DENEB INVESTMENTS LIMITED

Integrated annual report 2020

About this report

Deneb Investments Limited ("Deneb" or "the Group") is proud to present its sixth 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 2020 Integrated Annual Report covers the activities and performance of the Group for the financial year 1 April 2019 to 31 March 2020. 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 IFRS Interpretations Committee interpretations and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act.

The Group implemented the recommendations of the King IV Report on Corporate Governance™ for 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 2020 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**

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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

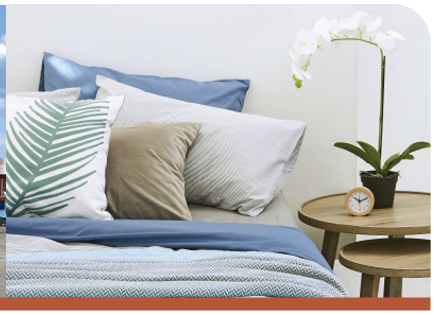
This segment is responsible for the sourcing and distribution of branded products. The businesses operating in this segment include Prima Toys, New Just Fun, Prima Interactive, Empire Stationery, HTIC, The Kid Zone, Oops, Seartec, Prima Baby, OfficeBox and Clever Little Monkey. These enterprises supply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

Executive management:
Juan Laubscher, Ian Morris

PROPERTY

Vega 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



MANUFACTURING

Manufacturers of a wide variety of mainly industrial products for the mining, agricultural, construction, automotive, 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:
Frederick Coetzee, Riaan Coetzee, Sarah Doyle, Claude du Plessis, Piet van Wyk, Hennie Venter

Executive directors

Stuart Queen
Chief Executive Officer

Gys Wege
Chief Financial Officer

Dave Duncan
Chief Operating Officer

Amon Ntuli
Human Resources

Financial highlights

for the year ended 31 March

Rand thousands, unless otherwise indicated		2020	2019
Revenue from continuing operations		**2 871 599**	2 955 836
Profit from continuing operations		**1 880**	31 247
Loss for the year		**(129 340)**	(46 937)
Comprehensive loss attributable to shareholders		**(122 361)**	(14 703)
Equity attributable to equity holders		**1 464 010**	1 622 762
Total tangible assets (excluding cash)		**2 957 526**	3 409 697
Return on total tangible assets from continuing operations	(%)	**3,6**	4,7
Return on shareholders' interest	(%)	**(8,4)**	(0,9)
Ratio of borrowings to capital and reserves	(%)	**64**	75

STATISTICS PER SHARE

In cents, where applicable	2020	2019
Headline (loss)/earnings	**(8,92)**	(4,47)
Headline earnings – continuing operations	**12,69**	5,58
Headline loss – discontinued operations	**(21,61)**	(10,05)
Basic (loss)/earnings	**(29,24)**	(10,53)
Basic earnings – continuing operations	**0,96**	7,58
Basic loss – discontinued operations	**(30,20)**	(18,11)
Comprehensive loss per share	**(28,16)**	(3,41)
Operating cash flow per share	**92**	(14)
Net asset value per share	**337**	374
Market price – End of period	**140**	226
Price range – High	**250**	300
Price range – Low	**140**	200

Revenue and total tangible assets (excluding cash and deferred tax)

	Revenue				Total tangible assets (excluding cash)			
	2020		2019		2020		2019	
Segment	Rm	%	Rm	%	Rm	%	Rm	%
Branded Product Distribution	**1 303**	**40**	1 393	42	**514**	**17**	765	22
Properties	**139**	**4**	126	4	**1 414**	**48**	1 437	42
Industrial Product Manufacturing	**899**	**28**	953	28	**528**	**18**	530	16
Automotive Parts Manufacturing	**531**	**17**	483	14	**324**	**11**	317	9
Discontinued operations	**344**	**11**	391	12	**107**	**4**	358	11
Head office	**–**	**–**	–	–	**70**	**2**	3	–
	3 216	**100**	3 346	100	**2 957**	**100**	3 410	100

	2020 R000's	2019 R000's
OPERATIONS		
Continuing operations		
Revenue	**2 871 599**	2 955 836
Operating profit before finance costs	**107 786**	162 336
Net finance costs	**(125 496)**	(110 807)
(Loss)/Profit before taxation	**(17 710)**	51 529
Taxation income/(expense)	**19 590**	(20 282)
Profit from continuing operations for the year	**1 880**	31 247
Loss from discontinued operations for the year	**(131 220)**	(78 184)
Loss	**(129 340)**	(46 937)
Loss attributable to shareholders	**(127 034)**	(45 471)
Comprehensive loss attributable to shareholders	**(122 361)**	(14 703)
CASH FLOW		
Cash generated from operating activities before working capital changes	**167 852**	167 303
Cash generated from/(utilised by) operations	**399 009**	(58 713)
Net cash outflow from investing activities	**(99 519)**	(179 415)
FINANCIAL POSITION		
Capital and reserves	**1 464 010**	1 622 762
Net interest-bearing borrowings – continuing operations	**938 839**	1 211 782
Other non-interest-bearing debt (excluding deferred liabilities) – continuing operations	**466 663**	472 167
Net working capital excluding cash – continuing operations	**586 182**	791 525
Total tangible assets (excluding cash and deferred tax)	**2 957 526**	3 409 697
Value of total property portfolio	**1 380 468**	1 406 866

Financial highlights (continued)

for the year ended 31 March

		2020	2019
RATIOS			
Profitability			
Operating profit as percentage of revenue – continuing operations	(%)	**3,8**	5,5
Profit for the period as percentage of revenue – continuing operations	(%)	**0,1**	1,1
Return on total tangible assets – continuing operations	(%)	**3,6**	4,7
Return on investments (comprehensive income attributable to shareholders)	(%)	**(4,1)**	(0,4)
Return on shareholders' interest	(%)	**(8,4)**	(0,9)
Leverage			
Ratio of borrowings to capital and reserves	(%)	**64**	75
Liquidity			
Current ratio	(times)	**1,0**	1,5
Solvency ratio	(%)	**11,3**	9,0
Finance charges cover	(times)	**0,9**	1,5
Productivity			
Total asset turnover ratio	(times)	**1,0**	0,9
Number of employees (continuing operations)		**2 581**	2 751
Revenue per employee (continuing operations)	(Rand)	**1 112 592**	1 074 459
Operating profit per employee	(Rand)	**41 761**	59 010
Assets per employee	(Rand)	**1 145 884**	1 253 158
Operating cash generated (utilised) per employee	(Rand)	**154 595**	(21 342)
SHARE STATISTICS*			
Weighted average number of shares issued	(000)	**434 473**	431 766
Headline loss per share	(cents)	**(8,9)**	(4,5)
Loss per share	(cents)	**(29,2)**	(10,5)
Comprehensive loss per share	(cents)	**(28,2)**	(3,4)
Distribution	(cents)	**3,0**	3,0
Headline loss yield at period end	(%)	**(6,4)**	(2,0)
Dividend yield at period end	(%)	**2,1**	1,3
Net asset value per share	(cents)	**337**	374
Total number of shares traded	(000's)	**16 976**	1 303
Total value of shares traded	(R000's)	**34 957**	2 942
Percentage of issued shares traded	(%)	**3,9**	0,3
Market price – Highest – ordinary	(cents)	**250**	300
– Lowest – ordinary	(cents)	**140**	200
– Period end – ordinary	(cents)	**140**	226

*Refer to Analysis of Shareholders on page 127.

Value-added statement

for the year ended 31 March

	2020 R000's	2019 R000's
Cash derived from revenue	**3 326 983**	3 091 659
Paid to suppliers for materials and services	**2 018 622**	2 235 962
Cash value added	**1 308 361**	855 697
Interest received	**1 807**	477
Total wealth created	**1 310 168**	856 174
Distributed as follows:		
Employees		
Administration	**207 282**	179 676
Production	**290 997**	238 253
Sales	**98 329**	118 784
	596 608	536 713
Providers of capital		
Interest paid on borrowings	**136 432**	111 284
Distribution to shareholders	**13 018**	12 940
	149 450	124 224
Monetary exchanges with government		
Taxation (including customs and excise duty)	**41 704**	161 477
PAYE	**86 092**	86 218
VAT	**69 536**	34 454
Incentives	**(32 231)**	(28 199)
	165 101	253 950
Retained to develop future growth	**399 009**	(58 713)
Total wealth distributed	**1 310 168**	856 174

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	2020 %	2019 %
Employees	**45,5**	62,7
Government	**12,6**	29,7
Retained	**30,5**	(6,9)
Lenders	**10,4**	13,0
Shareholders	**1,0**	1,5
	100,0	100,0

Directors' profiles

EXECUTIVE DIRECTORS

Stuart Queen (48)

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 chief financial officer of Johnnic Holdings Limited. He is a member of the executive and risk committees.

Gys Wege (46)

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 (62)

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, served as a Trustee of the HCI Foundation and is chairperson of the social and ethics committee.

Dave Duncan (British) (65)

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.

NON-EXECUTIVE DIRECTORS

John Copelyn (70)

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 and eMedia Holdings Limited. He is a member of the remuneration committee.

Kevin Govender (49)

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 (62)

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 in KwaZulu-Natal. He is also a director of Tsogo Sun Gaming and Hosken Passenger Logistics and Rail.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Naziema Jappie (60)

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 the Southern African Clothing and Textile Workers' Union'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. She is a member of the audit, risk, social and ethics and remuneration committees.

Koktsi Faith Mahloma (Faith) (67)

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 the Southern African Clothing and Textile Workers' Union from 1987 to 2001; and as an executive member of the National Economic Development and Labour Council 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 for 10 years. She is a member of the audit and risk committees.

Mohamed Ahmed (55)

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. He is the chairman of the audit, risk and remuneration committees.

Chief executive officer's report

Our focus over the past financial year was one of capital preservation. In practice this meant divesting from businesses that had no realistic prospect of meeting return on capital hurdles and optimising the capital structures of continuing businesses. Consequently, although the year was poor from an earnings perspective with the Group delivering a total comprehensive loss of R125 million, cash generation was strong with the Group generating R399 million from operating activities.

In analysing the results for the year, the following points are worthy of consideration:

- The results for the continuing operations to March 2020 have been negatively affected by the Covid-19 pandemic. Our best estimate is that the slowdown and ultimate shutdown in late March 2020 reduced revenue by R60 million and reduced operating profit by some R20 million.
- The implementation of IFRS 16 (accounting for leases) had a R5 million negative effect on earnings in the current year and an aggregate R21 million negative effect on net asset value at year-end. This will unwind over the life of the leases.
- Taking the above into account and despite the prevailing economic headwinds, including the negative impact of electricity load shedding on the manufacturing businesses, the Group managed to improve operating margins and increase its core operating profit even though turnover was lower. We have implemented plans to be more energy self-sufficient but some of our larger electricity-consuming businesses remain reliant on the national grid.
- The Group valued its properties down by R41 million: R28 million on investment properties and R13 million on owner-occupied properties. This downward valuation is our estimate of the consequence of the economic fallout due to Covid-19 on our property portfolio. Our entire property portfolio is revalued each year by an independent property valuer. This valuation was completed shortly before year-end and would have resulted in an upward revaluation of R40 million: R37 million on investment properties and R3 million on owner-occupied properties. However, the valuation did not consider the effects of Covid-19. We have analysed the portfolio on a property-by-property basis and adjusted the valuations to reflect our best estimate of the impact of the pandemic on the portfolio. In summary, after all the adjustments, our portfolio is valued at a weighted average capitalisation rate of 10,5%. This provides a gap between our capitalisation rates and current borrowing costs, even on a 10-year fixed-rate basis. Time will tell whether the gap is justified or, indeed, whether it is sufficient. This is the best estimate that we have given current information.
- We impaired certain intangibles and goodwill resulting in a R37 million charge to the income statement. These impairments relate to businesses acquired in the toy industry. Specialised toy retailers are coming under increasing pressure and the toy industry was going through rapid changes even before the effects of Covid-19. The uncertain outlook for the economy into the foreseeable future led us to conclude that it was appropriate to impair these items. However, we feel that the businesses acquired will provide us with greater flexibility both with regards to sourcing and distribution channels. This flexibility will enable us to better weather these challenging times.
- Discontinued operations delivered a loss of R131 million. In last year's report, we informed you that we had decided to exit four businesses that we did not believe could deliver on our capital return hurdles. We can report that we have sold two businesses (Winelands Textiles and First Factory Shops) and are in the process of disposing of the last remaining element of the Brand ID business. With reference to the last of the four, Frame Knitting, the disposal process is continuing with operations concluded in July 2020. We anticipate the disposal process will be completed by the latter part of this calendar year. There will be some residual costs associated with the disposal of Frame Knitting to be incurred in the new financial year. However, the significant cost items including impairments and provisions for retrenchment costs have been provided for in the year under review. Even though these exits are

earnings-negative, they are cash-positive and exiting these businesses is one of the reasons why cash generation was strong.

- The Group reduced its interest-bearing debt by R247 million during the year. This does not reflect in the finance expense number, which remained flat despite reducing interest rates. The reason is that most of the cash generation occurred in the second half of the financial year. Indeed, at half-year-end the finance expense for the current year was R8 million up on the prior year. It is important to point out that the cash generation came about without cutting any capital expenditure programmes in the continuing businesses.

ANTICIPATED EFFECTS OF COVID-19 AND OUTLOOK

The major impact of Covid-19 occurred after the financial year-end. The severe lockdown restrictions in April meant that the Group operated at around 10% of capacity, which was largely centred around supplying essential service providers. The move to level 4 restrictions in May allowed our manufacturing operations and stationery businesses to open on a restricted basis and the Group operated at around 40% capacity. The easing to level 3 in June meant that all the Group's businesses could operate. The capacity levels will be driven by restrictions implemented to ensure the health and well-being of employees and customer demand. We are currently in the process of assessing whether the Group's insurance policies provide cover for the interruptions caused by Covid-19. The property portfolio largely consists of low-cost B-grade industrial properties. We are hopeful that these properties will prove to be more resilient in the long term. Rental collections for April, May and June 2020 were satisfactory with over 90% of rentals having been collected and 5% deferred with agreement. However, we will not be immune to the fallout from the crisis and collections may get more challenging.

We are steeling ourselves for a very difficult year ahead as many roleplayers in the economy come under increasing pressure. The strong cash generation in the year under review means that we come into these unprecedented times a little more fortified than would have been the case a year earlier. Our short-term focus has been on cash preservation. Accordingly, we have cut variable expenditure wherever possible and have also made some structural decisions to reduce fixed costs. Unfortunately, this also means that we have suspended dividend payments for now.

We will endeavour to ensure that the Group is geared for the economy that we have rather than the economy that we would like to have. This is not a statement that reflects only on the new issues being raised as a result of Covid-19 and the lockdown, but rather the longer-term issues that we have faced in terms of the stagnant economy, increasing input costs, most notably utilities and indirect taxes, load shedding and ever-increasing cost of compliance with rafts of legislation. There are also opportunities to be pursued and in the areas where we have a competitive advantage, we will continue to look for ways to deliver growth. We will continue to invest in areas that we believe can deliver good returns on capital.

It will be challenging to navigate through the current uncertainty, but the management teams and staff we have in the individual businesses have shown great fortitude and a willingness to make tough decisions when necessary. The crisis has also presented the opportunity for businesses to unlock alternative revenue streams and fill the gaps left by disruptions to supply chains. The next financial year will not be an easy one, but we relish the challenge to play our part in making a difference.

Stuart Queen
Chief executive officer
17 July 2020

Corporate governance report

Deneb remains 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 2020, 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 adopted Gender and Race Diversity Policies of the Group.

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 Group's 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"). Three of the non-executive directors, namely Messrs J A Copelyn, T G Govender and Y Shaik, also serve on the HCI board.

During the year under review, Ms R D Watson resigned from the board and Ms K F Mahloma was appointed to 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:

	20 May 2019	20 August 2019	14 November 2019	18 March 2020
M H Ahmed	√	√	√	√
J A Copelyn	√	√	√	√
D Duncan	√	√	√	√
T G Govender	√	√	√	√
N B Jappie	√	√	√	√
K F Mahloma+	n/a	√	√	√
A M Ntuli	√	√	√	√
S A Queen	√	√	√	√
Y Shaik	√	√	√	√
R D Watson*	√	n/a	n/a	n/a
G D T Wege	√	√	√	√

√ In attendance
+ Appointed on 20 May 2019
** Resigned on 20 May 2019*

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 annual general meeting held on 12 September 2019 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 JSE Listings Requirements. 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 JSE 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 it 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 33 and 34.

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 to 24.

Remuneration committee

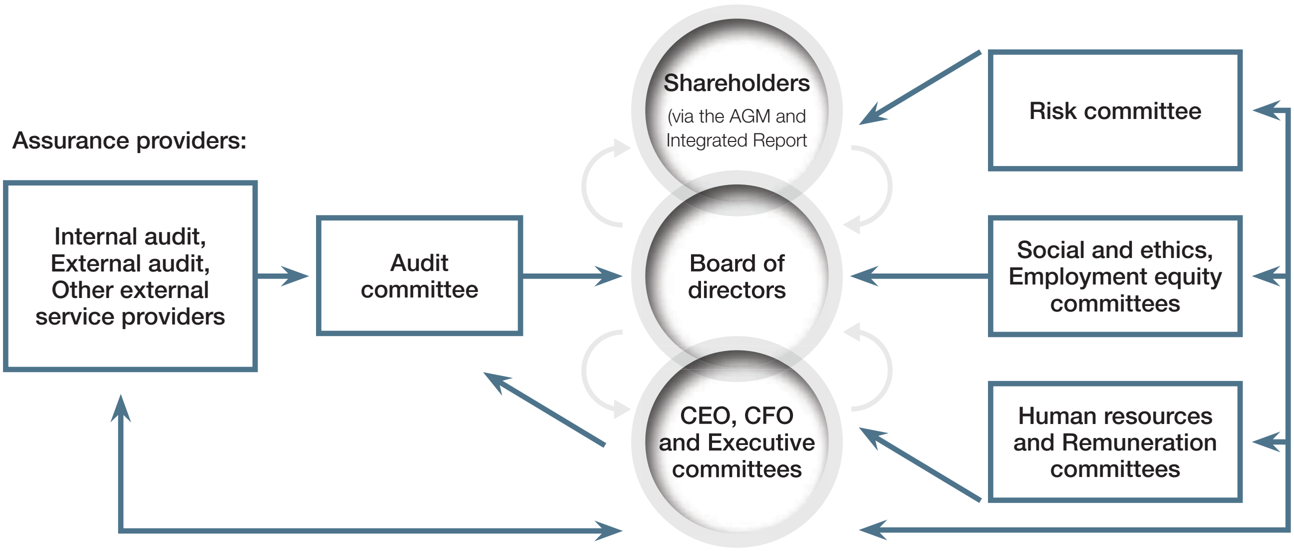
Chairperson: Mr M H Ahmed

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 25 to 30.

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 17 to 21.



Social and ethics committee report

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 N B Jappie (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. During the year, Ms R D Watson resigned and Ms N B Jappie was appointed to 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 composition of the committee is satisfactory to discharge the committee's roles and responsibilities.

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:

	31 March 2020	15 October 2019
A M Ntuli	√	√
S Rubidge	√	√
N B Jappie	√	√
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 embraces the objectives of creating a representative workforce within a work environment free from discrimination and prejudice. 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.

As a member of the HCI Group of companies, Deneb adopted the Group's B-BBEE accreditation methodology. The Group's B-BBEE status was accredited on 19 July 2019 and is valid for a 12-month period. At the time of writing this report, the Group is in the process of completing its 2020 verification. On finalisation of this process, the B-BBEE certification will be published on our website, **www.deneb.co.za**. In terms of the existing verification status, Deneb is proud of its Level 2 Contributor Status with a total score of 98,02 out of a potential 109 points.

The measurement criteria consist of five elements and we accordingly provide stakeholders with further information on each of these elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development and Socioeconomic Development.

Our 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.

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 remains a focus for the Group and a number of initiatives were embarked on during the year under review.

The mentorship programme has been given renewed emphasis with many of the senior management taking on the role of mentor to graduate students across the country. The aim of the programme is to steer our young aspirant graduates on a career path with a growth plan and to pass on the experience of the present and past to the leaders of the future. This is proving to be a fulfilling experience for all those participating in the process.

Leadership Development remains key to our workplace skills and focus continues in the Supervisory/Management programmes that we have embarked on in the Western Cape and KwaZulu-Natal. Improvements in the manufacturing areas are starting to bear fruit and we are delighted with the confidence and abilities being seen in our first line management teams.

