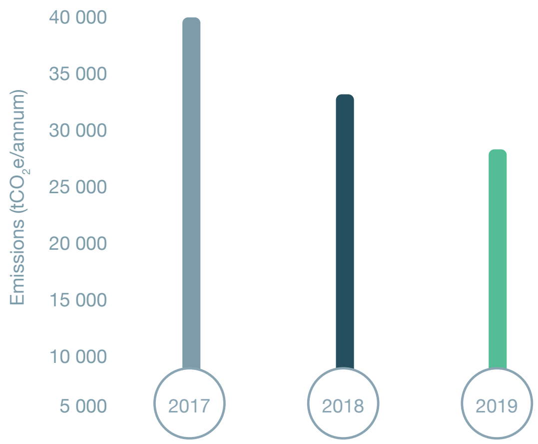
The three main sources of Scope 1 emissions within Deneb are coal (38%), natural gas (32%) and HFO (11%). The majority of the coal (93%) is used by Winelands Textiles. Natural gas is used mainly by Frame Knitting Manufacturers and HFO is used by Romatex.

Deneb's Scope 1 emissions



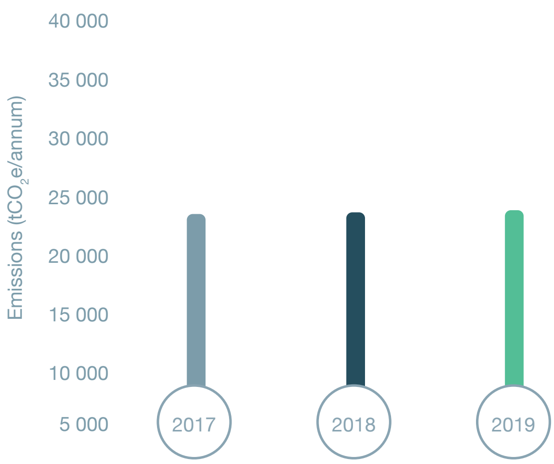
Scope 2 emissions consist mainly of purchased electricity and steam, with the majority of the usage originating from Winelands Textiles, Frame Knitting Manufacturers, Romatex and Formex.

Deneb's Scope 2 emissions



Scope 3 emissions for the Group is mainly represented by the travel and energy consumption of the tenants of Vega Properties. The Scope 3 emission totalled 24 766 tCO_2e, a 1% increase on the prior year.

Deneb's Scope 3 emissions

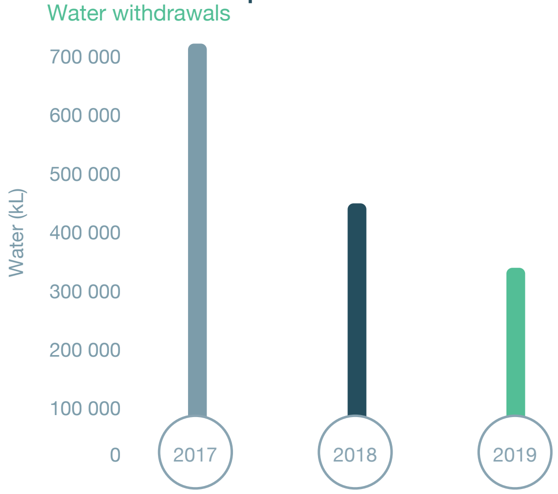


DENEB'S WATER FOOTPRINT

Water withdrawals

Deneb's water withdrawal in the year under review was 347 megalitres (Mℓ), a 31% decrease compared to the prior year. During the prior year, the Group closed its textile plant based in Paarl. Excluding the water withdrawal numbers from this discontinued plant in the prior year, the Group decreased its overall water withdrawal, on a like-for-like basis, by 1%. Frame Knitting Manufacturers is the largest water user (47%) followed by Winelands Textiles (29%). The rest of the Group in aggregate utilises the remaining 24%. Withdrawals are largely from municipal water supplies, with the exception of Brits Nonwoven, which used 0,76 Mℓ of groundwater at its Johannesburg factory.

Deneb's water footprint



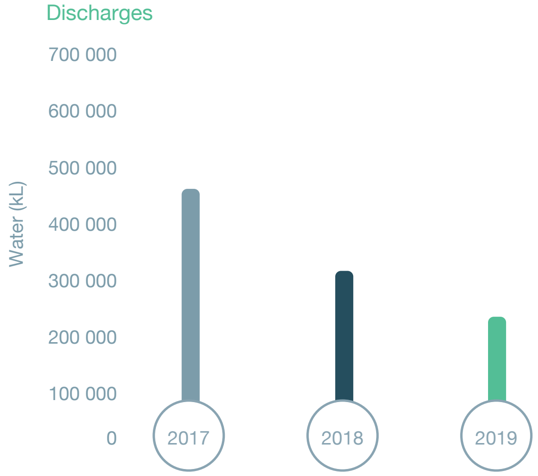
In comparison to the prior year, the material changes in water withdrawals were as follows:

- Frame Knitting Manufacturers saw an 8% reduction in water withdrawals. This reduction correlates directly with its reduced production output and operating activities; and
- Winelands Textiles utilised 100 Mℓ of water, an 18% increase on the prior year due to increased knitting orders, which in turn required additional washing of garments.

Discharges

The CDP definition of water discharges excludes the discharge of collected rainwater and domestic sewage. Seven Deneb entities reported discharges of non-sewage/rainwater effluents.

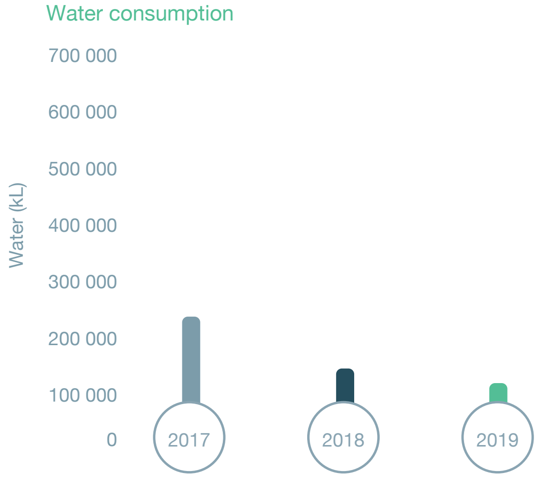
Deneb's discharges were 238 Mℓ, a 5 Mℓ decrease on a restated, like-for-like basis. Discharges are mainly attributable to Frame Knitting Manufacturers (62%) and Winelands Textiles (23%), while the remaining entities account for 15%. All discharges are to municipal treatment plants.



Water consumption

The CDP defines water consumption as "an amount of water that is used but not returned to its original source." This includes water that has evaporated, transpired, has been incorporated into products, crops or waste, consumed by man or livestock or otherwise removed from the local source.

The Group's water consumption was estimated to be 109 Mℓ, 8% higher than the prior year on a restated, like-for-like basis. This is evidently a high-level estimate, since it excludes water discharged as sewerage, storm water and water evaporated in the process.



CARBON TAX

Carbon tax has been introduced with effect from 1 June 2019. At the time of writing this report, various administrative uncertainties remained unanswered as Corporate South Africa comes to grips with the new Carbon Tax Act. The Group estimates its carbon tax liability to be approximately R0,8 million for the 2020 financial year.

The Deneb social and ethics committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Risk committee report

The Group strives to maintain an appropriate balance between risk and reward, recognising that certain risks need to be taken to achieve sustainable growth and returns while at the same time protecting the Group and its stakeholders against avoidable risks.

RESPONSIBILITY

The board is responsible for the governance of risk and has appointed a risk committee to review the risk management progress of the company, the effectiveness of risk management activities, the key risks facing the company and the responses to the risk.

This process is managed in accordance with the Group's risk management charter.

MEMBERS OF THE RISK COMMITTEE

The risk committee formally convenes twice a year and consists of the members of the audit committee, the chief executive officer, chief financial officer and the chief risk officer. The composition of the committee ensures a good balance of executive and independent input.

Members of the committee consisted of Mr M H Ahmed (chairperson), Ms R D Watson, Ms N B Jappie, Mr S A Queen, Mr G D T Wege and Mr D Levin (chief risk officer). Despite not consisting of a majority of non-executive directors as envisaged by King IV, the board is of the opinion that the current composition of the committee is satisfactory to discharge the committee's roles and responsibilities. Subsequent to year-end, Ms R D Watson resigned from the committee and Ms K F Mahloma was appointed.

RISK MANAGEMENT APPLICATION

In fulfilling its duties, the committee reviewed:

- risks related to new acquisitions and disposals;
- the treasury function covering liquidity, banking covenants, credit risk and foreign exchange risks;
- the Group's facilities, which are provided by the Standard Bank of South Africa Limited, Investec, ABSA Bank and FirstRand Bank Limited with interest rates linked to prime;
- the Group's main credit exposures. As at 31 March 2019, Amic Trading t/a Toys R Us, Massmart, Shoprite and a first and second tier motor manufacturer/supplier, collectively comprised over 30% of the Group's exposure. Due to a deterioration in the retail credit outlook, a significant portion of the group's retail exposure was insured effective 1 October 2018. This included the majority of the group's exposure to Ensolor (Pty) Ltd t/a Hamleys, which went into business rescue in January 2019;
- the Group's foreign exchange mandate, which requires that at least 50% of exposure is covered;
- the Group's safety, health and environmental (SH&E) and security risk control programme, which entails the continual auditing of all sites on an annual basis by the Group's operational compliance officer, and in terms of which selected sites are reviewed by independent risk consultants on a rotational basis;
- the insurance programme, in terms of which Group assets are insured subject to specific policy conditions, limits and deductibles;
- any fraud matters, identified either by internal audit and/or via the independently managed ethics whistle-blower hotline;
- information technology risks as identified by the Group head of IT through continual assessment and monitoring; and
- material legal disputes.

The chairperson of the committee reports to the board on the most significant risks derived from the above. This continual emphasis on risk management assists the board to foster a culture in the Deneb Group that emphasises and demonstrates the benefits of a risk-based approach to internal controls and management of the Group.

INTERNAL CONTROLS AND COMBINED ASSURANCE FRAMEWORK

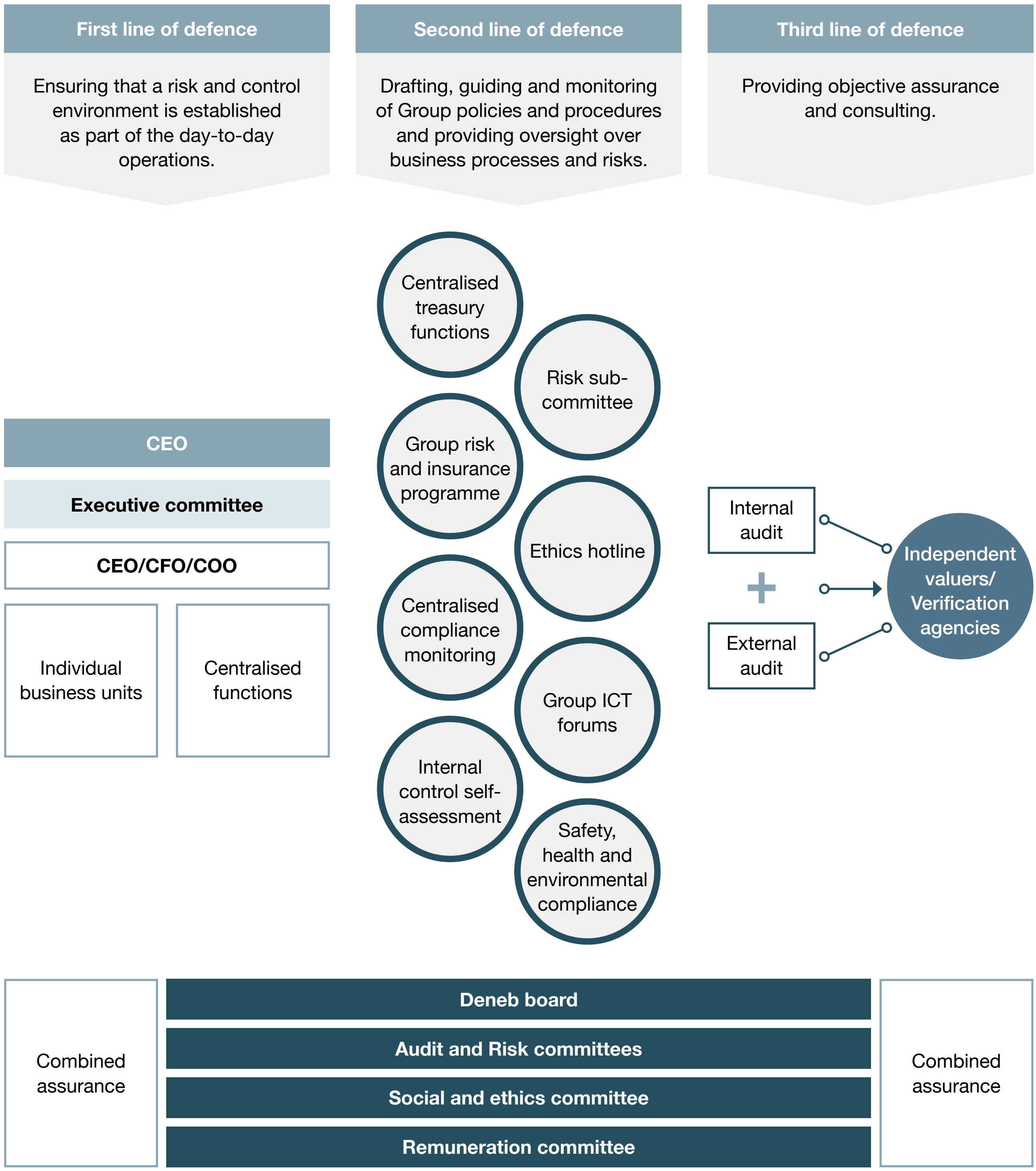
Deneb operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers, on the risk areas affecting the Group. The combined assurance framework is integrated with the Group's risk management approach. Risks facing the Group are identified, evaluated and managed by implementing risk mitigations, such as insurance, strategic actions or specific internal controls.

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial and operational management information that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded. Internal controls also provide assurance that the Group's resources are utilised efficiently and that the activities of the Group comply with applicable laws and regulations.

The assurance obtained informs executive management and the audit committee about the effectiveness of the Group's internal controls in respect of significant risks. The risk committee, which is responsible for the oversight of risk management at Deneb, considers the risks and the assurance provided through the combined assurance framework and advises the board on the state of risks and controls in Deneb's operating environment.

This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the Integrated Annual Report, on risk management and the effectiveness of internal controls within Deneb. Deneb's combined assurance framework is based on Enterprise Risk Management best practice, as set out below.

The Deneb risk committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.



Remuneration report

The Group's remuneration policies strive to reward employees in a fair and responsible way, which ensures a culture of high performance to deliver returns to shareholders through employees who are motivated, engaged and committed. The Group's remuneration policies and philosophies are contained in this report and their intended consequences are to attract, retain and develop employees with scarce and critical skills who contribute to building sustainable businesses.

MEMBERS

The members of the committee consisted of Mr M H Ahmed (chairperson, independent non-executive director), Ms R D Watson (independent non-executive director) and Mr J A Copelyn (non-executive director). Subsequent to year-end, Ms R D Watson (independent non-executive director) resigned from the committee. The board is in the process of appointing a new independent non-executive member to the committee. On request of the committee members the chief executive officer attends the meetings, but recuses himself from the meetings before any decisions are made in which he is affected.

GOVERNANCE

The board delegates responsibility for the oversight of the Group's remuneration practices to the remuneration committee. The committee ensures that the Group has a competitive remuneration structure which is aligned with the Group's strategy and performance goals. The key duties of the committee include:

- ensuring the Group upholds its entrenched remuneration philosophy that promotes the achievement of its strategic objectives;
- determining on an annual basis:
  - the remuneration of non-executive directors;
  - the total remuneration package of executive directors including, where appropriate, annual increases, short-term performance bonuses and long-term incentives; and
  - the remuneration packages of senior management and employees who report directly to the chief executive officer;
- ensuring the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
- reviewing and recommending to the board all proposals for executive share-based incentives and other short-term and long-term incentive schemes;
- determining targets for any performance-related pay schemes and requesting the board, when required, to seek shareholder approval for any share-based and other long-term incentive schemes; and
- compiling a report for inclusion in the company's Integrated Annual Report.

The committee meets at least annually and seeks advice and guidance from external experts, as deemed appropriate.

Attendance of the meeting was as follows:

	18 June 2018
M H Ahmed	√
J A Copelyn	√
R D Watson	√

√ *In attendance*

SHAREHOLDER ENGAGEMENT

The remuneration report and its implementation report, which provide insight into the Group's remuneration practices, will be tabled for non-binding advisory votes of shareholders at the annual general meeting.

In the event that either the remuneration report or the remuneration implementation report, or both, have been voted against by 25% or more of the voting rights exercised by shareholders at the AGM, the company will formally engage with such dissenting shareholders to understand the reasons for the dissenting votes, and in respect of objections, which are legitimate and reasonable to consider amending the remuneration policies or governance processes.

COMPOSITION OF REMUNERATION

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise that they provide to the Group. Non-executive directors do not participate in the Group's short-term or long-term incentive schemes.

Messrs J A Copelyn, T G Govender and Y Shaik and Ms R D Watson (resigned subsequent to year-end) are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI") and/or HCI subsidiary companies, and Ms N B Jappie is a director of a fellow HCI subsidiary company.

Executive directors

The remuneration packages of executive directors comprise:

- a guaranteed remuneration package (structured on a cost-to-company basis);
- access to retirement fund and medical aid benefits funded from the guaranteed remuneration package;
- a short-term discretionary cash-based incentive bonus based on business and individual performance; and
- participation in the Deneb Share Incentive Scheme.

The remuneration structure of executive directors is linked to the Group's medium- to long-term business objectives and is therefore aligned to shareholder interests. The performance of the chief executive officer is evaluated by the chairperson, while the performance of the other executive directors is evaluated by the chief executive officer. The annual pay increases of the executive directors are aligned to the annual increase parameters as determined by the remuneration committee.

Executive directors participate in the annual short-term cash-based incentive scheme. To qualify for the incentive, minimum financial targets, based on the Group's return on equity (ROE hurdle) or budgets, are set by the remuneration committee. The financial targets to qualify for the incentive were achieved and executive directors qualified for short-term cash-based incentives as set out below.

The sustainability of the Group's business is critical in determining remuneration and the board is satisfied that the performance targets do not encourage excessive risk-taking by the executives. The Deneb Share Incentive Scheme in which executive directors may participate consists of a share option scheme, the details of which are disclosed in this report.

Management and non-bargaining unit employees

Senior management receives an annual guaranteed salary and participate in the short-term incentive bonus scheme. Guaranteed remuneration for senior executives is set at levels to retain and recruit management talent. Each senior executive position is graded, based on the business's turnover, number of employees, assets under management, locations and the degree of complexity involved in the business. The associated package is benchmarked against an external market survey for a similar job rating. As the Group's philosophy is to reward performance, the salary benchmark is set at the 50th percentile median which allows a lower fixed cost, but higher incentive structure.

The annual review of the performance of senior management is undertaken by the chief executive officer who provides a recommendation to the committee on any adjustments or incentive payments. Key senior managers participate in the Deneb Share Incentive Scheme, with selection based on their strategic contribution. Under the guidance of the remuneration committee the Group has introduced a uniform appraisal and evaluation process for all non-bargaining council employees. This process has been applied to all employees of the Group and is used as a guideline to determine remuneration adjustments.

The average salary increase parameter set by the remuneration committee for the year under review was 5,5% (2018: 6%) and the annual increase date is 1 July.

Bargaining unit employees

Collective salary increases are negotiated each year with the representatives of recognised trade unions.

INCENTIVE SCHEMES

Discretionary short-term incentive scheme

Key employees in each business unit participate in an annual discretionary short-term incentive scheme, which rewards the achievement of performance in excess of predetermined performance targets. The performance target is based on the business unit's core operating profit after interest, adjusted by an imputed interest charge at a hurdle rate. The imputed interest charge is calculated on the higher of net asset value or the average working capital level utilised by each business unit. In addition to the quantitative performance targets, the scheme includes predetermined qualitative performance targets.

The Deneb Share Incentive Scheme

The scheme was implemented to align executive directors' and senior management's objectives with those of the shareholders so as to ensure that those employees are encouraged and motivated to pursue sustainable growth and profitability. The aggregate number of shares which any one participant may acquire in terms of the scheme may not exceed 8 572 234 ordinary shares. The aggregate number of shares which may be utilised for the scheme may not exceed 42 862 171.

Participants are entitled to exercise options based on a minimum service period criteria and are subject to the participant's continued employment on the date on which the option is exercised.

INCENTIVE SCHEMES (CONTINUED)

The Deneb Share Incentive Scheme (continued)

The required period of service is as follows:

- 10% from the first anniversary date;
- 20% from the second anniversary date;
- 30% from the third anniversary date; and
- 40% from the fourth anniversary date.

In addition, options granted are subject to participants meeting applicable performance criteria.

EMPLOYEE BENEFITS

Retirement funds

The majority of the Group's subsidiaries have defined contribution pension and provident fund arrangements in place. The assets of such retirement funds are managed separately from the Group's assets and are administered by independent trustees and administrators within an umbrella fund. In addition to the independent administrators, a management committee with employee and employer representation has been appointed.

Medical aid

The majority of the Group's subsidiaries offer membership of approved medical aid funds to employees. The Group carries a liability totalling R98 million (2018: R107 million) for post-employment medical aid benefits. Certain employees who joined the Group before 1 July 1996 are eligible for a 50% retirement subsidy of their total medical scheme contributions. The notes to the financial statements provide further detail of the post-employment medical aid benefits.

The Deneb remuneration committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Remuneration implementation report

NON-EXECUTIVE DIRECTORS

The fees to be paid to the non-executive directors of the company for services as directors are tabled below and are to be approved by shareholders at the annual general meeting:

Category of fee	**2019 Proposed fee excluding VAT R**	2018 Approved fee excluding VAT R
Board member	**140 000**	133 000
Member of the audit committee	**58 000**	55 000
Member of the remuneration committee	**58 000**	55 000

Messrs J A Copelyn, T G Govender, Y Shaik and Ms R D Watson (resigned subsequent to year-end) are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI") and HCI subsidiary companies, and Ms N B Jappie and Mr L G Govender (who resigned in the prior year) are directors of HCI subsidiary companies.

The following table reflects the remuneration received by these directors from HCI and its subsidiaries for the year ended 31 March 2019:

	Board fees R000's	Salary R000's	Other benefits R000's	Bonus R000's	**Total for the year ended 31 March 2019 R000's**	Total for the year ended 31 March 2018 R000's
Director						
J A Copelyn	–	7 330	4 508	3 573	**15 411**	15 744
T G Govender	–	1 908	1 921	806	**4 635**	5 518
Y Shaik	–	3 787	2 146	1 600	**7 533**	6 738
N B Jappie	329	–	–	–	**329**	249
R D Watson	871	–	–	–	**871**	751
L G Govender	–	–	–	–	**–**	371

EXECUTIVE DIRECTORS

Details of the executive directors' remuneration for the year ended 31 March 2019 are:

	Salary R000's	Short-term bonus R000's	Retirement and medical aid contributions R000's	Share options expense R000's	**Total 31 March 2019 R000's**	Total 31 March 2018 R000's
Director						
S A Queen	4 500	1 218	–	2 165	**7 883**	8 231
A M Ntuli	1 114	94	233	30	**1 471**	1 406
G D T Wege	2 124	633	309	369	**3 437**	3 453
D Duncan	3 421	200	456	546	**4 623**	4 800

SHARE OPTIONS

During the year under review, 10 781 733 (2018: 9 204 132) share options were granted to employees; 2 589 390 (2018: 2 715 629) share options were exercised during the financial year.

Options in issue are as follows:

Option holder	Grant date	Unexercised options	Strike price (cents)	Vesting conditions	Remaining life of option
S A Queen	14 October 2014	1 713 759	130	Continued employment	2 years
	27 January 2015	1 091 401	175	2 years' profitability and continued employment	6 years
	29 June 2015	1 591 233	169	2 years' profitability and continued employment	6 years
	30 June 2016	2 343 944	144	Continued employment	6 years
	26 June 2017	1 441 713	139	2 years' profitability and continued employment	7 years
	18 June 2018	1 489 586	201	Continued employment and meeting predetermined financial objectives	5 years
Total for S A Queen		9 671 636			
G D T Wege	29 June 2015	668 258	169	2 years' profitability and continued employment	6 years
	30 June 2016	738 491	144	Continued employment	6 years
	26 June 2017	672 598	139	Continued employment	7 years
	18 June 2018	722 214	201	Continued employment and meeting predetermined financial objectives	5 years
Total for G D T Wege		2 801 561			
D Duncan	14 October 2014	499 846	130	Continued employment	2 years
	27 January 2015	1 564 245	175	2 years' profitability and continued employment	6 years
	29 June 2015	891 388	169	2 years' profitability and continued employment	6 years
	30 June 2016	981 939	144	2 years' profitability and continued employment	6 years
	26 June 2017	1 023 672	139	Continued employment	7 years
	18 June 2018	1 073 155	201	Continued employment and meeting predetermined financial objectives	5 years
Total for D Duncan		6 034 245			

Option holder	Grant date	Unexercised options	Strike price (cents)	Vesting conditions	Remaining life of option
A M Ntuli	29 June 2015	164 099	169	2 years' profitability and continued employment	6 years
	30 June 2016	30 632	144	2 years' profitability and continued employment	6 years
	26 June 2017	60 626	139	Continued employment	7 years
	18 June 2018	60 626	201	Continued employment Continued employment and meeting predetermined financial objectives	5 years
Total for A M Ntuli		315 983			
Other, not being directors	14 October 2014	1 223 500	87	Continued employment	1 year
	14 October 2014	1 298 732	130	Continued employment	2 years
	27 January 2015	3 792 235	175	2 years' profitability and continued employment	6 years
	29 June 2015	2 669 350	169	2 years' profitability and continued employment	6 years
	30 June 2016	4 883 206	144	2 years' profitability and continued employment	6 years
	26 June 2017	4 703 469	139	Continued employment	7 years
	18 June 2018	7 234 751	201	Continued employment and meeting predetermined financial objectives	5 years
Total other		25 805 243			
Total options in issue		**44 628 668**			

Reconciliation of movements in options:

Number of options	2019	2018
Opening balance	**41 975 412**	44 325 893
Awarded during the period	**10 781 733**	9 204 132
Exercised during the period	**(2 589 390)**	(2 715 629)
Options used for strike price	**(2 456 054)**	(1 957 401)
Lapsed/forfeited during the period	**(3 083 033)**	(6 881 583)
Closing balance	**44 628 668**	41 975 412

	2019	2018
Number of options exercisable at year-end	**18 257 986**	15 826 856
Amount expensed during the year (included in employment costs)	**1 487 101**	4 652 438
Value of shares issued during the year	**3 973 998**	2 610 777
Weighted average share price of share options exercised during the year	**2,40**	2,00

Top three executive management earners

In accordance with the recommendation of disclosure of King IV the top three earners in the Group, excluding executive directors, during the year under review were remunerated as follows:

Top three earners for 2019	R000's
Executive 1	**7 777**
Executive 2	**7 012**
Executive 3	**5 701**

The names of the three most highly paid employees who are not directors have not been disclosed. The committee is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

Consolidated annual financial statements

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Audit committee report

The Deneb audit committee is a formal committee of the board and functions within its documented terms of reference. This report is presented to shareholders and constitutes the report of the audit committee in respect of the past financial year as required by section 94 of the Companies Act 2008 ("the Companies Act").