Much-needed funds for these initiatives are received through the Fibre Processing and Manufacturing (FP&M) SETA to enable us to upskill our staff to prepare for the management roles of the future. We have a close association with the FP&M SETA and are pleased to advise that the Group is now represented on the FP&M SETA Board through the appointment of our training manager as a SETA Board member. This can only serve to strengthen this tie even further and to reinforce our commitment to the training of our employees. We have received discretionary funding for skills programmes which has been made possible by the submission of Workplace Skills Plans and Discretionary Grant applications to the SETA.

Our focus on technical training is coming to fruition and we are immensely proud of the achievements of five of our apprentices who have completed their trade tests, progressing to fully-fledged artisans. We have been able to place a number of these trainees into permanent technical positions.

Our association with the KZN Clothing and Textile Cluster continues and we have taken advantage of their various textile programmes that offer insight into production and related fields, which have proved to be very educational.

ENTERPRISE AND SUPPLIER DEVELOPMENT

The Group's enterprise and supplier development plan continued to assist black-owned entities to build and distribute their products. The Group procured in excess of 90% of its discretionary merchandise and services from empowered local suppliers. Deneb 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 continued to support a number of organisations in the communities in which we operate:

- Ncedolwethu Educare Centre is a child education centre for abandoned and underprivileged children. Some 50 children are taken care of on a daily basis by the centre which provides them with food, love and a safe haven while their parents or guardians are at work. The centre provides the children with a safe learning environment, preparing them for school. Many of the parents or guardians are unemployed or seeking employment and so the centre, while taking care of the children allows the parents/guardians to secure employment.

- Discovery East Coast Radio hosts an Annual Big Walk to raise funds for the Sole-2-Sole Initiative. The Sole-2-Sole Initiative was founded by a nine-year-old, Dario Gouveia, who was inspired by a barefoot homeless child he saw on the side of the road. Dario felt confused as to why this little boy didn't have shoes on, so he decided to give the child the shoes he was wearing. This was the start of this phenomenal initiative which has resulted in thousands of people being provided with shoes. It shows if you can dream it you can do it – Dario has made a difference.

- The Group continued to support the Jess Foord Foundation. The foundation was created in 2008 to support women who have been victims of physical or sexual abuse and/or rape. Statistics show that nearly 300 women are raped in SA every 80 minutes. The Jess Foord Foundation has grown and extended its scope over the years to include the education of young males in the focused mentorship programme. The programme applies the principle of "if you want to change the way people behave, you have to change the way people think". This programme and numerous counselling initiatives have made a difference to the lives of many. In excess of 45 000 people have been exposed to, and benefited directly from Jess Foord Foundation initiatives.

- In support of organisations which involve people with ability challenges, the Group was involved in supporting Wheelchair Basket Ball South Africa's initiative, "Amawheela". Contributions and support from the Group helped "Amawheela" boys and girls' teams in their bid to qualify for the Paralympics. While the South African teams were not successful in their bid to represent the African Zone, without support whey would not have been able to compete in the bid.

- Education has formed a large part of the Group's Socio-economic development focus. We have sponsored a number of internships which has given the students the opportunity to complete the practical component of their qualifications or to secure permanent employment. In addition, together with the HCI Foundation, the Group has been involved in a Mentorship Programme which has benefited in excess of 70 students who are beneficiaries of the HCI Student Bursaries. In addition, Seartec provided much-needed visual learning aids, calculators and electronic screens to a number of maths and science initiatives, competitions and olympiads. The focus has been on the development and the promotion of maths and science skills, in an effort to contribute towards a reduction in the shortage of these skills.

The Deneb Group of companies is proud to be associated with these initiatives and recognise the contributions these organisations make in the lives of many people.

ENVIRONMENTAL MANAGEMENT

Carbon footprint

The carbon footprint was calculated according to the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol, a widely used corporate GHG accounting and reporting standard. As was done last year, this year's 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. These conversion factors do not change on an annual basis, making the carbon footprint process easier. Some emission factors, such as those for business travel captured under Scope 3 emissions, were still sourced from the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA).

The organisational boundary was set according to the operational control approach, whereby Deneb companies report on all GHG emissions from facilities and activities over which they have operational control.

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

In aggregate, Deneb's Scope 1 and 2 emissions in the current financial year were 38 492 tCO_2e. This represents a 4,8% decrease relative to the scope 1 and 2 emissions reported in the prior financial year. The biggest contributors to Deneb's Scope 1 and 2 emissions are:

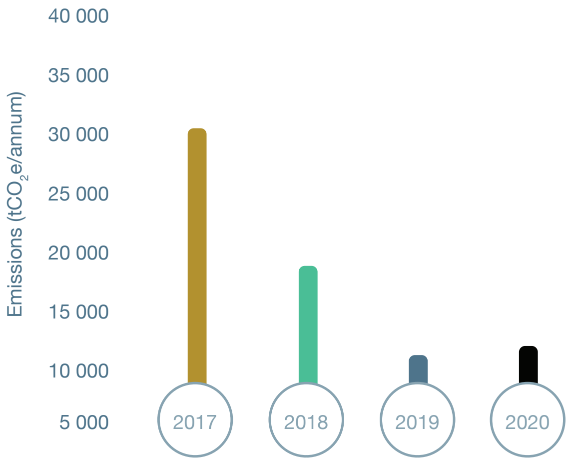
- Frame Knitting Manufacturers (22%);
- Winelands Textiles (21%), and
- Formex (15%).

Current year Scope 1 emissions totalled 12 006 tCO_2e, a 4% increase year-on-year. The three main sources of Scope 1 emissions are coal (33%), natural gas (32%) and diesel (10%).

The biggest contributors to Scope 1 emissions are Winelands Textiles (34%), Frame Knitting Manufacturers (33%), Brits Nonwoven (10%) and Romatex (10%).

The increase in Scope 1 emissions is primarily as a result of an increase in emissions from Winelands Textiles and Frame Knitting Manufacturers. Winelands Textiles reported increased fuel consumption primarily to combat the effect of electricity load shedding and Frame Knitting Manufacturers reported an increase in the consumption of methane-rich gas due to increased boiler usage. In the prior year, Frame Knitting's production output was negatively affected by a flood, resulting in about 12 weeks of lost production.

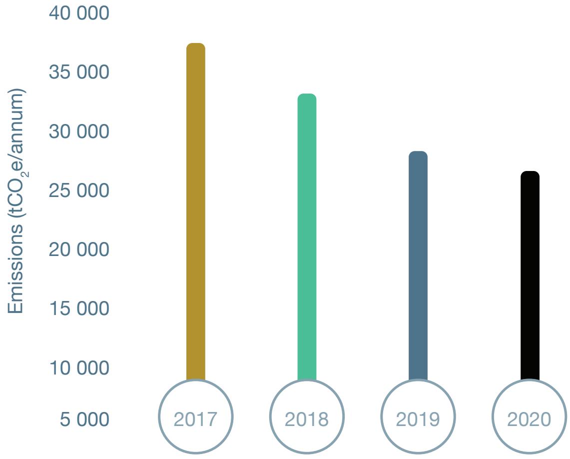
Deneb's Scope 1 emissions



Scope 2 emissions totalled 26 486 tCO_2e, a 6% decrease year-on-year. Deneb's Scope 2 emissions consist of purchased electricity and steam.

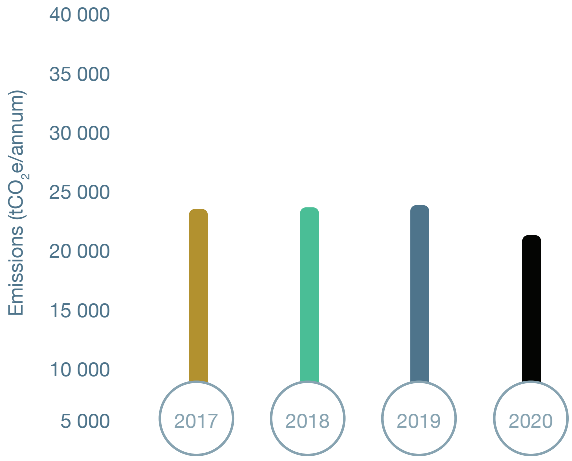
The biggest contributors to Deneb's Scope 2 emissions are Formex (21%), Frame Knitting Manufacturers (17%), Winelands Textiles (15%) and Integrated Polypropylene (15%). The decrease in Scope 2 emissions is due to load shedding and decreased electricity demand experienced across the Group, attributable to the effect of the challenging South African economy.

Deneb's Scope 2 emissions



Scope 3 emissions are attributable to emissions from business travel and emissions from electricity consumed by Vega Properties' tenants. Scope 3 emissions totalled 21 040 tCO_2e, a 15% decrease relative to emissions in the prior financial year. Vega Properties is the largest contributor to Scope 3 emissions, and includes the electricity consumed by all non-Deneb tenants in its properties.

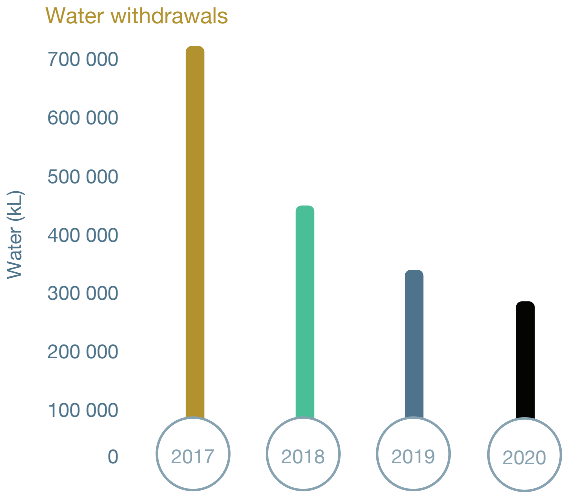
Deneb's Scope 3 emissions



DENEB'S WATER FOOTPRINT

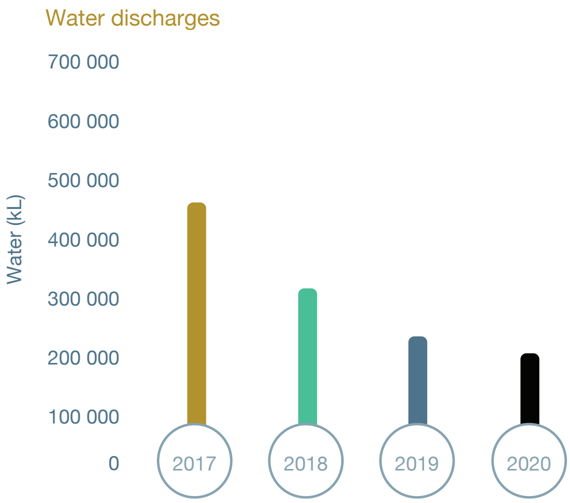
Water withdrawals

Deneb's water withdrawals for the year was 285 827 kℓ, an 18% decrease compared to the prior year. Frame Knitting Manufacturers is the largest water user (50%), followed by Winelands Textiles (27%). Both these operations use water in their production process for the generation of steam, washing and dyeing. The significant decrease in water withdrawals is mainly due to reduced demand for dyed products at Frame Knitting Manufacturers and the disposal of Winelands Textiles in February 2020, resulting in the inclusion of only 10 months of data for this operation.



Water discharges

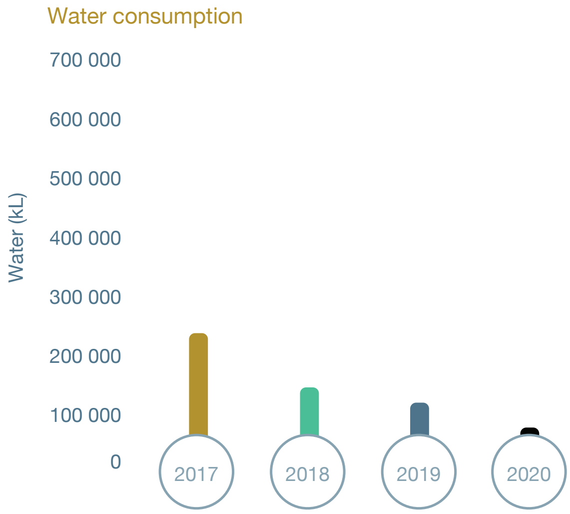
The CDP definition of water discharges excludes the discharge of collected rainwater and domestic sewage. Deneb's discharges during the year are 208 136 kℓ, a 13% decrease from the water discharges in the prior year. Discharges are mainly attributable to Frame Knitting Manufacturers (61%) and Winelands Textiles (25%). The decrease in water discharges follows the decrease in water withdrawals reported by Frame Knitting Manufacturers and Winelands Textiles. 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.

Deneb's water consumption was estimated by subtracting discharges from withdrawals. Using the same method, this year's water consumption was calculated to be 77 494 kℓ. This is a 28% decrease from the prior year. This is evidently a high-level estimate, since it excludes water discharged as sewerage or storm water. Reasons for changes in water consumption can be traced back to reasons for changes in withdrawals and discharges.



TERMS OF REFERENCE

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. The committee has fulfilled it mandate as prescribed by the Companies Act and confirms there are no instances of material non-compliance.

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 N B Jappie, Ms K F Mahloma, 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. During the year under review, Ms R Watson resigned and Ms K F Mahloma was appointed to the committee.

MEETINGS

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

	20 May 2019	14 November 2019
M H Ahmed	√	√
R Watson	√	n/a
K F Mahloma	n/a	√
N B Jappie	√	√
S A Queen	√	√
G D T Wege	√	√
D Levin	√	√

√ In attendance

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 its commercial bankers;
- the Group's main credit exposures;
- the Group's foreign exchange mandate, which requires that at least 50% of forex 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 the 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.

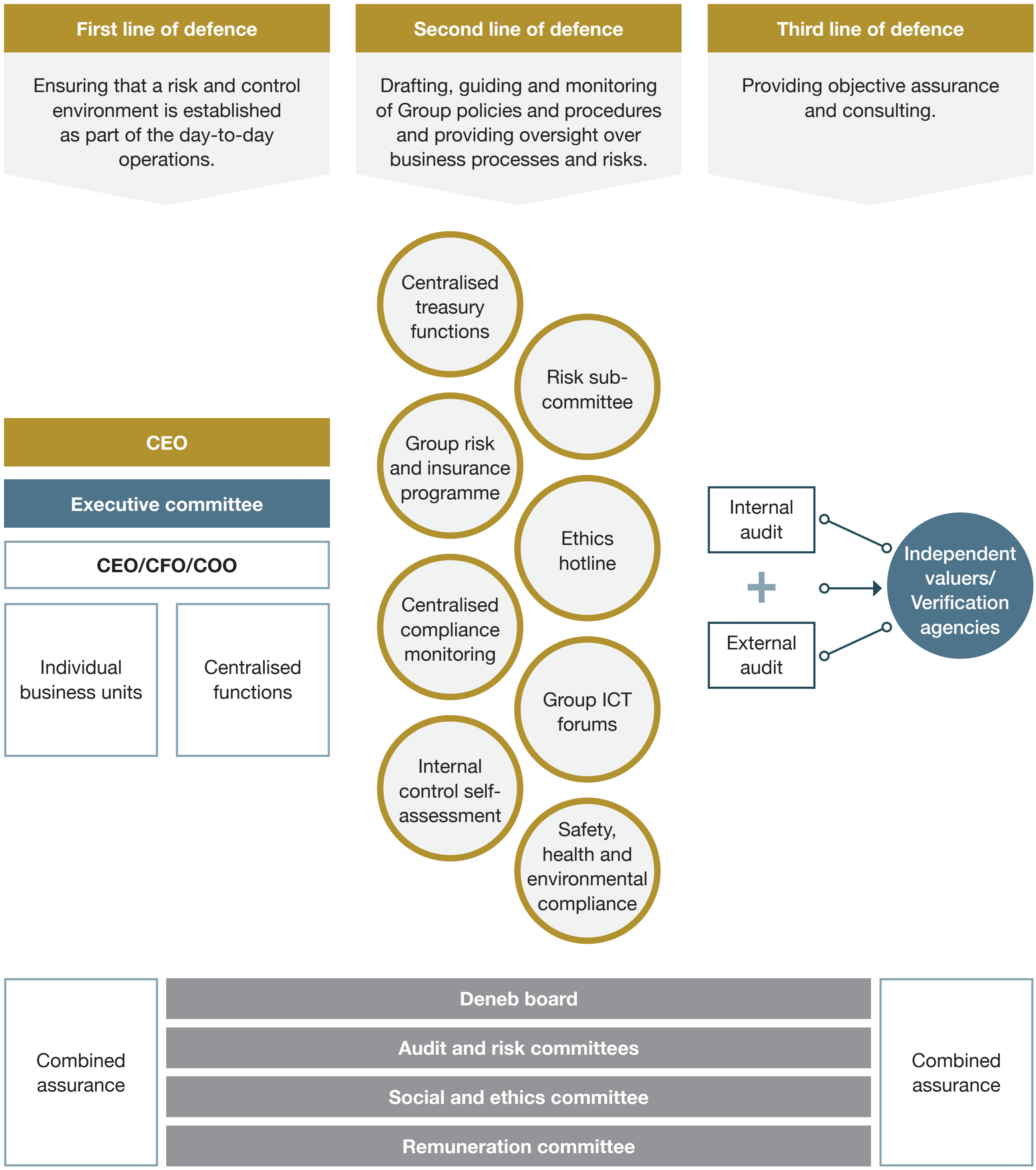
The assurance obtained informs executive management and the audit committee about the effectiveness of the Group's internal controls in respect of significant risks. The risk committee, which is responsible for the oversight of risk management at Deneb, considers the risks and the assurance provided 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.

MATERIAL RISKS

A description of all immediately identifiable material risks which are specific to the company, its industry and/or its issued ordinary shares are available at **www.deneb.co.za**

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


First line of defence
Ensuring that a risk and control environment is established as part of the day-to-day operations.
Second line of defence
Drafting, guiding and monitoring of Group policies and procedures and providing oversight over business processes and risks.
Third line of defence
Providing objective assurance and consulting.
CEO
Executive committee
CEO/CFO/COO
Individual business units
Centralised functions
Centralised treasury functions
Risk sub-committee
Group risk and insurance programme
Ethics hotline
Centralised compliance monitoring
Group ICT forums
Internal control self-assessment
Safety, health and environmental compliance
Internal audit
+
External audit
Independent valuers/ Verification agencies
Combined assurance
Deneb board
Audit and risk committees
Social and ethics committee
Remuneration committee
Combined assurance

Remuneration committee 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 N B Jappie (independent non-executive director) and Mr J A Copelyn (non-executive director). During the year under review, Ms R D Watson (independent non-executive director) resigned and Ms N B Jappie was appointed 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:

	26 June 2020	3 July 2019
M H Ahmed	√	√
J A Copelyn	√	√
N B Jappie	√	n/a

√ *In attendance*

SHAREHOLDER ENGAGEMENT

The remuneration policy and the remuneration 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 policy or the remuneration implementation report, or both, have been voted against by 25% or more of the voting rights exercised by shareholders at the annual general meeting, 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 during the year under review) are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI") and/or HCI subsidiary companies. Mr M H Ahmed and Ms N B Jappie are directors 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% (2019: 5,5%) 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 on a net-equity settled formulation, 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.

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 R87 million (2019: R98 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	**2020 Proposed fee excluding VAT R**	2019 Approved fee excluding VAT R
Board member	**140 000**	140 000
Member of the audit committee	**58 000**	58 000
Member of the remuneration committee	**58 000**	58 000

Messrs J A Copelyn, T G Govender, Y Shaik and Ms R D Watson (resigned during the year under review) are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI"). Ms N B Jappie and Mr M H Ahmed 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 2020:

	Board fees R000's	Salary R000's	Other benefits R000's	Share option expense R000's	Bonus R000's	**Total for the year ended 31 March 2020 R000's**	Total for the year ended 31 March 2019 R000's
Director							
J A Copelyn	–	7 696	–	5 397	–	**13 093**	15 411
T G Govender	–	1 965	–	2 373	–	**4 338**	4 635
Y Shaik	–	3 976	–	2 017	–	**5 993**	7 533
M H Ahmed	1 195	–	–	–	–	**1 195**	237
N B Jappie	353	–	–	–	–	**353**	329
R D Watson	1 318	–	–	–	–	**1 318**	871

EXECUTIVE DIRECTORS

Details of the executive directors' remuneration for the year ended 31 March 2020 are:

	Salary R000's	Short-term bonus R000's	Retirement and medical aid contributions R000's	Share option expense R000's	**Total for the year ended 31 March 2020 R000's**	Total for the year ended 31 March 2019 R000's
Executive Director						
S A Queen (Chief Executive Officer)	4 669	1 198	–	1 719	**7 586**	7 883
A M Ntuli	966	98	241	–	**1 305**	1 471
G D T Wege	2 207	619	322	–	**3 148**	3 437
D Duncan	3 532	180	240	491	**4 443**	4 623

SHARE OPTIONS

During the year under review, 13 096 530 (2019: 10 781 733) share options were granted to employees; 756 199 (2019: 2 589 390) 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	127	Continued employment	1 year
	27 January 2015	1 091 401	172	Continued employment	5 years
	29 June 2015	1 591 233	166	Continued employment	5 years
	30 June 2016	2 343 944	141	Continued employment	5 years
	26 June 2017	1 441 713	136	Continued employment	6 years
	18 June 2018	1 489 586	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	2 290 642	181	Continued employment and meeting predetermined financial objectives	5 years
Total for S A Queen		**11 962 278**			
G D T Wege	29 June 2015	668 258	166	Continued employment	5 years
	30 June 2016	738 491	141	Continued employment	5 years
	26 June 2017	672 598	136	Continued employment	6 years
	18 June 2018	722 214	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	1 088 366	181	Continued employment and meeting predetermined financial objectives	5 years
Total for G D T Wege		**3 889 927**			
D Duncan	14 October 2014	499 846	127	Continued employment	1 year
	27 January 2015	1 564 245	172	Continued employment	5 years
	29 June 2015	891 388	166	Continued employment	5 years
	30 June 2016	981 939	141	Continued employment	5 years
	26 June 2017	1 023 672	136	Continued employment	6 years
	18 June 2018	1 073 155	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	1 637 728	181	Continued employment and meeting predetermined financial objectives	5 years
Total for D Duncan		**7 671 973**			

Option holder	Grant date	Unexercised options	Strike price (cents)	Vesting conditions	Remaining life of option
Other, not being directors	14 October 2014	1 150 980	127	Continued employment	1 year
	27 January 2015	3 792 235	172	Continued employment	5 years
	29 June 2015	2 669 350	166	Continued employment	5 years
	30 June 2016	4 734 156	141	Continued employment	5 years
	26 June 2017	4 665 731	136	Continued employment	6 years
	18 June 2018	6 779 216	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	7 522 239	181	Continued employment and meeting predetermined financial objectives	5 years
Total other		31 313 907			
Total options in issue		**54 838 085**			

Reconciliation of movements in options:

Number of options	**2020**	2019
Opening balance	**44 628 668**	41 975 412
Awarded during the period	**13 096 530**	10 781 733
Exercised during the period	**(756 199)**	(2 589 390)
Options used for strike price	**(714 304)**	(2 456 054)
Lapsed/forfeited during the period	**(1 416 610)**	(3 083 033)
Closing balance	**54 838 085**	44 628 668

		2020	2019
Number of options exercisable at year-end		**33 386 602**	18 257 986
Income/expense during the year (included in employment costs)	(Rand)	**(3 748 764)**	1 487 101
Value of shares issued during the year	(Rand)	**1 345 865**	3 973 998
Weighted average share price of share options exercised during the year	(Rand)	**1,94**	2,40

Top three executive management earners

In accordance with the recommendations 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 2020	**R000's**
Executive 1	**6 975**
Executive 2	**6 476**
Executive 3	**4 450**

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.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Consolidated annual financial statements

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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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, No. 71 of 2008 as amended ("the Companies Act").

PRIMARY ROLE AND RESPONSIBILITY OF THE COMMITTEE

The audit committee fulfils an independent oversight role regarding the company's 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 K F Mahloma and Ms N B Jappie. The committee members are appointed by the shareholders at the annual general meeting of the company. By invitation, the chief executive officer, the financial director, the external auditors and the head of internal audit have attended the committee meetings. With effect from 1 December 2019, Deneb appointed GRIPP Advisory Proprietary Limited ("GRIPP") to perform internal audit services to the company. GRIPP has dedicated a representative to perform the functions associated with the role of Chief Internal Audit Officer.

During the year under review, Ms R D Watson resigned. Ms K F Mahloma was appointed to the committee on 20 May 2019.

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:

	20 May 2019	**14 November 2019**
M H Ahmed	√	√
R Watson	√	n/a
K F Mahloma	n/a	√
N B Jappie	√	√

√ *In attendance*

AUDIT COMMITTEE FEES

Fees paid to the committee members are disclosed in note 27.

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 annual 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 company's internal control systems.
- Reviewed legal matters that could have a significant impact on the company's 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 advisers.

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 financial director.

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 Mr A Hugo as the designated auditor for the year under review. The external auditor has unrestricted access to the company'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 at the annual general meeting by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Limited 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 company. It assists to accomplish 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 financial director.

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 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 Limited Listings Requirements the expertise and experience of the financial director 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 financial director.

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 2020 financial year and complied with all statutory and regulatory responsibilities.

Mohamed Ahmed
Chairperson

17 July 2020

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 2020 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 43 to 126. 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 17 July 2020 and signed on its behalf by:

Stuart Queen
Chief Executive Officer

Gys Wege
Group Financial Director

Declaration by the company secretary

We certify that Deneb Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2020, 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 2020.

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, 756 199 (2019: 2 589 390) 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 not to declare a dividend or distribution to shareholders for the year ended 31 March 2020 (2019: 3 cents).

SUBSEQUENT EVENTS

Refer to note 34.

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. Please refer to note 1.1 for further detail.

DIRECTORATE

The directors of the company appear on pages 8 to 10. During the year under review, Ms R D Watson resigned and Ms K F Mahloma was appointed to the board.

COMPLIANCE WITH COMPANIES ACT AND MOI

The directors confirm compliance with the provisions of the Companies Act and that the company operated in conformity with its memorandum of incorporation during the year under review.

DIRECTORS' EMOLUMENTS

Directors' emoluments for the year ended 31 March 2020 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 2020.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 12 September 2019:

- 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 October 2019 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 paragraph 5.72 of the JSE Listings Requirements, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Deneb Investments Limited's consolidated financial statements set out on pages 43 to 126 comprise:

- the consolidated statement of financial position as at 31 March 2020;
- 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.

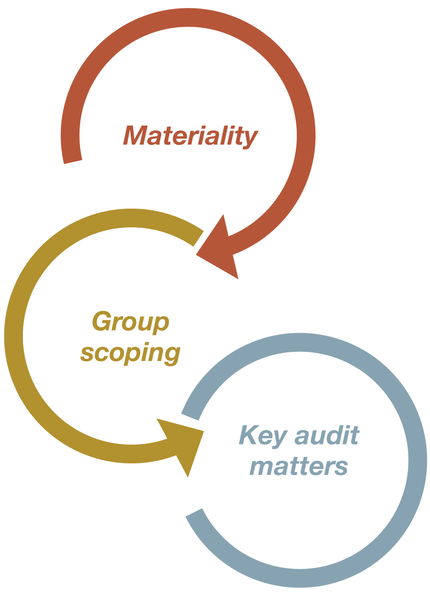
Basis for opinion

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 the 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

- R22 970 000, which represents 0,80% of consolidated revenue.

Group audit scope

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

Key audit matters

- Valuation of investment properties and owner-occupied properties; and
- Impairment of finite life intangible assets and goodwill.

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	R22 970 000.
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. 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 the Company and its 20 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. Nine of the components were subject to a full scope audit and one international component was subject to an 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, and 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties and owner-occupied properties The Group's property portfolio comprises industrial, office and retail investment properties with these being accounted for and disclosed as either owner-occupied or investment properties in the consolidated financial statements. 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 2020, the fair values attributed to owner-occupied properties and investment properties were R294 million and R1,09 billion, respectively. Included in consolidated other comprehensive income is a pre-tax amount of R13 million relating to the revaluation loss on land and buildings and included in consolidated profit or loss a pre-tax loss amount of R28 million. Key determinants of the value of these properties are dependent on the valuation methodology adopted and the unobservable inputs into the valuation model. The valuation technique used by the Group's external independent property valuers 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 unobservable inputs are key in establishing fair value: • capitalisation rate; • occupancy rate; and • projected income. The government's announcement, on 27 March 2020, of a curtailment period due to the Covid-19 pandemic has had a negative impact on the South African economy. Consequently, a downward adjustment to the external property valuation was made for the potential effect of the pandemic on vacancy rates, future rentals and capitalisation rates. This downward adjustment was reflected in an increase in the weighted average capitalisation rate to 10,5% from 9,9%.	We evaluated the competence, capabilities and objectivity of the external experts engaged by the Group to perform the property valuations by assessing their professional qualifications, experience and objectivity of these experts with reference to the profiles of the valuation company and individual experts. No aspects requiring further consideration were noted. We obtained an understanding of the prevailing market conditions in which the Group invests by inspecting the latest Rodes and The South African Property Owners Association ("SAPOA") Cap and Discount Rate Reports. Making use 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. We assessed the reasonableness of the unobservable inputs used in the valuation by performing the following procedures: • For a sample of leases, we compared the projected 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 an independent 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 their reasons for supporting 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. • For a sample of properties, we compared the occupancy rates used in the external valuation to the SAPOA Cap and Discount Rate Report, based on the location of each property. We found that the occupancy rates fell within an acceptable range.

Key audit matter	How our audit addressed the key audit matter
We considered the valuation of investment properties and owner-occupied properties 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 losses that directly impact the consolidated statement of profit or loss and other comprehensive income; and • Key judgements involved in respect of the unobservable inputs utilised in the valuation. Disclosure is provided in the consolidated financial statements in notes 3, 10 and 11, respectively.	For a sample of external valuations we: • Inspected the valuer's terms of engagement for any clauses that might have affected their objectivity or imposed limitations on their work. No such clauses were identified; and • Inspected the final valuation reports and agreed the fair value to the Group's accounting calculation prior to management's adjustments for Covid-19, noting no exceptions. Using our valuation expertise, we assessed the impact of the Covid-19 pandemic on the forward rentals and capitalisation rates, adjusted for risk factors present, such as the occupancy rates and associated reletting prospects in the property portfolio. We evaluated comparable market evidence in assessing the fair value of the properties.
Impairment of finite life intangible assets and goodwill The Group's net assets include goodwill amounting to R23 million and customer-related intangibles and licences amounting to R23 million, classified as finite life intangible assets allocated to groups of cash-generating units ("CGUs") as disclosed in note 12 (Intangible assets and goodwill) in the consolidated financial statements. CGUs containing goodwill are tested annually for impairment. For finite life intangible assets management assesses whether indicators of impairment are identified and test for impairment when such indicators are identified. The recoverable amounts of the CGUs are based on value-in-use calculations, determined using discounted cash flow models. Based on their impairment assessments and calculations, management recognised impairment losses of R8 million against goodwill and R23 million against customer-related intangibles and licences classified as finite life intangible assets, relating to the Branded Product Distribution group of CGUs. We considered the impairment of finite life intangible assets and goodwill to be a matter of most significance to our current year audit due to the following: • the magnitude of the related goodwill and finite life intangible asset balances; and • the significant judgements and key assumptions applied by management in performing the impairment assessments, which include determination of an appropriate pre-tax risk-adjusted discount rate, long-term growth rate, working capital requirements and gross profit margin and future cash flows.	Our audit procedures included testing of the principles, integrity and mathematical accuracy of the Group's discounted cash flow model. The detail of these audit procedures has been listed below. • We utilised our valuation expertise to test the principles of management's calculation for their model. We challenged key inputs in the calculations, which included the long-term growth rate, working capital requirements and gross profit margin and future cash flow assumptions by comparing them to approved budgets and business plans. We noted no material differences and accepted management's key inputs. • In assessing management's forecasts, we considered the historical accuracy of the underlying businesses' forecasts by comparing the actual results for the year with the original forecasts. In cases where forecasts were not met management adjusted their forecast cash flows to take account of these variances as well as a downward adjustment to take account of the impact of the Covid-19 pandemic and economic lockdown on the operations. We have assessed the reasonableness of management's adjustment for the impact of Covid-19 by evaluating the impact of the lockdown on its various CGUs and comparing the actual results for April to June 2020 with the forecasts. No significant variances were noted. • We compared the discount rate used by management in their calculations to our internal benchmarks developed making use of our valuation expertise. We found that the discount rates applied by management were comparable with our internally developed benchmarks.

Key audit matter	How our audit addressed the key audit matter
Disclosure is provided in the consolidated financial statements in notes 5 and 12.	• In assessing management's working capital requirements, we considered the accuracy of historic debtor, inventory and creditor days by comparing to the actual results for the year and we recalculated the forecast working capital cash flows by applying the average debtor, inventory and creditor days to the forecast revenue and cost of sales figures which have already been assessed above. • We performed independent sensitivity calculations on the impairment assessments where no impairments were recognised, to assess the degree by which the key assumptions needed to change in order to trigger an impairment. No significant variances were noted.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Deneb Investments Limited Integrated annual report 2020" and the document titled "Deneb Investments Limited Separate Annual Financial Statements for the year ended 31 March 2020", which includes the Directors' report, the Audit committee report and the Declaration by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's reports 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, actions taken to eliminate threats or safeguards applied.

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 three years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JA Hugo
Registered Auditor

Cape Town
17 July 2020

Consolidated statement of financial position

as at 31 March

	Notes	2020 R000's	2019 R000's
ASSETS			
Non-current assets		**2 111 358**	2 006 022
Property, plant and equipment		**783 716**	709 611
Plant and equipment	10	**395 002**	358 840
Owner-occupied property	10	**293 504**	350 771
Right-of-use assets	25	**95 210**	–
Investment property	11	**1 086 964**	1 056 095
Intangible assets and goodwill	12	**50 219**	91 326
Intangible assets		**26 789**	59 877
Goodwill		**23 430**	31 449
Financial asset at fair value through other comprehensive income	13	**4 237**	4 237
Long-term receivables	14	**23 408**	27 483
Deferred tax assets	7	**162 814**	117 270
Current assets		**1 087 067**	1 267 618
Inventories	16	**523 870**	616 643
Trade and other receivables	17	**520 336**	634 725
Current tax assets		**3 069**	2 477
Cash and cash equivalents		**39 792**	13 773
Non-current assets held for sale	8.3	**107 200**	396 168
Total current assets		**1 194 267**	1 663 786
Total assets		**3 305 625**	3 669 808
EQUITY AND LIABILITIES			
Total equity		**1 463 128**	1 621 586
Stated capital	18	**1 457 583**	1 456 237
Reserves		**6 427**	166 525
Equity attributable to owners of the company		**1 464 010**	1 622 762
Non-controlling interest	37	**(882)**	(1 176)
Non-current liabilities		**693 091**	923 917
Deferred tax liabilities	7	**4 935**	14 141
Post-employment medical aid benefits	19	**79 572**	90 270
Deferred income	22	**84 155**	83 727
Interest-bearing liabilities	20	**412 446**	728 328
Lease liabilities	25	**111 983**	–
Operating lease accruals		**–**	7 451
Current liabilities		**1 070 053**	985 794
Current tax liabilities		**8 639**	4 873
Post-employment medical aid benefits	19	**7 885**	7 749
Deferred income	22	**14 714**	16 102
Interest-bearing liabilities	20	**457 151**	173 319
Lease liabilities	25	**14 606**	–
Trade and other payables	21	**458 024**	459 843
Bank overdraft		**109 034**	323 908
Non-current liabilities held for sale	8.3	**79 353**	138 511
Total current liabilities		**1 149 406**	1 124 305
Total liabilities		**1 842 497**	2 048 222
Total equity and liabilities		**3 305 625**	3 669 808

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

Continuing operations		Notes	2020 R000's	2019 R000's
Revenue		3; 32	**2 871 599**	2 955 836
Cost of sales		3	**(2 147 350)**	(2 258 283)
Gross profit			**724 249**	697 553
Other income		3	**53 212**	64 787
Selling and distribution expenses			**(311 320)**	(329 376)
Administrative and other expenses			**(293 095)**	(283 496)
Operating profit before finance costs, impairments, and revaluation of investment property		3	**173 046**	149 468
Fair value adjustment on investment properties		11	**(28 315)**	12 868
Net impairment of assets		5	**(36 945)**	–
Operating profit before finance costs			**107 786**	162 336
Finance income		6	**1 802**	477
Lease finance expenses		6; 25	**(16 064)**	–
Finance expenses		6	**(111 234)**	(111 284)
(Loss)/Profit before taxation			**(17 710)**	51 529
Income tax income/(expense)		7	**19 590**	(20 282)
Profit after tax			**1 880**	31 247
Discontinued operations				
Loss from discontinued operations, net of tax		8	**(131 220)**	(78 184)
Loss			**(129 340)**	(46 937)
Other comprehensive income, net of related tax				
Items that will never be reclassified to profit or loss				
Revaluation of land and buildings			**(9 020)**	20 851
Revaluation		10	**(12 528)**	31 435
Related tax		7	**3 508**	(10 584)
Post-employment medical aid benefits – actuarial gain			**8 662**	7 648
Actuarial gain		19	**12 030**	10 622
Related tax		7	**(3 368)**	(2 974)
Items that are or may be reclassified to profit or loss				
Foreign operations – foreign currency translation differences			**5 031**	2 269
Other comprehensive income, net of tax			**4 673**	30 768
Total comprehensive loss for the year			**(124 667)**	(16 169)
Loss attributable to:				
Owners of the company			**(127 034)**	(45 471)
Non-controlling interest		37	**(2 306)**	(1 466)
			(129 340)	(46 937)
Total comprehensive loss attributable to:				
Owners of the company			**(122 361)**	(14 703)
Non-controlling interest		37	**(2 306)**	(1 466)
			(124 667)	(16 169)
Basic (loss)/earnings per share	(cents)	9	**(29,24)**	(10,53)
Basic earnings per share from continuing operations	(cents)		**0,96**	7,58
Basic loss per share from discontinued operations	(cents)		**(30,20)**	(18,11)
Diluted (loss)/earnings per share	(cents)	9	**(29,24)**	(10,28)
Diluted earnings per share from continuing operations	(cents)		**0,96**	7,40
Diluted loss per share from discontinued operations	(cents)		**(30,20)**	(17,68)

Consolidated statement of changes in equity

for the year ended 31 March

	Notes	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 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)		–	–	(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		–	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
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 to shareholders		–	–	(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**
Balance at 1 April 2019		**1 456 237**	**289 987**	**(123 462)**	**1 622 762**	**(1 176)**	**1 621 586**
Change in accounting policy (IFRS 16)	1.2	**–**	**–**	**(15 243)**	**(15 243)**	**–**	**(15 243)**
Restated total equity at the beginning of the financial year		**1 456 237**	**289 987**	**(138 705)**	**1 607 519**	**(1 176)**	**1 606 343**
Total comprehensive income		**–**	**(3 989)**	**(118 372)**	**(122 361)**	**(2 306)**	**(124 667)**
Loss		**–**	**–**	**(127 034)**	**(127 034)**	**(2 306)**	**(129 340)**
Other comprehensive income/(loss), net of tax		**–**	**(3 989)**	**8 662**	**4 673**	**–**	**4 673**
Foreign operations – foreign currency translation differences		**–**	**5 031**	**–**	**5 031**	**–**	**5 031**
Revaluation of land and buildings, net of tax		**–**	**(9 020)**	**–**	**(9 020)**	**–**	**(9 020)**
Post-employment medical aid benefits – actuarial gain, net of tax	19	**–**	**–**	**8 662**	**8 662**	**–**	**8 662**
Transactions with owners of the company		**1 346**	**–**	**(22 494)**	**(21 148)**	**2 600**	**(18 548)**
Share scheme – expense		**–**	**–**	**(5 530)**	**(5 530)**	**–**	**(5 530)**
– options exercised		**1 346**	**–**	**(1 346)**	**–**	**–**	**–**
Effects of change in holdings		**–**	**–**	**(2 600)**	**(2 600)**	**2 600**	**–**
Distribution to shareholders		**–**	**–**	**(13 018)**	**(13 018)**	**–**	**(13 018)**
Balance at 31 March 2020		**1 457 583**	**285 998**	**(279 571)**	**1 464 010**	**(882)**	**1 463 128**

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2020 R000's	2019 R000's
Net cash flows from operating activities		**399 009**	(58 713)
Cash generated from operating activities before working capital changes		**167 852**	167 303
Loss		**(129 340)**	(46 937)
Adjustments for:			
– Depreciation		**63 814**	52 625
– Amortisation of intangible asset	12	**4 939**	6 514
– Revaluation of investment property	11	**28 315**	(12 868)
– Net foreign exchange gains – unrealised		**(4 315)**	(10 205)
– Net profit/(loss) on disposal of property, plant and equipment		**(367)**	518
– Profit on sale of subsidiary		**(9 407)**	(955)
– Loss on sale of subsidiary		**6 015**	–
– Impairment of assets	5	**80 487**	39 754
– Investment income		**–**	(107)
– Post-employment medical aid benefits	19	**9 836**	10 076
– Share incentive scheme	35	**(3 749)**	1 487
– Inventory write-down		**7 647**	14 171
– Finance costs	6	**134 625**	118 743
– Deferred income		**(9 545)**	(20 521)
– Tax (income)/expense	7	**(11 103)**	15 008
Cash inflow/(outflow) from working capital changes		**373 532**	(102 892)
Changes in:			
– Inventories		**160 993**	(99 756)
– Trade and other receivables		**228 531**	21 813
– Post-employment medical aid benefits		**(8 303)**	(7 950)
– Trade and other payables		**(11 765)**	(50 282)
– Foreign currency translation reserve		**–**	2 269
– Long-term receivables		**4 076**	29 297
– Lease accrual		**–**	1 717
Finance costs	6	**(134 625)**	(118 743)
Taxes paid		**(7 750)**	(4 381)

	Notes	2020 R000's	2019 R000's
Net cash flow from investing activities		**(99 519)**	(179 415)
Acquisition of property, plant and equipment		**(87 416)**	(125 391)
Acquisition of plant and equipment		**(87 006)**	(124 728)
Acquisition of owner-occupied properties	10	**(410)**	(663)
Proceeds from sale of assets held for sale		**–**	570
Proceeds from sale of intangible assets		**5**	3
Proceeds from sale of property, plant and equipment		**8 447**	51 320
Development cost of investment property	11	**(19 975)**	(20 335)
Acquisition of investment property	11	**–**	(86 446)
Proceeds on sale of investment property		**3 500**	–
Acquisition of intangible assets		**(782)**	(743)
Investment income		**–**	107
Disposal of interest in subsidiary companies		**(3 298)**	1 500
Net cash flow from financing activities		**(58 597)**	30 202
Proceeds from borrowings		**2 030**	71 900
Repayment of borrowings		**(34 114)**	(28 758)
Principal elements of lease payments		**(13 495)**	–
Distribution to shareholders		**(13 018)**	(12 940)
Net increase/(decrease) in cash and cash equivalents		**240 893**	(207 926)
Cash and cash equivalents at the beginning of the year		**(310 135)**	(102 209)
Cash and cash equivalents at the end of the year		**(69 242)**	(310 135)
Cash and cash equivalents comprise the following:			
Cash and cash equivalents		**39 792**	13 773
Bank overdrafts		**(109 034)**	(323 908)
		(69 242)	(310 135)

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 2020 and comparative figures for the year ended 31 March 2019 comprise the company and its subsidiaries (together referred to as the Group). The company's registered office is on 5th floor, Deneb House, 368 Main Road, Observatory, 7925, Cape Town.