PRIMARY ROLE AND RESPONSIBILITY OF THE COMMITTEE

The audit committee fulfils an independent oversight role regarding the Group's consolidated financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King IV and additional responsibilities assigned by the board.

COMPOSITION AND MEETINGS OF THE AUDIT COMMITTEE

The committee comprises three independent, non-executive directors: Mr M H Ahmed (chairperson), Ms R D Watson and Ms N B Jappie. The committee members were appointed by the shareholders at the annual general meeting of the company held on 22 October 2018. Subsequent to year-end, Ms R D Watson resigned and Ms K F Mahloma was appointed to the committee. Mr M H Ahmed, Ms N B Jappie and Ms K F Mahloma are proposed to shareholders for re-election/election to the committee at the forthcoming annual general meeting. By invitation, the chief executive officer, the chief financial officer, the external auditors of the Group and the Group's head of internal audit have attended the committee meetings. With effect from 1 December 2018, Deneb appointed GRIPP Advisory Proprietary Limited ("GRIPP") to perform its internal audit services to the Group. GRIPP has dedicated a representative to perform the functions associated with the role of Chief Internal Audit Officer.

Each committee meeting includes a confidential discussion between members, internal auditors and the external auditors, without members of executive management being present.

The committee meets twice annually, with special meetings called as required. The committee held two meetings during the financial year under review and attendance was as follows:

	15 May 2018	**14 November 2018**
M H Ahmed	√	√
R D Watson	√	√
N B Jappie	√	√

√ *In attendance*

AUDIT COMMITTEE FEES

Fees paid to the committee members are disclosed in the remuneration report.

EVALUATION OF THE AUDIT COMMITTEE

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation processes and the chairperson of the committee attends all statutory shareholder meetings to answer any questions on the committee's activities.

FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

REPORTING

- Reviewed the interim results announcement, annual financial statements and integrated report, culminating in a recommendation to the board to adopt them.
- Reviewed and approved the appropriateness of the accounting policies and practices.
- Ensured compliance with International Financial Reporting Standards, including consistent application to all periods as presented in the consolidated financial statements.
- Evaluated and determined the effectiveness of the Group's internal control systems.
- Reviewed legal matters that could have a significant impact on the Group's consolidated financial statements.
- Reviewed the requirements of King IV and instances where the King IV requirements have not been applied, have been explained in the Corporate governance report.

EXTERNAL AUDIT

- Reviewed the external audit reports on the consolidated financial statements.
- Nominated the external auditor for appointment by the shareholders.
- Monitored and reported on the independence of the external auditor.
- Approved the budgeted audit fees, audit plan and engagement terms of the external auditor.
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.
- Determined that the audit firm and designated auditor is accredited as such on the JSE list of auditors and advisors.

FINANCE FUNCTION

- Considered the expertise and resources of the finance function, as well as the experience of the senior members of management responsible for the financial function.
- Considered the expertise and experience of the Group chief financial officer.
- Ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating.

INTERNAL AUDIT

- Oversaw the functioning of the internal audit department and performance assessment of the head of internal audit, including the representative of the outsourced internal audit function.
- Approved the annual internal audit plan and monitored the progress thereof.

EXTERNAL AUDIT

The audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the expertise and objectivity of PwC as the external auditor and noted the appointment of Mr A Hugo as the designated auditor for the year under review. The external auditor has unrestricted access to the Group's records and management and furnishes a written report to the committee on significant findings arising from the annual audit. The committee is satisfied that the external auditor is independent of Deneb as set out in Section 94(8) of the Companies Act and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements.

INTERNAL AUDIT AND INTERNAL CONTROL

The outsourced internal audit function is an independent and objective assurance and consulting function that adds value and improves the operations of the Group. It helps to accomplish Group objectives by evaluating and improving the adequacy and effectiveness of risk management, internal control and governance processes. The internal audit function reports functionally to the chairperson of the audit committee, but administratively to the Group chief financial officer.

A risk-based approach has been applied to develop the annual internal audit plan. The internal audit plan:

- is formally approved by the audit committee;
- is formulated by considering key risk factors as identified through ongoing risk assessments, but also incorporating any additional matters identified by management and the audit committee;
- considers the evaluation of governance processes, operational and financial processes and associated controls in accordance with the combined assurance model;
- assesses the Group's internal financial controls; and
- is reviewed to consider new risk areas as the business evolves.

Any material or significant control weaknesses are brought to the attention of management and the audit committee.

EXPERTISE AND FINANCIAL EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

The audit committee is satisfied that in terms of paragraph 3.84(g)(i) of the JSE Ltd Listings Requirements the expertise and experience of the Group chief financial officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, continuing professional education and the committee's assessment of the financial knowledge and levels of experience of the Group chief financial officer.

The committee has reviewed the resources of the finance function, the experience of the senior members of management responsible for the financial function and has concluded that the function is performing adequately in terms of the requirements of the audit committee.

APPROVAL OF THE AUDIT COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the 2019 financial year and complied with all statutory and regulatory responsibilities.

Mohamed Ahmed
Chairperson

22 July 2019

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Deneb Investments Limited, which comprise the consolidated statement of financial position at 31 March 2019 and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 116. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards, the Listings Requirements of the JSE and the requirements of the Companies Act of South Africa and Companies Regulations, 2011. In addition, the directors are also responsible for preparing the Directors' report.

The directors are also responsible for such internal control as they determine as necessary to facilitate the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the consolidated financial statements

The consolidated financial statements of Deneb Investments Limited, as identified in the first paragraph, were approved by the board of directors on 22 July 2019 and signed on its behalf by:

Stuart Queen
Chief Executive Officer

Gys Wege
Group Financial Director

Declaration by company secretary

We certify that Deneb Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2019, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

Cheryl Philip
Company Secretary

Directors' report

The directors have pleasure in submitting their report on the activities of the business together with the consolidated financial statements for the year ended 31 March 2019.

NATURE OF BUSINESS

Deneb Investments Limited is a diverse investment company operating in southern Africa and listed on the JSE Limited under the Financial Services – Speciality Finance sector.

GENERAL REVIEW OF OPERATIONS

The results of the Group are set out in the Integrated Annual Report and consolidated financial statements of which this report forms part.

SHARE CAPITAL

During the year under review, 2 589 390 (2018: 2 715 629) share options were exercised in terms of the Group's share incentive scheme.

HOLDING COMPANY

The company's ultimate holding company is Hosken Consolidated Investments Limited ("HCI").

DISTRIBUTION

The directors resolved to declare a 3-cent distribution to shareholders for the year ended 31 March 2019 (2018: 3 cents).

SUBSEQUENT EVENTS

There are no material post year-end events at the date of signing this report.

GOING CONCERN

The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

DIRECTORATE

The directors of the company appear on pages 8 to 10. There were no changes to the directorate during the year.

Subsequent to year-end, Ms R D Watson resigned and Ms K F Mahloma was appointed to the board.

DIRECTORS' EMOLUMENTS

Directors' emoluments for the year ended 31 March 2019 are set out in the remuneration report and in note 27 of the consolidated financial statements.

SECRETARY'S AND ADMINISTRATIVE DETAILS

The secretary of the company is Ms C L Philip. Her business address is located at Suite 801, 76 Regent Road, Sea Point, 8005.

MATERIAL CHANGE

There has been no material change in the financial or trading position of the company since the publication of its provisional results for the year ended 31 March 2019.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 22 October 2018:

- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the period 1 November 2018 until the next annual general meeting of the company;
- granting the company general authority to issue shares, options and convertible securities for cash, subject to such issue, in the aggregate, not exceeding 5% of the company's relevant number of ordinary shares at the date of the notice;
- granting the company and the subsidiaries of the company a general authority contemplated in terms of the JSE Listings Requirement paragraph 5.72, for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company; and
- granting the company authorisation to provide financial assistance to subsidiaries in accordance with sections 44 and 45 of the Companies Act.

SPECIAL RESOLUTIONS OF SUBSIDIARIES

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

Independent auditor's report

to the Shareholders of Deneb Investments Limited

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Deneb Investments Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

Deneb Investments Limited's consolidated financial statements set out on pages 42 to 116 comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

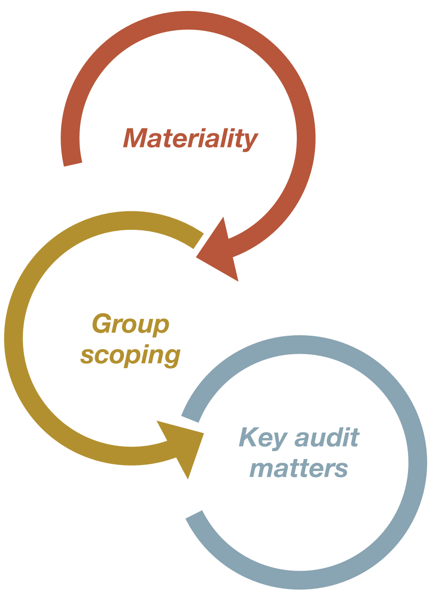
BASIS FOR OPINION

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

Independence

We are independent of the Group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.



OUR AUDIT APPROACH

Overview

Overall group materiality

- R23 690 000, which represents 0,80% of consolidated revenue.

Group audit scope

Eleven of the components were subject to a full scope audit and one international component was subject to the audit of specified balances and transactions. A combination of review and analytical procedures were performed over the remaining components.

Key audit matters

- Valuation of properties
- IFRS 5 Assets Held for Sale and Discontinued Operations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall group materiality	R23 690 000
How we determined it	0,80% of consolidated revenue
Rationale for the materiality benchmark applied	We chose consolidated revenue as our materiality benchmark because, in our view, it reflects the activity levels of the Group, and it is a benchmark against which the performance of the Group is most commonly measured by users. The Group has generated volatile year-on-year earnings attributable to impairment charges. We chose 0,80% based on our professional judgement, after consideration of the range of qualitative materiality thresholds that we would typically apply when using revenue to compute materiality, and taking into account the level of debt in relation to the ratio of funding through equity.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of 24 operational subsidiaries (referred to as “components”), excluding dormant companies. Our scoping assessment included consideration of the financial significance of the Group’s components as well as the sufficiency of work planned over material line items in the consolidated financial statements. Eleven of the components were subject to a full scope audit and one international component was subject to the audit of specified balances and transactions. The remainder of the components were considered to be insignificant to the Group individually and in aggregate.

This, together with additional procedures performed at the Group level, including review and analytical procedures in respect of other components and testing of consolidation journals and intercompany eliminations, gave us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We had various interactions with our component teams in which we discussed audit risks, materiality and audit approaches. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 our audit addressed the key audit matter
Valuation of properties The Group's property portfolio comprises of office and retail investment properties with these being disclosed as either owner-occupied or investment properties. The Group measures owner-occupied properties and investment properties at fair value with changes in the underlying fair values being reflected in other comprehensive income, and in profit or loss, respectively. As at 31 March 2019, the fair values attributed to owner-occupied properties and investment properties were R351 million (2018: R373 million) and R1.06 billion (2018: R907 million) respectively. Consolidated other comprehensive income included a pre-tax amount of R31 million (2018: R29 million) relating to the revaluation gain on land and buildings and consolidated profit or loss included a pre-tax amount of R13 million (2018: R44 million). Key determinants of the value of these properties are dependent on the valuation methodology adopted and the inputs into the valuation model. The valuation technique used by the Group's external experts is the Capitalisation of Income method. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income and anticipated expenses for the next twelve months for each property directly impact fair values. The following assumptions are key in establishing fair value: • capitalisation rate; • occupancy rate; and • projected income. At the end of each reporting period, the Group determines the fair value of its property portfolio. All properties were externally valued by an independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.	We evaluated the competence of the external experts engaged by the Group to perform the property valuations by assessing the professional qualifications, experience and independence of these experts with reference to the profiles of the valuation company and individual experts. We inspected the latest independent property market reports to understand the prevailing market conditions in which the Group invests. With the assistance of our valuation experts, we compared historical valuations against current year valuations, and noted that the movements appear to be in line with overall shifts in the market as evidenced in the property market reports. We met with management and discussed the details of selected individual properties, any new leases entered into during the year, lease expiries, capital expenditure and vacancy rates. For a sample of leases, we compared the rental income used in the valuation to the tenancy schedule which was vouched to actual lease contracts. We found that the data used in the samples tested were accurate and consistent with tenant leases. We compared market capitalisation rates by location and asset grade to a reasonable range determined based on benchmark market data for these assumptions. Where capitalisation rates fell outside of our anticipated ranges, we challenged the rationale supporting the rates applied in the valuation by discussing with management the reasons to support the adopted metric. Typically, the variances related to the relative age, or size/location of the property. In the context of the specific properties identified, the reasons provided by management for the variances were accepted as appropriate. For a sample of properties, we compared the occupancy rates used in the external valuation to The South African Property Owners Association ("SAPOA") Cap and Discount Rate Report, based on the location of each property. We also considered other factors such as the nature of their tenants and the lease expiry profile. We concluded that the occupancy rates are within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
We considered this to be a matter of most significance to our current-year audit due to the: • Magnitude of the investment property and owner-occupied property balances in the consolidated statement of financial position; • Quantum of revaluation gains that directly impact the consolidated statement of profit or loss and other comprehensive income; and • Key judgements involved in respect of the assumptions utilised in the valuation. Disclosure is provided in the consolidated financial statements of the Group in notes 3, 10 and 11, respectively.	For a sample of external valuations we: • Assessed the competency and capabilities of the external valuer as noted above; • Read the valuer's terms of engagement – we did not identify any clauses that might have affected their objectivity or impose limitations on their work; and • Inspected the final valuation reports and agreed the fair value to the Group's accounting records, noting no exceptions.
IFRS 5 Assets Held for Sale and Discontinued Operations The Deneb board has made the decision to dispose of the following businesses on 12 March 2019: • Winelands Textiles; • Frame Knitting Manufacturers; • First Factory Shops; and • Brand ID. Losses for the period from discontinued operations of R78 million (2018: R108 million) have been separately disclosed on the face of the statement of profit or loss and other comprehensive income in the current year and prior-year results. Assets and liabilities were reclassified as held for sale in relation to the discontinued operations on the face of the statement of financial position as at 31 March 2019, amounting to R396 million (2018: R138 million). The assets held for sale were tested for impairment in accordance with International Accounting Standard 36 – Impairment of Assets (IAS 36) and IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (IFRS 5) by comparing their carrying amounts to their recoverable amounts (based on value in use or fair value less costs to sell). We considered this to be a matter of most significance to our current year audit due to the: • Magnitude of the assets and liabilities held for sale balances in the consolidated statement of financial position; • Quantum of loss from discontinued operations that directly impact the consolidated statement of profit or loss and other comprehensive income; • Judgment involved in considering whether the assets are impaired; and • Judgment involved in respect of whether the requirements for classification as held for sale under IFRS 5 have been met. Disclosure is provided in the consolidated financial statements of the Group in notes 5 and 8, respectively.	Our audit procedures included an evaluation of management's conclusions on the classification of the disposal group as held for sale under IFRS 5. This included: • Review of board minutes; and • Engagement with and review of correspondence with brokers and potential investors. Based on the audit procedures performed, adequate evidence was obtained to support the disclosure of these businesses as assets held for sale in terms of IFRS 5. We tested the completeness and accuracy of the financial results included in the disposal group held for sale, by comparing these to the financial results of the underlying businesses. We tested the impairment assessment of assets held for sale in accordance with IAS 36 and IFRS 5 as detailed below. We assessed the value in use calculations on assets classified as held for sale as follows: • we evaluated the reasonableness of management's estimation of future cash flows included in the value-in-use calculations by comparing projected cash flows to previous actual results and knowledge of the business operations; • we utilised our valuation expertise in order to test the reasonability of the discount rate with reference to industry reports; • we reperformed management's calculation comparing the value in use to the carrying value of the assets and concurred with management's assessment that only Brand ID was impaired as a result of this assessment; and • we traced the impairment raised to the accounting records and determined that it was accurately accounted for.

Key audit matter	How our audit addressed the key audit matter
	We assessed the fair value less costs to sell of assets classified as held for sale as follows: • We evaluated the competence of the Group's independent external valuers by assessing their professional qualifications, experience and independence with reference to the profiles of the valuation company; • We obtained valuation reports from the Group's independent external valuers relating to plant and equipment classified as held for sale to assess the reasonableness of the fair value less costs to sell; • We inspected the final valuation reports and agreed the carrying value of the assets that were subject to valuation to the Group's accounting records, noting no exceptions; • We reperformed management's comparison of the fair value less costs to sell to the carrying value of the assets and concurred with management's assessment that only Winelands Textiles was impaired as a result of this assessment; and • We traced the impairment raised to the accounting records and determined that it was accurately accounted for.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Deneb Investments Limited Separate Annual Financial Statements for the year ended 31 March 2019" and "Deneb Investments Limited Integrated Annual Report 2019", which includes the Directors' report, Audit Committee report and the Declaration by Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate 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 identified above 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 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 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.

- 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 PricewaterhouseCoopers Inc. has been the auditor of Deneb Investments Limited for two years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JA Hugo
Registered Auditor

Cape Town
22 July 2019

Consolidated statement of financial position

as at 31 March

	Note	2019 R000's	2018* R000's
ASSETS			
Non-current assets		**2 006 022**	2 051 838
Property, plant and equipment	10	**709 611**	813 426
Plant and equipment		**358 840**	440 005
Owner-occupied property		**350 771**	373 421
Investment property	11	**1 056 095**	907 352
Intangible assets and goodwill	12	**91 326**	107 759
Intangible assets		**59 877**	76 310
Goodwill		**31 449**	31 449
Financial asset at fair value through other comprehensive income	13	**4 237**	4 237
Long-term receivables	14	**27 483**	56 780
Deferred tax assets	7	**117 270**	162 284
Current assets		**1 267 618**	1 511 540
Inventories	16	**616 643**	680 935
Trade and other receivables	17	**634 725**	786 672
Current tax assets		**2 477**	2 266
Cash and cash equivalents		**13 773**	41 667
Non-current assets held for sale	8	**396 168**	1 080
Total current assets		**1 663 786**	1 512 620
Total assets		**3 669 808**	3 564 458
EQUITY AND LIABILITIES			
Total equity		**1 621 586**	1 674 626
Stated capital	18	**1 456 237**	1 452 264
Reserves		**166 525**	220 950
Equity attributable to owners of the company		**1 622 762**	1 673 214
Non-controlling interest	38	**(1 176)**	1 412
Non-current liabilities		**923 917**	949 821
Deferred tax liabilities	7	**14 141**	14 904
Post-employment medical aid benefits	19	**90 270**	98 896
Deferred income	22	**83 727**	141 754
Interest-bearing liabilities	20	**728 328**	688 533
Operating lease accruals		**7 451**	5 734
Current liabilities		**985 794**	940 011
Current tax liabilities		**4 873**	759
Post-employment medical aid benefits	19	**7 749**	7 619
Deferred income	22	**16 102**	8 908
Interest-bearing liabilities	20	**173 319**	169 972
Trade and other payables	21	**459 843**	604 886
Provisions	23	**–**	3 991
Bank overdraft		**323 908**	143 876
Non-current liabilities held for sale	8	**138 511**	–
Total current liabilities		**1 124 305**	940 011
Total liabilities		**2 048 222**	1 889 832
Total equity and liabilities		**3 669 808**	3 564 458

** Restated, refer to note 32.1*

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

Continuing operations		Notes	2019 R000's	2018 R000's*
Revenue		3; 33	**2 955 836**	2 546 771
Cost of sales		3	**(2 258 283)**	(1 918 667)
Gross profit			**697 553**	628 104
Other income/(expenses)		3	**64 787**	(632)
Selling and distribution expenses			**(329 376)**	(275 837)
Administrative and other expenses			**(283 496)**	(242 605)
Operating profit before finance costs, impairments, restructuring and revaluation of investment property		3	**149 468**	109 030
Fair value adjustment on investment properties		11	**12 868**	43 715
Operating profit before finance costs			**162 336**	152 745
Finance income		6	**477**	591
Finance expenses		6	**(111 284)**	(102 271)
Profit before taxation			**51 529**	51 065
Income tax (expense)/income		7	**(20 282)**	63 351
Profit after tax			**31 247**	114 416
Discontinuing operations				
Loss from discontinuing operations, net of tax		8	**(78 184)**	(108 187)
(Loss)/Profit			**(46 937)**	6 229
Other comprehensive income, net of related tax				
Items that will never be reclassified to profit or loss				
Revaluation of land and buildings			**20 851**	18 822
Revaluation		10	**31 435**	28 574
Related tax		7	**(10 584)**	(9 752)
Post-employment medical aid benefits – actuarial gain/(loss)			**7 648**	(3 679)
Actuarial gain/(loss)		19	**10 622**	(5 110)
Related tax		7	**(2 974)**	1 431
Items that are or may be reclassified to profit or loss				
Fair value adjustment on financial asset at fair value through other comprehensive income			**–**	1 210
Foreign operations – foreign currency translation differences			**2 269**	(2 304)
Other comprehensive income, net of tax			**30 768**	14 049
Total comprehensive (loss)/income for the year			**(16 169)**	20 278
(Loss)/Profit attributable to:				
Owners of the company			**(45 471)**	8 130
Non-controlling interest		38	**(1 466)**	(1 901)
			(46 937)	6 229
Total comprehensive (loss)/income attributable to:				
Owners of the company			**(14 703)**	22 179
Non-controlling interest		38	**(1 466)**	(1 901)
			(16 169)	20 278
Basic (loss)/earnings per share	(cents)	9	**(10,53)**	1,89
Basic earnings per share from continuing operations	(cents)		**7,58**	27,09
Basic loss per share from discontinuing operations	(cents)		**(18,11)**	(25,20)
Diluted (loss)/earnings per share	(cents)	9	**(10,28)**	1,88
Diluted earnings per share from continuing operations	(cents)		**7,40**	26,95
Diluted loss per share from discontinuing operations	(cents)		**(17,68)**	(25,07)

** Restated, refer to note 32*

Consolidated statement of changes in equity

for the year ended 31 March

	Note	Stated capital total R000's	Other reserves R000's	Retained income R000's	Total R000's	Non-controlling interest R000's	Total R000's
Balance at 31 March 2017		1 449 653	253 456	(40 230)	1 662 879	101	1 662 980
Total comprehensive income		–	17 728	4 451	22 179	(1 901)	20 278
Profit/(Loss)		–	–	8 130	8 130	(1 901)	6 229
Other comprehensive income/(loss), net of tax		–	17 728	(3 679)	14 049	–	14 049
Fair value adjustment on available-for-sale financial asset		–	1 210	–	1 210	–	1 210
Foreign operations – foreign currency translation differences		–	(2 304)	–	(2 304)	–	(2 304)
Revaluation of land and buildings, net of tax		–	18 822	–	18 822	–	18 822
Post-employment medical aid benefits – actuarial gain, net of tax	19	–	–	(3 679)	(3 679)	–	(3 679)
Transactions with owners of the company		2 611	–	(9 554)	(6 943)	–	(6 943)
Share scheme – expense		–	–	5 916	5 916	–	5 916
– options exercised		2 611	–	(2 611)	–	–	–
Distribution		–	–	(12 859)	(12 859)	–	(12 859)
Changes in ownership interest		–	(4 317)	(584)	(4 901)	3 212	(1 689)
Acquisition of subsidiary with non-controlling interests		–	–	–	–	2 628	2 628
Acquisition of subsidiary – common control transaction		–	(4 317)	–	(4 317)	–	(4 317)
Acquisition of non-controlling interests without a change in control		–	–	(584)	(584)	584	–
Balance at 31 March 2018		**1 452 264**	**266 867**	**(45 917)**	**1 673 214**	**1 412**	**1 674 626**
Balance at 1 April 2018		**1 452 264**	**266 867**	**(45 917)**	**1 673 214**	**1 412**	**1 674 626**
Change in accounting policy (IFRS 9)	1.2	**–**	**–**	**(17 615)**	**(17 615)**	**–**	**(17 615)**
Restated total equity at the beginning of the financial year		**1 452 264**	**266 867**	**(63 532)**	**1 655 599**	**1 412**	**1 657 011**
Total comprehensive income/(loss)		**–**	**23 120**	**(37 823)**	**(14 703)**	**(1 466)**	**(16 169)**
Loss		**–**	**–**	**(45 471)**	**(45 471)**	**(1 466)**	**(46 937)**
Other comprehensive income, net of tax		**–**	**23 120**	**7 648**	**30 768**	**–**	**30 768**
Fair value adjustment on financial asset at fair value through other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**
Foreign operations – foreign currency translation differences		**–**	**2 269**	**–**	**2 269**	**–**	**2 269**
Revaluation of land and buildings, net of tax		**–**	**20 851**	**–**	**20 851**	**–**	**20 851**
Post-employment medical aid benefits – actuarial gain, net of tax	19	**–**	**–**	**7 648**	**7 648**	**–**	**7 648**
Transactions with owners of the company		**3 973**	**–**	**(22 107)**	**(18 134)**	**(1 122)**	**(19 256)**
Share scheme – expense		**–**	**–**	**1 506**	**1 506**	**–**	**1 506**
– options exercised		**3 973**	**–**	**(3 973)**	**–**	**–**	**–**
Effects of change in holdings		**–**	**–**	**(6 700)**	**(6 700)**	**(1 122)**	**(7 822)**
Distribution		**–**	**–**	**(12 940)**	**(12 940)**	**–**	**(12 940)**
Balance at 31 March 2019		**1 456 237**	**289 987**	**(123 462)**	**1 622 762**	**(1 176)**	**1 621 586**

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2019 R000's	2018 R000's
Net cash flows from operating activities		**(58 713)**	179 964
Cash generated from operating activities before working capital changes		**167 303**	110 073
(Loss)/Profit		**(46 937)**	6 229
Adjustments for:			
– Depreciation	10	**52 625**	48 976
– Amortisation of intangible asset	12	**6 514**	3 922
– Revaluation of investment property	11	**(12 868)**	(43 715)
– Net foreign exchange (loss)/gains – unrealised		**(10 205)**	12 782
– Net profit on disposal of property, plant and equipment		**518**	582
– Gain on disposal of subsidiary	24	**(955)**	–
– Impairment on property, plant and equipment	5	**30 506**	6 238
– Impairment of intangible assets	5	**9 248**	6 600
– Impairment of goodwill	5	**–**	334
– Investment income		**(107)**	(102)
– Post-employment medical aid benefits	19	**10 076**	9 879
– Share incentive scheme – expense	36	**1 487**	4 652
– Inventory write-down		**14 171**	16 005
– Finance costs		**118 743**	93 142
– Deferred income		**(20 521)**	17 564
– Tax expense/(income)		**15 008**	(73 015)
Cash (outflow)/inflow from working capital changes		**(102 892)**	180 148
Changes in:			
– Inventories		**(99 756)**	92 998
– Trade and other receivables		**21 813**	44 561
– Post-employment medical aid benefits		**(7 950)**	(7 466)
– Trade and other payables		**(46 656)**	15 910
– Foreign currency translation reserve		**2 269**	(2 304)
– Long-term receivables		**29 297**	31 569
– Lease accrual		**1 717**	1 113
– Provisions		**(3 626)**	3 767
Finance costs		**(118 743)**	(93 142)
Taxes paid		**(4 381)**	(17 115)

Consolidated statement of cash flows (continued)

for the year ended 31 March

	Notes	2019 R000's	2018 R000's
Net cash flow from investing activities		**(179 415)**	(213 888)
Acquisition of property, plant and equipment	10	**(125 391)**	(111 483)
Acquisition of plant and equipment		**(124 728)**	(110 873)
Acquisition of owner-occupied properties		**(663)**	(610)
Proceeds from sale of assets held for sale		**570**	905
Proceeds from sale of intangible assets		**3**	4
Proceeds from sale of property, plant and equipment		**51 320**	10 593
Development cost of investment property	11	**(20 335)**	–
Acquisition of investment property	11	**(86 446)**	(20 968)
Proceeds on sale of investment property		**–**	26 900
Acquisition of subsidiary, net of cash acquired	24	**–**	(119 584)
Acquisition of intangible assets		**(743)**	(357)
Investment income		**107**	102
Disposal of interest in subsidiary companies	24	**1 500**	–
Net cash flow from financing activities		**30 202**	(60 919)
Proceeds from borrowings		**71 900**	7 314
Repayment of borrowings		**(28 758)**	(55 374)
Distribution		**(12 940)**	(12 859)
Net change in cash and cash equivalents		**(207 926)**	(94 843)
Cash and cash equivalents at the beginning of the year		**(102 209)**	(7 366)
Cash and cash equivalents at the end of the year		**(310 135)**	(102 209)
Cash and cash equivalents comprise the following:			
Cash and cash equivalents		**13 773**	41 667
Bank overdrafts		**(323 908)**	(143 876)
		(310 135)	(102 209)


Kawasaki

Notes to the consolidated financial statements

for the year ended 31 March

1. ACCOUNTING POLICIES

Deneb Investments Limited ("the company") is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 31 March 2019 and comparative figures for the year ended 31 March 2018 comprise the company and its subsidiaries (together referred to as the Group). The company's registered office is on the 5th floor, Deneb House, 368 Main Road, Observatory, 7925, Cape Town.