1.1 Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the 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.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

On 11 March 2020, the World Health Organisation declared Covid-19 a pandemic. Following the announcement by the South African president of a curtailment period ("lockdown") commencing on 27 March 2020, the businesses of the Group, with the exception of approximately 10% of the Group's operations which manufacture and distribute essential goods as defined in the lockdown regulations, were unable to operate. With effect from 1 May 2020, following the announcement of a relaxation of the lockdown regulations, better known as Level 4, a large portion of the Group's manufacturing operations and certain of the branded product business re-opened. With effect from 1 June 2020, further relaxations of the lockdown regulations have been announced. This meant that practically all the businesses within the Group have re-opened with the level of activity determined by health and safety requirements to ensure the wellbeing of our staff, and by the demand levels from customers.

The directors have assessed the potential impact of Covid-19 and the national lockdown in South Africa on the going concern status of the Group. The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant being that:

- the Group's existing on-demand facilities remain in place. There is currently no indication that the Group's funders will look to call up these facilities; and
- a R450 million property-backed facility, which is repayable in March 2021, will be refinanced. The Group's funders have indicated an appetite to refinance the loan on similar terms to which have been negotiated in the past, subject to the normal credit review process.

The directors believe that in accordance with the cash flow projections, considering a range of possible impacts of Covid-19 on performance, that the company should be able to operate within its available facilities. In addition, the Group has considered several mitigating actions that could be taken in the event of a worsening of the pandemic impact on the Group.

Since 31 March 2020, the Group has not noted any significant deterioration in the creditworthiness of their customers after year-end and has continued to meet its obligations to creditors and funders in the ordinary course of business.

Projections indicate that the Group has sufficient headroom in its banking facilities to support the working capital requirements of its operations after making allowances for the weakened currency.

Consequently, and based on information available to the directors at the date of issue of these consolidated financial statements, the directors are of the view that the Group is able to continue to operate as a going concern notwithstanding the Covid-19 pandemic.

Historical cost bases have been used 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 has a significant impact on the Group:

- IFRS 16 Leases.

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 balance.

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.

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

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 purchase 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.

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 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.

Discontinued operations

A discontinued 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 discontinued 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 discontinued 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.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

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.

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-life 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 lass had been recognised.

Finance income and expenses

Finance income comprise interest income on funds invested and is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and 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 withholding 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 accounting policies relating to financial instruments below have been disclosed based on the requirements of IFRS 9.

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 of 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 and loss, directly attributable transaction costs are included on initial measurement. Subsequent to initial recognition financial instruments are measured as described below.

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

Subsequent measurement

Financial assets at fair value through other comprehensive income

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

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 receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 20.

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.

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 are 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 returns, 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 to the amount in which the Group has a right to invoice. Customers are invoiced on a monthly basis and payment is due when invoiced.

Lease income

Revenues 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.

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

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 the 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.

Leases

The Group as lessee

The Group has changed its accounting policy for leases where the Group is the lessee. The new policies and the impact of the change are described in note 1.2.

Until 31 March 2019 leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term interest-bearing liabilities. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

The Group as lessor

Finance leases

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 acts as lessor over all its investment property leases. Income from these leases are recognised as rental income on a straight-line basis over the lease term.

The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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

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.

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.

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

1.2 Change in accounting policies

This note explains the impact of the first-time adoption of IFRS 16 Leases on the Group's financial statements. The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 12,60%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date and resulted in no measurement adjustments.

The Group acts as lessor over all its leases of investment property. These leases are classified as operating leases at lease inception. The Group recognises lease payments received under an operating lease as income on a straight-line basis over the lease term as part of gross property revenue. The Group did not need to make any adjustment to the accounting for assets held under operating leases as a result of the adoption of IFRS 16.

	R000's
Minimum operating lease commitment at 31 March 2019	61 957
Less: Short-term leases recognised on a straight-line basis as expense	(5 927)
Less: Low-value leases recognised on a straight-line basis as expense	–
Plus: Effect of extension options reasonably certain to be exercised	169 416
Undiscounted lease payments	225 446
Less: Effect of discounting using the incremental borrowing rate as at the date of initial application	(110 980)
Add: Finance lease liabilities recognised as at 1 April 2019	6 492
Lease liabilities recognised at 1 April 2019	120 958

Right-of-use assets were measured on a retrospective basis as if the new accounting rules had always been applied. There were no onerous lease contracts that would have required any adjustments to the right-of-use assets at the date of initial application.

The impact on adoption of IFRS 16 Leases affected the following items in the condensed consolidated statement of financial position on 1 April 2019:

- Property, plant and equipment – decrease by R6,1 million
- Right-of-use assets – increase by R96 million
- Deferred tax assets – increase by R6,8 million
- Interest-bearing liabilities – decrease by R6,5 million
- Lease liabilities – increase by R121 million
- Retained earnings – decrease by R15,2 million

The impact on adoption of IFRS 16 Leases affected the following items in the condensed consolidated statement of profit or loss and other comprehensive income for the 12 months ended 31 March 2020:

	R000's
Reduction of lease rental expense	30 203
Depreciation of right-of-use asset	(18 870)
Finance costs in respect of lease liability	(16 708)
Reduction in profit before tax	**(5 375)**

Practical expedients applied

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease.

1. ACCOUNTING POLICIES (continued)

1.2 Change in accounting policies *(continued)*

1.2.1 The Group's leasing activities and policies applied from 1 April 2019

The Group leases various offices, warehouses, retail stores, machinery and motor vehicles. Rental contracts are typically made for fixed periods of one to eight years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the entity. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of lease payments:

- fixed payments as per lease contract; and
- variable lease payments that are based on an index or rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Group recognised expenditure relating to these at R15,5 million and R0,8 million respectively. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture. The Group applies a threshold of R75 000 for capitalising right-of-use assets.

1.2.2 Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone selling prices. The standalone selling prices of each component are based on available market prices. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

1.2.3 Lease period

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

1.2.4 Impairment

The right-of-use asset will be tested for impairment when there is an indication of impairment, in terms of IAS 36 Impairment of Assets, or on an annual basis where the right-of-use asset forms part of a cash-generating unit which includes goodwill.

1.2.5 Significant judgements

In determining the lease period, management considers all facts and circumstances pertaining to the lease such as the non-cancellable period and any periods covered by an option to extend or terminate. Extension options based on that stipulated in lease contracts in place at year-end are only included in the lease term if the lease is reasonably certain to be extended.

The Group applies judgement in assessing whether a lease is reasonably certain to be extended or terminated.

The following factors are normally the most relevant:

- business plans;
- significant penalties not to extend;
- historical lease durations; and
- costs and business disruption required to replace the leased asset.

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.

2.1 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 – Accounting policies – Basis of preparation
- Note 1.2 – Change in accounting policies
- Note 7 – Taxation and deferred taxation
- Note 10 – Property, plant and equipment
- Note 11 – Investment property
- Note 12 – Intangible assets
- Note 20 – Financial instruments – IFRS 9 expected credit loss model
- Note 24 – Business combinations

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. The Group applies judgement in assessing whether a lease is reasonably certain to be extended or terminated. Refer to note 1.2 for the most relevant factors considered when making this assessment.

Sale of Winelands Textiles

Management has applied judgement in undertaking its assessment as to whether Deneb has lost control over its former subsidiary, Winelands Textiles. Refer to note 24 for detail regarding judgements applied.

Going concern

Judgement has been applied in the cash flow projections used to assess the potential impact of Covid-19 and the national lockdown in South Africa on the going concern status of the Group.

Income tax provisioning

Management has applied judgement in determining the estimated future taxable income used to assess the recoverability of deferred tax assets.

2. USE OF JUDGEMENTS AND ESTIMATES (continued)

2.2 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 2020 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

2.3 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 5 – Impairments
- 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 35 – Share-based payment arrangements

3. OPERATING PROFIT BEFORE IMPAIRMENTS AND REVALUATION OF INVESTMENT PROPERTY

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

	Continuing operations		**Discontinued operations**		**Total**	
	2020 R000's	2019 R000's	**2020 R000's**	2019 R000's	**2020 R000's**	2019 R000's
Income						
Revenue from contracts with customers						
– Sale of goods	**2 693 441**	2 825 628	**344 540**	390 835	**3 037 981**	3 216 463
– Services	**–**	4 270	**–**	–	**–**	4 270
Other revenue						
– Rental income from investment property	**178 158**	125 831	**–**	–	**178 158**	125 831
– Dividend income – unlisted investments	**–**	107	**–**	–	**–**	107
Total revenue	**2 871 599**	2 955 836	**344 540**	390 835	**3 216 139**	3 346 671
Other income (expenses)						
– Government grants – production incentive	**11 580**	6 211	**2 010**	5 809	**13 590**	12 020
– Government grants – other	**10 325**	3 898	**–**	–	**10 325**	3 898
– Finance lease income	**12 844**	12 896	**–**	–	**12 844**	12 896
– Foreign exchange gains – realised	**21 294**	7 134	**–**	–	**21 294**	7 134
– Foreign exchange gains – unrealised	**9 126**	16 833	**175**	737	**9 301**	17 570
– Surplus on disposal of property, plant and equipment	**822**	509	**524**	1 926	**1 346**	2 435
– Loss on disposal of property, plant and equipment	**(979)**	(2 432)	**–**	(522)	**(979)**	(2 954)
– Insurance claim – capital asset/loss of profits	**–**	–	**–**	798	**–**	798
– Foreign exchange losses – realised	**(1 984)**	(3 787)	**(2 278)**	(1 573)	**(4 262)**	(5 360)
– Foreign exchange losses – unrealised	**(4 986)**	(6 628)	**–**	–	**(4 986)**	(6 628)
– Other sundry income/(expenses)	**(4 830)**	30 153	**10 862**	12 994	**6 032**	43 147
Other income	**53 212**	64 787	**11 293**	20 169	**64 505**	84 956
Expenditure						
Cost of sales						
Material cost	**1 727 699**	1 898 933	**220 818**	175 646	**1 948 517**	2 074 579
Production labour	**171 144**	159 422	**27 395**	29 597	**198 539**	189 019
Production overheads	**199 022**	152 314	**92 302**	100 590	**291 324**	252 904
Direct costs associated with rental income	**44 373**	40 346	**–**	–	**44 373**	40 346
Production quality assurance costs	**5 112**	4 809	**7 407**	5 005	**12 519**	9 814
Costs of services	**–**	2 459	**–**	37 910	**–**	40 369
Cost of sales	**2 147 350**	2 258 283	**347 922**	348 748	**2 495 272**	2 607 031

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

	Continuing operations		Discontinued operations		Total	
	2020 R000's	2019 R000's	**2020 R000's**	2019 R000's	**2020 R000's**	2019 R000's
Expenses by nature						
Amortisation	**4 939**	5 061	**–**	1 453	**4 939**	6 514
Bad debts – net of recoveries and reversals of allowance account	**12 260**	9 763	**2 876**	3 151	**15 136**	12 914
Bank charges	**4 216**	3 023	**769**	1 181	**4 985**	4 204
Depreciation – owned buildings	**2 440**	2 570	**–**	–	**2 440**	2 570
– leased buildings	**15 807**	–	**–**	–	**15 807**	–
– owned plant and machinery	**30 537**	25 877	**–**	8 566	**30 537**	34 443
– leased plant and machinery	**856**	–	**–**	13	**856**	13
– owned equipment and fittings	**9 749**	9 132	**–**	1 798	**9 749**	10 930
– owned motor vehicles	**2 218**	814	**–**	175	**2 218**	989
– leased motor vehicles	**2 207**	3 680	**–**	–	**2 207**	3 680
Total depreciation	**63 814**	42 073	**–**	10 552	**63 814**	52 625
Employment costs*	**529 029**	467 075	**67 579**	**69 638**	**596 608**	536 713
– Production	**266 033**	194 786	**24 964**	43 467	**290 997**	238 253
– Sales	**91 023**	104 082	**7 306**	14 702	**98 329**	118 784
– Admin	**171 973**	168 207	**35 309**	11 469	**207 282**	179 676
Operating lease charges – property	**–**	26 953	**–**	5 464	**203**	32 417
– equipment and vehicles	**–**	4 547	**–**	965	**370**	5 512
Technical and consulting fees	**12 145**	9 912	**–**	1 183	**12 145**	11 095
Write-down of inventory to net realisable value	**7 647**	12 474	**–**	1 696	**7 647**	14 170

* *Includes contributions of R24,7 million (2019: R21,2 million) to medical, pension, provident and benefit funds. These contributions are after a R9,8 million charge (2019: R10,1 million) in respect of Post-employment medical aid benefits relating to a defined benefit obligation and an IFRS 2 income/charge in respect of the share option scheme of R3,7 million (2019: R1,4 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. 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 discontinued 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, Prima Baby, 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.

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	Operating profit/(loss) before finance costs R000's
Year ended 31 March 2020							
CONTINUING OPERATIONS							
Property	**178 158**	**(39 398)**	**138 760**	**93 403**	**–**	**–**	**93 403**
Branded Product Distribution	**1 302 841**	**–**	**1 302 841**	**(29 167)**	**–**	**–**	**(29 167)**
Automotive Parts Manufacturing	**531 164**	**–**	**531 164**	**43 767**	**–**	**–**	**43 767**
Industrial Product Manufacturing	**898 834**	**–**	**898 834**	**28 969**	**–**	**–**	**28 969**
Centralised Services	**–**	**–**	**–**	**(154 682)**	**1 802**	**(127 298)**	**(29 186)**
Total continuing operations	**2 910 997**	**(39 398)**	**2 871 599**	**(17 710)**	**1 802**	**(127 298)**	**107 786**
DISCONTINUED OPERATIONS							
Branded Product Distribution	**87 624**	**–**	**87 624**	**(42 084)**	**5**	**(1 166)**	**(40 923)**
Industrial Product Manufacturing	**256 916**	**–**	**256 916**	**(80 649)**	**–**	**(7 968)**	**(72 681)**
Total discontinued operations	**344 540**	**–**	**344 540**	**(122 733)**	**5**	**(9 134)**	**(113 604)**
Total	**3 255 537**	**(39 398)**	**3 216 139**	**(140 443)**	**1 807**	**(136 432)**	**(5 818)**
Year ended 31 March 2019							
CONTINUING OPERATIONS							
Property	167 041	(41 210)	125 831	130 310	–	–	130 310
Branded Product Distribution	1 393 195	–	1 393 195	9 887	–	–	9 887
Automotive Parts Manufacturing	483 621	–	483 621	26 538	–	–	39 716
Industrial Product Manufacturing	953 082	–	953 082	32 827	–	–	19 649
Centralised Services	107	–	107	(148 033)	477	(111 284)	(37 226)
Total continuing operations	2 997 046	(41 210)	2 955 836	51 529	477	(111 284)	162 336
DISCONTINUED OPERATIONS							
Branded Product Distribution	115 998	–	115 998	(33 314)	6	(1 225)	(32 095)
Industrial Product Manufacturing	274 837	–	274 837	(50 144)	–	(6 717)	(43 427)
Total discontinued operations	390 835	–	390 835	(83 458)	6	(7 942)	(75 522)
Total	3 387 881	(41 210)	3 346 671	(31 929)	483	(119 226)	86 814

							Geographical segments based on customer location		
							Holdings of property, plant and equipment, investment property and intangible assets		
Depreciation R000's	Amortisation R000's	Impairments R000's	Revaluation of investment properties R000's	Segment assets R000's	Segment liabilities R000's	Capital expenditure R000's	Within South Africa R000's	Outside South Africa R000's	Total R000's
(2 465)	**–**	**–**	**(28 315)**	**1 414 755**	**23 485**	**20 423**	**1 381 147**	**–**	**1 381 147**
(4 812)	**(3 412)**	**(36 945)**	**–**	**571 685**	**177 306**	**12 322**	**34 617**	**3 865**	**38 482**
(15 054)	**–**	**–**	**–**	**414 996**	**261 351**	**38 571**	**212 912**	**–**	**212 912**
(21 859)	**(1 489)**	**–**	**–**	**628 301**	**293 272**	**37 761**	**262 804**	**–**	**262 804**
(754)	**(38)**	**–**	**–**	**168 688**	**1 007 730**	**267**	**2 124**	**–**	**2 124**
(44 944)	**(4 939)**	**(36 945)**	**(28 315)**	**3 198 425**	**1 763 144**	**109 344**	**1 893 604**	**3 865**	**1 897 469**
–	**–**	**(8 206)**	**–**	**32 094**	**13 784**	**12**	**143**	**–**	**143**
–	**–**	**(35 336)**	**–**	**75 106**	**65 569**	**6 550**	**30 345**	**–**	**30 345**
–	**–**	**(43 542)**	**–**	**107 200**	**79 353**	**6 562**	**30 488**	**–**	**30 488**
(44 944)	**(4 939)**	**(80 487)**	**(28 315)**	**3 305 625**	**1 842 497**	**115 906**	**1 924 092**	**3 865**	**1 927 957**
(2 651)	–	–	12 868	1 408 907	26 982	107 459	1 407 011	–	1 407 011
(4 178)	(3 473)	–	–	819 645	196 301	4 708	45 117	13 465	58 582
(12 755)	–	–	–	358 047	221 206	58 887	145 757	–	145 757
(21 726)	(1 521)	–	–	630 064	220 063	15 445	314 447	–	314 447
(763)	(67)	–	–	57 487	1 245 247	260	2 664	–	2 664
(42 073)	(5 061)	–	12 868	3 274 150	1 909 799	186 759	1 914 996	13 465	1 928 461
(1 241)	(1 453)	(9 248)	–	140 368	46 293	5 699	8 364	–	8 364
(9 311)	–	(30 506)	–	255 290	92 130	45 140	94 515	–	94 515
(10 552)	(1 453)	(39 754)	–	395 658	138 423	50 839	102 879	–	102 879
(52 625)	(6 514)	(39 754)	12 868	3 669 808	2 048 222	237 598	2 017 875	13 465	2 031 340

5. IMPAIRMENTS

Reconciliation of carrying amount

	2020 R000's	2019 R000's
The following impairments were recognised during the year:		
Category of asset		
Assets held for sale – property, plant and equipment	**35 379**	30 506
Assets held for sale – intangible assets	**6 411**	–
Assets held for sale – right-of-use asset	**1 752**	–
Goodwill	**8 018**	–
Intangible assets	**28 927**	9 248
Total	**80 487**	39 754
Included in discontinued operations	**(43 542)**	(39 754)
Impairments included in continuing operations	**36 945**	–
Impairment losses are reconciled as follows on a segmental basis:		
Industrial Product Manufacturing	**35 336**	30 506
Assets held for sale – property, plant and equipment	**33 971**	30 506
Assets held for sale – right-of-use asset	**1 365**	–
Branded Product Distribution	**45 151**	9 248
Goodwill	**8 018**	–
Intangible assets	**28 927**	–
Assets held for sale – property, plant and equipment	**1 408**	–
Assets held for sale – right-of-use asset	**387**	–
Assets held for sale – intangible assets	**6 411**	9 248
Total	**80 487**	39 754

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 make 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 of 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 of disposal, or value-in-use calculation, as appropriate. Impairments recognised for discontinued 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 five 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 CGU's specific risks.

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, 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 having appropriate recognised professional qualifications and experience in the assets being valued. The independent valuers base the fair value on the most probable price to be realised in the current international market.

The fair value has been categorised as Level 3, based on the valuation technique used.

Impairments recognised are attributed mainly to the following operations:

	Recoverable amount R000's	Valuation method	Description of CGU
Frame Knitting	31 585	Fair value less costs of disposal	Business operation comprising assets and liabilities
New Just Fun	29 780	Value-in-use	Business operation comprising assets and liabilities
Oops Global	26 652	Value-in-use	Business operation comprising assets and liabilities

Industrial Product Manufacturing

An external valuation of Frame Knitting Manufacturers Proprietary Limited ("Frame Knitting Manufacturers") property, plant and equipment was performed, which resulted in the assets being written down to their fair value and an impairment loss of R27,5 million recognised.

First Factory Shops Proprietary Limited ("First Factory Shops") and Winelands Textiles Proprietary Limited ("Winelands Textiles") were sold during the year.

Branded Product Distribution

Brand ID's property, plant and equipment were written down to their recoverable amounts, being the fair value, resulting in an impairment loss of R1,4 million. Licences and brand names were deemed to have no value and written off in their entirety, resulting in an impairment loss of R6,4 million on intangible assets.

Impairment losses recognised with respect to Oops Global SA ("Oops Global") relate to goodwill, trade name-related and customer-related intangible assets. Impairment losses recognised with respect to New Just Fun Group Proprietary Limited ("New Just Fun") relate to licences.

These losses were driven by existing challenging trading and economic conditions, compounded by the Covid-19 pandemic crisis and the effects it has on the economic outlook. Management has reassessed the value of these investments based on lower than previously anticipated projected cash flows. Recoverable amounts are based on their value-in-use and were below the carrying value of the investments. This resulted in a total impairment loss of R28,9 million for intangible assets and R8 million for goodwill written off to nil.

5. IMPAIRMENTS (continued)

Impairment testing for CGUs containing goodwill

Goodwill is reconciled as follows on a segmental basis:

	Branded Product Distribution R000's	Industrial Product Manufacturing R000's	Total R000's
Opening balance	**9 538**	**21 911**	**31 449**
Transfer to licences	**(1)**	**–**	**(1)**
Impairment losses recognised in profit and loss	**(8 018)**	**–**	**(8 018)**
Carrying value at 31 March 2020	**1 519**	**21 911**	**23 430**

The most material amount of goodwill relative to the Group at 31 March 2020, relates to Custom Extrusion.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

		Custom Extrusion	Oops Global	New Just Fun
2020				
Long-term growth rate	(%)	**4,5**	**4,5**	**4,5**
Pre-tax risk-adjusted discount rate	(%)	**15,9**	**17,3**	**17,3**
Working capital cycle	(days)	**140**	**120**	**248**

		Custom Extrusion	Oops Global	New Just Fun
2019				
Long-term growth rate	(%)	4,10	5,8	6,5
Pre-tax risk-adjusted discount rate	(%)	16,7	22,7	22,7
Working capital cycle	(days)	89	(108)	292

The above tables show average rates over the forecast period.

Management has determined the values assigned to each of the above key assumptions as follows:

Key assumptions	How determined
Gross profit margins	Based on most recent performance and adjusted for: • Future business plans • Margins are expected to grow in line with the long-term growth rate • Impact of Covid-19 pandemic crisis on economy
Long-term growth rate	The long-term growth rate into perpetuity has been determined as the long-term annual inflation rate.
Pre-tax risk-adjusted discount rate	The discount rate applied to the cash flows of each of the Group's operations is based on the weighted average cost of capital of the Group, which comprises of debt and equity. The risk-free rate used is the yield on R186 government bonds. These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific company.
Working capital	The following inputs were used to determine the change in working capital in calculating cash flows: • Forecast sales and cost of sales • Historic debtor, inventory and creditor days

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.

Impact on possible changes in key assumptions

We have performed a sensitivity analysis on Custom Extrusion (Pty Limited) ("Custom Extrusion") as it is a CGU where the carrying values include the most material amounts of goodwill relative to the Group. Goodwill of R13,1 million relate to Custom Extrusion.

The recoverable amount of the Custom Extrusion CGU is estimated to exceed the carrying value by R22,4 million.

Management has considered and assessed reasonably possible changes for all key assumptions and has not identified any instances that could cause the carrying amount of the Custom Extrusion CGU to exceed its recoverable amount to an extent that would result in a material impairment.

Impairment testing for intangible assets with indefinite useful lives

There were no intangible assets with indefinite useful lives.

6. FINANCE INCOME AND EXPENSES

	2020 **R000's**	2019 R000's
Recognised in profit or loss		
Finance income		
Interest received from financial institutions	**144**	168
Other interest received	**1 663**	315
Included in discontinued operations	**(5)**	(6)
	1 802	477
Finance expenses		
Interest paid on instalment sale agreements	**1 591**	1 737
Interest paid on leases	**16 708**	–
Interest paid to financial institutions	**108 539**	97 441
Interest paid to related parties	**8 214**	9 327
Other interest paid	**1 380**	10 721
Included in discontinued operations	**(9 134)**	(7 942)
	127 298	111 284

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

Notes to the consolidated financial statements (continued)

for the year ended 31 March

7. TAXATION AND DEFERRED TAXATION

	2020 R000's	2019 R000's
Income tax		
South African normal taxation		
– Current	**(13 092)**	(7 985)
– Prior year	**2 168**	26
Deferred taxation	**30 514**	(12 323)
	19 590	(20 282)

Reconciliation between actual and normal taxation rates*	%	%
Taxation as a percentage of loss before taxation	**7,9**	(47,0)
Prior period	**(1,5)**	(0,1)
Non-deductible items expenses	**0,6**	5,8
Specific tax-deductible expenses**	**(0,3)**	(3,2)
Exempt income	**(0,1)**	(1,4)
Capital gains tax on revaluation of investment property	**1,1**	(2,2)
Foreign entities with different tax rate	**–**	(2,5)
Unrecognised tax losses	**20,3**	78,6
Normal taxation rate	**28,0**	28,0

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

** *In calculating the tax expense for the current period, the Group has treated R1,6 million (2019: R3,4 million) as being specific tax-deductible expenses for tax purposes. Specific tax-deductible expenses relate to options exercised under the Group's share incentive scheme.*

	2020 R000's	2019 R000's
Deferred taxation		
Balance at the beginning of the year	**103 129**	147 380
– Asset	**117 270**	162 284
– Liability	**(14 141)**	(14 904)
Recognised in equity on changes in accounting policy (IFRS 16/9)	**6 075**	6 851
Balance from/to held for sale	**19 802**	30 522
– Capital allowances	**–**	(6 958)
– Tax losses recognised during in the period	**21 770**	32 478
– Capital allowances on intangible asset	**(4 978)**	(4 978)
– Share incentive scheme	**–**	52
– Working capital differences	**3 010**	9 928
Current movements recognised in profit and loss	**30 514**	(12 323)
– Capital allowances	**(21 654)**	(11 813)
– Provision for post-employment medical aid benefits	**380**	877
– Tax losses (utilised)/recognised during the period	**(14 344)**	2 005
– Capital allowances on intangible asset	**12 192**	871
– Shares and investments	**(1 103)**	–
– Revaluations	**10 789**	(3 006)
– Revaluation surplus reversed	**46**	123
– Share incentive scheme	**(1 503)**	(656)
– Working capital differences	**45 711**	(724)
Current movement included in discontinued operations in comprehensive income	**–**	5 273
– Capital allowances	**–**	5 272
– Tax losses (utilised)/recognised during the period	**–**	15 909
– 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	**(1 641)**	(13 530)
– Provision for post-employment medical aid benefits	**(3 368)**	(2 974)
– Share incentive scheme	**(1 781)**	28
– Revaluations	**3 508**	(10 584)
Balance at the end of the year	**157 879**	103 129
– Asset	**162 814**	117 270
– Liability	**(4 935)**	(14 141)
Deferred tax assets and liabilities are attributable to the following:		
– Provision for post-employment medical aid benefits	**24 457**	26 981
– Working capital allowances	**145 891**	85 826
– Share incentive scheme	**1 680**	4 869
– Tax losses	**257 301**	249 301
– Capital allowances	**(127 207)**	(101 610)
– Capital allowances on intangible asset	**(2 997)**	(6 650)
– Revaluations	**(141 246)**	(155 588)
Net deferred tax at the end of the year	**157 879**	103 129

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.

7. TAXATION AND DEFERRED TAXATION (continued)

Unrecognised tax losses in the Group, reflected at 28% of the underlying tax loss, aggregated to R46,8 million (2019: R68 million).

8. DISCONTINUED OPERATIONS

The Deneb board 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. Winelands Textiles was sold on 4 February 2020 and First Factory Shops on 13 March 2020.

All the above businesses other than Frame Knitting Manufacturers were disposed of during the last quarter. As at year-end negotiations to dispose of Frame Knitting Manufacturers were ongoing and subject to the conclusion of a due diligence process. Subsequent to year-end, negotiations have ceased and the business has been substantially wound down by July 2020. We will look to dispose of the remainder of the business over the course of the financial year.

Accordingly, the results of the discontinued operations have been separately disclosed on the face of the statement of profit or loss and other comprehensive income.

Assets and liabilities of the discontinued operations are classified as held for sale and measured in accordance with IFRS 5.

The discontinued operations fall under the Industrial Product Manufacturing and Branded Product Distribution reportable segments.

8.1 Results of discontinued operations

	Notes	2020 R000's	2019 R000's
Revenue		**344 540**	390 835
Cost of sales		**(347 922)**	(348 748)
Gross loss		**(3 382)**	42 087
Other income		**11 293**	20 169
Distribution costs		**(46 469)**	(64 963)
Administrative and other expenses		**(22 106)**	(32 730)
Operating loss before impairments and restructuring and retrenchment costs		**(60 664)**	(35 437)
Impairment of assets		**(43 542)**	(39 754)
Restructuring and retrenchment costs		**(12 790)**	(1 286)
Loss on sale of subsidiary	24	**(6 015)**	–
Profit on sale of subsidiary	24	**9 407**	955
Operating loss before finance costs		**(113 604)**	(75 522)
Finance income		**5**	6
Finance expenses		**(9 134)**	(7 942)
Loss before taxation		**(122 733)**	(83 458)
Income tax expense		**(8 487)**	5 274
Loss for the period from discontinued operations		**(131 220)**	(78 184)

8.2 Cash flows from/(used in) discontinued operations

	2020 R000's	2019 R000's
Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	**40 895**	(50 466)
Net cash from investing activities	**(5 889)**	1 500
Net cash from financing activities	**(2 138)**	–
Net cash used in discontinued operations	**32 868**	(48 966)

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

8. DISCONTINUED OPERATIONS (continued)

8.3 Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities are classified as held for sale in relation to the discontinued operations as at 31 March 2020:

	Notes	2020 R000's	2019 R000's
Assets classified as held for sale			
Property, plant and equipment		**30 424**	96 468
Right-of-use assets	25	**64**	–
Intangible assets		**–**	6 411
Deferred tax assets		**–**	31 331
Inventories		**34 726**	148 974
Trade and other receivables		**41 476**	112 149
Current tax assets		**–**	325
Total assets of disposal group held for sale		**106 690**	395 658
Other non-current assets held for sale	15	**510**	510
Total assets of disposal group held for sale		**107 200**	396 168
Liabilities directly associated with assets classified as held for sale			
Lease liability		**(3 560)**	–
Deferred income		**(24 638)**	(38 261)
Trade and other payables		**(40 054)**	(98 987)
Provisions		**(11 101)**	(365)
Deferred tax liabilities		**–**	(810)
Total liabilities of disposal group held for sale		**(79 353)**	(138 423)
Other non-current liabilities held for sale		**–**	(88)
Total assets of disposal group held for sale		**(79 353)**	(138 511)

9. PROFIT OR (LOSS) PER SHARE

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2020				
Number of shares in issue				
Net number of shares			434 683	
Number of shares in issue – 31 March 2020			434 683	
Weighted average number of shares				
Weighted average number of shares at 31 March 2020			434 473	
Shares as at 1 April 2019			433 927	
Effect of share options exercised			546	
Diluted weighted average number of shares				
Diluted weighted average number of shares			434 497	
Weighted average number of shares			434 473	
Dilution effect of share options granted			24	
Earnings/(Loss) per share				
Basic (loss)/earnings				
Loss attributable to equity holders of the parent		(127 034)	434 473	(29,24)
Continuing operations		4 186		0,96
Discontinued operations		(131 220)		(30,20)
Diluted (loss)/earnings				
Loss attributable to equity holders of the parent		(127 034)	434 497	(29,24)
Continuing operations		4 186		0,96
Discontinued operations		(131 220)		(30,20)
Headline earnings				
Reconciliation between profit and headline earnings				
Loss attributable to equity holders of the parent	–	(127 034)		
Impairment of assets	72 469	62 072		
Remeasurement of investment property	28 315	21 972		
Surplus on disposal of property, plant and equipment	(1 346)	(1 116)		
Loss on disposal of property, plant and equipment	979	705		
Impairment of goodwill	8 018	8 018		
Profit on sale of subsidiary	(9 407)	(9 407)		
Loss on sale of subsidiary	6 015	6 015		
Headline earnings		(38 775)	434 473	(8,92)
Continuing operations		55 117		12,69
Discontinued operations		(93 892)		(21,61)
Diluted headline earnings		(38 775)	434 497	(8,92)
Continuing operations		55 117		12,69
Discontinued operations		(93 892)		(21,61)

Issued shares

During the period 756 199 shares were issued in terms of the Group's share incentive scheme.

9. PROFIT OR (LOSS) PER SHARE (continued)

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2019				
Number of shares				
Net number of shares in issue			433 927	
Number of shares – 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 weighted 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 profit				
Loss attributable to equity holders of the parent		(45 471)	431 766	(10,53)
Continuing operations		32 713		7,58
Discontinued operations		(78 184)		(18,11)
Diluted profit				
Loss attributable to equity holders of the parent		(45 471)	442 327	(10,28)
Continuing operations		32 713		7,40
Discontinued operations		(78 184)		(17,68)
Headline loss				
Reconciliation between profit and headline loss				
Loss attributable to equity holders of the parent	–	(45 471)		
Impairment of assets	39 754	37 165		
Insurance claim for capital asset	(798)	(619)		
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		
Surplus on disposal of investments	(956)	(742)		
Headline (loss)/earnings		(19 279)	431 766	(4,47)
Continuing operations		24 112		5,58
Discontinued operations		(43 391)		(10,05)
Diluted headline (loss)/earnings		(19 279)	442 327	(4,36)
Continuing operations		24 112		5,45
Discontinued 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.

10. PROPERTY PLANT EQUIPMENT

10.1 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
2020						
Cost/Valuation at 31 March 2020		**293 503**	**584 576**	**88 344**	**18 342**	**984 765**
Opening balance		**350 770**	**514 659**	**81 823**	**28 117**	**975 369**
Adjustment for change in accounting policy (IFRS 16)		**–**	**–**	**–**	**(9 181)**	**(9 181)**
Additions		**410**	**74 228**	**10 014**	**4 068**	**88 720**
Revaluations		**(14 968)**	**–**	**–**	**–**	**(14 968)**
Reclassification to investment property	11	**(42 709)**	**–**	**–**	**–**	**(42 709)**
Disposals and assets reclassified as held for sale		**–**	**(4 311)**	**(3 493)**	**(4 662)**	**(12 466)**
Accumulated depreciation and impairment at 31 March 2020		**(1)**	**238 618**	**49 566**	**8 076**	**296 259**
Opening balance		**(1)**	**210 315**	**42 933**	**12 511**	**265 758**
Adjustment for change in accounting policy		**–**	**–**	**–**	**(3 096)**	**(3 096)**
Current period depreciation		**2 440**	**30 537**	**9 749**	**2 218**	**44 944**
Revaluations		**(2 440)**	**–**	**–**	**–**	**(2 440)**
Disposals and assets reclassified as held for sale		**–**	**(2 234)**	**(3 116)**	**(3 557)**	**(8 907)**
Carrying value at 31 March 2020		**293 504**	**345 958**	**38 778**	**10 266**	**688 506**
Rate of (straight-line) depreciation	(%)	**0 – 6,7**	**4 – 7**	**10 – 20**	**20**	
Residual values	(%)	**0 – 60**	**0**	**0**	**20**	
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 to 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

10. PROPERTY PLANT EQUIPMENT (continued)

10.2 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.

	2020 R000's	2019 R000's
Cost	**154 352**	164 686
Accumulated depreciation	**(2 017)**	(2 017)
Carrying value	**152 335**	162 669
Reconciliation of cost of land and buildings:		
Opening cost at the beginning of the year	**164 686**	186 334
Additions	**410**	663
Disposals, transfers to investment property and assets reclassified as held for sale	**(10 744)**	(22 311)
Closing cost at the end of the year	**154 352**	164 686

10.3 Capitalised leased assets included in the above are:

	Plant and machinery R000's	Equipment and fittings R000's	Motor vehicles R000's	Total R000's
2020				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Carrying value at 31 March 2020	–	–	–	–
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

10.4 Impairment losses and subsequent reversal – plant and equipment

Refer to note 5 for impairments and reversals.

10.5 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 31 March 2020. The directors confirm that there have been no material changes to the information used and assumptions applied by the registered valuer in the prior year. Refer to the note below regarding material changes in information used and assumptions applied in the current year.

Impact of the coronavirus disease (Covid-19)

The Group valued its properties down by R41 million: R28 million on investment properties and R13 million on owner-occupied properties. This downward valuation is our estimate of the consequence of the economic fallout due to Covid-19 on our property portfolio. Our entire property portfolio is revalued each year by an independent property valuer. This valuation was completed shortly before year-end and would have resulted in an upward revaluation of R40 million: R37 million on investment properties and R3 million on owner-occupied properties. However, the valuation did not consider the effects of Covid-19. We have analysed the portfolio on a property-by-property basis and adjusted the valuations to reflect our best estimate of the impact of the pandemic on the portfolio. In summary, after all the adjustments, our portfolio is valued at a weighted average capitalisation rate of 10,5%. This provides a gap between our capitalisation rates and current borrowing costs, even on a 10-year fixed-rate basis.

The fair value measurement of owner-occupied property of R294 million (2019: R351 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

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 2019	**350 771**
Additions	**410**
Reclassification from investment property	**(42 709)**
Disposals and depreciation	**(2 440)**
Revaluation straight through equity	
– Changes in fair value	**(12 528)**
Carrying value at 31 March 2020	**293 504**

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 to 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

10.6 Valuation technique and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Range of inputs (weighted average) 2020**	**Range of inputs (weighted average) 2019**	**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 properties' location, structure and rental-producing capacity of similar buildings in similar locations.	• Capitalisation rate	**10 – 15,15%**	9 – 15%	The estimated fair value would increase/(decrease) if: • The capitalisation rate was higher/(lower) (see sensitivity analysis below).
	• Occupation rate	**95 – 100%**	98 – 100%	• Decrease in the occupancy rate of 1% would decrease FV by R2,9 million.
	• Projected income	**R16 – R36/m² Based on 136 385m² lettable area**	R11 – R33/m² Based on 179 702m² lettable area	• If annual expected income was 1% higher or lower, the FV would increase/decrease with R2,9 million. When practicable, external evidence was used such as current market rents for properties with a similar nature, conditions and locations.

10. PROPERTY PLANT EQUIPMENT (continued)

10.6 Valuation technique and significant unobservable inputs *(continued)*

Sensitivity analysis on the fair value of owner-occupied buildings

The capitalisation rates for the fair value of the properties were between 10 – 15,15%. 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	
	2020	2019
	R000's	R000's
Increase of 1% in the capitalisation rate	**269 955**	379 536
Decrease of 1% in the capitalisation rate	**321 681**	456 763

10.7 Securitisation of assets

Refer to note 33, which relates to the security provided for the benefit of the Group's bankers.