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act.

Basis of preparation

The consolidated financial statements are presented in South African Rand, which is the company's functional currency and presentation currency, rounded to the nearest thousand.

They have been prepared on the going concern and historical cost bases under IFRS, adjusted for those assets and liabilities measured at fair value, where applicable.

The Group has consistently applied the accounting policies set out here to all periods presented in these consolidated financial statements.

The Group has adopted all new accounting standards that became effective in the current reporting period. The following standard had a material impact on the Group:

- IFRS 9 Financial Instruments ("IFRS 9").

Refer to note 1.2 for details on the change in accounting policies.

Predecessor accounting

The internal reorganisation of the Group in 2014 represented a common control transaction as Hosken Consolidated Investment Limited ("HCI") is the ultimate controlling entity before and after the transaction. Common control transactions fall outside the scope of IFRS 3 and IFRIC 17, and are not specifically addressed in IFRS.

Acquisitions by the Group of entities which are under common control are accounted for using predecessor accounting. The assets and liabilities of the acquired entity are recognised at the predecessor values; therefore no restatement of the acquiree's assets and liabilities to fair value are required. The difference between the consideration transferred and the carrying value of the net assets is recorded in equity in a common control reserve; as a result no goodwill is recognised on acquisition. The consolidated financial statements incorporate the acquired entity's results from the first day of the month in which the transaction took place. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the prior period are also not restated.

Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The assumptions and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving information about significant areas of estimation, uncertainty and critical judgements are given in note 2, Use of judgements and estimates.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future services.

Goodwill and bargain purchase

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is subsequently measured at cost less accumulated impairment losses.

When the excess is negative, a bargain gain is recognised immediately in profit or loss.

Loss of control

Upon the loss of control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset at fair value through other comprehensive income depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for acquisitions of non-controlling interests

The Group applies IFRS 10 Consolidated Financial Statements in accounting for acquisitions of non-controlling interests.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Recognition and measurement

Owner-occupied buildings are initially recognised at cost and are subsequently revalued to approximate fair value. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Other items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Group and its cost can be measured reliably.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation

Land is not depreciated while buildings are depreciated on a straight-line basis over their estimated useful lives. The split between land and buildings is determined by external, independent property valuers. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for resale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Property interests held under operating leases are not treated as investment properties.

Costs include expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on the disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Properties classified as having a dual purpose, whereby part of the property is used for own-use activities and part is used as an investment property, are split between investment property and property, plant and equipment if the investment portion can be sold or leased out separately under a finance lease. If a portion cannot be sold or leased out separately under a finance lease, then the entire property is classified as investment property only if the property held for own use is significant. As an internal guide, where more than 25% of a property is internally tenanted, the property is classified as land and building.

Discontinuing operations

A discontinuing operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinuing operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinuing operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Impairment

Financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the effective interest rate.

The Group applies a simplified approach for measuring impairment on trade receivables at an amount equal to lifetime ECLs. To measure lifetime ECLs, trade receivables are assessed on an individual basis. The ECL rates are based on payment profiles of clients over a period of 36 to 72 months and the corresponding historical credit losses experienced within this period. The historical losses are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. ECLs are only recognised to the extent that the underlying receivables are not insured.

The Group applies a general approach for measuring impairment on other receivables, at an amount equal to expected credit losses, taking into account past experience and future macroeconomic factors.

The Group considers a financial asset in default when payment terms are exceeded. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Refer to note 1.2 for details on the change in accounting policies.

Non-financial assets

The carrying amounts of the Group's non-financial assets except for investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. ACCOUNTING POLICIES (continued)

Finance income and expenses

Finance income comprises interest income on funds invested (including financial assets at fair value through other comprehensive income), gains on the disposal of financial assets, and changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets that are recognised in profit or loss. All borrowing costs not capitalised in terms of IAS 23 are recognised in profit or loss using the effective interest method.

Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and the Group is in control of the entity. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2013. The company withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

Inventory

Raw materials and consumables, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined on the first-in, first-out principle and includes direct material costs together with appropriate allocations of labour and overheads based on normal operating capacity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are determined by discounting the expected future cost. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current or best estimate.

Financial instruments

The Group adopted IFRS 9 for the first time during the period under review using the modified retrospective approach. Prior period disclosures have not been restated. The accounting policies relating to financial instruments below have been disclosed based on the requirements of IFRS 9. Where applicable, prior period accounting policies under IAS 39 Financial Instruments Recognition and Measurement have been included.

Initial recognition and measurement

The classification of the Group's financial instruments at initial recognition depends on the financial instrument's contractual cash flow characteristics and the Group's model for managing them. The Group manages most its financial assets in order to generate cash flows, by determining whether cash flows will result from collecting cash flows and whether the contractual cash flows are solely payments of principal amounts and interest. The Group classifies its financial instruments into the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss, financial instruments at fair value through other comprehensive income, financial liabilities at amortised cost and financial liabilities at fair value through profit and loss.

Financial instruments are initially recognised at fair value. For those instruments not measured at fair value through profit or loss, directly attributable transaction costs are included on initial measurement. Subsequent to initial recognition financial instruments are measured as described below.

Subsequent measurement

Financial assets at fair value through other comprehensive income (previously categorised as available-for-sale financial asset)

Investments

Listed investments classified as financial assets at fair value through comprehensive income are carried at fair value, which is calculated by reference to stock exchange quoted selling prices at the close of business at the reporting date. Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses. Gains and losses are recognised in other comprehensive income in another reserve except for impairment losses, which are expensed in profit or loss.

Financial assets at amortised cost (previously categorised as loans and receivables)

The Group measures financial assets at amortised cost if both the following conditions are met:

- the financial asset is held with the objective to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, cash and cash equivalents and long-term receivables.

Trade, long-term and other receivables

Trade and other receivables originated by the Group are stated at amortised cost less impairment losses using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are measured at amortised cost. Bank overdrafts that are payable on-demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows. Cash and cash equivalents are measured at amortised costs.

Financial liabilities at amortised cost

Financial liabilities at amortised cost mainly comprise of borrowings and trade and other payables.

Financial liabilities, trade and other payables

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, comprising original debt less principal payments and amortisations.

Financial instruments at fair value through profit or loss

Financial instruments are classified at fair value through profit or loss if they are held for trading.

The Group's financial assets and liabilities at fair value through profit or loss comprise derivative assets and liabilities shown on the statement of financial position as part of trade and other receivables and trade and other payables respectively.

Derivative instruments

Derivative instruments are measured at fair value. Changes in the fair value are recognised in profit or loss.

1. ACCOUNTING POLICIES (continued)

Offset

In the instance that the Group has a current legal right to apply an amount due from a third-party against the amount due to a creditor, provided that there is an agreement among the two parties that clearly establishes the contractual right to set-off, and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, the related amounts are offset and the net amounts reported in the statement of financial position.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the products.

Revenue is generally recognised at a point in time, however, where control is transferred over a period of time, revenue is recognised when associated costs can be estimated reliably.

Some products are sold with volume rebates and trade discounts. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated rebates and discounts to the extent that it is highly probable. It is not the Group's policy to sell products to the end-customer with a right of return.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Services rendered

Revenue from services rendered in the course of ordinary activities is measured at the fair value of the consideration received or receivable and recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and payment is due when invoiced.

Lease income

Revenue from finance leases are recognised using the effective yield method. Revenues from operating leases are recognised on a straight-line basis over the lease term.

Dividend income

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

Earnings per share

Basic earnings per share are based on earnings attributable to shareholders and are calculated on the weighted average number of shares in issue during the financial year. Headline earnings per share are based on profit attributable to shareholders, excluding any non-trading capital items and the tax effect thereon, and are calculated as above. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

These potentially dilutive shares relate to the options issued in terms of the share incentive scheme.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rand at rates of exchange ruling at the reporting date. Translation gains and losses, whether realised or unrealised, are taken to profit or loss.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest rate and payments during the year, and amortised cost in foreign currency translated at the exchange rate at the end of the year.

Refer to note 1.2 for the impact of IFRIC 22 on receipt or payment of advance consideration.

Leases

Finance leases

The Group as lessee

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group enters into finance leasing arrangements for its copiers, faxes and point-of-sale equipment. All leases are denominated in South African Rands. The average term of finance leases entered into is four to five years.

Operating leases

The Group as lessee

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. The leased assets are not recognised in the Group's balance sheet.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefits medical aid plan

Where the Group has an obligation to provide post-retirement medical aid benefits to employees, the Group recognises the costs of these benefits in the year in which the employees render the service.

Actuarial gains or losses in respect of the defined benefit medical plan are recognised directly in other comprehensive income in the year in which they arise.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Retirement fund

The Group contributes to several defined contribution plans. Contributions to defined contribution funds are charged against profit or loss as incurred.

1. ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Deneb Investments Long term Incentive Plan was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014. An initial tranche of first allocation Deneb options totalling 22 531 660 have been granted to selected participants.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using an Actuarial Binomial Model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Tax deductions for the share-based payment transactions reflect the carrying amount of the share-based payment liability, which is measured at fair value under IFRS 2 (cash-settled arrangement) in the underlying participating subsidiaries.

Distributions to shareholders

Distributions are accounted for in the period in which the distributions are declared.

Segmental reporting

The Group follows segmental reporting with segment financial information being disclosed as it is being used internally by the entity's chief operating decision-maker ("CODM") in order to make key operating decisions, allocate resources and assess performance.

Inter-segment pricing is determined on an arm's length basis.

The segment report has been presented in note 4.

Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. Intangible assets with indefinite useful lives are tested for impairment annually regardless of whether there is an impairment indicator.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Government grants

Government grants are recognised as other income when there is a reasonable assurance that the Group will comply with the relevant conditions attached to them and that the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the cost that they are intended to compensate.

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

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalised.

1.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRIC 22 Foreign Currency Transactions and Advance Consideration on the Group's financial statements. IFRS 9 was adopted without restating comparative information. The adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.The new accounting policies are set out in note 1.1. IFRS 15 had no material impact on the Group's prior and current year results and IFRC 22 has been applied prospectively in line with transitional requirements.

- **IFRS 9 Financial Instruments – Impact of adoption**

  The adoption of IFRS 9 had the following impact on the group:

  – change from the incurred loss model under IAS 39 to the expected credit loss model to calculate impairments of financial instruments; and

  – change in classification of the measurement categories for financial instruments.

  The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 1.1. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

  More detail on the impact from the adoption of IFRS 9 is provided below.

Impairment of financial assets

The Group has trade and other receivables that are subject to IFRS 9's new expected credit loss model and was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table below.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	2018 R000's
Closing retained earnings as at 31 March – IAS 39	(45 917)
Adjustment to retained earnings from adoption of IFRS 9 on 1 April 2018	(17 615)
Increase in provision for trade receivables (refer to note below)	(24 466)
Increase in deferred tax assets relating to impairment provisions	6 851
Opening retained earnings as at 1 April – IFRS 9	(63 532)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, and the general approach for other receivables, which looks at past experience and macroeconomic factors. Refer to note 17 for amounts included within other receivables. The probability of default relating to these balances are low and consequently the implementation of IFRS 9 resulted in no material impact to the financial statements. To measure expected credit losses all trade receivables have been grouped based on shared credit characteristics and the days past due.

The expected loss rates are based on the payment profiles of clients over a period of time and the corresponding historical credit losses experienced within this period. The historical losses are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

Refer to note 20 for further detail on the assumptions used.

The loss allowance for trade and other receivables as at 31 March 2018 reconciles to the opening loss allowance on 1 April 2018 as follows:

	Trade and other receivables R000's
At 31 March 2018 – calculated under IAS 39	28 817
Amounts restated through opening retained earnings	24 466
Opening allowance as at 1 April 2018 – calculated under IFRS 9	53 283

1. ACCOUNTING POLICIES (continued)

The loss allowances decreased by R3 million to R50,3 million for trade and other receivables during the period ended 31 March 2019.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

- **IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

  The Group has adopted IFRS 15 from 1 April 2018, which resulted in additional disclosures required and changes in accounting policy. The Group applies the IFRS 15 simplified approach. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated and the impact of the adoption of IFRS 15 did not result in a material impact on the Group's retained earnings. There has been no material impact to the amounts recognised on adoption and in the current year.

  The new accounting policies are set out in note 1.1.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration – Impact of adoption**

  IFRIC 22 is effective from 1 April 2018 and in line with this standard, where a transaction includes the receipt or payment of advance consideration, the spot rate to translate a non-monetary asset or liability is the earlier of the date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability and the date the asset, expense or income is recognised in the financial statements. The Group has applied this accounting prospectively.

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 1.1 – Accounting policies: Basis of preparation
- Note 10 – Property, plant and equipment
- Note 12 – Intangible assets
- Note 11 – Investment property
- Note 20 – Financial instruments: IFRS 9 expected credit loss model

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2019 is included in the following notes:

- Note 5 – Impairment test; Key assumptions underlying recoverable amounts
- Note 7 – Recognition of deferred tax assets; Availability of future taxable profit against which carry-forward tax losses can be used
- Note 19 – Measurement of defined benefit obligation; Key actuarial assumptions

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values that are reviewed on an ongoing basis. If third-party information, such as from an external property valuer, is used to measure fair values, then it is assessed if the evidence obtained from the third parties supports the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If inputs used to measure the fair value of an asset or a liability might be categorised in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 10 – Property, plant and equipment
- Note 11 – Investment property
- Note 13 – Financial asset at fair value through other comprehensive income
- Note 20 – Financial instruments
- Note 36 – Share-base payment arrangements

3. OPERATING PROFIT BEFORE IMPAIRMENTS, RESTRUCTURING AND REVALUATION OF INVESTMENT PROPERTY

The following items have been taken into account in determining operating profit for continuing and discontinuing operations before impairments, restructuring and revaluation of investment property:

	Continuing operations		Discontinuing operations		Total	
	2019 R000's	2018* R000's	**2019 R000's**	2018* R000's	**2019 R000's**	2018* R000's
Income						
Revenue from contracts with customers						
– Sale of goods	**2 825 628**	2 435 707	**390 835**	579 119	**3 216 463**	3 014 826
– Services	**4 270**	–	**–**	89 853	**4 270**	89 853
Other revenue						
– Rental income from investment property	**125 831**	110 962	**–**	–	**125 831**	110 962
– Dividend income – unlisted investments	**107**	102	**–**	–	**107**	102
Total revenue	**2 955 836**	2 546 771	**390 835**	668 972	**3 346 671**	3 215 743
Other income (expenses)						
– Government grants – production incentive	**6 211**	12 279	**5 809**	11 685	**12 020**	23 964
– Government grants – other	**3 898**	743	**–**	–	**3 898**	743
– Finance lease income	**12 896**	16 392	**–**	–	**12 896**	16 392
– Foreign exchange gains – realised	**7 134**	5 919	**–**	–	**7 134**	5 919
– Foreign exchange gains – unrealised	**16 833**	8 190	**737**	2	**17 570**	8 192
– Surplus on disposal of property, plant and equipment	**509**	180	**1 926**	204	**2 435**	384
– Loss on disposal of property, plant and equipment	**(2 432)**	(935)	**(522)**	(31)	**(2 954)**	(966)
– Insurance claim – capital asset/loss of profits	**–**	2 400	**798**	4 041	**798**	6 441
– Foreign exchange losses – realised	**(3 787)**	(18 980)	**(1 573)**	(7 103)	**(5 360)**	(26 083)
– Foreign exchange losses – unrealised	**(6 628)**	(20 317)	**–**	(657)	**(6 628)**	(20 974)
– Other sundry income	**30 153**	(6 503)	**12 994**	14 377	**43 147**	7 874
Other income/(expenses)	**64 787**	(632)	**20 169**	22 518	**84 956**	21 886

Notes to the consolidated financial statements (continued)

for the year ended 31 March

3. OPERATING PROFIT BEFORE IMPAIRMENTS, RESTRUCTURING AND REVALUATION OF INVESTMENT PROPERTY (continued)

	Continuing operations		Discontinuing operations		Total	
	2019 R000's	2018* R000's	**2019 R000's**	2018* R000's	**2019 R000's**	2018* R000's
Expenditure						
Cost of sales						
Material cost	**1 898 933**	1 624 289	**175 646**	293 804	**2 074 579**	1 918 093
Production labour	**159 422**	119 021	**29 597**	44 723	**189 019**	163 744
Production overheads	**152 314**	121 860	**100 590**	185 973	**252 904**	307 833
Direct costs associated with rental income	**40 346**	38 768	**–**	–	**40 346**	38 768
Quality cost	**4 809**	14 729	**5 005**	6 438	**9 814**	21 167
Costs of services	**2 459**	–	**37 910**	67 138	**40 369**	67 138
Cost of sales	**2 258 283**	1 918 667	**348 748**	598 076	**2 607 031**	2 516 743
Expenses by nature						
Amortisation	**5 061**	2 474	**1 453**	1 448	**6 514**	3 922
Bad debts – net of recoveries and reversals of allowance account	**9 763**	5 917	**3 151**	1 450	**12 914**	7 367
Bank charges	**3 023**	3 526	**1 181**	1 291	**4 204**	4 817
Depreciation – buildings	**2 570**	3 950	**–**	–	**2 570**	3 950
– plant and machinery	**25 877**	22 160	**8 579**	10 239	**34 456**	32 399
– equipment and fittings	**9 132**	7 453	**1 798**	1 900	**10 930**	9 353
– motor vehicles	**4 494**	3 041	**175**	233	**4 669**	3 274
Total depreciation from owned assets	**38 393**	34 667	**10 539**	12 359	**48 932**	47 026
Total depreciation from leased assets	**3 680**	1 937	**13**	13	**3 693**	1 950
Total depreciation	**42 073**	36 604	**10 552**	12 372	**52 625**	48 976
Employment costs**	**467 075**	501 329	**69 638**	124 836	**536 713**	626 165
– Production	**194 786**	207 138	**43 467**	70 548	**238 253**	277 686
– Sales	**104 082**	104 029	**14 702**	26 412	**118 784**	130 441
– Admin	**168 207**	190 162	**11 469**	27 876	**179 676**	218 038
Operating lease charges – property	**26 953**	36 683	**5 464**	4 621	**32 417**	41 304
– equipment and vehicles	**4 547**	5 129	**965**	782	**5 512**	5 911
Technical and consulting fees	**9 912**	7 156	**1 183**	1 642	**11 095**	8 798
Legal provision	**–**	–	**–**	12 500	**–**	12 500
Write-down of inventory to net realisable value	**12 474**	17 575	**1 696**	11 709	**14 170**	29 284
Reversal of write-down of inventory to net realisable value	**–**	(7 432)	**–**	–	**–**	(7 432)

** Restated, refer to note 32.1*

***Includes contributions of R21,2 million (2018: R37 million) to medical, pension, provident and benefit funds. These contributions are after a R10,1 million charge (2018: R9,9 million) in respect of post-employment medical aid benefits relating to a defined benefit obligation and an IFRS 2 charge in respect of the share option scheme of R1,4 million (2018: R4,7 million)*

4. SEGMENT REPORT

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive committee.

Historically, the results of the Group's manufacturing businesses were reported in two segments: industrial manufacturing and textile manufacturing. However, during the current year, the results of the Group's automotive parts manufacturing companies are now reported in a separate segment and the industrial and textile manufacturing segments have been merged into a single reporting segment. The merger is due to the majority of the businesses previously forming part of the textile segment being classified as discontinuing and are currently held for sale, expected to be sold within the next 12 months. Furthermore, the segments have similar economic characteristics, they operate within the same regulatory environment, have overlapping client bases and their production processes are similar in nature. The companies operating within the automotive parts manufacturing segment do not share similar economic characteristics to its other manufacturing segments and meet the quantitative threshold for being reported separately.

The CODM has identified the following segments:

Reportable segments	**Operations**
Property	Vega Properties owns and manages a portfolio of industrial and commercial properties situated in KwaZulu-Natal and the Western Cape.
Industrial Product Manufacturing	Manufacturers of specialised industrial products and high-quality textiles. The businesses operating in this segment are Gold Reef Speciality Chemicals, Brits Nonwoven, Custom Extrusion, Integrated Polypropylene Products and Premier Rainwatergoods, and the discontinuing manufacturing businesses as listed in note 8.
Automotive Parts Manufacturing	Formex Industries, consisting of Formex Pressings and Formex Tubing, is a manufacturer of tubular and exhaust-related components.
Branded Product Distribution	This segment is responsible for the sourcing and distribution of branded products. The businesses operating in this segment include Prima Toys, Prima Interactive, The Empire Group, Oops, HTIC, Seartec, The Kid Zone, OfficeBox, Clever Little Monkey and Brand ID.

The CODM uses a measure of earnings before interest and tax and return on capital to assess the performance of the operating segments. The committee also receives information about the segments' balance sheets, revenues, margins and operations costs on a monthly basis.

There are varying levels of integration between all segments. This integration includes sales of goods and services, renting and development of industrial and commercial properties and shared head office services.

Notes to the consolidated financial statements (continued)

for the year ended 31 March

4. SEGMENT REPORT (continued)

	Gross revenue R000's	Inter-segment revenue R000's	External revenue R000's	Operating profi/(loss) before taxation R000's	Interest revenue R000's	Interest expense R000's
Year ended 31 March 2019						
CONTINUING OPERATIONS						
Property	167 041	(41 210)	125 831	130 310	–	–
Branded Product Distribution	1 393 195	–	1 393 195	9 887	–	–
Automotive Parts Manufacturing	483 621	–	483 621	26 538	–	–
Industrial Product Manufacturing	953 082	–	953 082	32 827	–	–
Centralised Services	107	–	107	(148 033)	477	(111 284)
Total continuing operations	2 997 046	(41 210)	2 955 836	51 529	477	(111 284)
DISCONTINUING OPERATIONS						
Branded Product Distribution	115 998	–	115 998	(33 314)	6	(1 225)
Industrial Product Manufacturing	274 837	–	274 837	(50 144)	–	(6 717)
Total discontinuing operations	390 835	–	390 835	(83 458)	6	(7 942)
Total	3 387 881	(41 210)	3 346 671	(31 929)	483	(119 226)

	Write-down of inventory R000's	Reversal of write-down of inventory R000's	Gain on disposal of property, plant and equipment R000's	Loss on disposal of property, plant and equipment R000's	Profit or loss after tax for the year R000's
Year ended 31 March 2019					
CONTINUING OPERATIONS					
Property	–	–	333	–	113 153
Branded Product Distribution	(8 416)	–	158	(1 629)	6 407
Automotive Parts Manufacturing	(1 210)	–	–	(493)	17 735
Industrial Product Manufacturing	(2 848)	–	18	(300)	39 038
Centralised Services	–	–	–	(10)	(145 086)
Total continuing operations	(12 474)	–	509	(2 432)	31 247
DISCONTINUING OPERATIONS					
Branded Product Distribution	(1 616)	–	–	–	(30 280)
Industrial Product Manufacturing	(80)	–	1 926	(522)	(47 904)
Total discontinuing operations	(1 696)	–	1 926	(522)	(78 184)
Total	(14 170)	–	2 435	(2 954)	(46 937)

	Operating profit/(loss) before finance costs R000's	Depreciation R000's	Amortisation R000's	Impairments R000's	Reversal of impairments R000's	Restructuring and retrenchment costs R000's	Revaluation of investment properties R000's	Operating profit/loss before depreciation, amortisation, impairments, restructuring and revaluation of investment properties R000's
	130 310	(2 651)	–	–	–	–	12 868	120 093
	9 887	(4 178)	(3 473)	–	–	(559)	–	18 097
	39 716	(12 755)	–	–	–	–	–	52 471
	19 649	(21 726)	(1 521)	–	–	(267)	–	43 163
	(37 226)	(763)	(67)	–	–	–	–	(36 396)
	162 336	(42 073)	(5 061)	–	–	(826)	12 868	197 428
	(32 095)	(1 241)	(1 453)	(9 248)	–	(1 200)	–	(18 953)
	(43 427)	(9 311)	–	(30 506)	–	(87)	–	(3 523)
	(75 522)	(10 552)	(1 453)	(39 754)	–	(1 287)	–	(22 476)
	86 814	(52 625)	(6 514)	(39 754)	–	(2 113)	12 868	174 952

	Segment assets R000's	Segment liabilities R000's	Capital expenditure R000's	Consideration for business combinations R000's	Holdings of property, plant and equipment, investment property and intangible assets: Within South Africa R000's	Outside South Africa R000's	Total R000's
	1 408 907	26 982	107 459	–	1 407 011	–	1 407 011
	819 645	196 301	4 708	–	45 117	13 465	58 582
	358 047	221 206	58 887	–	145 757	–	145 757
	630 064	220 063	15 445	–	314 447	–	314 447
	57 487	1 245 247	260	–	2 664	–	2 664
	3 274 150	1 909 799	186 759	–	1 914 996	13 465	1 928 461
	140 368	46 293	5 699	–	8 364	–	8 364
	255 290	92 130	45 140	–	94 515	–	94 515
	395 658	138 423	50 839	–	102 879	–	102 879
	3 669 808	2 048 222	237 598	–	2 017 875	13 465	2 031 340

Notes to the consolidated financial statements (continued)

for the year ended 31 March

4. SEGMENT REPORT (continued)

	Gross revenue R000's	Inter-segment revenue R000's	External revenue R000's	Operating profit/(loss) before taxation R000's	Interest revenue R000's	Interest expense R000's
Year ended 31 March 2018*						
CONTINUING OPERATIONS						
Property	157 999	(47 038)	110 961	155 335	170	–
Branded Product Distribution	1 228 355	–	1 228 355	17 244	7	–
Automotive Parts Manufacturing	272 776	–	272 776	5 712	–	–
Industrial Product Manufacturing	934 577	–	934 577	21 419	138	–
Centralised Services	102	–	102	(148 645)	276	(102 271)
Total continuing operations	2 593 809	(47 038)	2 546 771	51 065	591	(102 271)
DISCONTINUING OPERATIONS						
Branded Product Distribution	211 728	–	211 728	(59 757)	–	(1 038)
Industrial Product Manufacturing	457 244	–	457 244	(58 095)	–	(135)
Total discontinuing operations	668 972	–	668 972	(117 852)	–	(1 173)
Total	3 262 781	(47 038)	3 215 743	(66 787)	591	(103 444)