11. INVESTMENT PROPERTIES

Reconciliation of carrying amount

	2020	2019
	R000's	R000's
Opening carrying value	**1 056 095**	907 352
Additions – Transfer from owner-occupied property	**42 709**	29 094
Additions	**–**	86 446
Development cost	**19 975**	20 335
Fair value adjustments	**(28 315)**	12 868
Disposals	**(3 500)**	–
Closing carrying value	**1 086 964**	1 056 095

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.

	2020	2019
Property type	**%**	%
Retail/Commercial	**10**	11
Industrial	**90**	89

	2020	2019
Included in profit or loss:	**R000's**	R000's
Rental income from investment property	**138 760**	125 831
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	**35 285**	29 252
Rates relating to rental-generating properties	**18 788**	17 232

Capital commitments

See note 29 for details on 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 in the prior year. Refer to the note below regarding material changes in information used and assumptions applied in the current year.

Impact of the coronavirus disease (Covid-19)

The Group valued its properties down by R41 million: R28 million on investment properties and R13 million on owner-occupied properties. This downward valuation is our estimate of the consequence of the economic fallout due to Covid-19 on our property portfolio. Our entire property portfolio is revalued each year by an independent property valuer. This valuation was completed shortly before year-end and would have resulted in an upward revaluation of R40 million: R37 million on investment properties and R3 million on owner-occupied properties. However, the valuation did not consider the effects of Covid-19. We have analysed the portfolio on a property-by-property basis and adjusted the valuations to reflect our best estimate of the impact of the pandemic on the portfolio. In summary, after all the adjustments, our portfolio is valued at a weighted average capitalisation rate of 10,5%. This provides a gap between our capitalisation rates and current borrowing costs, even on a 10-year fixed-rate basis.

The fair value measurement of investment property of R1,09 billion has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

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 2019	**1 056 095**
Development cost and capitalised borrowing cost	**19 975**
Additions	**–**
Reclassification from owner-occupied property	**42 709**
Disposals	**(3 500)**
Gain included in profit or loss	
– Changes in fair value	**(28 315)**
Closing value at 31 March 2020	**1 086 964**
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

11. INVESTMENT PROPERTIES (continued)

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Range of inputs (weighted average) 2020	2019	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	**10,0 – 12,25%**	7,0 – 12,0%	The estimated fair value would increase/(decrease) if: • The capitalisation rate was higher/(lower) (see sensitivity analysis below).
	• Occupation rate	**95 – 100%**	98 – 100%	• Decrease in the occupancy rate of 1% would decrease FV by R10,9 million.
	• Projected income	**R10 – R85/m² Based on 274 581m² lettable area**	R15 – R80/m² Based on 231 400m² lettable area	• If annual expected income was 1% higher or lower, the FV would increase/decrease with R10,9 million. When practicable, external evidence was used such as current market rents for properties with a 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 10% and 12,25%. 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 2020 R000's	2019 R000's
Increase of 1% in the capitalisation rate	**989 353**	874 645
Decrease of 1% in the capitalisation rate	**1 205 958**	1 077 698

Securitisation of assets

Refer to note 33, 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 2020		**10 626**	**33 488**	**2 211**	**23 856**	**34 029**	**104 210**
Opening balance		**10 348**	**33 360**	**1 973**	**23 855**	**34 030**	**103 566**
Assets acquired separately		**273**	**–**	**376**	**–**	**–**	**649**
Transfer between categories		**–**	**–**	**–**	**1**	**(1)**	**–**
Disposals and assets reclassified as held for sale		**–**	**–**	**(138)**	**–**	**–**	**(138)**
Additions through internal development		**5**	**128**	**–**	**–**	**–**	**133**
Accumulated amortisation and impairment at 31 March 2020		**7 473**	**10 484**	**1 579**	**23 856**	**10 599**	**53 991**
Opening balance		**607**	**5 171**	**1 444**	**2 437**	**2 581**	**12 240**
Current period amortisation		**603**	**1 688**	**268**	**2 380**	**–**	**4 939**
Disposals and assets reclassified as held for sale		**–**	**–**	**(133)**	**–**	**–**	**(133)**
Impairment losses recognised in profit and loss	5	**6 263**	**3 625**	**–**	**19 039**	**8 018**	**36 945**
Carrying value at 31 March 2020		**3 153**	**23 004**	**632**	**–**	**23 430**	**50 219**
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%		

12. INTANGIBLE ASSETS AND GOODWILL (continued)

	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
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
Disposals and assets reclassified as held for sale		(7 487)	–	(21)	(23 190)	–	(30 698)
Impairment losses recognised in profit and loss		–	–	–	9 248	–	9 248
Current period amortisation		1 981	1 722	393	2 418	–	6 514
Carrying value at 31 March 2019		9 741	28 189	529	21 418	31 449	91 326

Impairment testing for CGUs containing goodwill

There were six CGUs containing goodwill in the current period.

Refer to note 5 for details on impairment reviews and impairment losses recognised on goodwill during 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.

	2020 %	2019 %
Average discount rate	**17,3**	22,7
Terminal value growth rate	**4,5**	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.

	2020 %	2019 %
Average discount rate	**15,9**	16,7
Terminal value growth rate	**4,5**	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

The financial asset at fair value through other comprehensive income (FVOCI) comprises equity securities which are not held for trading, and which the Group has irrevocably elected to recognise in this category. This is a strategic investment and thus the Group considers the classification to be relevant.

	2020 R000's	2019 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
Equity investment at FVOCI is reconciled as follows:		
Opening balance	**4 237**	4 237
Revaluations	**–**	–
Closing balance	**4 237**	4 237

Dividends from Business Partners Limited included in profit or loss during the period amount to R0,1 million.

14. LONG-TERM RECEIVABLES

14.1 Reconciliation of carrying amount

	2020 R000's	2019 R000's
Net investment in finance leases	**23 408**	27 483
	23 408	27 483

14.2 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.

14.3 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
2020			
Lease payments receivable			
– Not later than one year	**23 782**	**6 968**	**16 814***
– Later than one year but not later than five years	**32 347**	**8 939**	**23 408**
– Later than five years	**–**	**–**	**–**
	56 129	**15 907**	**40 222**
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

** 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 customer electronic equipment. All leases are denominated in South African Rands. The average term of finance leases entered into is four to five years.

15. ASSETS HELD FOR SALE

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

	2019 R000's	2018 R000's
Land and buildings	**510**	510
	510	510

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

	Branded Product Distribution R000's	Automotive Parts Manufacturing R000's	Industrial Product Manufacturing R000's	Property R000's	Total R000's
2020					
Land and buildings	**–**	**–**	**–**	**510**	**510**
	–	**–**	**–**	**510**	**510**
2019					
Land and buildings	–	–	–	510	510
	–	–	–	510	510

15.2 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 2019	**510**	**–**	**–**	**–**	**510**
Carrying value at 31 March 2020	**510**	**–**	**–**	**–**	**510**
Carrying value at 31 March 2018	510	570	–	–	1 080
Disposal	–	(570)			(570)
Carrying value at 31 March 2019	510	–	–	–	510

Land and buildings

The directors 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

	2020 R000's	2019 R000's
Raw materials and consumables	**158 303**	141 803
Work-in-progress	**19 130**	21 726
Finished goods	**346 437**	453 114
	523 870	616 643
Inventories stated at net realisable value	**264 546**	398 429
Write-down of inventory to net realisable value during the year	**7 647**	14 170

17. TRADE AND OTHER RECEIVABLES

17.1 Reconciliation of carrying value

	2020 **R000's**	2019 R000's
Trade receivables	**326 966**	472 181
Lease receivables	**16 814**	40 787
Other receivables	**123 373**	77 268
Fair value of outstanding foreign exchange contracts	**10 724**	2 854
Prepayments	**42 459**	41 635
Trade and other receivables	**520 336**	634 725

Carrying values approximate fair values for all classes.

	2020 **R000's**	2019 R000's
Other receivables		
Included under other receivables are:		
Income receivable from Production Incentive programme (refer to note 22)	**–**	13 302
Lease smoothing asset	**19 053**	16 145
VAT	**4 179**	15 002
Insurance claim receivable	**1 201**	14 993
Deposits	**14 894**	10 469
Consideration receivable*	**66 074**	–
Sundry debtors	**17 972**	7 357
	123 373	77 268

**Refer to notes 24 and 30 for more information.*

17.2 Securitisation of assets

Refer to note 33, which relates to the security provided to the Group's bankers.

18. STATED CAPITAL

	2020 **R000's**	2019 R000's
Authorised		
10 000 000 000 (2019: 10 000 000 000) ordinary shares at no par value	**–**	–
Each ordinary share has the right to one vote at general meetings.		
Issued stated capital		
434 682 934 (2019: 433 926 735) ordinary shares of no par value	**1 457 583**	1 456 237
Balance at the beginning of the year – 433 926 735 (2018: 431 337 345)	**1 456 237**	1 452 264
Issued during the year – 756 199 (2019: 2 589 390)	**1 346**	3 973
	1 457 583	1 456 237

Issue of shares

Current period

During the period, 756 199 shares were issued in terms of the Group's share incentive scheme.

Prior period

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

Reserved under options (see note 35)

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.

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;
- some dependants of eligible continuation members receive a subsidy before and after the death of the principal member; and
- if a member eligible for a retirement subsidy dies in service, some dependants are eligible for a subsidy of medical scheme contributions as described above.

	2020 **000's**	2019 000's
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Current service cost	**284**	367
Interest on the obligation	**9 552**	9 709
Total included in staff costs	**9 836**	10 076
Reconciliations in the net liability recognised in the balance sheet are as follows:		
Liability at the beginning of the year	**98 019**	106 515
Net expense recognised in profit or loss	**9 836**	10 076
Contributions from employer	**(8 368)**	(7 950)
Actuarial gains/losses recognised in other comprehensive income – changes from financial assumptions	**(12 030)**	(10 622)
Liability in the balance sheet	**87 457**	98 019
Represented by:		
Liability due within 12 months	**7 885**	7 749
Liability due after 12 months	**79 572**	90 270
	87 457	98 019
Present value of unfunded obligations	**87 457**	98 019
Fair value of plan assets	**–**	–
Recognised liability for defined benefit obligations	**87 457**	98 019

The net cumulative actuarial gain recognised in other comprehensive income is R12.09 million.

Forecast reconciliation of the plan to 31 March 2021 is as follows:	2021 R000's
Liability at 31 March 2020	87 457
Net expense in the statement of comprehensive income	9 602
Contributions	(8 299)
Forecast liability at 31 March 2021	88 760

19. POST-EMPLOYMENT MEDICAL AID BENEFITS (continued)

		2020	2019
The principal actuarial assumptions at the reporting date:			
Discount rate	(%)	**10,79**	9,77
Medical inflation	(%)	**8,38**	8,49
Sensitivity of results			
• A 1% increase in medical aid inflation would result in:			
– An increase in the accrued liability of	(R000's)	**7 793**	9 615
	(%)	**8,90**	9.81
– An increase in the service and interest cost of	(R000's)	**621**	992
	(%)	**6,30**	9,85
• A 1% decrease in medical aid inflation would result in:			
– A decrease in the accrued liability of	(R000's)	**(6 770)**	(8 304)
	(%)	**(7,70)**	(8,47)
– A decrease in the service and interest cost of	(R000's)	**(1 002)**	(854)
	(%)	**(10,20)**	(8,48)
• A 1% decrease in the discount rate would result in:			
– An increase in the accrued liability of	(R000's)	**7 668**	9 567
	(%)	**8,80**	9,76
• A 1% increase in the discount rate would result in:			
– A decrease in the accrued liability of	(R000's)	**(6 562)**	(8 129)
	(%)	**(7,50)**	(8,29)

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.	**2020 R000's**	2019 R000's
Secured				
Instalment sale agreements	*	Prime	**11 243**	15 100
Loans from financial institutions	**	**	**785 416**	797 823
			796 659	812 923
Unsecured				
HCI Treasury Proprietary Limited***		Prime	**72 938**	88 724
			72 938	88 724
Total interest-bearing liabilities			**869 597**	901 647
Current portion of interest-bearing liabilities			**457 151**	173 319
Non-current portion of interest-bearing liabilities			**412 446**	728 328

* *Repayment dates vary between 2022 and 2032.*

** *Refer to note 26 for further information.*

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

Instalment sales are payable as follows:

	Principal R000's	**Interest R000's**	**Gross instalments R000's**
2020			
Less than one year	**4 271**	**794**	**5 065**
Between one and five years	**6 972**	**797**	**7 769**
	11 243	**1 591**	**12 834**
2019			
Less than one year	5 905	1 604	7 509
Between one and five years	9 195	878	10 073
	15 100	2 482	17 582

Under the terms of the instalment sale agreements, no contingent rentals are payable.

20. FINANCIAL INSTRUMENTS (continued)

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 ("FECs"). Trade exports are hedged using 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 (R44,9 million) (2019: R79,5 million), Massmart Limited (R47,9 million) (2019: R55 million), Faurecia Emissions (R34,8 million) (2019: R25,3 million) and Volkswagen of SA (R19,2 million) (2019: R21,3 million).

Total debt in respect of sales to government and various municipalities was R7,5 million (2019: R21 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 R340 million (99,9%) (2019: R563 million (98%)) being denominated in South African Rands.

Receivables are presented net of impairment allowances. 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 Group 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 R1 876,5 million (2019: R2 351,1 million).

Collateral

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 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;
- lease receivables; and
- other receivables.

Other receivables

Refer to note 17.1 for a breakdown of other 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.

The majority of other receivables relate to the purchase consideration of Winelands Textiles.

The South African Clothing and Textiles Workers' Union has guaranteed the performance by the purchaser of Winelands Textiles Proprietary Limited in terms of its obligations to Deneb arising from the sale of the business. The agreement provides that in the event that the parties become entitled to enforce their rights in terms of the guarantee, then Deneb shall have the right to acquire such number of the guarantor's shares in Hosken Consolidated Investments Limited with an aggregate value equal to the amounts payable in terms of its obligations. On this basis, the directors have determined that no provision for non-recovery of the receivable is required.

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

Trade and lease 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 receivable.

The expected loss rates are based on the payment profiles of sales over a period of 36 to 72 months 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.

On the above basis the expected credit loss for trade and lease receivables for continuing and discontinued operations as at 31 March 2020 is as follows:

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
2020			
Large private equity	**136 837**	**12 049**	**8,8**
Lease receivables	**31 923**	**2 529**	**7,9**
Trade receivables:			
Current	**37 561**	**1 253**	**3,3**
30+ days	**17 253**	**699**	**4,1**
60+ days	**5 463**	**809**	**14,8**
90+ days	**4 894**	**252**	**5,1**
120+ days	**39 743**	**6 507**	**16,4**
Large public equity	**173 503**	**1 288**	**0,7**
Lease receivables	**194**	**5**	**2,6**
Trade receivables:			
Current	**88 685**	**104**	**0,1**
30+ days	**36 656**	**91**	**0,2**
60+ days	**25 552**	**69**	**0,3**
90+ days	**7 425**	**21**	**0,3**
120+ days	**14 991**	**998**	**6,7**
Medium and small equity	**141 140**	**7 832**	**5,5**
Lease receivables	**3 664**	**78**	**2,1**
Trade receivables:			
Current	**75 036**	**812**	**1,1**
30+ days	**30 982**	**938**	**3,0**
60+ days	**11 896**	**354**	**3,0**
90+ days	**3 697**	**694**	**18,8**
120+ days	**15 865**	**4 956**	**31,2**

20. FINANCIAL INSTRUMENTS (continued)

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
Government	**7 533**	**310**	**4,1**
Lease receivables	**4 441**	**90**	**2,0**
Trade receivables:			
Current	**777**	**35**	**4,5**
30+ days	**195**	**14**	**7,2**
60+ days	**78**	**3**	**3,8**
90+ days	**65**	**11**	**16,9**
120+ days	**1 977**	**157**	**7,9**
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

Allowances for expected credit losses	2020 R000's	2019 R000's
The movement in the allowance for impairment in respect of trade receivables for continuing and discontinued operations during the period was as follows:		
Opening balance	**50 316**	28 817
IFRS 9 adjustment	**–**	24 466
Written off as irrecoverable	**(22 578)**	(5 262)
Disposal of operations	**(9 379)**	–
Impairments recognised on new instruments	**9 032**	11 551
Reversal of impairment	**(5 912)**	(9 256)
Closing balance	**21 479**	50 316

A reduction in gross receivables has caused a corresponding reduction in the Group's expected credit loss allowance. The most significant impact is evident in trade receivables more than 120 days overdue. This is predominantly attributed to the disposal of subsidiaries with longer debtor terms during the year.

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

The directors have assessed the potential impact of Covid-19 and the national lockdown in South Africa on the allowance for impairment in respect of trade receivables. Since 31 March 2020, the Group has not noted any significant deterioration in the creditworthiness of their customers after year-end.

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.

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:

	2020 R000's	2019 R000's
Financial assets at amortised cost	**526 174**	616 490
Financial assets at fair value through profit or loss	**10 724**	2 854
Financial asset at fair value through other comprehensive income	**4 237**	4 237
	541 135	623 581

20. FINANCIAL INSTRUMENTS (continued)

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
2020					
Financial asset at fair value through other comprehensive income	**–**	**–**	**4 237**	**–**	**4 237**
Long-term receivables	**23 408**	**–**	**–**	**–**	**23 408**
Trade and other receivables	**462 974**	**10 724**	**–**	**46 638**	**520 336**
Cash and cash equivalents	**39 792**	**–**	**–**	**–**	**39 792**
	526 174	**10 724**	**4 237**	**46 638**	**587 773**
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

Categories of financial liabilities

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

	2020 R000's	2019 R000's
Fair value through profit or loss (forward exchange contracts)	**3 653**	–
Measured at amortised cost	**1 425 853**	1 678 048
	1 429 506	1 678 048

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
2020				
Interest-bearing liabilities – non-current	**–**	**412 446**	**–**	**412 446**
Interest-bearing liabilities – current	**–**	**457 151**	**–**	**457 151**
Trade and other payables	**3 653**	**447 222**	**7 149**	**458 024**
Bank overdrafts	**–**	**109 034**	**–**	**109 034**
	3 653	**1 425 853**	**7 149**	**1 436 655**

	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

Maturity profile of financial instruments

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
2020			
Assets			
Financial asset at fair value through other comprehensive income	**–**	**4 237**	**4 237**
Long-term receivables	**–**	**32 347**	**32 347**
Trade and other receivables	**473 698**	**–**	**473 698**
Cash and cash equivalents	**39 792**	**–**	**39 792**
Total financial assets	**513 490**	**36 584**	**550 074**
Liabilities			
Interest-bearing borrowings	**457 151**	**412 446**	**869 597**
Trade and other payables	**447 222**	**–**	**447 222**
Bank overdrafts	**109 034**	**–**	**109 034**
Total financial liabilities – non-derivatives	**1 013 407**	**412 446**	**1 425 853**
Trade and other payables	**3 653**	**–**	**3 653**
Total financial liabilities – derivatives	**3 653**	**–**	**3 653**
Net financial (liabilities)/assets	**(503 570)**	**(375 862)**	**(879 432)**
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 borrowings	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)

Notes to the consolidated financial statements (continued)

for the year ended 31 March

20. FINANCIAL INSTRUMENTS (continued)

Contractual undiscounted cash flows

2020	0 – 12 months R000's	1 – 3 years R000's	Total R000's
Liabilities – contractual undiscounted cash flows			
Interest-bearing borrowings	**490 889**	**473 323**	**964 212**
Trade and other payables	**447 222**	**–**	**447 222**
Bank overdrafts	**117 081**	**–**	**117 081**
Total financial liabilities – non-derivatives	**1 055 192**	**473 323**	**1 528 515**
Trade and other payables	**3 653**	**–**	**3 653**
Total financial liabilities – derivatives	**3 653**	**–**	**3 653**
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	–	–	–

			Financing cash flows per statement of cash flows				
Reconciliation of liabilities arising from finance activities	Notes	**Opening carrying value R000's**	**Recognised on adoption of IFRS 16 R000's**	**Proceeds R000's**	**Repayments R000's**	**Other* R000's**	**Closing carrying value R000's**
2020							
Unsecured loans	30	**88 724**	**–**	**–**	**(15 786)**	**–**	**72 938**
Secured loans – leases**	25	**–**	**114 688**	**–**	**(11 357)**	**23 258**	**126 589**
Secured loans – other	26	**812 923**	**(6 492)**	**2 030**	**(18 328)**	**6 526**	**796 659**
		901 647	**108 196**	**2 030**	**(45 471)**	**29 784**	**996 186**
Bank overdraft		**323 908**					**109 034**
Total interest-bearing liabilities		**1 225 555**					**1 105 220**

* *The R6,5 million relates to new instalment sales agreements entered into during the year. For leases, the non-cash movement relates to new leases entered into during the year.*

** *Refer to note 25 for more information regarding leases.*

Reconciliation of liabilities arising from finance activities	Notes	Opening carrying value R000's	Financing cash flows per statement of cash flows Proceeds R000's	Repayments R000's	Business combinations R000's	Other R000's	Closing carrying value R000's
2019							
Unsecured loans	30	99 397	–	(20 000)	–	9 327	88 724
Secured loans	26	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

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

20. FINANCIAL INSTRUMENTS (continued)

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 measure at fair value if the carrying amount is a reasonable approximation of fair value.