	Write-down of inventory R000's	Reversal of write-down of inventory R000's	Gain on disposal of property, plant and equipment R000's	Loss on disposal of property, plant and equipment R000's	Profit or loss after tax for the year R000's
Year ended 31 March 2018*					
CONTINUING OPERATIONS					
Property	–	–	157	(367)	155 165
Branded Product Distribution	(16 536)	7 432	–	(63)	(1 183)
Automotive Parts Manufacturing	–	–	–	(283)	54 470
Industrial Product Manufacturing	(1 039)	–	23	(191)	22 511
Centralised Services	–	–	–	(31)	(116 547)
Total continuing operations	(17 575)	7 432	180	(935)	114 416
DISCONTINUING OPERATIONS					
Branded Product Distribution	(5 861)	–	17	–	(50 855)
Industrial Product Manufacturing	(5 848)	–	187	(31)	(57 332)
Total discontinuing operations	(11 709)	–	204	(31)	(108 187)
Total	(29 284)	7 432	384	(966)	6 229

** During the current period the industrials and textiles segments have been merged due to many businesses within being classified as discontinued. Furthermore, companies operating within the Automotive Parts Manufacturing segment do not share similar economic characteristics to the other manufacturing segments and meet the quantitative threshold for being reported separately. Accordingly, prior period figures have been restated.*

Operating profit/(loss) before finance costs R000's	Depreciation R000's	Amortisation R000's	Impairments R000's	Reversal of impairments R000's	Restructuring and retrenchment costs R000's	Revaluation of investment properties R000's	Operating profit/loss before depreciation, amortisation, impairments, restructuring and revaluation of investment properties R000's
155 165	(4 031)	–	–	–	–	43 715	115 481
17 237	(6 477)	(525)	(335)	–	(721)	–	25 295
12 966	(9 349)	–	–	–	–	–	22 315
14 028	(16 133)	(1 872)	(449)	77	(706)	–	33 111
(46 651)	(614)	(77)	–	–	–	–	(45 960)
152 745	(36 604)	(2 474)	(784)	77	(1 427)	43 715	150 242
(58 719)	(1 356)	(1 448)	(7 328)	–	(4 225)	–	(44 362)
(57 960)	(11 016)	–	(5 137)	–	(13 152)	–	(28 655)
(116 679)	(12 372)	(1 448)	(12 465)	–	(17 377)	–	(73 017)
36 066	(48 976)	(3 922)	(13 249)	77	(18 804)	43 715	77 225

				Holdings of property, plant and equipment, investment property and intangible assets		
Segment assets R000's	Segment liabilities R000's	Capital expenditure R000's	Consideration for business combinations R000's	Within South Africa R000's	Outside South Africa R000's	Total R000's
1 302 590	21 574	611	–	1 280 987	–	1 280 987
811 572	250 899	6 361	61 672	22 551	156	22 707
282 837	202 928	31 086	25 058	100 317	–	100 317
588 480	239 508	73 082	–	227 802	–	227 802
98 245	1 011 170	481	–	756	–	756
3 083 724	1 726 079	111 621	86 730	1 632 413	156	1 632 569
167 362	39 586	549	–	14 731	–	14 731
313 372	124 167	19 719	–	115 003	–	115 003
480 734	163 753	20 268	–	129 734	–	129 734
3 564 458	1 889 832	131 889	86 730	1 762 147	156	1 762 303

5. NET (IMPAIRMENT)/IMPAIRMENT REVERSAL OF ASSETS

Reconciliation of carrying amount

	2019 R000's	2018 R000's
The following impairments were recognised during the year:		
Category of asset		
Property, plant and equipment	**30 506**	6 315
Goodwill	**–**	334
Intangible assets	**9 248**	6 600
Interest in subsidiary companies	**–**	–
Total	**39 754**	13 249
Included in discontinuing operations	**(39 754)**	(12 465)
Impairments from continuing operations	**–**	784
The following impairments were reversed during the year:		
Category of asset		
Property, plant and equipment	**–**	77
Total	**–**	77
Included in discontinuing operations	**–**	–
Impairments reversed from continuing operations	**–**	77
Net impairments from continuing operations	**–**	(707)
Industrial Product Manufacturing	**30 506**	5 587
Property, plant and equipment	**30 506**	5 587
Branded products	**9 248**	7 662
Property, plant and equipment	**–**	728
Intangible assets	**9 248**	6 934
Total	**39 754**	13 249
Segmental reconciliation of reversal of impairments		
Industrial Product Manufacturing	**–**	77
Property, plant and equipment	**–**	77
Total	**–**	77

Impairment testing

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The Group has performed impairment testing on:

- all cash-generating units ("CGUs") where there is an indication that they may be impaired or impairment should be reversed;
- all CGUs that contain goodwill; and
- all CGUs that are disposal groups held for sale in terms of IFRS 5.

For the purposes of determining the CGUs of the Group, the guidelines as per IAS 36 were followed and the below considerations were given:

- how the Group reports its financial management accounts;
- how management makes day-to-day operational decisions; and
- how management makes decisions about continuing with or disposing of the entity's assets.

CGUs where there is an indication that they may be impaired or impairment reversal

For impairment testing in line with IAS 36, the recoverable amount of a CGU was determined based on the higher of fair value less costs to sell, or value-in-use calculation, as appropriate. Impairments recognised for discontinuing operations are attributed to the IFRS 5 remeasurement of disposal groups at the lower of carrying amount and fair value less costs to sell.

Value-in-use estimations have been used to determine the recoverable amount for continuing CGUs and as a benchmark of fair value in the IFRS 5 remeasurement of disposal groups held for sale.

Value-in-use calculation uses cash flow projections approved by management. These cash flow forecasts cover four years, and the cash flows after the forecast period are extrapolated into the future over the useful life of the CGU, using steady-growth rate, which is consistent with that of the industry and country.

In determining value-in-use, projected cash flows are discounted using the entity-specific pre-tax discount rate. Projected cash flows were adjusted for each CGUs specific risks. The pre-tax discount rate was calculated as 16,67% for the current period (2018: 18,73%) with a terminal value growth rate of 4,1% (2018: 4%).

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, economic factors such as commodity prices, discount rates, currency exchange rates and estimates of costs to produce. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amount.

Fair value has been determined by independent external valuers who have taken into account the current market conditions for the nature, age and condition of the assets involved.

Impairments recognised are attributed to the following discontinuing operations:

	Recoverable amount R000's	Valuation method	Description of CGU
Winelands Textiles	38 056	Fair value	Business operation comprising assets and liabilities
Brand ID	6 411	Value-in-use	Business operation comprising assets and liabilities

Due to the reclassification of Winelands Textiles as a disposal group held for sale in terms of IFRS 5, plant and equipment with a carrying value of R68,5 million was written down to their recoverable amount of R38,1 million. Brand ID underwent an impairment assessment in line with IAS 36, which resulted in intangible assets with a carrying value of R15,7 million being written down to their recoverable amount of R6,4 million.

The events and circumstances that led to the recognition of the impairment losses are as follows:

- poor results and/or budgeted future results, which triggered an assessment of realisable value; and
- remeasurement of disposal groups held for sale in terms of IFRS 5.

The events and circumstances that led to the reversal of impairments are as follows:

- changes in the dynamics of the market in which certain businesses within the industrial segment operate, resulting in better than expected performances.

Impairment testing for CGUs containing goodwill

There were six CGUs containing goodwill in the current period.

The key assumptions used in the estimation of the value-in-use are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2019 %	2018 %
Average discount rate	**16,67**	18,73
Terminal value growth rate	**4,1**	4,0

Impairment testing for intangible assets with indefinite useful lives

There were no intangible assets with indefinite useful lives.

Notes to the consolidated financial statements (continued)

for the year ended 31 March

6. FINANCE INCOME AND EXPENSES

	2019 R000's	2018* R000's
Recognised in profit or loss		
Finance income		
Interest received from financial institutions	**168**	474
Other interest received	**315**	117
Included in discontinuing operations	**(6)**	–
	477	591
Finance expenses		
Interest paid on finance leases and instalment sale agreements	**1 737**	983
Interest paid to financial institutions	**97 441**	91 355
Interest paid to related parties	**9 327**	9 852
Other interest paid	**10 721**	1 254
Included in discontinuing operations	**(7 942)**	(1 173)
	111 284	102 271

** Restated, refer to note 32.2*

The finance expenses relate to financial liabilities which are categorised as being measured at amortised cost.

7. TAXATION AND DEFERRED TAXATION

	2019 R000's	2018* R000's
Income tax		
South African normal taxation		
– Current	**(7 985)**	(14 688)
– Prior year	**26**	24
Deferred taxation	**(12 323)**	78 015
	(20 282)	63 351

Reconciliation between actual and normal taxation rates**	%	%
Taxation as a percentage of loss before taxation	**(47,0)**	109,3
Prior period	**(0,1)**	–
Non-deductible items expenses***	**5,8**	9,4
Specific tax-deductible expenses****	**(3,2)**	(1,7)
Exempt income	**(1,4)**	–
Capital gains tax on revaluation of investment property	**(2,2)**	(3,7)
Foreign entities with different tax rate	**(2,5)**	0,9
Unrecognised tax losses	**78,6**	–
Previously unrecognised tax losses	**–**	(86,2)
Normal taxation rate	**28,0**	28,0

* *Restated, refer to note 32.2*

** *Reconciliation is disclosed on a consolidated basis from both continuing and discontinuing operations*

*** *In calculating the tax expense for the current period, the Group has treated R6,6 million as being non-deductible for tax purposes. Non-deductible expenses relate predominantly to capital interest*

**** *In calculating the tax expense for the current period, the Group has treated R3,4 million as being specifically tax-deducible expenses for tax purposes. Specific tax-deductible expenses relate to options exercised under the Group's share incentive scheme*

	2019 R000's	2018* R000's
Deferred taxation		
Balance at the beginning of the year	**147 380**	74 175
– Asset	**162 284**	86 057
– Liability	**(14 904)**	(11 882)
Recognised in statement of changes in equity on the adoption of IFRS 9	**6 851**	–
Balance brought in through business combination	**–**	(7 416)
– Capital allowances	**–**	(9 203)
– Tax losses recognised in the period	**–**	6 235
– Capital allowances on intangible asset	**–**	(7 762)
– Working capital differences	**–**	3 314
Balance transferred to held for sale	**30 522**	–
– Capital allowances	**(6 958)**	–
– Tax losses recognised in the period	**32 478**	–
– Capital allowances on intangible asset	**(4 978)**	–
– Share incentive scheme	**52**	–
– Working capital differences	**9 928**	–
Current movements recognised in profit and loss	**(12 323)**	78 015
– Capital allowances	**(11 813)**	(19 302)
– Provision for post-employment medical aid benefits	**877**	676
– Tax losses (utilised)/recognised during the period	**2 005**	38 812
– Capital allowances on intangible asset	**871**	(2 532)
– Revaluations	**(3 006)**	(9 792)
– Revaluation surplus reversed	**123**	4 234
– Share incentive scheme	**(656)**	572
– Working capital differences	**(724)**	65 347
Current movements included in discontinuing operations in comprehensive income	**5 273**	9 664
– Capital allowances	**5 272**	–
– Tax losses (utilised)/recognised during the period	**15 909**	9 664
– Capital allowances on intangible asset	**(2 287)**	–
– Share incentive scheme	**(151)**	–
– Working capital differences	**(13 470)**	–
Current movements recognised in other comprehensive income/directly in equity	**(13 530)**	(7 058)
– Provision for post-employment medical aid benefits	**(2 974)**	1 431
– Share incentive scheme	**28**	1 263
– Revaluations	**(10 584)**	(9 752)
Balance at the end of the year	**103 129**	147 380
– Asset	**117 270**	162 284
– Liability	**(14 141)**	(14 904)
Deferred tax assets and liabilities are attributable to the following:		
– Provision for post-employment medical aid benefits	**26 981**	29 824
– Working capital allowances	**85 826**	102 777
– Share incentive scheme	**4 869**	5 601
– Tax losses	**249 301**	262 274
– Capital allowances	**(101 610)**	(100 082)
– Capital allowances on intangible asset	**(6 650)**	(10 223)
– Revaluations	**(155 588)**	(142 791)
Net deferred tax at the end of the year	**103 129**	147 380

** Restated, refer to note 32.1*

7. TAXATION AND DEFERRED TAXATION (continued)

The Group has concluded that the deferred tax assets will be recoverable based on the estimated future taxable income of approved business plans and budgets.

Unrecognised tax losses, reflected at 28% of the underlying tax loss, exist in the following entities:

	2019 R000's	2018* R000's
Seartec Trading Proprietary Limited	**32 643**	9 671
Winelands Textiles Proprietary Limited	**29 299**	1 388
OfficeBox Proprietary Limited	**6 085**	4 164

8. DISCONTINUING OPERATIONS

The Deneb board has made the decision to dispose of the following businesses on 12 March 2019:

- Winelands Textiles;
- Frame Knitting Manufacturers;
- First Factory Shops; and
- Brand ID.

The decision was made as a result of the businesses not meeting their return on capital hurdle rates. Management has initiated active programmes to sell these businesses, which are available for sale in their current condition. Management expects to sell within the next 12 months. The assets and liabilities have consequently been classified as held for sale and remeasured in accordance with IFRS 5. Management deems the sale to be highly probable due to the interest of buyers, and their understanding of the market.

Accordingly, the results of the discontinuing operations have been separately disclosed on the face of the statement of profit or loss and other comprehensive income. Where practical these results have been restated.

All discontinuing operations fall under the Industrial Product Manufacturing reportable segment, excluding Brand ID, which falls under Branded Product Distribution.

Results of discontinuing operations

	Note	**2019 R000's**	2018 R000's
Revenue		**390 835**	668 972
Cost of sale		**(348 748)**	(598 076)
Gross profit		**42 087**	70 896
Other income		**20 169**	22 518
Distribution costs		**(64 963)**	(75 939)
Administrative and other expenses		**(32 730)**	(104 312)
Operating loss before impairments and restructuring and retrenchment costs		**(35 437)**	(86 837)
Impairment of assets		**(39 754)**	(12 465)
Restructuring and retrenchment costs		**(1 286)**	(17 377)
Profit on sale of subsidiary	24	**955**	–
Operating loss before finance costs		**(75 522)**	(116 679)
Finance income		**6**	–
Finance expenses		**(7 942)**	(1 173)
Loss before taxation		**(83 458)**	(117 852)
Income tax expense		**5 274**	9 665
Loss for the period from discontinuing operations		**(78 184)**	(108 187)

	Note	2019 R000's	2018 R000's
Cash flows from/(used in) discontinuing operations			
Cash flows from/(used in) discontinuing operations			
Net cash used in operating activities		**(50 466)**	(120 130)
Net cash from investing activities		**1 500**	–
Net cash from financing activities		**–**	–
Net cash used in discontinuing operations		**(48 966)**	(120 130)

The loss from discontinuing operations is attributable entirely to equity holders of the parent.

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinuing operations as at 31 March 2019:

	2019 R000's	2018 R000's
Assets classified as held for sale		
Property, plant and equipment	**96 468**	–
Intangible assets	**6 411**	–
Deferred tax assets	**31 331**	–
Inventories	**148 974**	–
Trade and other receivables	**112 149**	–
Current tax assets	**325**	–
Total assets of disposal group held for sale	**395 658**	–
Other non-current assets held for sale	**510**	1 080
Total non-current assets held for sale	**396 168**	1 080
Liabilities directly associated with assets classified as held for sale		
Deferred income	**(38 261)**	–
Trade and other payables	**(98 987)**	
Provisions	**(365)**	–
Deferred tax liabilities	**(810)**	–
Total liabilities of disposal group held for sale	**(138 423)**	–
Other non-current liabilities held for sale	**(88)**	–
Total non-current liabilities held for sale	**(138 511)**	–

Notes to the consolidated financial statements (continued)

for the year ended 31 March

9. PROFIT OR (LOSS) PER SHARE

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2019				
Number of shares in issue				
Net number of shares			433 927	
Number of shares in issue – 31 March 2019			433 927	
Weighted average number of shares				
Weighted average number of shares at 31 March 2019			431 766	
Shares as at 1 April 2018			431 337	
Effect of share options exercised			428	
Diluted average number of shares				
Diluted weighted average number of shares			442 327	
Weighted average number of shares			431 766	
Dilution effect of share options granted			10 561	
Earnings/(Loss) per share				
Basic (loss)/earnings				
Loss attributable to equity holders of the parent		(45 471)	431 766	(10,53)
Continuing operations		32 713		7,58
Discontinuing operations		(78 184)		(18,11)
Diluted (loss)/earnings				
Loss attributable to equity holders of the parent		(45 471)	442 327	(10,28)
Continuing operations		32 713		7,40
Discontinuing operations		(78 184)		(17,68)
Headline earnings				
Reconciliation between profit and headline earnings				
Loss attributable to equity holders of the parent		(45 471)		
Impairment of assets	39 754	37 165		
Remeasurement of investment property	(12 868)	(9 986)		
Surplus on disposal of property, plant and equipment	(2 435)	(1 753)		
Loss on disposal of property, plant and equipment	2 954	2 127		
Insurance claim for capital asset	(798)	(619)		
Surplus on disposal of investments	(956)	(742)		
Headline (loss)/earnings		(19 279)	431 766	(4,47)
Continuing operations		24 112		5,58
Discontinuing operations		(43 391)		(10,05)
Diluted headline (loss)/earnings		(19 279)	442 327	(4,36)
Continuing operations		24 112		5,45
Discontinuing operations		(43 391)		(9,81)

Issued shares

During the period, 2 589 390 shares were issued in terms of the Group's share incentive scheme.

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2018				
Number of shares				
Net number of shares in issue			431 337	
Number of shares – 31 March 2018			431 337	
Weighted average number of shares				
Weighted average number of shares			429 358	
Shares as at 1 April 2017			428 622	
Effect of share buyback			–	
Effect of recapitalisation			–	
Effect of share options exercised			736	
Diluted average number of shares				
Diluted weighted average number of shares			431 575	
Weighted average number of shares			429 358	
Dilution effect of share options granted			2 217	
Earnings/(Loss) per share				
Basic profit				
Profit attributable to equity holders of the parent		8 130	429 358	1,89
Earnings from continuing operations		116 317		27,09
Loss from discontinuing operations		(108 187)		(25,20)
Diluted profit				
Profit attributable to equity holders of the parent		8 130	431 575	1,88
Earnings from continuing operations		116 317		26,95
Loss from discontinuing operations		(108 187)		(25,07)
Headline loss				
Reconciliation between profit and headline loss				
Profit attributable to equity holders of the parent		8 130		
Impairment of assets	12 915	9 299		
Reversal of impairment of assets	(77)	(55)		
Insurance claim for capital asset	(30)	(22)		
Remeasurement of investment property	(43 715)	(33 923)		
Surplus on disposal of property, plant and equipment	(384)	(277)		
Loss on disposal of property, plant and equipment	966	696		
Impairment of goodwill	334	334		
Headline earnings		(15 818)	429 358	(3,68)
Earnings from continuing operations		83 541		19,46
Loss from discontinuing operations		(99 359)		(23,14)
Diluted headline earnings		(15 818)	431 575	(3,66)
Earnings from continuing operations		83 541		19,36
Loss from discontinuing operations		(99 359)		(23,02)

Issued shares

During the period, 2 715 629 shares were issued in terms of the Group's share incentive scheme.

Notes to the consolidated financial statements (continued)

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10. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Notes	Owner-occupied properties at valuation R000's	Plant and machinery at cost R000's	Equipment and fittings at cost R000's	Motor vehicles at cost R000's	Total R000's
2019						
Cost/valuation at 31 March 2019		**350 770**	**514 659**	**81 823**	**28 117**	**975 369**
Opening balance		**373 421**	**675 292**	**101 418**	**29 687**	**1 179 818**
Additions		**663**	**109 311**	**13 621**	**1 796**	**125 391**
Revaluations		**29 045**	**–**	**–**	**–**	**29 045**
Reclassification from investment property	11	**(29 094)**	**–**	**–**	**–**	**(29 094)**
Disposals and assets reclassified as held for sale		**(23 265)**	**(269 944)**	**(33 216)**	**(3 366)**	**(329 791)**
Accumulated depreciation and impairment at 31 March 2019		**(1)**	**210 315**	**42 933**	**12 511**	**265 758**
Opening balance		**–**	**298 953**	**56 642**	**10 797**	**366 392**
Current period depreciation		**2 570**	**34 456**	**10 930**	**4 669**	**52 625**
Revaluations		**(2 390)**	**–**	**–**	**–**	**(2 390)**
Impairment		**–**	**30 506**	**–**	**–**	**30 506**
Disposals and assets reclassified as held for sale		**(181)**	**(153 600)**	**(24 639)**	**(2 955)**	**(181 375)**
Carrying value at 31 March 2019		**350 771**	**304 344**	**38 890**	**15 606**	**709 611**
Rate of (straight-line) depreciation (%)		**0 – 3,5**	**4 – 7**	**10 – 20**	**20**	
Residual values (%)		**40 – 65**	**0**	**0**	**20**	
2018						
Cost/valuation at 31 March 2018*		373 421	675 292	101 418	29 687	1 179 818
Opening balance		458 643	564 226	98 262	21 301	1 142 432
Additions		610	82 164	17 533	11 176	111 483
Acquisition through business combination	24	–	76 105	3 391	–	79 496
Revaluations		24 624	–	–	–	24 624
Reclassification to assets held for sale		(110 456)	–	–	–	(110 456)
Disposals and assets reclassified as held for sale		–	(47 203)	(17 768)	(2 790)	(67 761)
Accumulated depreciation and impairment at 31 March 2018		–	298 953	56 642	10 797	366 392
Opening balance		–	299 955	62 189	9 570	371 714
Current year depreciation		3 950	32 399	9 353	3 274	48 976
Revaluations		(3 950)	–	–	–	(3 950)
Impairment		–	5 587	728	–	6 315
Reversal of impairment		–	(77)	–	–	(77)
Disposals and assets reclassified as held for sale		–	(38 911)	(15 628)	(2 047)	(56 586)
Carrying value at 31 March 2018		373 421	376 339	44 776	18 890	813 426

Owner-occupied properties – cost less accumulated depreciation

The cost less accumulated depreciation of the owner-occupied properties is provided below. The allowed alternative method as described in IAS 16 is the revaluation model, which has been adopted by the Group.

	2019 R000's	2018 R000's
Cost	**164 686**	186 334
Accumulated depreciation	**(2 017)**	(2 350)
Carrying value	**162 669**	183 984
Reconciliation of cost of land and buildings:		
Opening cost at the beginning of the year	**186 334**	274 856
Additions	**663**	610
Disposals, transfers to investment property and assets reclassified as held for sale	**(22 311)**	(89 132)
Closing cost at the end of the year	**164 686**	186 334

Capitalised leased assets included in the above are:

	Plant and machinery R000's	**Motor vehicles R000's**	**Total R000's**
2019			
Cost	**1 006**	**17 306**	**18 312**
Accumulated depreciation	**(242)**	**(6 843)**	**(7 085)**
Carrying value at 31 March 2019	**764**	**10 463**	**11 227**
2018			
Cost	1 137	15 752	16 889
Accumulated depreciation	(235)	(3 261)	(3 496)
Carrying value at 31 March 2018	902	12 491	13 393

Impairment losses and subsequent reversal – plant and equipment

Refer to note 5 for impairments and reversals.

Measurement of fair value – land and buildings

Fair value hierarchy

The fair value of owner-occupied property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's owner-occupied property portfolio on an annual basis. The valuation was done on the 31 March 2019. The directors confirm that there have been no material changes to the information used and assumptions applied by the registered valuer.

The fair value measurement of owner-occupied property of R351 million (2018: R373 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Level 3 fair value

The following shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	R000's
Carrying value at 31 March 2018	**373 421**
Additions	**663**
Reclassification from investment property	**(29 094)**
Disposals and depreciation	**(25 654)**
Revaluation straight through equity	
– Changes in fair value	**31 435**
Carrying value at 31 March 2019	**350 771**

The following shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	R000's
Carrying value at 31 March 2017	458 643
Additions	610
Reclassification to investment property	(110 456)
Disposals and depreciation	(3 950)
Revaluation straight through equity	
– Changes in fair value	28 574
Carrying value at 31 March 2018	373 421

Valuation technique and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Range of inputs (weighted average)** 2019	2018	**Inter-relationship between key unobservable inputs and fair value measurements**
Capitalisation of income: The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the property's location, structure and the rental-producing capacity of similar buildings in similar locations.	• Capitalisation rate	**9 – 15%**	9,0 – 14,5%	The estimated fair value would increase/(decrease) if: • The capitalisation rate was higher (lower) (see sensitivity analysis below).
	• Occupation rate	**98 – 100%**	98 – 100%	• Decrease in the occupancy rate of 1% would decrease FV by R3,5 million.
	• Projected income	**R11 – R33/m² Based on 179 702m² of lettable area**	R14 – R164/m² Based on 197 623m² of lettable area	• If annual expected income was 1% higher or lower, the FV would increase/decrease with R3,5 million. When practicable, external evidence was used such as current market rents for properties with a similar nature, conditions and location.

Sensitivity analysis on the fair value of owner-occupied buildings

The capitalisation rates for the fair value of the properties were between 9,0% and 15%. The table below presents the sensitivity of the valuation on the carrying value of the owner-occupied property to changes in the capitalisation rate.

	Carrying value	
	2019 R000's	2018 R000's
Increase of 1% in the capitalisation rate	**379 536**	343 012
Decrease of 1% in the capitalisation rate	**456 763**	408 890

Securitisation of assets

Refer to note 34 which relates to the security provided for the benefit of the Group's bankers.

11. INVESTMENT PROPERTIES

Reconciliation of carrying amount

	2019 R000's	2018 R000's
Opening carrying value	**907 352**	759 113
Additions – transfer from owner-occupied property	**29 094**	110 456
Additions	**86 446**	20 968
Development cost	**20 335**	–
Fair value adjustments	**12 868**	43 715
Disposals	**–**	(26 900)
Closing carrying value	**1 056 095**	907 352

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of between one and five years. One property was transferred from property plant and equipment (see note 10) to investment property.

Included in profit or loss:	**2019 R000's**	2018 R000's
Rental income from investment property	**125 831**	110 962
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	**29 252**	25 829
Direct operating expenses (including repairs and maintenance) relating to owner-occupied properties	**11 362**	12 939
Rates relating to rental-generating properties	**17 232**	14 755
Rates relating to owner-occupied properties	**3 599**	4 551

Capital commitments

See note 29 for details on capital commitments.

Measurement of fair value – investment properties

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on an annual basis. The directors confirm that there have been no material changes to the information used and assumptions applied by the registered valuer.

The fair value measurement of investment property of R1,06 billion has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

Notes to the consolidated financial statements (continued)

for the year ended 31 March

11. INVESTMENT PROPERTIES (continued)

Level 3 fair value

The following shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	R000's
Opening value at 31 March 2018	**907 352**
Development cost and capitalised borrowing cost	**20 335**
Additions	**86 446**
Reclassification from owner-occupied property	**29 094**
Disposals	**–**
Gain included in profit or loss	
– Changes in fair value	**12 868**
Closing value at 31 March 2019	**1 056 095**
Opening value at 31 March 2018	759 113
Additions	20 968
Reclassification to owner-occupied property	110 456
Disposal	(26 900)
Gain included in profit or loss	
– Changes in fair value	43 715
Closing value at 31 March 2018	907 352

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Range of inputs (weighted average) 2019	Range of inputs (weighted average) 2018	Inter-relationship between key unobservable inputs and fair value measurements
Capitalisation of income: The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the property's location, structure and the rental-producing capacity of similar buildings in similar locations.	• Capitalisation rate	**7 – 12%**	8 – 12%	The estimated fair value would increase/(decrease) if: • the capitalisation rate was higher (lower) [see sensitivity analysis below]
	• Occupation rate	**98 – 100%**	98 – 100%	• Decrease in the occupancy rate of 1% would decrease FV by R10,7 million.
	• Projected income	**R15 – R80/m² Based on 231 400m² of lettable area**	R20 – R98/m² Based on 194 741m² of lettable area	• If annual expected income was 1% higher or lower, the FV would increase/decrease with R10,7 million. When practicable, external evidence was used such as current market rents for properties with similar nature, conditions and locations.

Sensitivity analysis on the fair value of investment buildings

The capitalisation rates for the fair value of the properties were between 7% and 12%. The table below presents the sensitivity of the valuation on the carrying value of the investment property to changes in the capitalisation rate.

	Carrying value 2019 R000's	Carrying value 2018 R000's
Increase of 1% in the capitalisation rate	**874 645**	820 911
Decrease of 1% in the capitalisation rate	**1 077 698**	1 013 328

Securitisation of assets

Refer to note 34 which relates to the security provided for the benefit of the Group's bankers.

12. INTANGIBLE ASSETS AND GOODWILL

	Notes	Brand names/ Trade-marks R000's	Customer-related intangible assets R000's	Software R000's	Licences R000's	Goodwill R000's	Total intangibles R000's
Cost at 31 March 2019		**10 348**	**33 360**	**1 973**	**23 855**	**34 030**	**103 566**
Opening balance		**21 209**	**33 100**	**1 534**	**45 062**	**34 030**	**134 935**
Assets acquired separately		**–**	**–**	**426**	**5 000**	**–**	**5 426**
Disposals and assets reclassified as held for sale		**(10 880)**	**–**	**(25)**	**(26 207)**	**–**	**(37 112)**
Additions through internal development		**19**	**260**	**38**	**–**	**–**	**317**
Acquired through business combinations	24	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated amortisation and impairment at 31 March 2019		**607**	**5 171**	**1 444**	**2 437**	**2 581**	**12 240**
Opening balance		**6 113**	**3 449**	**1 072**	**13 961**	**2 581**	**27 176**
Current period amortisation		**1 981**	**1 722**	**393**	**2 418**	**–**	**6 514**
Disposals and assets reclassified as held for sale		**(7 487)**	**–**	**(21)**	**(23 190)**	**–**	**(30 698)**
Impairment losses recognised in profit and loss	5	**–**	**–**	**–**	**9 248**	**–**	**9 248**
Carrying value at 31 March 2019		**9 741**	**28 189**	**529**	**21 418**	**31 449**	**91 326**
Nature of useful lives		Finite	Finite	Finite	Finite		
Amortisation method		Straight-line	Straight-line	Straight-line	Straight-line		
Rate of amortisation		Period of contract	5%	20%	Period of licence		
Residual values		0%	0%	0%	0%		
Cost at 31 March 2018*		21 209	33 100	1 534	45 062	34 030	134 935
Opening balance		11 080	28 852	1 622	21 206	26 012	88 772
Assets acquired separately		–	–	138	–	–	138
Disposals and assets reclassified as held for sale		–	–	(226)	–	–	(226)
Acquired through business combinations		10 187	4 028	–	23 799	8 018	46 032
Additions through internal development		(1)	220	–	–	–	219
Transfer between categories		(57)	–	–	57	–	–
Accumulated amortisation and impairment at 31 March 2018		6 113	3 449	1 072	13 961	2 581	27 176
Opening balance		4 599	1 577	791	7 327	2 248	16 542
Disposals and assets reclassified as held for sale		–	–	(222)	–	–	(222)
Impairment losses recognised in profit and loss		–	–	–	6 600	333	6 933
Current period amortisation		1 514	1 872	503	34	–	3 923
Disposals and assets reclassified as held for sale		–	–	–	–	–	–
Carrying value at 31 March 2018*		15 096	29 651	462	31 101	31 449	107 759

** Restated, refer to note 32.1*

Notes to the consolidated financial statements (continued)

for the year ended 31 March

12. INTANGIBLE ASSETS AND GOODWILL (continued)

The amortisation of intangible assets is included in the following line items in the statement of profit or loss and other comprehensive income:

Impairment testing for CGUs containing goodwill

There were six CGUs containing goodwill in the current period

CGU in the Branded Product Distribution segment

The recoverable amount of this CGU was based on value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2019 **%**	2018 %
Average discount rate	**22,71**	18,73
Terminal value growth rate	**4,0**	4,0

The estimated recoverable amount of the CGU exceeded its carrying amount. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

CGU in the Industrial Product Manufacturing segment

The recoverable amount of this CGU was based on value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2019 **%**	2018 %
Average discount rate	**16,67**	18,73
Terminal value growth rate	**4,0**	4,0

The estimated recoverable amount of the CGU exceeded its carrying amount. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

13. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **R000's**	2018 R000's
Business Partners Limited (unlisted)	**4 237**	4 237
	4 237	4 237

	Number of shares	Number of shares
Business Partners Limited (unlisted)	**605 220**	605 220
	605 220	605 220
Investments are classified as financial asset at fair value through other comprehensive income (2018: available for sale) and are reconciled as follows:		
Opening balance	**4 237**	3 026
Revaluations	**–**	1 211
Closing balance	**4 237**	4 237

14. LONG-TERM RECEIVABLES

Reconciliation of carrying amount

	2019 R000's	2018 R000's
Net investment in finance leases	**27 483**	56 780
	27 483	56 780

Fair value of long-term receivables

The fair value of long-term interest-bearing receivables approximates the carrying value as market-related rates of interest are charged on these outstanding amounts. There were no impairment provisions on non-current receivable financial assets during the current or prior years.

Net investment in finance leases is reconciled with the gross investment in leases as follows:

	Gross investment in leases R000's	**Unearned finance income R000's**	**Net investment in leases R000's**
2019			
Lease payments receivable			
– Not later than one year	**50 848**	**10 061**	**40 787***
– Later than one year but not later than five years	**38 875**	**11 392**	**27 483**
– Later than five years	**–**	**–**	**–**
	89 723	**21 453**	**68 270**
2018			
Lease payments receivable			
– Not later than one year	50 143	7 120	43 023*
– Later than one year but not later than five years	72 962	16 182	56 780
– Later than five years	–	–	–
	123 105	23 302	99 803

** Included in trade and other receivables*

Interest is charged up to 25%.

There were no contingent rents recognised as income during the year.

The Group enters into finance leasing arrangements for its consumer electronic equipment. All leases are denominated in South African Rands. The average term of finance leases entered into is four to five years.

Notes to the consolidated financial statements (continued)

for the year ended 31 March

15. ASSETS HELD FOR SALE

The categories of property, plant and equipment are as follows:

	2019 R000's	2018 R000's
Land and buildings	**510**	510
Plant and machinery	**–**	570
	510	1 080

The segmental classification of the non-current assets held for sale is as follows:

	Textiles R000's	Industrials R000's	Property R000's	Total R000's
2019				
Land and buildings	**–**	**–**	**510**	**510**
	–	**–**	**510**	**510**
2018				
Land and buildings	–	–	510	510
Plant and machinery	–	570	–	570
	–	570	510	1 080

Reconciliation of carrying amount

	Land and buildings at valuation R000's	Plant and machinery at cost R000's	Equipment and fittings at cost R000's	Motor vehicles at cost R000's	Total R000's
Carrying value at 31 March 2018	**510**	**570**	**–**	**–**	**1 080**
Disposal	**–**	**(570)**	**–**	**–**	**(570)**
Carrying value at 31 March 2019	**510**	**–**	**–**	**–**	**510**
Carrying value at 31 March 2017	935	1 050	–	–	1 985
Disposal	(425)	(480)	–	–	(905)
Carrying value at 31 March 2018	510	570	–	–	1 080

Land and buildings

The directors of Vega Properties, a division of Sargas (Pty) Ltd, decided to sell the remaining residential properties. These properties are regarded as non-core assets. There are several interested parties and the sale is expected to be completed within the next financial year.

16. INVENTORIES

	2019 R000's	2018 R000's
Raw materials and consumables	**141 803**	155 792
Work-in-progress	**21 726**	40 232
Finished goods	**453 114**	484 911
	616 643	680 935
Inventories stated at net realisable value	**398 429**	256 176
Write-down of inventory to net realisable value during the year	**14 170**	29 284
Reversals of previous write-downs of inventory to net realisable value during the year*	**–**	(7 432)

** This inventory was realised during the year and the earlier write-down reversed.*

17. TRADE AND OTHER RECEIVABLES

Reconciliation of carrying value

	2019 R000's	2018 R000's
Trade receivables	**472 181**	608 004
Lease receivables	**40 787**	43 023
Other receivables	**77 268**	89 541
Fair value of outstanding foreign exchange contracts	**2 854**	239
Prepayments	**41 635**	45 865
Trade and other receivables	**634 725**	786 672

Carrying values approximate fair values for all classes.

Other receivables

Included under other receivables are:

	2019 R000's	2018 R000's
Income receivable from the Production Incentive Programme (refer to note 22)	**13 302**	35 673
Lease smoothing asset	**16 145**	10 904
VAT	**15 002**	9 392
Insurance claim receivable	**14 993**	7 724
Deposits	**10 469**	8 775
Sundry debtors	**7 357**	17 073
	77 268	89 541

Securitisation of assets

Refer to note 34 which relates to the security provided to the Group's bankers

Notes to the consolidated financial statements (continued)

for the year ended 31 March

18. STATED CAPITAL

	2019 R000's	2018 R000's
Authorised		
10 000 000 000 (2018: 10 000 000 000) ordinary shares of no par value	**–**	–
Each ordinary share has the right to one vote at general meetings		
Issued stated capital		
433 926 735 (2018: 431 337 345) ordinary shares of no par value	**1 456 237**	1 452 264
Balance at the beginning of the year – 428 621 716 (2017: 561 489 618)	**1 452 264**	1 449 653
Issued during the year – 2 589 390 (2018: 2 715 629)	**3 973**	2 611
	1 456 237	1 452 264

Issue of shares

Current period

During the period, 2 589 390 shares were issued in terms of the Group's share incentive scheme.

Prior period

During the period, 2 715 629 shares were issued in terms of the Group's share incentive scheme.

Reserved under options (see note 36)

42 862 171 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any of such shares in accordance with the terms and conditions of The Deneb Share Incentive Scheme Plan and any amendments thereto.

The remainder of the unissued shares are under the control of the directors until the next annual general meeting.

19. POST-EMPLOYMENT MEDICAL AID BENEFITS

General description of plan

The post-employment subsidy policy is summarised below:

- Qualifying medical scheme members who joined the Group before 1 July 1996 are eligible for a 50% retirement subsidy of their total medical scheme contributions.
- Dependants of eligible continuation members receive a subsidy before and after the death of the principal member.
- If a member eligible for a retirement subsidy dies in service, their dependants are eligible for a subsidy of medical scheme contributions as described above.

	2019 R000's	2018 R000's
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Current service cost	**367**	376
Interest on the obligation	**9 709**	9 503
Effect of curtailment or settlement	**–**	–
Total included in staff costs	**10 076**	9 879
Reconciliation in the net liability recognised in the balance sheet are as follows:		
Liability at the beginning of the year	**106 515**	98 992
Net expense recognised in profit or loss	**10 076**	9 879
Contributions from employer	**(7 950)**	(7 466)
Actuarial (gains)/losses recognised in other comprehensive income – changes from financial assumptions	**(10 622)**	5 110
Liability in the balance sheet	**98 019**	106 515
Represented by		
Liability due within 12 months	**7 749**	7 619
Liability due after 12 months	**90 270**	98 896
	98 019	106 515
Present value of unfunded obligations	**98 019**	106 515
Fair value of plan assets	**–**	–
Recognised liability for defined benefit obligations	**98 019**	106 515

The net cumulative actuarial gain recognised in other comprehensive income is R10,62 million.

Forecast reconciliation of the plan to 31 March 2020 is as follows:	2020 R000's
Liability at 31 March 2019	98 019
Net expense in the statement of comprehensive income	9 826
Contributions	(8 119)
Forecast liability at 31 March 2020	99 726

Trend information

		2019	2018
The principal actuarial assumptions at the reporting date:			
Discount rate	(%)	**9,77**	8,88
Medical inflation	(%)	**8,49**	8,23
Sensitivity of results			
• A 1% increase in medical aid inflation would result in:			
– An increase in the accrued liability of	(R000's)	**9 615**	11 220
	(%)	**9,81**	10,53
– An increase in the service and interest cost of	(R000's)	**992**	1 066
	(%)	**9,85**	10,79
• A 1% decrease in medical aid inflation would result in:			
– A decrease in the accrued liability of	(R000's)	**(8 304)**	(9 621)
	(%)	**(8,47)**	(9,03)
– A decrease in the service and interest cost of	(R000's)	**(854)**	(911)
	(%)	**(8,48)**	(9,22)
• A 1% decrease in the discount rate would result in:			
– An increase in the accrued liability of	(R000's)	**9 567**	11 238
	(%)	**9,76**	10,55
• A 1% increase in the discount rate would result in:			
– A decrease in the accrued liability of	(R000's)	**(8 129)**	(9 470)
	(%)	**(8,29)**	(8,89)

Notes to the consolidated financial statements (continued)

for the year ended 31 March

20. FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

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

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established a risk committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Interest-bearing liabilities

	Final repayment dates	Average rate of interest p.a.	**2019 R000's**	2018 R000's
Secured				
Instalment sale and finance lease agreements	2022	Prime	**15 100**	19 009
Loans from financial institutions	**	**	**797 823**	740 099
			812 923	759 108
Unsecured				
HCI Treasury Proprietary Limited*		Prime	**88 724**	99 397
			88 724	99 397
Total interest-bearing liabilities			**901 647**	858 505
Current portion of interest-bearing liabilities			**173 319**	169 972
Non-current portion of interest-bearing liabilities			**728 328**	688 533

* *The lender provided the unconditional right for repayment to occur 12 months after the reporting date*

** *Refer to note 26 for further information*

Instalment sales and finance lease agreements are payable as follows:

	Principal R000's	**Interest R000's**	**Gross instalments R000's**
2019			
Less than one year	**5 905**	**1 604**	**7 509**
Between one and five years	**9 195**	**878**	**10 073**
Later than five years	**–**	**–**	**–**
	15 100	**2 482**	**17 582**

	Principal R000's	Interest R000's	Gross instalments R000's
2018			
Less than one year	5 679	1 640	7 319
Between one and five years	13 330	2 552	15 882
Later than five years	–	–	–
	19 009	4 192	23 201

Under the terms of the lease agreements, no contingent rentals are payable. Finance leases are repayable in monthly instalments.

Financial risk management

Foreign currency management: Operating subsidiaries undertake transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Material exchange rate exposure on imported goods, trade debtors/creditors, foreign currency assets and liabilities and capital equipment is hedged through the use of forward exchange contracts. Trade exports are hedged using forward exchange contracts ("FECs") and customer foreign currency accounts. FECs are not used for speculative purposes.

FECs act as natural hedges and formal hedge accounting is not performed.

Interest rate management: The Group is exposed to interest rate risk as it borrows and places funds on the money market. This risk is managed by maintaining an appropriate mix of fixed and daily call placements with reputable financial institutions.

Credit risk management: Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, investments and receivables. A significant amount of the Group's trade debt is in respect of sales to retailers, in particular Amic Trading Proprietary Limited (R79,5 million) (2018: R57,4 million), Shoprite Holdings Limited (R25,8 million) (2018: R28,6 million), Massmart Limited (R55 million) (2018: R74,1 million), Faurecia Emissions (R25,3 million) (2018: R5,5 million) and Volkswagen of SA (R21,3 million) (2018: R23,9 million).

Total debt in respect of sales to government and various municipalities was R5,9 million (2018: R13,3 million).

The risk on cash and cash equivalents is managed through dealing with established financial institutions with high credit standing.

The vast majority of trade debtors relate to sales made in the local market, with R563 million (98%) (2018: R584 million (96,2%)) being denominated in South African Rands.

Trade receivables denominated in US Dollar accounted for 1% (2018: 3,8%), and those in Euro accounted for 0,9% (2018: 0%).

Receivables are presented net of impairment provisions. The risk arising on trade receivables is managed through a Group policy on the granting of credit limits, continual review and monitoring of these limits. The company is jointly and severally liable in respect of third-party liabilities incurred by subsidiary companies.

Capital management: The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base of the business is viewed as being the shareholder equity and non-current interest-bearing liabilities amounting to R2 361,7 million (2018: R2 369,6 million).

Collateral

Finance lease receivable balances are secured over the electronic and office automation equipment leased. The Group does not hold any significant collateral other than electronic and office automation equipment securing finance lease receivable balances. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

During the period the Group did not obtain any assets by taking possession of any collateral held as security.

Repossessed electronic and office automation equipment is taken into stock and becomes available for lease or sale.

Expected credit losses

The Group had the following financial assets subject to the expected credit loss ("ECL") model:

- trade receivables; and
- other receivables.

20. FINANCIAL INSTRUMENTS (continued)

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and lease receivables.

To measure the expected credit losses, trade and lease receivables have been grouped based on customer type, i.e large private equity, large public equity, medium and small private equity and government and the days past due. ECLs are calculated by applying a loss ratio to the aged balance of the receivable.

The expected loss rates are based on the payment profiles of sales over a period of 36 to 72 months before 1 April 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has applied the general impairment model to other receivables. The Group has considered past experience and future macroeconomic factors and, consequently, the probability of default relating to these balances are low.

On the above basis the expected credit loss for trade and lease receivables as at 31 March 2019 and 1 April 2018 was determined as follows:

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
2019			
Large private equity	**193 775**	**38 160**	**19,7**
Lease receivables	51 204	1 900	3,7
Trade receivables:			
Current	34 117	1 436	4,2
30+ days	16 664	807	4,8
60+ days	8 648	553	6,4
90+ days	30 180	5 473	18,1
120+ days	52 962	27 991	52,9
Large public equity	**191 488**	**830**	**0,4**
Lease receivables	615	11	1,8
Trade receivables:			
Current	89 440	125	0,1
30+ days	52 012	120	0,2
60+ days	24 495	166	0,7
90+ days	13 811	193	1,4
120+ days	11 115	215	1,9
Medium and small equity	**307 249**	**10 541**	**3,4**
Lease receivables	5 926	190	3,2
Trade receivables:			
Current	178 911	1 046	0,6
30+ days	54 166	551	1,0
60+ days	19 696	343	1,7
90+ days	20 961	3 464	16,5
120+ days	27 589	4 947	17,9
Government	**21 020**	**789**	**3,8**
Lease receivables	10 524	233	2,2
Trade receivables:			
Current	1 326	51	3,8
30+ days	957	44	4,6
60+ days	382	80	20,9
90+ days	7 831	381	4,9

The closing loss allowances for trade and other receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

Allowances for expected credit losses	**2019 R000's**	2018 R000's
The movement in the allowance for impairment in respect of trade receivables during the period was as follows:		
Opening balance	**28 817**	20 744
IFRS 9 adjustment	**24 466**	–
Written off as irrecoverable	**(5 262)**	(416)
Increased through business combinations	**–**	53
Impairments recognised on new instruments	**11 551**	10 418
Reversal of impairment	**(9 256)**	(1 982)
Closing balance	**50 316**	28 817
Past due or not impaired financial assets		
The following analysis reflects the aging of trade receivables as at year-end which have exceeded their credit terms, but have not been impaired.		
30+ days	**3 549**	9 716
60+ days	**5 600**	6 336
90+ days	**3 742**	16 150
120+ days	**21 630**	31 096
	34 521	63 298

The following analysis reflects the aging and remaining value of trade receivables as at year-end which are considered to have been impaired and against which an impairment for non-recovery has already been made:

	2019 R000's	2018 R000's
30+ days	**509**	–
60+ days	**453**	292
90+ days	**1 050**	1 738
120+ days	**38 797**	12 263
	40 809	14 293

In determining the impairments, the Group considered, inter alia, disputes with customers, untraceable and slow payers, long overdue accounts and customers placed under liquidation.

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (exceed credit terms).

Notes to the consolidated financial statements (continued)

for the year ended 31 March

20. FINANCIAL INSTRUMENTS (continued)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash flow and funding risk management

This risk is managed through cash flow forecasts and ensures that adequate borrowing facilities are maintained. In terms of the memorandum of incorporation, the Group's borrowing powers are unlimited.

Refer to note 26 for borrowing facilities.

Categories of financial assets

The carrying amount of financial assets, which also represent the maximum credit exposure and reasonably approximate their fair values, are as follows:

	2019 R000's	2018 R000's
Financial assets at amortised cost	**616 490**	829 623
Financial assets at fair value through profit or loss	**2 854**	239
Financial asset at fair value through other comprehensive income	**4 237**	4 237
	623 581	834 099

Reconciliation with line items presented in the balance sheet:

	Financial assets at amortised cost R000's	**Financial assets at fair value through profit or loss R000's**	**Financial asset at fair value through other comprehensive income R000's**	**Non-financial asset R000's**	**Total R000's**
2019					
Financial asset at fair value through other comprehensive income	**–**	**–**	**4 237**	**–**	**4 237**
Long-term receivables	**27 483**	**–**	**–**	**–**	**27 483**
Trade and other receivables	**575 234**	**2 854**	**–**	**56 637**	**634 725**
Cash and cash equivalents	**13 773**	**–**	**–**	**–**	**13 773**
	616 490	**2 854**	**4 237**	**56 637**	**680 218**
2018					
Financial asset at fair value through other comprehensive income	–	–	4 237	–	4 237
Long-term receivables	56 780	–	–	–	56 780
Trade and other receivables	731 176	239	–	55 257	786 672
Cash and cash equivalents	41 667	–	–	–	41 667
	829 623	239	4 237	55 257	889 356

Categories of financial liabilities

The carrying amount of financial liabilities, which also reasonably approximate their fair values, are as follows:

	2019 R000's	2018 R000's
Fair value through profit or loss (forward exchange contracts)	**–**	4 240
Measured at amortised cost	**1 678 048**	1 595 127
	1 678 048	1 599 367

Reconciliation with line items presented in the balance sheet:

	Financial liabilities at fair value through profit or loss R000's	Financial liabilities at amortised cost R000's	Non-financial liability R000's	Total R000's
2019				
Interest-bearing liabilities – non-current	**–**	**728 328**	**–**	**728 328**
Interest-bearing liabilities – current	**–**	**173 319**	**–**	**173 319**
Trade and other payables	**–**	**452 493**	**7 350**	**459 843**
Bank overdrafts	**–**	**323 908**	**–**	**323 908**
	–	**1 678 048**	**7 350**	**1 685 398**
2018				
Interest-bearing liabilities – non-current	–	688 533	–	688 533
Interest-bearing liabilities – current	–	169 972	–	169 972
Trade and other payables	4 240	592 746	7 900	604 886
Bank overdrafts	–	143 876	–	143 876
	4 240	1 595 127	7 900	1 607 267

Maturity profile of financial instruments

The maturity profile of financial assets and liabilities at 31 March is summarised as follows:

	0 – 12 months R000's	1 – 3 years R000's	Total R000's
2019			
Assets			
Financial asset at fair value through other comprehensive income	**–**	**4 237**	**4 237**
Long-term receivables	**–**	**38 875**	**38 875**
Trade and other receivables	**578 088**	**–**	**578 088**
Cash and cash equivalents	**13 773**	**–**	**13 773**
Total financial assets	**591 861**	**43 112**	**634 973**
Liabilities			
Interest-bearing liabilities	**173 319**	**728 328**	**901 647**
Trade and other payables	**452 493**	**–**	**452 493**
Bank overdrafts	**323 908**	**–**	**323 908**
Total financial liabilities – non-derivatives	**949 720**	**728 328**	**1 678 048**
Trade and other payables	**–**	**–**	**–**
Total financial liabilities – derivatives	**–**	**–**	**–**
Net financial (liabilities)/assets	**(357 859)**	**(685 216)**	**(1 043 075)**

20. FINANCIAL INSTRUMENTS (continued)

	0 – 12 months R000's	1 – 3 years R000's	Total R000's
2018			
Assets			
Investments	–	4 237	4 237
Long-term receivables	–	72 962	72 962
Trade and other receivables	731 415	–	731 415
Cash and cash equivalents	41 667	–	41 667
Total financial assets	773 082	77 199	850 281
Liabilities			
Interest-bearing liabilities	169 972	688 533	858 505
Trade and other payables	592 746	–	592 746
Bank overdrafts	143 876	–	143 876
Total financial liabilities – non-derivatives	906 594	688 533	1 595 127
Trade and other payables	4 240	–	4 240
Total financial liabilities – derivatives	4 240	–	4 240
Net financial (liabilities)/assets	(137 752)	(611 334)	(749 086)

Contractual undiscounted cash flows

	0 – 12 months R000's	**1 – 3 years R000's**	**Total R000's**
2019			
Liabilities – contractual undiscounted cash flows			
Interest-bearing borrowings	**252 393**	**856 077**	**1 108 470**
Trade and other payables	**452 493**	**–**	**452 493**
Bank overdrafts	**352 315**	**–**	**352 315**
Total financial liabilities – non-derivatives	**1 057 201**	**856 077**	**1 913 278**
Trade and other payables	**–**	**–**	**–**
Total financial liabilities – derivatives	**–**	**–**	**–**
2018			
Liabilities – contractual undiscounted cash flows			
Interest-bearing liabilities	251 530	819 354	1 070 884
Trade and other payables	592 746	–	592 746
Bank overdrafts	157 544	–	157 544
Total financial liabilities – non-derivatives	1 001 820	819 354	1 821 174
Trade and other payables	4 240	–	4 240
Total financial liabilities – derivatives	4 240	–	4 240

Reconciliation of liabilities arising from finance activities	Notes	Opening carrying value	Financing cash flows per statement of cash flows: Increase in borrowings	Financing cash flows per statement of cash flows: Borrowings repaid	Business combinations	Other	Closing carrying value
		R000's	R000's	R000's	R000's	R000's	R000's
2019							
Unsecured loans	20	**99 397**	**–**	**(20 000)**	**–**	**9 327**	**88 724**
Secured loans	20	**759 108**	**71 900**	**(8 000)**	**(219)**	**(9 866)**	**812 923**
		858 505	**71 900**	**(28 000)**	**(219)**	**(539)**	**901 647**
Bank overdraft		**143 876**	**–**	**–**	**–**	**–**	**323 908**
Total interest-bearing liabilities		**1 002 381**	**–**	**–**	**–**	**–**	**1 225 555**
2018							
Unsecured loans	20	100 487	5 000	(41 000)	25 058	9 852	99 397
Secured loans	20	658 981	2 314	(14 374)	122 039	(9 852)	759 108
		759 468	7 314	(55 374)	147 097	–	858 505
Bank overdraft		78 124	–	–	–	–	143 876
Total interest-bearing liabilities		837 592	–	–	–	–	1 002 381

Fair value of financial instruments

The fair value of short-term financial assets and liabilities approximate their carrying values as disclosed in the balance sheet.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 fair values for financial instruments measured at fair value in the consolidated balance sheet, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities	Quoted prices for the instrument	Not applicable	Not applicable
Forward exchange contracts	Forward pricing, the fair value is determined using quoted prices	Not applicable	Not applicable

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Notes to the consolidated financial statements (continued)

for the year ended 31 March

20. FINANCIAL INSTRUMENTS (continued)

	Notes	Carrying value			
		Financial assets at amortised cost R000's	**Financial assets/ (liabilities) at fair value through profit or loss R000's**	**Financial asset at fair value through other comprehensive income R000's**	**Financial liabilities at amortised cost R000's**
2019					
Financial assets measured at fair value					
Equity securities	13	**–**	**–**	**4 237**	**–**
Forward exchange contracts	17	**–**	**2 854**	**–**	**–**
Financial assets not measured at fair value					
Long-term receivables	14	**27 483**	**–**	**–**	**–**
Trade and other receivables	17	**575 234**	**–**	**–**	**–**
Cash and cash equivalents		**13 773**	**–**	**–**	**–**
		616 490	**2 854**	**4 237**	**–**
Financial liabilities measured at fair value					
Forward exchange contracts		**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Instalment sale and finance lease agreements		**–**	**–**	**–**	**(15 100)**
Secured bank loans		**–**	**–**	**–**	**(797 823)**
Unsecured loans		**–**	**–**	**–**	**(88 724)**
Trade and other payables	21	**–**	**–**	**–**	**(452 493)**
Bank overdrafts	26	**–**	**–**	**–**	**(323 908)**
		–	**–**	**–**	**(1 678 048)**
2018					
Financial assets measured at fair value					
Equity securities	13	–	–	4 237	–
Forward exchange contracts	17	–	239	–	–
Financial assets not measured at fair value					
Long-term receivables	14	56 780	–	–	–
Trade and other receivables	17	731 176	–	–	–
Cash and cash equivalents		41 667	–	–	–
		829 623	239	4 237	–
Financial liabilities measured at fair value					
Forward exchange contracts		–	(4 240)	–	–
Financial liabilities not measured at fair value					
Instalment sale and finance lease agreements		–	–	–	(19 009)
Secured bank loans		–	–	–	(650 000)
Unsecured loans		–	–	–	(189 496)
Trade and other receivables	21	–	–	–	(592 746)
Bank overdrafts	26	–	–	–	(143 876)
		–	(4 240)	–	(1 595 127)

	Fair value			
Total R000's	Level 1 R000's	Level 2 R000's	Level 3 R000's	Total R000's
4 237	**–**	**4 237**	**–**	**4 237**
2 854	**–**	**2 854**	**–**	**2 854**
27 483	**–**	**–**	**–**	**27 483**
575 234	**–**	**–**	**–**	**575 234**
13 773	**–**	**–**	**–**	**13 773**
623 581	**–**	**7 091**	**–**	**623 381**
–	**–**	**–**	**–**	**–**
(15 100)	**–**	**–**	**–**	**(15 100)**
(797 823)	**–**	**–**	**–**	**(797 823)**
(88 724)	**–**	**–**	**–**	**(88 724)**
(452 493)	**–**	**–**	**–**	**(452 493)**
(323 908)	**–**	**–**	**–**	**(323 901)**
(1 678 048)	**–**	**–**	**–**	**(1 678 048)**
4 237	–	4 237	–	4 237
239	–	239	–	239
56 780	–	–	–	56 780
731 176	–	–	–	731 176
41 667	–	–	–	41 667
834 099	–	4 476	–	834 099
(4 240)	–	(4 240)	–	(4 240)
(19 009)	–	–	–	(19 009)
(650 000)	–	–	–	(650 000)
(189 496)	–	–	–	(189 496)
(592 746)	–	–	–	(592 746)
(143 876)	–	–	–	(143 876)
(1 599 367)	–	(4 240)	–	(1 599 367)

20. FINANCIAL INSTRUMENTS (continued)

Reclassification of financial assets

No financial assets were reclassified from fair value to at cost or amortised cost or vice-versa during the year.