	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**
2020					
Financial assets measured at fair value					
Equity securities	13	**–**	**–**	**4 237**	**–**
Forward exchange contracts	17	**–**	**10 724**	**–**	**–**
Financial assets not measured at fair value					
Long-term receivables	14	**23 408**	**–**	**–**	**–**
Trade and other receivables	17	**462 974**	**–**	**–**	**–**
Cash and cash equivalents		**39 792**	**–**	**–**	
		526 174	**10 724**	**4 237**	**–**
Financial liabilities measured at fair value					
Forward exchange contracts		**–**	**(3 653)**	**–**	**–**
Financial liabilities not measured at fair value					
Instalment sale agreements		**–**	**–**	**–**	**(11 243)**
Secured bank loans		**–**	**–**	**–**	**(785 416)**
Unsecured loans		**–**	**–**	**–**	**(72 938)**
Trade and other payables	21	**–**	**–**	**–**	**(447 222)**
Bank overdrafts	26	**–**	**–**	**–**	**(109 034)**
		–	**(3 653)**	**–**	**(1 425 853)**
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)

	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**
10 724	**–**	**10 724**	**–**	**10 724**
23 408	**–**	**–**	**–**	**–**
462 974	**–**	**–**	**–**	**–**
39 792	**–**	**–**	**–**	**–**
541 135	**–**	**14 961**	**–**	**14 961**
(3 653)	**–**	**(3 653)**	**–**	**(3 653)**
(11 243)	**–**	**–**	**–**	**–**
(785 416)	**–**	**–**	**–**	**–**
(72 938)	**–**	**–**	**–**	**–**
(447 222)	**–**	**–**	**–**	**–**
(109 034)	**–**	**–**	**–**	**–**
(1 429 506)	**–**	**(3 653)**	**–**	**(3 653)**
4 237	–	4 237	–	4 237
2 854	–	2 854	–	2 854
27 483	–	–	–	–
575 234	–	–	–	–
13 773	–	–	–	–
623 581	–	7 091	–	7 091
–	–	–	–	–
(15 100)	–	–	–	–
(797 823)	–	–	–	–
(88 724)	–	–	–	–
(452 493)	–	–	–	–
(323 908)	–	–	–	–
(1 678 048)	–	–	–	–

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 33, 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.

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.

	2020 R000's	2019 R000's
Fair value of the derivatives at year-end, determined by marking-to-market of contracts	**7 071**	2 854

Liquidity risk

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

Adequate liquidity is managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities (refer to note 26).

The Group is exposed to a number of risks including market risk (including currency risk and price risk), credit 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 R939 million (2019: R1 212 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 R9,39 million (2019: R9,61 million) before tax.

21. TRADE AND OTHER PAYABLES

	2020 R000's	2019 R000's
Trade payables and accrued expenses	**385 350**	406 095
Fair value of outstanding foreign exchange contracts	**3 653**	–
VAT	**7 149**	7 650
Other current liabilities	**61 872**	46 098
	458 024	459 843
The operating lease accrual is payable as follows:		
Less than one year (included under trade and other payables)	**–**	1 254
Between one and five years (shown separately as operating lease accruals on the balance sheet)	**–**	7 451
	–	8 705

22. GOVERNMENT GRANTS

Government grants in the Group relates to the Production Incentive Programme 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	**2020 R000's**	2019 R000's
Deferred amounts, to be recognised in more than 12 months' time	**84 155**	83 727
Deferred amounts, to be recognised in the next 12 months, included in trade and other payables	**14 714**	16 102
Deferred income	**98 869**	99 829
Reconciliation of deferred income:		
Opening carrying value	**99 829**	150 662
Government receivable recognised during the period	**18 929**	7 488
Transferred to held for sale	**–**	(39 981)
Deferred income released during the period	**(19 889)**	(18 340)
Closing carrying value	**98 869**	99 829
Reconciliation of receivable:		
Receivable balance for government grants brought forward	**13 302**	35 673
Government receivable recognised during the period	**18 929**	7 488
Transferred from held for sale	**–**	(1 738)
Total cash received during the year from government grants	**(32 231)**	(28 121)
Amount outstanding as at year-end	**–**	13 302

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.

23. PROVISIONS

Restructuring and retrenchment costs	**2020 R000's**	2019 R000's
Carrying amount at the beginning of the year	–	3 991
Additional provisions made in the year, including increases to existing provisions	–	1 715
Transferred to/(from) held for sale	–	(365)
Amounts utilised during the year	–	(5 341)
Carrying amount at the end of the year	–	–

The provisions relate to the discontinuation and disposal of operations.

24. BUSINESS COMBINATIONS

2020

Sale of subsidiaries

Sale of Winelands Textiles

The Group has sold its interest in Winelands Textiles effective 4 February 2020 for a total consideration of R65 million. In terms of the agreement R25 million was due at year-end with the remainder repayable in bi-monthly instalments commencing on 1 July 2020 (interest accruing at the prime rate plus 1%). As at 31 March 2020, the purchaser was in breach of the contract having defaulted on payments due by that date. Accordingly, the Group has claimed immediate payment of the full consideration from the purchaser and the guarantor. The full consideration has been included in other receivables under current assets reflecting management's expectation this will be received in the next financial year (refer to note 17).

Judgements applied on the sale of Winelands Textiles

Management has applied judgement in undertaking its assessment as to whether Deneb has lost control over its former subsidiary, Winelands Textiles.

An investor loses control of an investee (its subsidiary) when it no longer has the power to direct the investee's relevant activities and hence loses the ability to vary its returns. Deneb no longer has the power to direct the relevant activities of Winelands Textiles, and as a result has lost the ability to vary its own returns, in terms of IFRS 10 Consolidated Financial Statements. Management has, furthermore, applied their judgement in determining that certain of the rights attached to the repayment of the loan (purchase consideration) are protective in nature and do not give Deneb the power to control Winelands post the effective date of the sale. Consequently, the Group has determined it has lost control of Winelands Textiles Limited and no longer consolidates this entity as a subsidiary with effect from 4 February 2020.

Sale of First Factory Shops Proprietary Limited ("First Factory Shops")

The Group has sold its interest in First Factory Shops for a total consideration of R2 million on 13 March 2020.

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

	Industrial Product Manufacturing R000's	Winelands Textiles R000's	First Factory Shops R000's
Property, plant and equipment	32 732	31 647	1 085
Trade and other receivables	22 985	22 682	303
Inventory	38 381	32 983	5 398
Deferred tax asset	2 463	–	2 463
Cash and cash equivalents	5 134	4 703	431
Trade and other payables	(38 251)	(36 422)	(1 829)
Net asset value disposed of	63 444	55 593	7 851
Gain/(Loss) on disposal of subsidiary	3 392	9 407	(6 015)
Deferred disposal proceeds*	(65 000)	(65 000)	–
Cash and cash equivalents disposed of	(5 134)	(4 703)	(431)
Net cash inflow on disposal	(3 298)	(4 703)	1 405

** No adjustment has been made given that the directors' assessment of fair value is immaterial.*

Subsidiaries acquired during the prior year

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 in 18 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

25. LEASES

25.1 The balance sheet shows the following amounts relating to leases:

	2020 R000's	1 April 2019* R000's
Right-of-use assets		
Property leases	**89 105**	86 761
Plant and machinery leases	**1 841**	3 983
Motor vehicles leases	**4 328**	5 362
	95 274	96 106
Included in assets held for sale	**(64)**	(1 341)
	95 210	94 765
Lease liabilities		
Current	**14 606**	14 796
Non-current	**111 983**	106 162
	126 589	120 958

** In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 1.2.*

Additions to the right-of-use assets during the 2020 financial year were R23,2 million.

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year R000's	Between 1 and 5 years R000's	Over 5 years R000's	Total R000's
31 March 2020				
Lease liabilities	**26 171**	**79 175**	**103 767**	**209 113**

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

25.2 The statement of profit or loss shows the following amounts relating to leases:

	2020 R000's
Depreciation charge of right-of-use assets	
Property leases	**15 807**
– Continuing	**15 807**
– Discontinued	**–**
Plant and machinery leases	**856**
– Continuing	**856**
– Discontinued	**–**
Motor vehicles leases	**2 207**
	18 870

	2020 R000's
Interest expense (included in finance cost)	**16 708**
– Continuing	**16 064**
– Discontinued	**644**
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**15 627**
– Continuing	**13 333**
– Discontinued	**2 294**
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	**754**
– Continuing	**659**
– Discontinued	**95**
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**9 149**
– Continuing	**9 089**
– Discontinued	**60**

The total cash outflow for leases in 2020 was R30,2 million.

25.3 Operating lease arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

	Nominal amount	
	2020 R000's	2019 R000's
IAS 17 operating lease arrangements where the Group is a lessee*:		
Less than one year	**–**	19 774
Between one and five years	**–**	41 644
More than five years	**–**	539
	–	61 957
Operating lease arrangements where the Group is a lessor:		
Less than one year	**148 593**	125 451
Between one and five years	**194 411**	248 221
More than five years	**12 535**	4 002
	355 539	377 674

* *The Group leased a number of premises as distribution warehouses, factory and retail facilities, as well as office equipment, motor vehicles and forklifts under operating leases. Where applicable these have been capitalised on 1 April 2019 as part of the adoption of IFRS 16. Refer to note 1.2 for more information regarding the impact on the Group's financial statements in the current year.*

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

No contingent rentals were recognised as income in the period.

26. BORROWING FACILITIES

Overdraft facility

	2020 R000's	2019 R000's
Available facility	**581 000**	560 000
Net utilised	**(139 727)**	(350 349)
Bank overdraft	**(109 034)**	(323 908)
Letter of credits	**(30 693)**	(26 441)
Unutilised balance	**441 273**	209 651

These facilities have been secured in terms of note 33.

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.

	2020 R000's	2019 R000's
Available facility	**816 900**	816 900
Utilised	**(785 416)**	(797 824)
Non-current portion	**(330 901)**	(628 872)
Current portion	**(454 515)**	(168 952)

Details of the loan facilities

	2020 R000's	2019 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%
Standard Bank		
Loan facility B	**150 000**	150 000
Utilised	**150 000**	150 000
Date of repayment of capital towards the loan facility	**30 September 2022**	31 July 2019
Interest rates	**Prime less 1,35%**	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%

	2020 R000's	2019 R000's
Standard Bank		
Loan facility D	**14 900**	14 900
Utilised	**14 900**	14 900
Date of repayment of capital towards the loan facility	**March 2022**	March 2022
Interest rates	**Prime less 2%**	Prime less 2%
Standard Bank		
Loan facility E	**28 000**	28 000
Utilised	**28 000**	28 000
Date of repayment of capital towards the loan facility	**March 2022**	March 2022
Interest rates	**Prime less 2%**	Prime less 2%
Standard Bank		
Loan facility F	**29 000**	29 000
Utilised	**29 000**	29 000
Date of repayment of capital towards the loan facility	**March 2022**	March 2022
Interest rates	**Prime less 2%**	Prime less 2%
Investec		
Loan facility at commencement date	**60 000**	60 000
Utilised	**42 000**	45 923
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 at commencement date	**35 000**	35 000
Utilised	**18 529**	30 000
Date of repayment of capital towards the loan facility	**March 2022**	March 2022
Interest rates	**JIBAR plus 2,45%**	JIBAR plus 2,45%

** A R450 million property-backed facility, which is repayable in March 2021, will be refinanced. The Group's funders have indicated an appetite to refinance the loan on similar terms to which have been negotiated in the past, subject to the normal credit review process.*

Compliance with loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- loan-to-property-value ratio will not exceed 60%;
- interest cover ratio will not be less than 1,65; and
- rental from owner-occupied properties will not exceed 30% of total rentals.

Deneb Investments Limited has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

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
2020							
Executive directors*							
S A Queen* (CEO)	**4 669**	**1 198**	**–**	**1 719**	**–**	**–**	**7 586**
A M Ntuli	**966**	**98**	**241**	**–**	**–**	**–**	**1 305**
G D T Wege	**2 207**	**619**	**322**	**–**	**–**	**–**	**3 148**
D Duncan	**3 532**	**180**	**240**	**491**	**–**	**–**	**4 443**
Non-executive directors							
J A Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**193**	**–**	**193**
M H Ahmed	**–**	**–**	**–**	**–**	**250**	**–**	**250**
T G Govender**	**–**	**–**	**–**	**–**	**137**	**–**	**137**
R D Watson	**–**	**–**	**–**	**–**	**33**	**–**	**33**
N B Jappie	**–**	**–**	**–**	**–**	**193**	**–**	**193**
K F Mahloma	**–**	**–**	**–**	**–**	**146**	**–**	**146**
Y Shaik	**–**	**–**	**–**	**–**	**137**	**–**	**137**
Executive committee members							
K Robson	**1 939**	**729**	**131**	**91**	**–**	**–**	**2 890**
I Morris	**2 104**	**–**	**435**	**485**	**–**	**–**	**3 024**
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

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

Deneb Investments Limited share 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 during the year R	Exercised price of shares exercised R
2020							
Executive directors* **							
S A Queen* (CEO)	**9 672**	**2 291**	**–**	**–**	**11 963**	**1,81**	**–**
A M Ntuli	**316**	**100**	**–**	**(416)**	**–**	**1,81**	**–**
G D T Wege	**2 802**	**1 088**	**–**	**–**	**3 890**	**1,81**	**–**
D Duncan	**6 034**	**1 638**	**–**	**–**	**7 672**	**1,81**	**–**
Non-executive directors							
J A Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
M H Ahmed	**–**	**–**	**–**	**–**	**–**	**–**	**–**
T G Govender**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
K F Mahloma	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Y Shaik	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Executive committee members							
K Robson	**2 528**	**627**	**(442)**	**–**	**2 713**	**1,81**	**1,10**
I Morris	**3 261**	**839**	**(138)**	**–**	**3 962**	**1,81**	**0,96**
2019							
Deneb Investments Limited							
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)**	–	–	–	–	–	–	–
N B Jappie	–	–	–	–	–	–	–
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	–

* *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' interest in contracts is disclosed in note 30, Related parties.

27. DIRECTORS' EMOLUMENTS (continued)

The following table reflects the remuneration received by directors who also serve of the board of HCI and its subsidiaries for the year ended 31 March 2020.

Director	Board fees R000's	Salary R000's	Share option expense R000's	Bonus R000's	**Total for the year ended 31 March 2020 R000's**	Total for the year ended 31 March 2019 R000's
J A Copelyn	–	7 696	5 397	–	**13 093**	15 411
T G Govender	–	1 965	2 373	–	**4 338**	4 635
Y Shaik	–	3 976	2 017	–	**5 993**	7 533
M H Ahmed	1 195	–	–	–	**1 195**	237
N B Jappie	353	–	–	–	**353**	329
R D Watson	1 318	–	–	–	**1 318**	871

28. FOREIGN CURRENCY COMMITMENTS

	Currency	Uncovered	Covered	Total
2020				
Foreign currency monetary items are as follows:				
Foreign receivables	EUR	2 991	–	2 991
	USD	14 817	–	14 817
	CHF	13 260	–	13 260
		31 068	–	31 068
Foreign payables	EUR	1 572	262	1 834
	GBP	348	–	348
	USD	59 449	8 937	68 386
	CHF	5 411	–	5 411
		66 780	9 199	75 979

Sensitivity analysis

A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R3,1 million, while the uncovered payables balance would decrease by R6,7 million, resulting in a net loss of R3,6 million. A weakening of the Rand by 10% would have an equal, but opposite effect.

	Currency	Uncovered	Covered	Total
2019				
Foreign currency monetary items are as follows:				
Foreign receivables	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	EUR	1 651	3 194	4 845
	GBP	84	104	188
	USD	44 893	16 813	61 706
		46 628	20 111	66 739

The exchange rates were as follows:

Currency	**Spot rate 31 March 2020**	Spot rate 31 March 2019
CHF	**18,46**	14,53
EUR	**19,59**	16,25
GBP	**22,15**	18,81
USD	**17,86**	14,47

29. COMMITMENTS

	Capital expenditure		**Contractual commitments**	
	2020 R000's	2019 R000's	**2020 R000's**	2019 R000's
Investment property	**19 975**	20 335	**–**	8 465
Land and buildings	**410**	663	**645**	–
Plant and equipment	**88 310**	124 728	**35 156**	39 731
Intangible assets	**649**	5 426	**–**	426
Business combinations	**–**	61 672	**–**	–
	109 344	212 824	**35 801**	48 622

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)	
	2020 R000's	2019 R000's	**2020 R000's**	2019 R000's
HCI – interest on loan	**(8 214)**	(9 327)	**(72 938)**	(88 724)
Management fees paid				
HCI – managerial and secretarial services	**(4 715)**	(4 546)	**–**	(435)
Internal audit fees to HCI	**(1 154)**	(726)	**(471)**	(181)
Management fees received				
Risk Management to HCI	**461**	435	**44**	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.

Sale of subsidiary

During the year the Group disposed of its shareholding in Winelands Textiles as published on SENS on 31 January 2020. The disposal consideration payable is guaranteed by the South African Clothing and Textile Workers' Union, which in turn is a material shareholder of Deneb's majority shareholder, HCI.

Disposal consideration payable to Deneb is R65 million plus interest. Interest accrues at the prime interest rate.

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:

	2020 R000's	2019 R000's
Basic	**55 501**	58 776
Benefits	**10 131**	7 292
	65 632	66 068

A share incentive scheme has been implemented for key management personnel. See note 35 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 127.

31. CONTINGENCIES

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

32. REVENUE

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manufacturing R000's	Industrial Product Manufacturing R000's	Head office and Centralised Services R000's	Total R000's
2020						
Segment revenue						
Primary geographical market						
South Africa	178 158	1 344 285	506 350	1 141 872	–	3 170 665
Other African countries	–	16 600	–	72 337	–	88 937
Asia	–	4 191	836	–	–	5 027
Europe	–	36 398	15 696	–	–	52 094
South America	–	–	8 282	–	–	8 282
	178 158	1 401 474	531 164	1 214 209	–	3 325 005
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	977 618	–	977 618
Pressed, roll-formed steel products	–	–	531 164	123 042	–	654 206
Speciality chemicals	–	–	–	113 549	–	113 549
Rentals	178 158	–	–	–	–	178 158
Toys, electronic games and sports goods	–	1 048 443	–	–	–	1 048 443
Stationery, publishing and office supplies	–	353 031	–	–	–	353 031
	178 158	1 401 474	531 164	1 214 209	–	3 325 005
Timing of revenue recognition						
At a point in time	178 158	1 400 462	515 437	1 214 209	–	3 308 266
Over time:						
Pressed, roll-formed steel products	–	–	15 727	–	–	15 727
Stationery, publishing and office supplies	–	1 012	–	–	–	1 012
	178 158	1 401 474	531 164	1 214 209	–	3 325 005
Inter-segment sales	(39 398)	(11 009)	–	(58 459)	–	(108 866)
	138 760	1 390 465	531 164	1 155 750	–	3 216 139
Less: Revenue attributable to discontinued operations	–	(87 624)	–	(256 916)	–	(344 540)
Revenue as per statement of comprehensive income	138 760	1 302 841	531 164	898 834	–	2 871 599

32. REVENUE (continued)

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manufacturing R000's	Industrial Product Manufacturing R000's	Head office and Centralised Services R000's	Total R000's
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 discontinued 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

33. SECURITISATION OF ASSETS

Security has been provided by Deneb to Standard Bank via a special purpose company, Sargas Security Proprietary Limited ("the Security SPV"), which has guaranteed the obligations of the Borrower Group in favour of Standard Bank in terms of a Debt Guarantee. Sargas Proprietary Limited and Prima Toy and Leisure Trading Proprietary Limited 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 Proprietary Limited 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 Proprietary Limited, Formex Tubing Proprietary Limited, Premier Rainwatergoods Proprietary Limited, HTIC Limited and Oops Global SA).