Pledges of financial assets

Refer to note 34 for securitisation of assets.

Determination of fair value for financial assets and liabilities

Receivables are impaired based on the estimated credit losses on a debtor-by-debtor basis. Receivables and liabilities denominated in foreign currencies are restated based on the year-end exchange rate. Publicly traded investments are revalued to their fair values on an annual basis.

Included in the Group's trade receivable balance are debtors which are past due at the reporting date for which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	2019 R000's	2018 R000's
These "past due, but not impaired debtors" amount to:	**34 521**	74 990

Derecognition of financial assets

There has been no transfer by the Group of financial assets to any outside party where such financial assets do not qualify for derecognition.

Defaults and breaches on loans

There were no breaches or defaults on the repayment of any loans payable during the current or prior period.

Market risk

Market risk is the risk that changes in the market prices such as foreign exchange rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the import of electronic equipment, toys, finished goods and raw materials.

	2019 R000's	2018 R000's
Fair value of derivatives at year-end, determined by marking-to-market of contracts	**2 854**	(4 001)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delving cash or another financial asset.

Adequate liquidity is managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities.

The Group is exposed to a number of risks including market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Sensitivity analysis

Equity price sensitivity analysis

The Group faces an equity risk in that it holds investments in Business Partner shares as disclosed under the investments note. Net profit/loss for the period would be unaffected by equity price volatility as revaluations to the equity investment are taken directly to other comprehensive income.

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk in the form of trade receivables and trade payables denominated in foreign currencies as well as related forward exchange contracts and customer foreign currency accounts. Details of the Group's exposure in this regard is contained in note 28 of these financial statements.

Interest rate sensitivity analysis

At year-end the Group's net interest-bearing borrowings amounted to R1 212 million (2018: R904 million). In the main the interest rates applicable to these loans are variable. Consequently, in the event of a 10% change in interest rates (i.e. an increase of 1%), there will be an additional interest charge of R9,61 million (2018: R9,04 million) before tax.

21. TRADE AND OTHER PAYABLES

	2019 R000's	2018 R000's
Trade payables and accrued expenses	**406 095**	544 480
Fair value of outstanding foreign exchange contracts	**–**	4 240
VAT	**7 650**	7 900
Other current liabilities	**46 098**	48 266
	459 843	604 886
The operating lease accrual is payable as follows:		
Less than one year (included under trade and other payables)	**1 254**	2 199
Between one and five years (shown separately as operating lease accruals on the balance sheet)	**7 451**	5 734
	8 705	7 933

22. GOVERNMENT GRANTS

Government grants in the Group relates to the Production Incentive Programme ("PIP") established by the Department of Trade and Industry. The programme is an incentive offered to qualifying companies operating within the clothing and textile manufacturing industry.

Deferred income	**2019 R000's**	2018 R000's
Deferred amounts, to be recognised in more than 12 months' time	**83 727**	141 754
Deferred amounts, to be recognised in the next 12 months, included in trade and other payables	**16 102**	8 908
Deferred income	**99 829**	**150 662**
Reconciliation of deferred income:		
Opening carrying value	**150 662**	144 451
Government receivable recognised during the period	**7 488**	30 176
Transferred to held for sale	**(39 981)**	–
Deferred income released during the period	**(18 340)**	(23 965)
Closing carrying value	**99 829**	**150 662**
Reconciliation of receivable:		
Receivable balance for government grants brought forward	**35 673**	57 873
Government receivable recognised during the period	**7 488**	30 176
Transferred to held for sale	**(1 738)**	–
Total cash received during the year from government grants amounted to	**(28 121)**	(52 376)
Amount outstanding as at year-end	**13 302**	**35 673**

Amounts outstanding at year-end is included under other receivables (refer to note 17).

There are no unfulfilled conditions or contingencies relating to the government assistance recognised.

Notes to the consolidated financial statements (continued)

for the year ended 31 March

23. PROVISIONS

Restructuring and retrenchment costs	2019 R000's	2018 R000's
Carrying amount at the beginning of the year	**3 991**	224
Additional provisions made in the year, including increases to existing provisions	**1 715**	13 145
Transferred to held for sale	**(365)**	–
Amounts utilised during the year	**(5 341)**	(9 378)
Carrying amount at the end of the year	**–**	3 991

The provisions relate to the discontinuation and disposal of the operations.

24. BUSINESS COMBINATIONS

2019

Sale of subsidiary

The Group has sold its interest in Limtech Biometric Solutions Proprietary Limited for a total consideration of R2,2 million on 30 June 2018, of which R1,5 million was paid upfront in cash and the remaining balance shall be paid in18 equal monthly instalments commencing on 1 July 2019.

The following table summarises proceeds on disposal, net cash flow on disposal and analysis of assets and liabilities disposed of:

	Branded Product Distribution R000's
Property plant and equipment	**109**
Trade and other receivables	**3 843**
Inventory	**903**
Cash and cash equivalents	**153**
Long-term borrowings	**(219)**
Trade and other payables	**(2 210)**
Provisions	**(960)**
Other current liabilities	**(201)**
Net asset value disposed of	**1 418**
Gain on disposal of subsidiary	**955**
Deferred disposal proceeds	**(720)**
Cash and cash equivalents disposed of	**(153)**
Net cash inflow on disposal	**1 500**

2018

Subsidiaries acquired during the prior year

Measurement of fair values

The valuation techniques used to measure the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Intangible assets: Trade marks, licences and customer-related asset	The discounted cash flow valuation methodology. This entails the identification, separation and quantification of cash flows, the application of a contributory asset charge and brand charge and the determination of the net present value of future cash flows.

Consideration transferred

The following table summarises the consideration paid for the entities, and the amount of the assets acquired and liabilities assumed recognised at the acquisition date.

Consideration	Branded Product Distribution R000's	Industrials R000's	**Total* R000's**
Cash	61 672	–	**61 672**
Hosken Consolidated Investments Limited loan	–	25 058	**25 058**
Own shares issued	–	–	**–**
Total consideration	61 672	25 058	**86 730**

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Branded Product Distribution R000's*	Industrials R000's	**Total R000's**
Recognised amounts of identifiable assets acquired and liabilities assumed	–	–	
Property plant and equipment	58	79 438	**79 496**
Inventories	38 122	44 863	**82 985**
Intangible assets	38 013	–	**38 013**
Deferred tax asset	346	–	**346**
Trade and other receivables	77 753	77 419	**155 172**
Current tax asset	1 966	–	**1 966**
Cash and cash equivalents	320	3 090	**3 410**
Non-current loan	(14 091)	(99 148)	**(113 239)**
Deferred liabilities	(7 762)	(3 362)	**(11 124)**
Trade and other payables	(31 044)	(58 837)	**(89 881)**
Current loans	(8 800)	–	**(8 800)**
Bank overdrafts	(38 599)	(22 723)	**(61 322)**
Total identifiable net assets	56 282	20 740	**77 022**
Less non-controlling interest	(2 628)	–	**(2 628)**
Goodwill	8 018	–	**8 018**
Goodwill directly to equity as transaction with owners	–	4 317	**4 317**
Total consideration	61 672	25 057	**86 729**
Cash flow from this investing activity			
Cash consideration transferred	(61 672)	–	**(61 672)**
Add cash and cash equivalents in the business acquired	320	3 090	**3 410**
Less overdraft in the business acquired	(38 599)	(22 723)	**(61 322)**
Net cash outflow from investing operations	(99 951)	(19 633)	**(119 584)**

** Restated, refer to note 32*

Notes to the consolidated financial statements (continued)

for the year ended 31 March

24. BUSINESS COMBINATIONS (continued)

Subsidiary name	Acquisition date	Segment	Description	Voting interest acquired %	Revenue contributed to the Group R000's	Net profit/(loss) contribution to the Group R000's	Revenue contributed to the Group had the acquisition been effective 1 April 2017 R000's	Net profit/(loss) contribution to the Group had the acquisition been effective 1 April 2017 R000's
Formex Industries Proprietary Limited ("Formex")	1 Aug 2017	Industrials	Formex Industries is an entity focusing on the development, manufacturing and supply of pressed and tubular components for the automotive market.	100	272 776	54 470	386 584	53 107
New Just Fun Group Proprietary Limited ("New Just Fun")	13 Dec 2017	Branded Product Distribution	New Just Fun is a South African toy distributor.	100	12 839	(3 751)	(144 585)	(685)
Oops Global SA	31 Dec 2017	Branded Product Distribution	Oops Global is a company based in Balerna, Switzerland specialising in the design, concept and sale of toys for kids.	60	2 719	(1 950)	2 719	(1 950)

Goodwill

The goodwill is attributable mainly to intangible assets that are either not separable or cannot be valued reliably as per IFRS 3. This includes assembled workforce, non-competition agreements, customer lists, production backlog, lease agreements, employment contracts, databases, patented/unpatented technology, computer software, service and supply contracts. It will not be deductible for tax purposes.

25. LEASES

The Group leases various industrial and commercial buildings under non-cancellable operating leases expiring within one year. The leases have varying terms, escalation clauses and renewal rights.

	Nominal amount	
	2019 R000's	2018 R000's
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**19 774**	29 825
Between one and five years	**41 644**	27 892
More than five years	**539**	751
	61 957	58 468
Non-cancellable operating lease rentals are receivable as follows:		
Less than one year	**125 451**	110 584
Between one and five years	**248 221**	312 726
More than five years	**4 002**	9 547
	377 674	432 857

No future sublease payments are expected to be received under non-cancellable subleases.

No contingent rentals were recognised as income in the period.

The Group leases a number of premises as distribution warehouses, factory and retail facilities, as well as office equipment, motor vehicles and forklifts under operating leases.

26. BORROWING FACILITIES

Overdraft facility

	2019 R000's	2018 R000's
Available facility	**560 000**	560 000
Net utilised	**(350 349)**	(166 202)
Bank overdraft	**(323 908)**	(143 876)
Letter of credits	**(26 441)**	(22 326)
Unutilised balance	**209 651**	393 798

These facilities have been secured in terms of note 34.

Loan facilities

The company has converted part of its on-demand borrowing facility into a loan facility with The Standard Bank of South Africa Limited ("Standard Bank").

The loan facility was applied towards the refinancing of the company's properties.

	2019 R000's	2018 R000's
Available facility	**816 900**	745 000
Utilised	**(797 824)**	(740 099)
Non-current portion	**(628 872)**	(575 636)
Current portion	**(168 952)**	(164 463)

26. BORROWING FACILITIES (continued)

Details of the loan facilities

	2019 R000's	2018 R000's
Standard Bank		
*Loan facility A**		
Available facility	**50 000**	50 000
Utilised	**50 000**	50 000
Date of repayment of capital towards the loan facility	**4 March 2023**	4 March 2023
Interest rates	**Prime less 1%**	Prime less 1,00%
Standard Bank		
Loan facility B	**150 000**	150 000
Utilised	**150 000**	150 000
Date of repayment of capital towards the loan facility	**31 July 2019**	4 March 2019
Interest rates	**Prime less 1,40%**	Prime less 1,40%
Standard Bank		
Loan facility C	**450 000**	450 000
Utilised	**450 000**	450 000
Date of repayment of capital towards the loan facility	**4 March 2021**	4 March 2021
Interest rates	**Prime less 1,25%**	Prime less 1,25%
Standard Bank		
Loan facility D	**14 900**	
Utilised	**14 900**	
Date of repayment of capital towards the loan facility	**March 2022**	
Interest rates	**Prime less 2%**	
Standard Bank		
Loan facility E	**28 000**	
Utilised	**28 000**	
Date of repayment of capital towards the loan facility	**March 2022**	
Interest rates	**Prime less 2%**	
Standard Bank		
Loan facility F	**29 000**	
Utilised	**29 000**	
Date of repayment of capital towards the loan facility	**March 2022**	
Interest rates	**Prime less 2%**	
Investec		
Loan facility	**60 000**	60 000
Utilised	**45 923**	48 744
Date of repayment of capital towards the loan facility	**March 2022**	March 2022
Interest rates	**JIBAR plus 2,45%**	JIBAR plus 2,45%
Investec		
Loan facility	**30 000**	35 000
Utilised	**30 000**	27 177
Date of repayment of capital towards the loan facility	**March 2022**	March 2022
Interest rates	**JIBAR plus 2,45%**	JIBAR plus 2,45%

** A R150 million short-term facility is repayable on 31 July 2019. The Group's forecast cash flows allow for the renegotiation of this repayment to be rolled forward as in prior years, but if not successful, the Group has the ability to sell assets to meet this liability*

27. DIRECTORS' EMOLUMENTS

Paid by a subsidiary company Name	Salary R000's	Bonus R000's	Retirement and medical contributions R000's	Share option expense R000's	Directors' fees R000's	Other benefits R000's	Total R000's
2019							
Executive directors* **							
S A Queen* (CEO)	**4 500**	**1 218**	**–**	**2 165**	**–**	**–**	**7 883**
A M Ntuli	**1 114**	**94**	**233**	**30**	**–**	**–**	**1 471**
G D T Wege	**2 124**	**633**	**309**	**369**	**–**	**–**	**3 435**
D Duncan	**3 421**	**200**	**456**	**546**	**–**	**–**	**4 623**
Non-executive directors							
J A Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**183**	**–**	**183**
M H Ahmed	**–**	**–**	**–**	**–**	**237**	**–**	**237**
T G Govender**	**–**	**–**	**–**	**–**	**130**	**–**	**130**
N B Jappie	**–**	**–**	**–**	**–**	**183**	**–**	**183**
R D Watson	**–**	**–**	**–**	**–**	**237**	**–**	**237**
Y Shaik	**–**	**–**	**–**	**–**	**130**	**–**	**130**
Executive committee members							
K Robson	**1 832**	**746**	**119**	**211**	**–**	**–**	**2 908**
I Morris	**2 165**	**4 341**	**290**	**216**	**–**	**–**	**7 012**
2018							
Executive directors* **							
S A Queen* (CEO)	4 428	1 264	–	2 539	–	–	8 231
A M Ntuli	1 062	90	219	35	–	–	1 406
G D T Wege	2 007	654	292	500	–	–	3 453
D Duncan	3 020	668	431	681	–	–	4 800
Non-executive directors							
J A Copelyn (Chairperson)**	–	–	–	–	173	–	173
M H Ahmed	–	–	–	–	224	–	224
L G Govender	–	–	–	–	123	–	123
T G Govender**	–	–	–	–	198	–	198
N B Jappie	–	–	–	–	173	–	173
R D Watson	–	–	–	–	173	–	173
Y Shaik**	–	–	–	–	123	–	123
Executive committee members							
K Robson	1 727	700	109	284	–	–	2 820
I Morris	2 050	4 750	434	443	–	–	7 677

Notes to the consolidated financial statements (continued)

for the year ended 31 March

27. DIRECTORS' EMOLUMENTS (continued)

Additional disclosure in terms of the share options granted during the year:

Deneb Investments Limited options	Opening balance of share options 000's	Number of share options awarded during the year 000's	Number of shares exercised 000's	Number of shares cancelled 000's	Closing balance of share options 000's	Strike price of share options awarded R	Exercised price of shares exercised R
2019							
Executive directors* **							
S A Queen* (CEO)	**9 565**	**1 490**	**(1 383)**	**–**	**9 672**	**2,01**	**0,87**
A M Ntuli	**256**	**60**	**–**	**–**	**316**	**2,01**	**–**
G D T Wege	**4 343**	**722**	**(2 263)**	**–**	**2 802**	**2,01**	**1,36**
D Duncan	**5 365**	**1 073**	**(404)**	**–**	**6 034**	**2,01**	**0,87**
Non-executive directors							
J A Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
M H Ahmed	**–**	**–**	**–**	**–**	**–**	**–**	**–**
T G Govender**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
R D Watson	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Y Shaik	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Executive committee members							
K Robson	**2 127**	**401**	**–**	**–**	**2 528**	**2,01**	**–**
I Morris	**2 725**	**536**	**–**	**–**	**3 261**	**2,01**	**–**
2018							
Executive directors* **							
S A Queen* (CEO)	8 123	1 442	–	–	9 565	1,42	–
A M Ntuli	195	61	–	–	256	1,42	–
G D T Wege	3 934	673	(264)	–	4 343	1,42	1,70
D Duncan	4 341	1 024	–	–	5 365	1,42	–
Non-executive directors							
J A Copelyn (Chairperson)**	–	–	–	–	–	–	–
N B Jappie	–	–	–	–	–	–	–
L G Govender	–	–	–	–	–	–	–
M H Ahmed	–	–	–	–	–	–	–
T G Govender**	–	–	–	–	–	–	–
R D Watson	–	–	–	–	–	–	–
Y Shaik	–	–	–	–	–	–	–
Executive committee members							
K Robson	1 732	395	–	–	2 127	1,42	–
I Morris	2 217	508	–	–	2 725	1,42	–

* *The remuneration of S A Queen is included in the managerial services provided by HCI referred to in note 30 Related parties*

** *Ceded to HCI*

*** *There is no distinction made in the remuneration packages of executive directors for services as directors and services for carrying on the business of the Group and/or subsidiary companies*

For the interest of directors in the company's share capital, please refer to the Analysis of Shareholders.

Directors' interests in contracts are disclosed in note 30 Related parties.

The following table reflects the remuneration received by directors who also serve on the board of HCI and its subsidiaries:

Director	Board fees R000's	Salary R000's	Other benefits R000's	Bonus R000's	**Total for the year ended 31 March 2019 R000's**	Total for the year ended 31 March 2018 R000's
J A Copelyn	–	7 330	4 508	3 573	**15 411**	15 744
T G Govender	–	1 908	1 921	806	**4 635**	5 518
Y Shaik	–	3 787	2 146	1 600	**7 533**	6 738
N B Jappie	329	–	–	–	**329**	249
R D Watson	871	–	–	–	**871**	751
L G Govender	–	–	–	–	**–**	371

28. FOREIGN CURRENCY COMMITMENTS

	Currency	**Uncovered**	**Covered**	**Total**
2019				
Foreign currency monetary items are as follows:				
Foreign receivables	**AUD**	**–**	**–**	**–**
	EUR	**5 750**	**–**	**5 750**
	USD	**43 747**	**116**	**43 863**
	GBP	**443**	**–**	**443**
	CHF	**1 267**	**–**	**1 267**
		51 207	**116**	**51 323**
Foreign payables	**AUD**	**–**	**–**	**–**
	EUR	**1 651**	**3 194**	**4 845**
	GBP	**84**	**104**	**188**
	USD	**44 893**	**16 813**	**61 706**
	CHF	**–**	**–**	**–**
	SEK	**–**	**–**	**–**
		46 628	**20 111**	**66 739**

Sensitivity analysis

A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R5 120 700 while the uncovered payables balance would decrease by R4 662 800, resulting in a net loss of R457 900. A weakening of the Rand by 10% would have an equal, but opposite effect.

	Currency	Uncovered	Covered	Total
2018				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	–	–	–
	EUR	168	–	168
	USD	47 916	–	47 916
	GBP	441	–	441
	CHF	1 585	–	1 585
		50 110	–	50 110
Foreign payables	AUD	–	–	–
	EUR	2 051	1 735	3 786
	GBP	45	2 241	2 286
	USD	94 102	25 228	119 330
	CHF	1 874	–	1 874
	SEK	41	–	41
		98 113	29 204	127 317

28. FOREIGN CURRENCY COMMITMENTS (continued)

The exchange rates were as follows:

Currency	Spot rate 31 March 2019	Spot rate 31 March 2018
CHF	**14,53**	12,34
EUR	**16,25**	15,57
GBP	**18,81**	16,63
USD	**14,47**	11,85
AUD	**10,26**	9,09
SEK	**1,56**	1,42

29. COMMITMENTS

	Capital expenditure		Contractual commitments	
	2019 R000's	2018 R000's	**2019 R000's**	2018 R000's
Investment property	**20 335**	–	**8 465**	40 000
Land and buildings	**663**	610	**–**	
Plant and equipment	**124 728**	110 873	**39 731**	33 072
Intangible assets	**5 426**	138	**426**	–
Business combinations	**61 672**	61 672	**–**	–
	212 824	173 293	**48 622**	73 072

The capital commitments are expected to be incurred during the next 12 months. Commitments will be funded through banking facilities.

30. RELATED PARTIES

Transactions between Group companies

During the year, in the ordinary course of business, certain companies within the Group entered into transactions with one another. These intra-group transactions have been eliminated on consolidation.

Transactions with Hosken Consolidated Investments Limited ("HCI") (ultimate holding company), entities in which HCI has an interest:

	Transaction values for the year ended 31 March Income/(Expense)		Balance outstanding as at 31 March Balance receivable/(owing)	
	2019 R000's	2018 R000's	**2019 R000's**	2018 R000's
HCI – loan from HCI	**(9 327)**	(9 852)	**(88 724)**	(99 397)
Management fees paid	**–**	–	**–**	–
HCI – managerial and secretarial services	**(4 546)**	(4 474)	**(435)**	(432)
Internal audit fees to HCI	**(726)**	–	**(181)**	–
Management fees received	**–**	–	**–**	–
HCI Invest 8 HoldCo	**–**	207	**–**	–
Risk Management to HCI	**435**	117	**70**	–

HCI loan

Loans between HCI and the Group attracted interest at prime.

The lender provided the unconditional right for repayment to occur 12 months after the reporting date.

Prior period acquisition of subsidiary

During the financial year, the Group acquired 100% of the share capital of Formex Industries Proprietary Limited for an amount of R25 million with effect from 1 August 2017. Further information has been published on SENS on 10 July 2017 and 21 July 2017.

The transaction was accounted for as a common control transaction. Refer to note 24 for further information.

Remuneration of key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. The remuneration (all short-term benefits) paid by the Group to its key management personnel is as follows:

	2019 R000's	2018 R000's
Basic	**58 776**	57 879
Benefits	**7 292**	10 910
	66 068	68 789

A share incentive scheme has been implemented for key management personnel. See note 36 for further details.

The percentage of shares held by directors of the company and their related entities at the reporting date are disclosed in the Analysis of Shareholders report on page 117.

31. CONTINGENCIES

There are no material contingencies at the date of signing this report.

32. CHANGE IN COMPARATIVES

32.1 Purchase price allocation

At the time the March 2018 financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of New Just Fun and Oops Global SA. In particular, the fair value of assets and liabilities disclosed were determined provisionally as the valuations had not been finalised. Upon finalising these valuations, we have retrospectively adjusted the provisional amounts recognised at acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

The impact of the restatement on the prior period numbers is as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Impact of restatement		
31 March 2018	As previously reported R000's	Adjustments R000's	As restated R000's
Total assets	3 556 696	7 762	3 564 458
Intangible assets and goodwill	99 997	7 762	107 759
Intangible assets	41 525	34 785	76 310
Goodwill	58 472	(27 023)	31 449
Total liabilities	(1 882 070)	(7 762)	(1 889 832)
Deferred liability	(7 142)	(7 762)	(14 904)

32.2 Discontinuing operations

The results of discontinuing operations have been separately disclosed on the face of the statement of profit or loss and other comprehensive income. Where practical these results for the prior year have been restated.

Refer to note 8 for further information.