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**
2020			
Property, plant and equipment	**783 716**	**462 760**	**320 956**
Investment property	**1 086 964**	**1 086 964**	**–**
Intangible assets	**26 789**	**–**	**26 789**
Financial asset at fair value through other comprehensive income	**4 237**	**–**	**4 237**
Long-term receivables	**23 408**	**–**	**23 408**
Inventories	**523 870**	**–**	**523 870**
Trade and other receivables	**520 336**	**77 022**	**443 314**
Non-current assets held for sale	**107 200**	**–**	**107 200**

2019

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

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.

34. POST YEAR-END EVENTS

34.1 Covid-19

The South African government declared a National State of Disaster in response to the Covid-19 pandemic. On 23 March 2020, the president announced a lockdown period with effect from 27 March 2020.

Subsequent announcements introduced a risk-based re-opening approach whereby the economy would be re-opened in five stages. The implementation and relaxation regulations are fluid and dependent on the success of curtailing the spread of the virus.

Management considered this through to be an adjusting post-balance sheet event and has made the necessary adjustments required. In particular, this is dealt with through adjustments made to forecast cash flows in the valuation of goodwill and other intangible assets (as set out in note 12), reduction in the property valuation (as set out in notes 10 and 11), and the assessment of going concern taking account of the reduced cash flows for the Group.

The impact on the inventory provisioning and IFRS 9 expected credit loss allowance was also assessed and provisions adjusted where necessary.

With effect from 1 May 2020, the lockdown regulations were relaxed to Level 4, which allowed most of the Group's manufacturing business as well as certain of the branded product businesses to be re-opened.

With effect from 1 June 2020, a further relaxation of the lockdown regulations known as Level 3 was announced.

This meant that all the business within the Group could re-open.

The Group will continue to take all requisite precautions to safeguard the wellbeing of its employees and stakeholders. The number of employees at each site has been limited, transport arrangements have been reviewed and staggered start times and lunch times have been implemented to ensure adherence to the social distancing requirements. In addition, appropriate protective equipment has been issued and employees are regularly screened for symptoms of the virus.

The Group has implemented several steps to ensure the preservation of cash resources and maintain financial liquidity. These steps included reducing operating costs where possible, curtailing non-essential capital expenditure, deferral of dividends and renegotiation of terms with major suppliers.

It is still too early to quantify the full impact of Covid-19 on our business as it will depend on the duration of the lockdown, the levels at which the lockdown will continue and the residual effects that the pandemic will have on the South African economy in general.

34.2 Claim against guarantor

Deneb has claimed immediate payment from the guarantor of the purchase consideration of Winelands Textiles of R65 million as the purchaser was in breach of the contract having defaulted on payments. The value of the underlying security held is significantly more than the receivable outstanding and thus the directors have determined that no provision for non-recovery of the receivable is required.

35. 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.

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, 13 096 530 ordinary options (2019: 10 781 733) were allotted.

The exercise of the options by the employees is subject to them meeting performance targets relating to 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 the option:

- 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.
- 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.
- 13 096 530 options issued on 4 July 2019 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.

35. SHARE INCENTIVE SCHEME (continued)

Options in issue are as follows:

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Remaining life of option
S A Queen	14 October 2014	1 713 759	127	Continued employment	1 years
	27 January 2015	1 091 401	172	Continued employment	5 years
	29 June 2015	1 591 233	166	Continued employment	5 years
	30 June 2016	2 343 944	141	Continued employment	5 years
	26 June 2017	1 441 713	136	Continued employment	6 years
	18 June 2018	1 489 586	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	2 290 642	181	Continued employment and meeting predetermined financial objectives	5 years
Total for SA Queen		11 962 278			
G D T Wege	29 June 2015	668 258	166	Continued employment	5 years
	30 June 2016	738 491	141	Continued employment	5 years
	26 June 2017	672 598	136	Continued employment	6 years
	18 June 2018	722 214	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	1 088 366	181	Continued employment and meeting predetermined financial objectives	5 years
Total for G D T Wege		3 889 927			
D Duncan	14 October 2014	499 846	127	Continued employment	1 years
	27 January 2015	1 564 245	172	Continued employment	5 years
	29 June 2015	891 388	166	Continued employment	5 years
	30 June 2016	981 939	141	Continued employment	5 years
	26 June 2017	1 023 672	136	Continued employment	6 years
	18 June 2018	1 073 155	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	1 637 728	181	Continued employment and meeting predetermined financial objectives	5 years
Total for D Duncan		7 671 973			
Other, not being directors	14 October 2014	1 150 980	127	Continued employment	1 years
	27 January 2015	3 792 235	172	Continued employment	5 years
	29 June 2015	2 669 350	166	Continued employment	5 years
	30 June 2016	4 734 156	141	Continued employment	5 years
	26 June 2017	4 665 731	136	Continued employment	6 years
	18 June 2018	6 779 216	198	Continued employment and meeting predetermined financial objectives	4 years
	04 July 2019	7 522 239	181	Continued employment and meeting predetermined financial objectives	5 years
Total other		31 313 907			
Total options in issue		**54 838 085**			

Reconciliation of movements in options:

	2020	2019
Opening balance	**44 628 668**	41 975 412
Awarded during the period	**13 096 530**	10 781 733
Exercised during the period	**(756 199)**	(2 589 390)
Options used for strike price	**(714 304)**	(2 456 054)
Lapsed/Forfeited during the period	**(1 416 610)**	(3 083 033)
Closing balance	**54 838 085**	44 628 668

		2020	2019
Exercisable at year-end		**33 386 602**	18 257 986
Income/expense during the year (included in employment costs)	(Rand)	**(3 748 764)**	1 487 101
Value of shares issued during the year	(Rand)	**1 345 865**	3 972 555
Weighted average share price of share options exercised during the year	(Rand)	**1,94**	2,40

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.

35. SHARE INCENTIVE SCHEME (continued)

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.

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 of 3 cents per share was assumed.

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.

36. NEW STANDARDS

New standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2020, and have not been applied in preparing these consolidated financial statements. The standard listed below will be effective in future reporting periods and may have a material impact on the Group.

Title	Standard/Interpretation	Effective date: Periods beginning on or after
Amendments to IFRS 3	Definition of a Business	1 January 2020

Definition of a Business (Amendments to IFRS 3)

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

37. NON-CONTROLLING INTEREST

Transactions with non-controlling interest

Current period

In February 2020, the Group subscribed for 17 000 shares following a rights issue in Oops Global SA, increasing its shareholding from 86,40% to 96,44%.

The Group recognised a decrease in non-controlling interest of R2,6 million and an equal but opposite change in retained earnings attributable to owners of the Group.

Prior 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 interest of R1,122 million and an equal decrease in retained earnings attributable to owners of the Group.

37. NON-CONTROLLING INTEREST (continued)

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

	OfficeBox		Oops Global SA		Total	
	2020 R000's	2019 R000's	**2020 R000's**	2019 R000's	**2020 R000's**	2019 R000's
Non-controlling interests (%)	**10,7**	10,7	**3,6**	13,6		
Non-current assets	**1 424**	791	**3 839**	2 971	**5 263**	3 762
Current assets	**4 379**	3 506	**17 295**	7 534	**21 674**	11 040
Non-current liabilities	**(539)**	(141)	**(2 418)**	–	**(2 957)**	(141)
Current liabilities	**(5 358)**	(4 541)	**(3 153)**	(10 587)	**(8 511)**	(15 128)
Net assets attributable to the shareholders	**(94)**	(385)	**15 563**	(82)	**15 469**	(467)
Total carrying amount of non-controlling interests	**729**	237	**153**	939	**882**	1 176
Revenue	**18 863**	16 961	**9 564**	16 604	**28 427**	33 565
Loss for the year	**(4 578)**	(2 987)	**(13 338)**	(16 619)	**(17 916)**	(19 606)
Other comprehensive income for the year	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(4 578)**	(2 987)	**(13 338)**	(16 619)	**(17 916)**	(19 606)
Loss allocated to non-controlling interests	**(492)**	(321)	**(1 814)**	(1 145)	**(2 306)**	(1 466)

38. RESERVES

	2020 R000's	2019 R000's
Composition of other reserves		
Foreign currency translation differences	**4 985**	(46)
Common control reserve	**(20 219)**	(20 219)
Surplus on revaluation	**301 232**	310 252
	285 998	289 987

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.

39. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The holding company has prepared annual financial statements in a separate set of financial statements.

The separate set presented together with the consolidated set form the annual financial statements of Deneb Investments Limited. Both of these sets are available at the company's registered office.

Analysis of shareholders

Pursuant to the Listing 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

	2020				2019			
	Number of shareholders*	**%**	**Number of shares***	**%**	Number of shareholders*	%	Number of shares*	%
Ordinary shares								
Non-public	**17**	**1,6**	**380 752 442**	**87,5**	15	1,3	369 732 684	85,2
– Directors of the company	**3**	**0,3**	**5 724 703**	**1,3**	7	0,7	6 548 517	1,5
– Shareholders with more than 10% holding*	**3**	**0,3**	**371 776 214**	**85,5**	3	0,2	361 172 972	83,2
– Non-director share scheme participants	**11**	**1,0**	**3 251 525**	**0,7**	5	0,5	2 011 195	0,5
Public	**1 046**	**98,4**	**53 930 492**	**12,5**	1 070	98,6	64 194 051	14,8
	1 063	**100,0**	**434 682 934**	**100,0**	1 085	100,0	433 926 735	100,0

** Include indirect holdings held by directors via Fulela Trade and Invest 81 Proprietary Limited, and Hosken Consolidated Investments Limited.*

DIRECTORS' INTEREST IN SHARES

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

	2020		2019	
	Ordinary	**%**	Ordinary	%
Direct	**5 724 703**	**1,3**	5 724 703	1,3
Indirect	**34 974 552**	**8,0**	33 294 570	7,7

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

	Direct		**Indirect**	
	2020 Ordinary	2019 Ordinary	**2020 Ordinary**	2019 Ordinary
S A Queen	**3 681 358**	3 681 358	**270 642**	320 499
G D T Wege	**1 438 496**	1 438 496	**–**	–
D Duncan	**604 849**	604 849	**–**	–
A M Ntuli	**–**	–	**–**	1 508
M H Ahmed	**–**	–	**–**	–
Y Shaik	**–**	–	**47 344**	45 031
N B Jappie	**–**	–	**–**	–
K F Mahloma	**–**	–	**–**	–
R D Watson	**–**	–	**–**	–
T G Govender	**–**	–	**4 921 062**	4 768 895
J A Copelyn	**–**	–	**29 735 504**	28 158 637
	5 724 703	5 724 703	**34 974 552**	33 294 570

Subsequent to year-end, the following directors acquired shares further to the exercise of options in terms of the Deneb Share Incentive Scheme:

	2020
S A Queen	**300 464**
D Duncan	**87 635**
	388 099

Analysis of shareholders (continued)

SHAREHOLDERS' INTEREST IN SHARES

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

	2020		2019	
	Ordinary	**%**	Ordinary	%
Hosken Consolidated Investments Limited	**303 622 468**	**69,8**	293 019 226	67,5
Fulela Trade and Invest 81 Proprietary Limited*	**68 153 746**	**15,7**	64 288 024	14,8
Squirewood Investments 64 Proprietary Limited*	**–**	**–**	3 865 722	0,9

** Wholly owned subsidiary of Hosken Consolidated Investments Limited.*

Executives and staff members of the Group, other than directors, held 3 251 525 (2019: 2 011 195) 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.

ANALYSIS OF SHAREHOLDERS

	Number of shareholders		**% of total shareholders**		**Number of shares**		**% of total shares**	
Deneb ordinary shares	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
1 – 1 000	**657**	661	**61**	61	**104 244**	106 621	**–**	–
1 001 – 5 000	**113**	120	**11**	11	**286 203**	303 027	**–**	–
5 001 – 50 000	**220**	232	**21**	22	**3 585 661**	3 879 050	**1**	1
50 001 – 100 000	**25**	24	**2**	2	**1 820 928**	1 715 110	**–**	–
Over 100 000	**48**	48	**5**	4	**428 885 898**	427 922 927	**99**	99
	1 063	1 085	**100**	100	**434 682 934**	433 926 735	**100**	100

	2020 %	2019 %
Banks, investment, finance and nominee companies and trusts	**96**	96
Directors and staff	**2**	2
Individuals	**2**	2

JSE LIMITED INFORMATION – 31 MARCH 2020

			2020	2019
Total number of shares traded	('000)	Ordinary	**16 976**	1 303
Total value of shares traded	(R000's)	Ordinary	**34 957**	2 942
Weighted average number of shares in issue	('000)	Ordinary	**434 473**	431 766
% of shares traded to weighted average number of issued shares	(%)	Ordinary	**3,91**	0,3

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 Toys	Group-occupied	36 Gunners Circle, Epping 1	12 332
		Subtotal	**37 851**
Deneb House	Investment Property with minority of GLA internally let	368 Main Road, Observatory	10 504
Nourse	Investment property	Nourse Ave, Epping 2	8 215
Hextex	Investment property	Raymond Pollet Drive, Worcester	40 221
Winelands Industrial Park	Investment property	Driebergen Street, Paarl	15 055
14 Jig Road	Investment property	Jig Road, Montague Gardens	2 369
Kinghall Park	Investment property	34 Kinghall Avenue, Epping 2	8 586
Reunert Park	Investment property	Radnor Street, Parow Industria	13 200
		Subtotal	**98 150**
		Total Western Cape	**136 001**
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, Bdg 1	Investment property	Nottingham Place, Mobeni	488
Mobeni Industrial Park	Investment property	Warrington Road, Mobeni	31 691
New Germany Industrial Park	Investment property	124 Escom Road, New Germany	161 756
		Subtotal	**233 074**
Mobeni – Nottingham Place, Bdg 2	Group-occupied	Nottingham Place, Mobeni	2 727
Mobeni – Nottingham Place, Bdg 3	Group-occupied	Nottingham Place, Mobeni	39 164
		Subtotal	**41 891**
		Total KwaZulu-Natal	**274 965**

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 2020

Notice is hereby given that the annual general meeting of the company will be held on Thursday, 15 October 2020 at 09:30 at the offices of Hosken Consolidated Investments Limited, Suite 801, 76 Regent Road, Sea Point, 8005. Registration will start at 09:00.

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 ("the 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, 24 July 2020. 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, 9 October 2020, with the last day to trade being Tuesday, 6 October 2020. Accordingly, only shareholders who are registered in the securities register of the company on Friday, 9 October 2020 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; Private Bag X9000, Saxonwold, 2132) or emailing it to proxy@computershare.co.za to be received by no later than 09:30 on Wednesday, 14 October 2020 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 09:30 on Tuesday, 13 October 2020. 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, driver's licence 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, driver's license 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; Private Bag X9000, Saxonwold, 2132) or emailing it to proxy@computershare.co.za to be received by 09:30 on Wednesday, 14 October 2020 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 128;
- the directors' interests in securities on page 127; and
- the share capital of the company in note 18 and an analysis of shareholders on page 127.

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 2020**

   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 2020 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 43 to 126 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 2020, prepared and approved by the company's social and ethics committee and set out on pages 17 to 21 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 (1.1 to 1.6): Retirement and re-election of directors***

   3.1 Ordinary resolution number 1.1: Re-election of Mr M H Ahmed as a director

   "Resolved that Mr M H Ahmed be and is hereby re-elected as a director of the company."

   3.2 Ordinary resolution number 1.2: Re-election of Mr D Duncan as a director

   "Resolved that Mr D Duncan be and is hereby re-elected as a director of the company."

3.3 Ordinary resolution number 1.3: Re-election of Mr A M Ntuli as a director

"Resolved that Mr A M Ntuli be and is hereby re-elected as a director of the company."

3.4 Ordinary resolution number 1.4: Re-election of Mr Y Shaik as a director

"Resolved that Mr Y Shaik be and is hereby re-elected as a director of the company."

3.5 Ordinary resolution number 1.5: Re-election of Mr S A Queen as a director

"Resolved that Mr S A Queen be and is hereby re-elected as a director of the company."

3.6 Ordinary resolution number 1.6: Re-election of Mr G D T Wege as a director

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

Explanatory note

Messrs M H Ahmed, D Duncan, A M Ntuli, Y Shaik, S A Queen and G D T Wege retire as directors in accordance with the company's MOI but, being eligible, each offer themselves for re-election as directors of the company.

Messrs M H Ahmed and Y Shaik are at the date of this notice designated as non-executive directors and Messrs D Duncan, A M Ntuli, S A Queen and G D T Wege are executive directors of the company.

The board has considered the proposed re-election of Messrs M H Ahmed, D Duncan, A M Ntuli, Y Shaik, S A Queen and G D T Wege and recommends that they be re-elected as directors of the company, with Messrs M H Ahmed, Y Shaik and Mr A M Ntuli to be designated as non-executive directors and Messrs D Duncan, S A Queen and G D T Wege as executive directors.

Brief CVs of the abovementioned directors are on pages 8 to 10 of the integrated annual report, of which this notice of annual general meeting forms part.

The reason for ordinary resolution numbers 1.1 to 1.6 is to propose the re-election of Messrs M H Ahmed, D Duncan, A M Ntuli, Y Shaik, S A Queen and G D T Wege 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 Messrs M H Ahmed, D Duncan, A M Ntuli, Y Shaik, S A Queen and G D T Wege by way of passing the ordinary resolutions set out above.

4. ***Ordinary resolution number 2: 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 auditor 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 2021 is Mr A Hugo.

5. ***Ordinary resolution number 3 (3.1 to 3.3): Re-appointment of audit committee members***

5.1 Ordinary resolution number 3.1: 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."

5.2 Ordinary resolution number 3.2: 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."

5.3 Ordinary resolution number 3.3: Re-election of Ms K F Mahloma as a member of the audit committee

"Resolved that Ms K F Mahloma be and is hereby re-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 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, Ms N B Jappie and Ms K F Mahloma and recommends that they be re-appointed to the audit committee. The re-appointment of each member of the audit committee will be voted on separately.

The re-appointment of Mr M H Ahmed to the audit committee is subject to the approval of ordinary resolution number 1.1.

Brief CVs of the members are on page 10 of the integrated annual report, of which this notice of annual general meeting forms part.

6. **Ordinary resolution number 4: 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 21 759 068 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.

7. ***Non-binding advisory votes: Advisory endorsement of the remuneration policy and remuneration implementation report***

7.1 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".

7.2 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™ for 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 25 to 27 and the remuneration implementation report on pages 28 to 30 in the Remuneration Report, by way of separate non-binding advisory votes.

8. ***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 4, 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 hereunder, in the aggregate, may not exceed 21 759 068, being, 5% (five percent) of the company's relevant number of ordinary shares in issue as at the date of this notice;*
- *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 agreed to by the company and the party subscribing for the shares. The JSE will be consulted for a rating if the shares have not traded in such 30 business day period;*
- *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 4, 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 12 September 2019, 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.

9. ***Special resolution number 2: Approval of annual fees to be paid to non-executive directors***

"Resolved that for the period 1 November 2020 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	*140 000*	*140 000*
Audit committee member	*58 000*	*58 000*
Remuneration committee member	*58 000*	*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.

10. ***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 2020);
  - 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 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 128 of the document of which this notice of annual general meeting forms part; and
- share capital of the company – page 90 of the document of which this notice of annual general meeting forms part.

11. ***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:

11.1 *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*

11.2 *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*

11.3 *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;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the MOI have been met.

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.

12. ***Ordinary resolution number 5: 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."

13. **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
17 July 2020

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 attend, speak and vote on my/our behalf at the annual general meeting of the company to be held at 09:30 on Thursday, 15 October 2020 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.	Retirement and re-election of directors			
	1.1 Re-election of director: Mr M H Ahmed			
	1.2 Re-election of director: Mr D Duncan			
	1.3 Re-election of director: Mr A M Ntuli			
	1.4 Re-election of director: Mr Y Shaik			
	1.5 Re-election of director: Mr S A Queen			
	1.6 Re-election of director: Mr G D T Wege			
2.	Re-appointment of auditor: PricewaterhouseCoopers Inc			
3.	Re-appointment of audit committee members			
	3.1 Mr M H Ahmed			
	3.2 Ms N B Jappie			
	3.3 Ms K F Mahloma			
4.	General authority over authorised but unissued shares			
5.	Directors' 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 the space provided above.)

Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed this _______________ day of _______________ 2020

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 (Private Bag X9000, Saxonwold, 2132) or emailed to proxy@computershare.co.za so as to be received by no later than 09:30 on Wednesday, 14 October 2020 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.

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 Private Bag X9000, Saxonwold, 2132
Auditors:	PricewaterhouseCoopers Inc.
Sponsors:	PSG Capital Proprietary Limited

The paper stock used to print this annual report is FSC-certified, sourced through sustainable forestry.

BRANDESIGN

DENEB
INVESTMENTS LIMITED

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www.deneb.co.za