Notes to the consolidated financial statements (continued)

for the year ended 31 March

33. DISAGGREGATION OF REVENUE

	Properties	Branded Product Distribution	Automotive Parts Manufacturing	Industrial Product Manufacturing	Head office and Centralised Services	Total
2019						
Segment revenue						
Primary geographical market						
South Africa	167 041	1 425 295	455 206	1 211 390	107	3 259 039
Other African countries	–	9 619	–	50 505	–	60 124
Asia	–	–	697	–	–	697
Europe	–	74 928	16 306	–	–	91 234
South America	–	–	11 410	–	–	11 410
	167 041	1 509 842	483 619	1 261 895	107	3 422 504
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	998 016	–	998 016
Pressed, roll-formed steel products	–	–	483 619	128 993	–	612 612
Speciality chemicals	–	–	–	134 886	–	134 886
Rentals	167 041	–	–	–	–	167 041
Toys, electronic games and sports goods	–	1 361 151	–	–	–	1 361 151
Stationery, publishing and office supplies	–	148 691	–	–	107	148 798
	167 041	1 509 842	483 619	1 261 895	107	3 422 504
Timing of revenue recognition						
At a point in time	167 041	1 509 842	463 819	1 261 895	107	3 402 704
Over time:						
Pressed, roll-formed steel products	–	–	19 800	–	–	19 800
	167 041	1 509 842	483 619	1 261 895	107	3 422 504
Inter-segment sales	(41 210)	(649)	–	(33 974)	–	(75 833)
	125 831	1 509 193	483 619	1 227 921	107	3 346 671
Less: Revenue attributable to discontinuing operations	–	(115 998)	–	(274 837)	–	(390 835)
Revenue as per statement of comprehensive income	125 831	1 393 195	483 619	953 084	107	2 955 836

	Properties	Branded Product Distribution	Automotive Parts Manufacturing	Industrial Product Manufacturing	Head office and Centralised Services	Total
2018						
Segment revenue						
Primary geographical market						
South Africa	157 999	1 355 551	249 839	1 372 569	102	3 136 060
Other African countries	–	14 140	–	55 367	–	69 507
Asia	–	–	511	–	–	511
Europe	–	95 257	8 308	–	–	103 565
South America	–	–	14 118	–	–	14 118
	157 999	1 464 948	272 776	1 427 936	102	3 323 761
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	1 180 157	–	1 180 157
Pressed, roll-formed steel products	–	–	272 776	119 049	–	391 825
Speciality chemicals	–	–	–	128 730	–	128 730
Rentals	157 999	–	–	–	–	157 999
Toys, electronic games and sports goods	–	1 242 880	–	–	–	1 242 880
Stationery, publishing and office supplies	–	222 068	–	–	102	222 170
	157 999	1 464 948	272 776	1 427 936	102	3 323 761
Timing of revenue recognition						
At a point in time	157 999	1 464 948	203 915	1 427 936	102	3 254 900
Over time:						
Pressed, roll-formed steel products	–	–	68 861	–	–	68 861
	157 999	1 464 948	272 776	1 427 936	102	3 323 761
Inter-segment sales	(47 038)	(24 866)	–	(36 114)	–	(108 018)
	110 961	1 440 082	272 776	1 391 822	102	3 215 743
Less: Revenue attributable to discontinuing operations	–	(211 728)	–	(457 244)	–	(668 972)
Revenue as per statement of comprehensive income	110 961	1 228 354	272 776	934 578	102	2 546 771

We have presented the comparatives revenue at the same level with IFRS 9 for the current year and not as per IAS18 for ease of reference for the user. This is deemed appropriate as the impact of IFRS 15 did not have a material impact on revenue upon adoption.

34. SECURITISATION OF ASSETS

Security has been provided by Deneb to Standard Bank via a special purpose company, Sargas Security (Pty) Ltd ("the Security SPV"), which has guaranteed the obligations of the Borrower Group in favour of Standard Bank in terms of a Debt Guarantee. Sargas (Pty) Ltd and Prima Toy and Leisure Trading (Pty) Ltd have indemnified the Security SPV in respect of any claim arising from the Security SPV issuing the Debt Guarantee.

Continuing Covering Mortgage Bonds ("the Mortgage Bonds") have been registered in favour of the Security SPV in respect of Sargas' properties.

Prima Toy and Leisure Trading (Pty) Ltd has provided an unlimited cession in favour of Standard Bank of its rights to all book debts and other debts due.

Each of the companies comprising the Borrower Group has guaranteed the payment and discharge of every other company's indebtedness to Standard Bank in terms of an Interlinking Demand Guarantee. (The "Borrower Group" comprises Deneb and its operating subsidiaries, excluding Formex Industries (Pty) Ltd, Formex Tubing (Pty) Ltd, Premier Rainwatergoods (Pty) Ltd, New Just Fun Group (Pty) Ltd, HTIC Limited and Oops Global SA).

Notes to the consolidated financial statements (continued)

for the year ended 31 March

34. SECURITISATION OF ASSETS (continued)

The impact of the above on the figures disclosed in the balance sheet is as follows:

	Per balance sheet R000's	Securitised R000's	Unsecuritised R000's
2019			
Property, plant and equipment	**709 611**	**496 528**	**213 083**
Investment property	**1 056 095**	**1 056 095**	**–**
Intangible assets	**59 877**	**–**	**59 877**
Financial asset at fair value through other comprehensive income	**4 237**	**–**	**4 237**
Long-term receivables	**27 483**	**–**	**27 483**
Inventories	**616 643**	**–**	**616 643**
Trade and other receivables	**634 725**	**257 274**	**377 451**
Non-current assets held for sale	**396 168**	**–**	**396 168**

2018

The impact of the above on the figures disclosed in the balance sheet is as follows:

	Per balance sheet R000's	Securitised R000's	Unsecuritised R000's
2018			
Property, plant and equipment	813 426	430 138	383 288
Investment property	907 352	907 352	–
Intangible assets	76 310	–	76 310
Other investments	4 237	–	4 237
Long-term receivables	56 780	–	56 780
Inventories	680 935	–	680 935
Trade and other receivables	786 672	331 543	455 129
Non-current assets held for sale	1 080	–	1 080

Note

Security Cession means a security cession in terms of which the Security Grantor cedes to the Security SPV *in securitatem debiti* all of such Security Grantor's present and future Rights and Interest as security for the due, proper and timeous payment and performance in full of the Security Grantor's obligations under the Indemnity, on the terms of the written Security Cession signed between the Security SPV and the Security Grantor.

Indemnity means an irrevocable and unconditional indemnity given by the Security Grantor to the Security SPV, indemnifying the Security SPV in respect of any claim or liability of the Security SPV arising under the Guarantees which the Security SPV has provided in respect of all monies and liabilities owing by the Security Grantor and other companies within the Borrower Group in connection with the banking facilities provided by the Guaranteed Parties to the Borrower Group and against any loss, damage, liability, costs or expenses of any nature which the Security SPV may incur as a consequence of the occurrence of any Event of Default, on the terms of the written Indemnity Agreement signed between the Security SPV and the Security Grantor.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no material post year-end events at the date of signing this report.

36. SHARE INCENTIVE SCHEME

Basis of accounting

The 2014 Deneb Share Incentive Scheme was established on 10 October 2014. In addition, the 2017 Deneb Share Incentive Scheme was approved by shareholders and adopted by the Group and its subsidiaries on 1 November 2017. The terms and conditions of the 2017 Share Scheme are in all material aspects the same as the 2014 Share Scheme.

The Incentive Schemes provide selected employees with the opportunity to acquire ordinary shares in Deneb Investments Limited, thereby ensuring that such employees are encouraged and motivated to pursue the continued growth and profitability of Group companies.

In terms of the 2014 Share Scheme, 53 977 647 ordinary shares of no par value each have been placed under the control of the directors, and 42 862 171 ordinary shares of no par value for the 2017 Share Scheme. The directors are authorised to allot and issue all or any of such shares in accordance with the terms of conditions of the Share Incentive Scheme. Options are accounted for as equity-settled.

Equity-settled

During the financial year, 10 781 733 ordinary options (2018: 9 204 132) were allotted.

The exercise of the options by the employees is subject to them meeting performance targets relating to the profitability of the relevant business unit or division or Group profitability, as well as the continued employment of the employee as at the date on which the option is exercised, in which case the employee may exercise:

- 9 010 771 options issued on 14 October 2014 refers to the Seardel Investment Corporation Limited ("Seardel") options issued on 18 March 2010 and 16 July 2010 by Seardel and vested immediately.
- 6 105 501 options issued on 14 October relates to the 4 July 2011 issued Seardel options vested on 4 July 2015.
- 7 235 388 options issued on 14 October 2014 relating to the 20 June 2012 issued Seardel options vest as follows:
  - up to 30% of the options granted vest immediately;
  - up to a further 30% of the option shares from the third anniversary date; and
  - the balance, namely 40% of the option shares, from the fourth anniversary date.
- 10 563 004 options issued on 27 January 2015 vest as follows from the grant date:
  - up to 10% of the option shares from the first anniversary of the option date;
  - up to a further 20% of the option shares from the second anniversary date;
  - up to a further 30% of the option shares from the third anniversary date; and
  - the balance, namely 40% of the option shares, from the fourth anniversary date.
- 8 135 448 options issued on 29 June 2015 vest as follows from the grant date:
  - up to 10% of the option shares from the first anniversary of the option date;
  - up to a further 20% of the option shares from the second anniversary date;
  - up to a further 30% of the option shares from the third anniversary date; and
  - the balance, namely 40% of the option shares, from the fourth anniversary date.
- 11 552 529 options issued on 30 June 2016 vest as follows from the grant date:
  - up to 10% of the option shares from the first anniversary of the option date;
  - up to a further 20% of the option shares from the second anniversary date;
  - up to a further 30% of the option shares from the third anniversary date; and
  - the balance, namely 40% of the option shares, from the fourth anniversary date.
- 9 204 132 options issued on 26 June 2017 vest as follows from the grant date:
  - up to 10% of the option shares from the first anniversary of the option date;
  - up to a further 20% of the option shares from the second anniversary date;
  - up to a further 30% of the option shares from the third anniversary date; and
  - the balance, namely 40% of the option shares, from the fourth anniversary date.

36. SHARE INCENTIVE SCHEME (continued)

- 10 781 733 options issued on 18 June 2018 vest as follows from the grant date:
  - up to 10% of the option shares from the first anniversary of the option date;
  - up to a further 20% of the option shares from the second anniversary date;
  - up to a further 30% of the option shares from the third anniversary date; and
  - the balance, namely 40% of the option shares, from the fourth anniversary date.

Options in issue are as follows:

Option holder	Grant date	Unexercised options	Strike price (cents)	Vesting conditions	Remaining life of option
S A Queen	14 October 2014	1 713 759	130	Continued employment	2 years
	27 January 2015	1 091 401	175	2 years' profitability and continued employment	6 years
	29 June 2015	1 591 233	169	2 years' profitability and continued employment	6 years
	30 June 2016	2 343 944	144	Continued employment	6 years
	26 June 2017	1 441 713	139	Continued employment	7 years
	18 June 2018	1 489 586	201	Continued employment and meeting predetermined financial objectives	5 years
Total for S A Queen		9 671 636			
G D T Wege	29 June 2015	668 258	169	2 years' profitability and continued employment	6 years
	30 June 2016	738 491	144	Continued employment	6 years
	26 June 2017	672 598	139	Continued employment	7 years
	18 June 2018	722 214	201	Continued employment and meeting predetermined financial objectives	5 years
Total for G D T Wege		2 801 561			
D Duncan	14 October 2014	499 846	130	Continued employment	2 years
	27 January 2015	1 564 245	175	2 years' profitability and continued employment	6 years
	29 June 2015	891 388	169	2 years' profitability and continued employment	6 years
	30 June 2016	981 939	144	Continued employment	6 years
	26 June 2017	1 023 672	139	Continued employment	7 years
	18 June 2018	1 073 155	201	Continued employment and meeting predetermined financial objectives	5 years
Total for D Duncan		6 034 245			
A M Ntuli	29 June 2015	164 099	169	2 years' profitability and continued employment	7 years
	30 June 2016	30 632	144	Continued employment	6 years
	26 June 2017	60 626	139	Continued employment	7 years
	18 June 2018	60 626	201	Continued employment and meeting predetermined financial objectives	5 years
Total for A M Ntuli		315 983			
Other, not being directors	14 October 2014	1 223 500	87	Continued employment	1 years
	14 October 2014	1 298 732	130	Continued employment	2 years
	27 January 2015	3 792 235	175	2 years' profitability and continued employment	6 years
	29 June 2015	2 669 350	169	2 years' profitability and continued employment	6 years
	30 June 2016	4 883 206	144	Continued employment	6 years
	26 June 2017	4 703 469	139	Continued employment	7 years
	18 June 2018	7 234 751	201	Continued employment and meeting predetermined financial objectives	5 years
Total other		25 805 243			
Total options in issue		**44 628 668**			

Reconciliation of movements in options:

	2019	2018
Opening balance	**41 975 412**	44 325 893
Awarded during the period	**(10 781 733)**	9 204 132
Exercised during the period	**(2 589 390)**	(2 715 629)
Options used for strike price	**(2 456 054)**	(1 957 401)
Lapsed/forfeited during the period	**(3 083 033)**	(6 881 583)
Closing balance	**44 628 668**	41 975 412

		2019	2018
Exercisable at year-end		**18 257 986**	15 826 856
Amount expensed during the year (included in employment costs)	(R000's)	**1 487 101**	4 652 438
Value of shares issued during the year	(R000's)	**3 972 555**	2 610 777
Weighted average share price of share options exercised during the year	(R000's)	**2,40**	2,00

Valuation methodology

The fair value of the options granted was determined as follows:

A stochastic model, based on the standard "binomial" options pricing model (which is mathematically consistent with the Black-Schöles-Merton model), but allows for the particular features of employee share options to be modelled realistically, was used.

The key principles of the Black-Schöles-Merton model are incorporated into this Actuarial Binomial Model. They include:

- risk-neutral valuation;
- the underlying share price is assumed to follow a log-normal distribution of returns;
- stock returns are independently distributed;
- a risk-free return can be earned and is known in advance;
- the market is efficient and thus an investor cannot make risk-free profits; and
- the underlying share price follows a Markov process – i.e. where the share price has been in the past does not have a bearing on where it will go in the future. All relevant information is contained in the share price at the grant date.

It follows then that if the Actuarial Binomial Model is being used to value a call option that:

- can only be exercised on a single date;
- has no performance conditions or vesting period;
- has a constant volatility and dividend yield throughout its life; and
- may not be forfeited,

then the value produced by the Actuarial Binomial model will be exactly equal to that produced by the Black-Schöles formula.

The inability of the Black-Schöles formula to value American options was remedied by Cox, Ross and Rubinstein who devised a binomial lattice technique for valuing share options using the underlying financial economic principles of Black, Schöles and Merton.

The binomial model has proved over time to be the most flexible, intuitive and popular approach to option pricing. It is based on the simplification that over a single period (of possibly very short duration), the underlying asset can only move from its current price to two possible levels.

Using the concept of hedging to replicate the option value at each step (using a combination of a risky and risk-free asset), it is possible to calculate the value of the option by working recursively backwards from the expiry of the option.

The lattice provides a tremendously flexible framework for valuing employee share options. This is because the possible share price at each point over the option lifetime is considered. The framework also allows for the division of the option lifetime into distinct periods – e.g. vesting period, closed period and eligible exercise period.

Valuation assumptions

The model used for valuing the employee share option arrangements requires a number of financial assumptions to be made.

The main assumptions together with a detailed description of the derivation of each of these assumptions have been set out below.

36. SHARE INCENTIVE SCHEME (continued)

Share price

The closing share price, as at the acceptance date of each option granted, was used as available on I-Net Bridge.

Risk-free interest rate

IFRS 2 requires the use of a risk-free interest rate with a term equal to the expected lifetime of the option. The Nominal Bond Curve as completed by the Johannesburg Stock Exchange of South Africa and obtained from I-Net Bridge was used. The rates used in the valuation are based on the yield curve provided at the acceptance date of each option granted. The Nominal Bond Curve was determined by the appropriate risk-free rate corresponding to the expected option lifetime of each grant.

Expected option lifetime

Our valuers have estimated the expected option lifetime by considering separately each of the tranches available within the grant. The expected lifetime was rounded to the nearest complete year.

Volatility of share price

Volatility is a measure of the amount by which a share price is expected to fluctuate during the lifetime of the option. The estimate of the expected volatility over the term of the option is a significant assumption needed in determining the fair value of an employee share option. To be consistent with the definition of volatility used in option pricing models and the requirements of IFRS 2 (Appendix B, paragraph B22), an annualised standard deviation of the continuously compounded rates of return of the share was used.

In terms of IFRS 2, some of the factors that need to be considered in estimating the expected volatility include:

- Paragraph B25 (b) – "The historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option"; and
- Paragraph B25 (d) – "The tendency of volatility to revert to its mean, i.e. its long-term average level, and other factors indicating that expected future volatility might differ from past volatility".

In order to estimate the share price volatility to be used in the valuation our valuers have considered the expected option lifetime of all the grants over the vesting period. As each grant is made up of four distinct tranches, being the staggered vesting periods, they have made use of the expected lifetime for each of these tranches.

Only share price data from 1 November 2008 has been considered due to the rights issue that occurred during October 2008.

Dividend yield

IFRS 2 requires an expected dividend or dividend yield to be taken into account in the valuation of share options in those arrangements where employees are not entitled to the dividend declared during the vesting period or the period before exercise. The dividend yield used should be the best estimate of the forward-looking dividend yield over the expected life of the option, determined at the grant date. A dividend yield assumption of 0,00% has been used.

Employee turnover

The main effect of allowing for employee turnover is that, in respect of the proportion of employees who are assumed to leave before the option (or part of the option) vests, the cost of that option (or part of the option) would be zero.

A forfeiture rate of 5% per annum compound during the vesting period has been assumed. Our valuers' experience has been that employee turnover for staff included in share option schemes is generally between 5% and 15% although acknowledging that this varies between industries and sectors.

Further, where an employee leaves during the exercise period, he is assumed to exercise immediately if the option is "in-the-money". A withdrawal assumption of 5% per annum compound as above has again been used.

It should be noted that the assumption of employee turnover is a non-market condition and therefore, in accordance with IFRS 2, is adjusted during the period over which the expense is recognised (i.e. the vesting period). Each year, the employee turnover assumption should reflect the actual result of leavers in that year and to allow for the effect that actual experience would have on the future assumptions.

Ultimately at the end of the particular vesting period the actual number of options that eventually vest would need to have been expensed and the appropriate liability raised.

During the period over which the options vest, any differences in actual leavers to the assumption will be accounted for in the statement of comprehensive income at the end of the vesting period on a true-up basis.

Exercise behaviour

Option valuation theory implies that the optimal time to exercise the option (and maximise value) is generally towards the end of the allowable exercise period. However, individual behaviour often results in employees exercising their options relatively early (especially after a sudden share price rise), provided the options are "in-the-money".

Our valuers have relied on a fairly general assumption for exercise behaviour based on internal investigations and a wide set of data provided by their international colleagues.

The following assumptions were used to reflect exercise behaviour in any given year:

- one-third of Scheme participants will exercise their options when they are 20% "in-the-money" (i.e. the share price is equal to 120% of the offer price);
- one-third of Scheme participants will exercise their options when they are 50% "in-the-money" (i.e. the share price is equal to 150% of the offer price); and
- the remaining one-third of Scheme participants will exercise their options at the theoretically "optimal" time.

37. NEW STANDARDS

New standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2018, and have not been applied in preparing these consolidated financial statements. The standard listed below will be effective in future reporting periods and is considered significant to the Group. The Group has elected not to early adopt IFRS 16. It is expected that the Group will adopt IFRS 16 on its effective date.

	Standard/Interpretation	Date issued by IASB (1)	Effective date: Periods beginning on or after
IFRS 16	Leases	January 2016	1 January 2019

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Practical expedients are available for short-term and low-value leases.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The Group expects that the most significant impact of the new standard will result from its current property leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of R62 million (see note 25).

The Group estimated the following impact on its financial position and income, excluding tax effects, if the standard should be implemented on 1 April 2019:

- For lease commitments (excluding non-lease components, short-term and low-value leases) the Group will recognise lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate and after taking into account the lease term, value, economic environment and security over the asset applicable, on 1 January 2019, and corresponding right-of-use assets in respect of these leases.
- On adoption of IFRS 16, operating lease costs (other than short-term and low-value leases) will no longer be recognised as part of operating expenses. The Group intends to apply a threshold of R50 000 for assessing what constitutes low-value assets. For the year ended 31 March 2019, the Group has recognised lease expenses of R38 million (refer to note 3).
- Cash generated from operations will increase, as lease costs will no longer be included in this category of cash flows. Interest paid will increase, as it will include the interest portion of the lease liability repayments. This is expected to have a net positive impact on net cash generated from operating activities. Net cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings.
- The Group does not expect any significant impact on the financial statements from its lessor activities. However, some additional disclosures will be required in the next reporting period.
- The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the fully retrospective transitional approach and will restate comparative amounts for the year prior to adoption.

38. NON-CONTROLLING INTEREST

Prior period

During the prior period the Group acquired 60% of Oops Global SA, a company based in Balerna, Switzerland specialising in the design, concept and sale of toys for kids.

38. NON-CONTROLLING INTEREST (continued)

Transactions with non-controlling interests

Current period

On 5 April 2018, the Group subscribed for 930 shares following a rights issue in Oops Global SA, increasing its shareholding from 60% to 66,2%. On 16 May 2018, the Group purchased 1 220 additional holding shares in Oops Global SA for a consideration of R7,8 million, further increasing its shareholding to 86,4%.

The Group recognised an increase in non-controlling interests of R1,122 million and an equal decrease in retained earnings attributable to owners of the Group.

Prior period

In March 2018, the Group increased its shareholding in OfficeBox Proprietary Limited to 89,25% from 84,49% in the previous period.

The Group recognised an increase in non-controlling interests of R0,584 million and an equal decrease in retained earnings attributable to owners of the Group.

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests.

	OfficeBox Proprietary Limited		Oops Global SA		Total	
	2019 R000's	2018 R000's	**2019 R000's**	2018 R000's	**2019 R000's**	2018 R000's
Non-controlling interests percentage (%)	**10,7**	10,7	**13,6**	40,0		
Non-current assets	**791**	513	**2 971**	3 149	**3 762**	3 662
Current assets	**3 506**	2 954	**7 534**	3 958	**11 040**	6 912
Non-current liabilities	**(141)**	–	**–**	–	**(141)**	–
Current liabilities	**(4 541)**	(3 709)	**(10 587)**	(2 227)	**(15 128)**	(5 936)
Net assets attributable to the shareholders	**(385)**	(242)	**(82)**	4 880	**(467)**	4 638
Total carrying amount of non-controlling interests	**237**	(84)	**939**	(1 328)	**1 176**	(1 412)
Revenue	**16 961**	14 304	**16 604**	2 719	**33 565**	17 023
Loss for the year	**(2 987)**	(3 872)	**(16 619)**	(3 250)	**(19 606)**	(7 122)
Other comprehensive income for the year	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(2 987)**	(3 872)	**(16 619)**	(3 250)	**(19 606)**	(7 122)
Loss allocated to non-controlling interests	**(321)**	(600)	**(1 145)**	(1 301)	**(1 466)**	(1 901)
Other comprehensive income allocated to non-controlling interests	**–**	–	**–**	–	**–**	–

39. RESERVES

	2019 R000's	2018 R000's
Composition of other reserves		
Revaluation of financial asset at fair value through other comprehensive income	**–**	1 210
Foreign currency translation differences	**(46)**	(2 304)
Common control reserve	**(20 219)**	(20 219)
Surplus on revaluation of land and buildings	**310 252**	288 180
	289 987	266 867

There are no restrictions on the Group to distribute these funds once realised.

Surpluses arising on the disposal of subsidiary and associated companies are classified as other reserves until such time as management determines that they be included in distributable reserves at which time they are reclassified as retained income. Reserves are created to prevent the distribution of unrealised profits arising through the revaluation of certain assets. Upon realisation, reserves are maintained at management's discretion.

Analysis of shareholders

Pursuant to the Listings Requirements of the JSE and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at the reporting date was as follows:

	2019				2018			
	Number of share-holders*	**%**	**Number of shares***	**%**	Number of share-holders*	%	Number of shares*	%
Ordinary shares								
Non-public	**15**	**1,3**	**369 732 684**	**85,2**	13	1,2	363 443 017	84,2
– Directors of the company and subsidiaries	**7**	**0,7**	**6 548 517**	**1,5**	7	0,6	2 481 134	0,6
– Shareholders with more than 10% holding*	**3**	**0,2**	**361 172 972**	**83,2**	3	0,3	360 343 281	83,5
– Non-director share scheme participants	**5**	**0,5**	**2 011 195**	**0,5**	3	0,3	618 602	0,1
Public	**1 070**	**98,6**	**64 194 051**	**14,8**	1 111	98,8	67 894 328	15,8
	1 085	**100,0**	**433 926 735**	**100,0**	1 124	100,0	431 337 345	100,0

** Includes indirect holdings held by directors via Fulela Trade and Invest 81 (Pty) Ltd, Squirewood Investments 64 (Pty) Ltd and Hosken Consolidated Investments Limited*

DIRECTORS' INTEREST IN SHARES

At the year-end the directors (including their family interests) were directly or indirectly interested in the company's issued shares as follows:

	2019		2018	
	Number of ordinary shares	**%**	Number of ordinary shares	%
Direct	**5 724 703**	**1,3**	4 106 316	1,0
Indirect	**33 294 570**	**7,7**	28 990 422	6,7

Details of directors' beneficial direct and indirect interest in the ordinary shares are as follows:

	Direct		**Indirect**	
	2019 Number of ordinary shares	2018 Number of ordinary shares	**2019 Number of ordinary shares**	2018 Number of ordinary shares
S A Queen	**3 681 358**	2 799 961	**320 499**	258 817
G D T Wege	**1 438 496**	958 580	**–**	–
D Duncan	**604 849**	347 775	**–**	–
A M Ntuli	**–**	–	**1 508**	1 238
Y Shaik	**–**	–	**45 031**	–
N B Jappie	**–**	–	**–**	–
L G Govender	**–**	–	**–**	–
R D Watson	**–**	–	**–**	–
T G Govender	**–**	–	**4 768 895**	980 542
J A Copelyn	**–**	–	**28 158 637**	27 749 825
	5 724 703	4 106 316	**33 294 570**	28 990 422

There were no changes recorded in the directors' shareholding between the end of the financial year and the date of this report.

Analysis of shareholders (continued)

SHAREHOLDERS' INTEREST IN SHARES

The following are shareholders, other than directors, who own more than 5% of the company's stated capital:

	2019		2018	
	Number of ordinary shares	%	Number of ordinary shares	%
Hosken Consolidated Investments Limited	**293 019 226**	**67,5**	292 409 226	67,8
Fulela Trade and Invest 81 (Pty) Ltd*	**64 288 024**	**14,8**	64 288 024	14,9
Squirewood Investments 64 (Pty) Ltd*	**3 865 722**	**0,9**	3 646 031	0,8

Executives and staff members of the Group, other than directors, held 2 011 195 (2018: 618 602) ordinary shares at year end.

Shareholders and members of the public are advised that the register of interest of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the company secretary.

** Wholly owned subsidiary of Hosken Consolidated Investments Limited*

ANALYSIS OF SHAREHOLDERS

	Number of shareholders		% of total shareholders		Number of shares		% of total shares	
Ordinary shares	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
1 – 1 000	**661**	667	**61**	59	**106 621**	110 699	**–**	–
1 001 – 5 000	**120**	128	**11**	12	**303 027**	314 952	**–**	–
5 001 – 50 000	**232**	249	**22**	22	**3 879 050**	4 148 178	**1**	1
50 001 – 100 000	**24**	27	**2**	2	**1 715 110**	1 956 070	**–**	–
Over 100 000	**48**	53	**4**	5	**427 922 927**	424 807 446	**99**	99
	1 085	1 124	**100**	100	**433 926 735**	431 337 345	**100**	100

	2019 %	2018 %
Banks, investment, finance and nominee companies and trusts	**96**	96
Directors and staff	**2**	1
Individuals	**2**	3

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			2019	2018
Total number of shares traded	('000)	Ordinary	**1 303**	25 617
Total value of shares traded	(R000's)	Ordinary	**2 942**	45 899
Weighted average number of shares in issue	('000)	Ordinary	**431 766**	429 358
% of shares traded to weighted average number of issued shares	(%)	Ordinary	**0,3**	6

Property portfolio analysis

Property name	Classification	Location	GLAm²
Western Cape			
Brits Nonwoven	Group-occupied	John van Niekerk Street, Atlantis	10 214
Romatex	Group-occupied	Epping Avenue, Elsies River	15 305
Prima	Group-occupied	36 Gunners Circle, Epping 1	12 332
Nourse	Investment with minority of GLA internally let	Nourse Ave, Epping 2	8 215
Deneb House	Investment with minority of GLA internally let	368 Main Road, Observatory	10 504
Hextex	Group-occupied with minority of GLA externally let	Raymond Pollet Drive, Worcester	40 221
Winelands Industrial Park	Investment property	Driebergen Street, Paarl	15 088
5A Jig Road	Investment property	Jig Road, Montague Gardens	425
14 Jig Road	Investment property	Jig Road, Montague Gardens	2 369
Kinghall Park	Investment property	34 Kinghall Avenue, Epping 2	8 159
Reunert Park	Investment property	Radnor Street, Parow Industria	13 200
KwaZulu-Natal			
Mobeni – 195 Leicester Road	Investment property	193 Leicester Road, Mobeni	14 216
Mobeni – 29 Grimsby Road	Investment property	29 Grimsby Road, Mobeni	13 218
Mobeni – 40 Leicester Road	Investment property	40 Leicester Road, Mobeni	11 705
Mobeni – Nottingham Place, Bldg 1	Investment property	Nottingham Place, Mobeni	488
Mobeni – Nottingham Place, Bldg 2	Group-occupied	Nottingham Place, Mobeni	2 727
Mobeni – Nottingham Place, Bldg 3	Group-occupied	Nottingham Place, Mobeni	39 164
Mobeni Industrial Park	Investment property	Warrington Road, Mobeni	31 691
New Germany Industrial Park	Investment property	124 Escom Road, New Germany	161 756

Notice of annual general meeting

DENEB INVESTMENTS LIMITED
Registration number 2013/091290/06
(Incorporated in the Republic of South Africa)
JSE share code: DNB ISIN: ZAE000197398
("Deneb" or "the company")

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 31 MARCH 2019

Notice is hereby given that the annual general meeting of the company will be held on Thursday, 12 September 2019 at 09:00 at the offices of Hosken Consolidated Investments Limited, Suite 801, 76 Regent Road, Sea Point, 8005. Registration will start at 08:30.

This document is available in English only. The proceedings at the meeting will be conducted in English.

GENERAL INSTRUCTIONS AND INFORMATION

The board of directors of the company ("the board") determined, in accordance with section 59 of the Companies Act, No 71 of 2008, as amended ("Act"), that the record date for the purpose of determining when persons must be recorded as shareholders in the securities register of the company in order to be entitled to receive notice of the annual general meeting is Friday, 26 July 2019. The board determined that the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 6 September 2019, with the last day to trade Tuesday, 3 September 2019. Accordingly, only shareholders who are registered in the securities register of the company on Friday, 6 September 2019 will be entitled to participate in and vote at the annual general meeting.

All shareholders are encouraged to attend, speak and vote at the annual general meeting and are entitled to appoint a proxy to attend, speak and vote at the meeting in place of the shareholder. The proxy duly appointed to act on behalf of a shareholder, need not also be a shareholder of the company. In order to facilitate proceedings at the annual general meeting, shareholders intending to appoint a proxy are requested to do so as soon as is reasonably practical.

If you hold certificated shares (i.e. you have not dematerialised your shares in the company) or are registered as an "own name" dematerialised shareholder (i.e. you have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the annual general meeting, alternatively;
- you may appoint one or more proxies (who need not be shareholders of the company) to represent you at the annual general meeting by completing the attached form of proxy and returning it to the office of the transfer secretaries (Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107) to be received by no later than 09:00 on Wednesday, 11 September 2019 for administrative purposes, or delivering such form by hand thereafter to the company Secretary, before the proxy exercises any rights of the shareholder at the meeting; and/or
- you may participate in the annual general meeting by way of video conference as stipulated in this notice.

Please note that the company intends to make provision for shareholders of the company, or their proxies, to participate in the annual general meeting by way of video conference in Durban. Should you wish to participate in the annual general meeting by way of video conference as aforesaid, you are required to give notice of such proposed participation to the company at its registered office or at the office of the transfer secretaries by no later than 09:00 on Tuesday, 10 September 2019. In order for the notice to be valid, it must be accompanied by the following:

- if the shareholder is an individual, a certified copy of his identity document and/or passport;
- if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the annual general meeting and a certified copy of the authorised representative's identity document and/or passport; and
- a valid e-mail address and/or facsimile number for the purpose of receiving details of the video conference facility that will be made available.

Upon receipt of the aforesaid notice and documents, the company shall use its reasonable endeavours to notify you of the relevant details of the video conference facilities available in Durban at which you can participate in the annual general meeting by way of video conference.

Please note that if you own dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited ("JSE")'s electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder", then you are not a registered shareholder of the company – your CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to participate in the annual general meeting (either being physically present at the meeting or by way of video conference), you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the office of the company's transfer secretaries (Computershare Investor Services (Pty) Limited, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107) to be received by 09:00 on Wednesday, 11 September 2019 for administrative purposes, or delivering such form by hand thereafter to the company Secretary, before the proxy exercises any rights of the shareholder at the annual general meeting. In order to facilitate proceedings at the annual general meeting, shareholders intending to appoint a proxy are requested to do so as soon as is reasonably practical.

In accordance with section 63(1) of the Act, participants at the annual general meeting will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the annual general meeting and must accordingly provide a copy of their identity document, passport or driver's licence at the annual general meeting for verification.

Shareholders of the company that are companies, that wish to participate in the annual general meeting, may authorise any person to act as its representative at the annual general meeting.

VOTING AT THE ANNUAL GENERAL MEETING

On a show of hands, every shareholder present in person (or by way of video conference) or represented by proxy at the annual general meeting and entitled to vote, shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, shareholders present in person (or by way of electronic participation) or represented by proxy at the annual general meeting and entitled to vote, shall be entitled to one vote per ordinary share held by such shareholder.

Unless otherwise specifically provided in this notice of annual general meeting, for any of the ordinary resolutions to be adopted, 50% of the voting rights plus one vote exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

DETAILS OF DIRECTORS, SHAREHOLDERS, SHARE CAPITAL AND ANALYSIS OF SHAREHOLDERS, NO-CHANGE STATEMENT AND DIRECTORS' RESPONSIBILITY STATEMENT

The integrated annual report of which this notice of annual general meeting forms part, provides details of:

- the directors and management of the company, including brief CVs of the directors nominated for re-election, on pages 8 to 10;
- the major shareholders of the company on page 118;
- the directors' interests in securities on page 117; and
- the share capital of the company in note 18 and an Analysis of shareholders on page 117.

NO-CHANGE STATEMENT

Other than the facts and developments reported on in the integrated annual report, there have been no material changes to the financial or trading position of the company and its subsidiaries ("the Group"), nor are there any legal or arbitration proceedings that may materially affect the financial position of the Group between the signature date of the audit report and the date of this notice.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 8 to 10 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information given in this notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in this notice false or misleading, and that all reasonable inquiries to ascertain such facts have been made and that the annual report and this notice of annual general meeting contains all information required by the Listings Requirements of the JSE ("JSE Listings Requirements").

PURPOSE OF ANNUAL GENERAL MEETING

The purpose of the annual general meeting is to transact the business set out in the agenda below, and to consider and, if approved, to pass with or without modification, the following ordinary and special resolutions, in the manner required by the company's memorandum of incorporation ("MOI") and the Act, as read with the JSE Listings Requirements.

AGENDA

1. **Presentation of the audited annual financial statements of the company, including the reports of the directors, external auditors and the audit committee, for the year ended 31 March 2019**

   In terms of the Act, the audited annual financial statements of the company (including the reports of the directors and the audit committee) for the year ended 31 March 2019 as approved by the board of directors will be presented to the shareholders of the company.

   The audited annual financial statements of the Group is set out on pages 42 to 116 of the integrated annual report, of which this notice of annual general meeting forms part. The audited annual financial statements are also available on Deneb's website at **www.deneb.co.za** Alternatively, shareholders of the company may request and obtain a copy of the complete annual financial statements of the Group in person, at no charge, at the registered office of Deneb (5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory, Cape Town, 7460) during office hours.

2. **Presentation of social and ethics committee report**

   In accordance with Regulation 43 of the Companies Regulations, 2011, the company's social and ethics committee report for the financial year ended 31 March 2019, prepared and approved by the company's social and ethics committee and set out on pages 16 to 20 of the integrated annual report, of which this notice of annual general meeting forms part, will be presented to the shareholders of the company. Any specific questions to the social and ethics committee may be sent to the company secretary prior to the annual general meeting.

3. **Ordinary resolution number 1: Confirmation of *appointment of director***

   "Resolved that the appointment by the company's board of Ms K F Mahloma, be and is hereby confirmed."

   Explanatory note

   The reason for ordinary resolution number 1 is that the MOI of the company and the JSE Listings Requirements require that any new appointments to the board of the company are to be confirmed by shareholders at the company's next annual general meeting.

   A brief CV of Ms K F Mahloma is on page 10 of the integrated report, of which this notice of annual general meeting forms part.

4. **Ordinary resolution number 2 (2.1 and 2.2):** ***Retirement and re-election of directors***

   4.1 Ordinary resolution number 2.1: *Re-election of Mr T G Govender as a director*

   "Resolved that Mr T G Govender be and is hereby re-elected as a director of the company."

   4.2 Ordinary resolution number 2.2: *Re-election of Ms N B Jappie as a director*

   "Resolved that Ms N B Jappie be and is hereby re-elected as a director of the company."

   Explanatory note

   Mr T G Govender and Ms N B Jappie retire as directors in accordance with the company's MOI but, being eligible, each offer themselves for re-election as directors of the company.

   The board has considered the proposed re-election of Mr T G Govender and Ms N B Jappie and recommends that they be re-elected as directors of the company.

   Brief CVs of the abovementioned directors are on pages 9 and 10 of the integrated annual report, of which this notice of annual general meeting forms part.

   The reason for ordinary resolution numbers 2.1 and 2.2 is to propose the re-election of Mr T G Govender and Ms N B Jappie who have retired as directors in accordance with the company's MOI. These elections will be conducted by separate votes in respect of each candidate.

   Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Mr T G Govender and Ms N B Jappie by way of passing the ordinary resolutions set out above.

5. **Ordinary resolution number 3:** ***Re-appointment of auditor***

   "Resolved that PricewaterhouseCoopers Inc and Mr A Hugo, as designated auditor, is hereby re-appointed as the auditor to the company for the ensuing year."

   Explanatory note

   In terms of the Act, the company, being a public company, must have its financial results audited and such auditor of the company must each year at the company's annual general meeting be appointed or re-appointed, as the case may be, as an external auditor. The company's current external auditor is PricewaterhouseCoopers Inc, which has indicated that Mr A Hugo, who is a director of the firm and a registered auditor and accredited with the JSE in accordance with the JSE Listings Requirements, will undertake the audit.

   The company's audit committee has recommended that PricewaterhouseCoopers Inc be re-appointed as the auditors of the company for the ensuing year and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2020 is Mr A Hugo.

6. **Ordinary resolution number 4 (4.1 to 4.3):** ***Appointment of audit committee***

   6.1 Ordinary resolution number 4.1: *Re-election of Mr M H Ahmed as a member of the audit committee*

   "Resolved that Mr M H Ahmed be and is hereby re-appointed to the audit committee of the company."

   6.2 Ordinary resolution number *4.2: Re-election of Ms N B Jappie as a member of the audit committee*

   "Resolved that Ms N B Jappie be and is hereby re-appointed to the audit committee of the company."

   6.3 Ordinary resolution number 4.3: *Election of Ms K F Mahloma as a member of the audit committee*

   "Resolved that Ms K F Mahloma be and is hereby appointed to the audit committee of the company."

   Explanatory note

   In terms of the Act, at each annual general meeting an audit committee comprising at least three members must be elected. It is proposed that the following independent non-executive directors be elected/re-elected as members of the audit committee for the ensuing year. The board has considered the proposed re-appointment of Mr M H Ahmed and Ms N B Jappie and the proposed appointment of Ms K F Mahloma and recommends that they be re-appointed/appointed to the audit committee. The re-appointment/appointment of each member of the audit committee will be voted on separately.

   The appointment of Ms N B Jappie to the audit committee is subject to the approval of ordinary resolution number 2.2.

   The appointment of Ms K F Mahloma to the audit committee is subject to the approval of ordinary resolution number 1.

   Brief CVs of the members are on page 10 of the integrated annual report, of which this notice of annual general meeting forms part.

7. **Ordinary resolution number 5: *General authority over authorised but unissued shares***

"Resolved that, as required by the company's MOI and subject to the provisions of the Act and the JSE Listings Requirements, the authorised but unissued shares in the company be and are hereby placed under the control of the directors, subject to the provisions of the Act, the MOI and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided that such authority may not, in the aggregate, in any one financial year, exceed 5%, being 21 731 946 ordinary shares, of the aggregate number of shares of the relevant class of shares in issue (excluding treasury shares), and such authority to endure until the next annual general meeting of the company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting), provided that it shall not extend beyond 15 (fifteen) months of the date of this meeting until the next annual general meeting."

Explanatory note

In terms of the company's MOI, read with the JSE Listings Requirements, the shareholders of the company may authorise the directors to, inter alia, issue any authorised but unissued ordinary shares and/or grant options over them on such terms and conditions and to such persons whether they be shareholders or not, as the directors in their discretion deem fit. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The board has decided to seek annual renewal of this authority from the shareholders of the company in accordance with best practice. The board has no current plans to make use of this authority (other than in terms of the Deneb employee share schemes), but wish to ensure, by having this authority in place, that the company retains its flexibility in managing the Group's capital resources and to enable the company to take advantage of any business opportunity that may arise in the future.

8. **Non-binding advisory votes: *Advisory endorsement of the remuneration policy and implementation report***

8.1 Non-binding advisory vote 1:

"Resolved, by way of a non-binding advisory vote, that the company's remuneration policy set out in the integrated annual report, of which this notice of annual general meeting forms part, be accepted and endorsed".

8.2 Non-binding advisory vote 2:

"Resolved, by way of a non-binding advisory vote, that the company's remuneration implementation report set out in the integrated annual report, of which this notice of annual general meeting forms part, be accepted and endorsed".

Explanatory note

In terms of Part 5.4, principle 14 (recommended practice 37) of the King IV Report on Corporate Governance in South Africa, 2016 ("King IV") the company's remuneration policy and implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Furthermore, King IV recommends that the remuneration policy should record the measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% (twenty-five percent) or more of the voting rights exercised by the shareholders.

The shareholders are requested to separately endorse the company's remuneration policy on pages 24 to 26 and the implementation report on pages 27 to 29 in the Remuneration Report, by way of separate non-binding advisory votes.

9. **Special resolution number 1: *General authority to issue shares, options and convertible securities for cash***

"Resolved that, subject to the passing of ordinary resolution number 5, the provisions of the Act and the provisions of the JSE Listings Requirements, the

directors be and are hereby authorised to allot and issue ordinary shares of the company (or to issue options or convertible securities convertible into ordinary shares) for cash to such person or persons, on such terms and conditions as they may deem fit, subject to the following:

- *the securities shall be of a class already in issue, or convertible into a class already in issue;*
- *the securities shall be issued to public shareholders as defined in the JSE Listings Requirements and not to related parties as defined in the JSE Listings Requirements;*
- *ordinary shares which are the subject of general issues for cash, in the aggregate, may not exceed 5% (five percent) of the company's relevant number of ordinary shares in issue as at the date of this notice, constituting 21 731 946;*
- *any number of ordinary shares issued under the authority must be deducted from the number of ordinary shares authorised immediately above;*
- *the maximum discount at which the shares may be issued shall be 10% (ten percent) of the weighted average traded price of the shares of the company 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;*
- *the company shall publish such announcements (if any) as may be required by the JSE Listings Requirements pursuant to the issue of shares under this authority; and*
- *the authority hereby granted will be valid until the company's next annual general meeting provided that it will not extend beyond 15 months from the date on which this resolution is passed."*

Explanatory note

In terms of ordinary resolution number 5, the shareholders authorise the directors to allot and issue a portion of the authorised but unissued shares, as the directors in their discretion think fit. The existing general authority to issue shares for cash granted by the shareholders at the previous annual general meeting, held on 22 October 2018, will expire at this annual general meeting, unless renewed. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The aggregate number of ordinary shares capable of being allotted and issued for cash are limited as set out in the resolution. The directors consider it advantageous to renew this authority to enable the company to take advantage of any business opportunity that may arise in future.

10. **Special resolution number 2: *Approval of annual fees to be paid to non-executive directors***

"Resolved that for the period 1 October 2019 until the date of the next annual general meeting of the company, the remuneration payable to non-executive directors of the company for their services as directors will be as follows:

Type of fee	*Current fee (excl. VAT) R*	*New proposed fee (excl. VAT) R*
Board member	*133 000*	*140 000*
Audit committee member	*55 000*	*58 000*
Remuneration committee member	*55 000*	*58 000"*

Explanatory note

In terms of section 66(8) of the Act, the company may pay remuneration to its directors for their services as directors. In terms of section 66(9) of the Act, the remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders during the previous 2 (two) years.

11. **Special resolution number 3: *General authority to repurchase Company shares***

"Resolved that the company hereby approves, as a general approval contemplated in paragraph 5.72 of Section 5 of the JSE Listings Requirements, the repurchase by the company or any of its subsidiaries from time to time 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 MOI, the provisions of the Act and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided further that:

- *acquisitions by the company and its subsidiaries of shares in the capital of the company in terms of this general authority to repurchase shares may not, in the aggregate, exceed in any one financial year 20% (twenty percent) of the company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;*
- *any such repurchase shall be effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;*
- *the company (or any subsidiary) is authorised to do so in terms of its MOI;*

- *this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;*
- *in determining the price at which the company's shares are repurchased by the company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;*
- *at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;*
- *the company or its subsidiaries may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless there is a repurchase programme in place and the dates and quantities of shares to be repurchased during the relevant period are fixed and full details thereof have been submitted to the JSE in writing prior to commencement of the prohibited period. The company must instruct an independent third-party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;*
- *an announcement will be published on SENS as soon as the company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the initial number of shares of the class of shares in issue at the time that this general authority is granted by the shareholders, and each time the company acquires a further 3% (three percent) of the initial number thereafter, which announcement(s) shall contain full details of such repurchases as required in terms of the JSE Listings Requirements; and*
- *a repurchase shall only be effected if the Board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Act and it reasonably appears that the company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and its subsidiaries."*

Explanatory note

The reason for special resolution number 3 is to grant the directors of the company and/or subsidiaries of the company a general authority in terms of the Act and the JSE Listings Requirements to acquire the company's ordinary shares, subject to the terms and conditions set out in the special resolution. The directors require that such general authority should be implemented in order to facilitate the repurchase of the company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the company and its shareholders.

Directors' statement:

Pursuant to and in terms of the JSE Listings Requirements, the Board of directors of the company hereby states that:

- it is their intention to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements and the opportunity presents itself to do so during the year, which the Board deems to be in the best interest of the company and its shareholders, taking prevailing market conditions and other factors into account;
- in determining the method by which the company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such repurchase will take place, the directors of the company will only make the repurchase if at the time of the repurchase they are of the opinion that the following conditions have been and will be met:

- the company and the Group will be able to pay their debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the assets of the company and the Group are to be in excess of the liabilities of the company and Group for a period of 12 (twelve) months after the date of this notice of annual general meeting (for this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the audited financial statements for the year ended 31 March 2019);
- the share capital and reserves of the company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the working capital of the company and the Group are adequate for ordinary business purposes for a period of 12 (twelve) months after the date of approval of this notice of annual general meeting; and
- resolution being passed by the board that it authorised the repurchase of shares, that the company and its subsidiaries 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 authority granted in terms of this Special Resolution number 3 is limited to paragraph 5.72(a), (c), (d) and paragraph 5.68 of the JSE Listings Requirements.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- major beneficial shareholders – page 118 of the document of which this notice of annual general meeting forms part; and
- share capital of the company – page 84 of the document of which this notice of annual general meeting forms part.

12. **Special resolution number 4: *Shareholders' general authorisation of financial assistance***

"Resolved that, to the extent required by sections 44 and 45 of the Act, the Board of directors of the company may, subject to compliance with the requirements of the company's MOI and the Act, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to:

12.1 *any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and/or*

12.2 *any of its present or future subsidiaries and/or any other company or corporation that is or becomes related to or inter-related with the company for any purpose or in connection with any matter; and/or*

12.3 *any of the present or future directors or prescribed officers (or any person related to any of them or to any company or entity related or inter-related to any of them), or to any other person who is or may be a participant in any of the Deneb employee share scheme, current or future employee share plans or other incentive schemes, or any share scheme trust or other entity facilitating any such scheme, for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company or entity or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such plan or scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Act."*

The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date."

Explanatory note

As part of the normal conduct of the business of the company and its subsidiaries from time to time, the company, where necessary, provides financial assistance to its related and inter-related companies and entities (as contemplated in the Act) including the provision of guarantees and other forms of security to third parties which provide funding to the company's subsidiaries, whether by way of loans, subscribing for shares (including preference shares) or otherwise. In the circumstances and in order to ensure that, among other things, the company and its subsidiaries and other related and inter-related companies and entities continue to have access to, and are able to appropriately structure their financing for purposes of funding their corporate and working capital requirements, it is necessary that the company obtains the approval of shareholders in terms of this special resolution number 4.

The company may furthermore wish to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations including pursuant to the company's employee and other share schemes.

Sections 44 and 45 of the Act provide that the financial assistance required can only be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which resolution must have approved such financial assistance either for the specific recipient or generally for a category of potential recipients (and the specific recipient falls within that category), and the directors must be satisfied that:

- immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as defined in section 4 of the Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The passing of this special resolution number 4 will have the effect of authorising the company to provide direct or indirect financial assistance in accordance with sections 44 and 45 of the Act, for a period of two years after the adoption of this resolution.

13. **Ordinary resolution number 6: *Directors' authority to implement Company resolutions***

    "Resolved that each and every director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this annual general meeting."

14. **To transact such other business which may be transacted at an annual general meeting**

By order of the board

Cheryl Philip
Company Secretary

Cape Town
22 July 2019

Form of proxy

DENEB INVESTMENTS LIMITED

DENEB INVESTMENTS LIMITED
Registration number 2013/091290/06
(Incorporated in the Republic of South Africa)
JSE share code: DNB ISIN: ZAE000197398
("Deneb" or "the company")

I/We, (name in full)

of address

being a registered holder of ordinary shares in Deneb hereby appoint

1. or failing him/her

2. or failing him/her

3. or failing him/her

the chairperson of the annual general meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held at 09:00 on Thursday, 12 September 2019 at the offices of Hosken Consolidated Investments Limited, Suite 801, 76 Regent Road, Sea Point, 8005 and at any adjournment thereof as follows:

Resolution in respect of items of business:				
Resolution number		**For**	**Against**	**Abstain**
ORDINARY RESOLUTIONS				
1.	Confirmation of appointment of director: Ms K F Mahloma			
2.	Retirement and re-election of directors			
	2.1 Re-election of director: Mr T G Govender			
	2.2 Re-election of director: Ms N B Jappie			
3.	Re-appointment of auditor: PricewaterhouseCoopers Inc			
4.	Appointment and re-appointment of audit committee members			
	4.1 Mr M H Ahmed			
	4.2 Ms N B Jappie			
	4.3 Ms K F Mahloma			
5.	General authority over authorised but unissued shares			
6.	Director's authority to implement Company resolutions			
NON-BINDING ADVISORY VOTES				
1.	Advisory endorsement of remuneration policy			
2.	Advisory endorsement of remuneration implementation report			
SPECIAL RESOLUTIONS				
1.	General authority to issue shares, options and convertible securities for cash			
2.	Approval of annual fees to be paid to non-executive directors			
3.	General authority to repurchase Company shares			
4.	Shareholders' general authorisation of financial assistance			

(Indicate instruction to proxy by way of a cross in space provided above.)

Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed this day of 2019

Signature

Assisted by (where applicable)

Please read the notes overleaf

Notes

1. A form of proxy is only to be completed by those shareholders who are:

   1.1 holding shares in certificated form; or

   1.2 recorded in the sub-register in dematerialised electronic form in "own name".

2. If you have already dematerialised your ordinary shares through a CSDP or broker, other than with "own name" registration, and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into yourself and the CSDP or broker.

3. A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

4. Every person present and entitled to vote at the annual general meeting as a member or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of shares such person holds or represents but, in the event of a poll, a member shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.

5. Please insert the relevant number of shares/votes and indicate with an X in the appropriate spaces on the face hereof, how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain from voting at his/her discretion.

6. A deletion of any printed details and the completion of any blank space/s need not be signed or initialled. Any alteration must be initialled.

7. The chairperson of the annual general meeting shall be entitled to decline to accept the authority of the signatory under a power of attorney, or on behalf of a company, unless the power of attorney or authority is produced or has been registered.

8. The signatory may insert the name of any person/s whom the signatory wishes to appoint as his/her proxy, in the blank space/s provided for that purpose.

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

10. A minor should be assisted by his parent or legal guardian unless the relevant documents establishing his legal capacity are produced or have been registered.

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

12. A shareholder's instructions must be indicated by the insertion of a cross, or where applicable, the relevant number of votes exercisable by the shareholder, in the appropriate box of this proxy form.

13. If the signatory does not indicate how he/she wishes to vote in the appropriate place/s on the face hereof in respect of the resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of the resolutions.

14. If the shareholding is not indicated on the proxy form, the proxy will be deemed to be authorised to vote the total shareholding.

15. The chairperson of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

16. Forms of proxy will not be accepted unless they have been returned by the shareholders concerned to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) so as to be received by no later than 09:00 on Wednesday, 11 September 2019 for administrative purposes, or delivering such form by hand thereafter to the company secretary, before the proxy exercises any rights of the shareholder at the meeting.

Corporate information

DENEB INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
("Deneb" or "the Group" or "the company")

The company's shares are listed under the Financial Services – Speciality Finance sector of the JSE Limited

Registration number:	2013/091290/06
JSE share code:	DNB
ISIN:	ZAE000197398
Income tax registration number:	9844426156
Registered office:	5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory 7925, Cape Town PO Box 1585, Cape Town 8000
Contact details:	info@deneb.co.za www.deneb.co.za
Directors:	J A Copelyn* (Non-executive Chairperson), M H Ahmed*^ (Lead Independent Director), D Duncan, T G Govender*, N B Jappie*^, K F Mahloma*^, A M Ntuli, S A Queen (Chief Executive Officer), Y Shaik*, G D T Wege (Financial Director) (*Non-executive ^Independent)
Company Secretary:	C L Philip
Transfer Secretaries:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 PO Box 61051, Marshalltown 2107
Auditors:	PricewaterhouseCoopers Inc.
Sponsor:	PSG Capital Proprietary Limited

The paper stock used to print this annual report is FSC-certified, sourced through sustainable forestry.

BRANDESIGN

DENEB

INVESTMENTS LIMITED

5th Floor Deneb House, Cnr Main and Browning Roads, Observatory 7925 • PO Box 1585, Cape Town 8000

www.deneb.co.za