



Integrated annual report 2017

# About this report

Deneb Investments Limited (“Deneb”) or (“the Group”) is proud to present its third 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, commits itself to the highest standards of corporate governance and endorses the King Code of Governance Principles (King III).

## Scope and boundary

The 2017 Integrated Annual Report covers the activities and performances of the Group for the financial year 1 April 2016 to 31 March 2017. The Group operates principally in South Africa and generates the majority of its revenue from South Africa.

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

The Group implemented the recommendations of King III, except where noted to the contrary in this report. It has further applied the principle of materiality in determining the content and levels of disclosure throughout the Integrated Annual Report.

## 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.

## 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.

## Additional information

Our 2017 Integrated Annual Report is available online at [www.deneb.co.za](http://www.deneb.co.za). A printed copy of the financial statements is available on request from [info@deneb.co.za](mailto:info@deneb.co.za).

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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.

Executive directors

Stuart Queen  
(Chief executive officer)

Gys Wege  
(Financial director)

Dave Duncan  
(Chief operating officer)

Amon Ntuli  
(Human resources)



## Branded Product Distribution

The segment is responsible for the sourcing and distribution of branded products. The businesses operating in this segment include Prima Toys, Prima Interactive, The Empire Group, Seartec, Limtech, OfficeBox, FuzeCloud, Clever Little Monkey and Brand ID. These enterprises supply an extensive selection of prestigious brands to the South African consumer, such as Leapfrog, Columbia, Slazenger, Dunlop, Canterbury, Microsoft X-Box, Butterfly stationery, Sharp electronics, Speedo and a large variety of well-known toys and games.

Executive management

Ian Morris, Ian Hepplewhite, Juan Laubscher



## Properties

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

Executive management

Keith Robson



## Industrial Manufacturing

Manufacturers of specialised industrial products for the mining, agricultural, construction and automotive industries. The businesses operating in this segment are Gold Reef Speciality Chemicals, Brits Nonwoven, Custom Extrusion, Integrated Polypropylene Products and Premier Rainwatergoods.

Executive management

Desmond Beemiah, Cliff van Niekerk, Riaan Coetzee, Claude du Plessis



## Textile Manufacturing

Manufacturers of high-quality home textiles and cotton, worsted and polyester fabrics predominantly for the South African medical, hospitality and retail markets. The businesses operating in this segment are Winelands Textiles, Frame Knitting Manufacturers, Romatex Home Textiles and First Factory Shops.

Executive management

Piet van Wyk, Mike McGeever, Jerry Govender



# Financial highlights

for the year ended 31 March

<b>Rand thousands, unless otherwise indicated</b>	2017	2016
Revenue	2 917 677	2 715 640
Profit before taxation	116 931	92 607
Profit attributable to shareholders	73 129	56 722
Equity attributable to equity holders	1 778 329	1 949 763
Total tangible assets (excluding cash)	3 031 044	2 985 473
Return from continued operations on total tangible assets (%)	6,5	5,2
Return on shareholders' interest (%)	4,1	2,9
Comprehensive income return on net asset value (%)	5,3	5,0
Ratio of borrowings to capital and reserves (%)	43	29

Statistics per share

<b>In cents, where applicable</b>	2017	2016
Headline earnings	9,85	8,07
Basic earnings	14,78	10,11
Operating cash flow	26	11
Net asset value	415	347
Market price – End of period	185	196
Price range – High	210	230
Price range – Low	116	160

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

Segment	Revenue				Total tangible assets (excluding cash)				Return on total tangible assets Continued operations	
	2017		2016		2017		2016		2017	2016
	Rm	%	Rm	%	Rm	%	Rm	%	%	%
Branded Product Distribution	1 375	47	1 396	51	864	28	866	29	2	—
Properties	106	4	98	4	1 239	41	1 197	40	11	11
Textile Manufacturing	793	27	733	27	512	17	529	18	3	5
Industrial Manufacturing	643	22	489	18	379	13	284	9	15	13
Centralised Services	—	—	—	—	37	1	109	4	(64)	(37)
	2 917	100	2 716	100	3 031	100	2 985	100	6	5

# Four-year review

for the year ended 31 March

	2017 R000's	2016 R000's	2015 R000's	2014 R000's
<b>Operations</b>				
<b>Revenue</b>	2 917 677	2 715 640	2 665 399	2 140 324
<b>Continued operations</b>				
Operating profit before finance costs	196 699	155 538	199 079	219 842
Net finance costs	(79 768)	(62 931)	(46 887)	(47 014)
Profit before taxation	116 931	92 607	152 192	172 828
Taxation (expense)/income	(44 739)	(39 156)	72 405	4 899
Profit from continued operations for the year	72 192	53 451	224 597	177 727
Loss from discontinued operations for the year	—	—	(17 284)	(165 053)
Profit attributable to shareholders	73 129	56 722	208 750	12 674
<b>Cash flow</b>				
Cash generated from operating activities before working capital changes	234 950	181 660	161 117	83 801
Cash generated from/(utilised by) operations	131 076	62 316	(154 832)	28 521
Net cash outflow from investing activities	(66 961)	(29 531)	(47 831)	(50 921)
Operating cash flow per share (cents)	26	11	(28)	5
<b>Financial position</b>				
Capital and reserves	1 778 329	1 949 763	1 870 979	1 488 169
Net interest-bearing borrowings	766 834	561 344	577 305	554 055
Other non-interest-bearing debt (excluding deferred liabilities)	504 192	498 246	475 222	481 975
Net working capital excluding cash	847 058	880 643	783 994	627 741
Total tangible assets (excluding cash and deferred tax)	3 031 044	2 985 473	2 858 186	2 581 198
Total property portfolio	1 217 754	1 171 582	1 050 370	1 005 337
<b>Ratios</b>				
<b>Profitability</b>				
Operating profit as percentage of revenue – continued operations (%)	6,7	5,7	7,5	10,3
Profit for the period as percentage of revenue (%)	2,5	2,0	8,4	8,3
Return on total tangible assets – continued operations (%)	6,5	5,2	7,0	8,5
Return on investments (%)	2,4	1,9	7,3	0,5
Return on shareholders' interest (%)	4,1	2,9	11,2	0,9
Comprehensive income return on NAV (%)	5,3	5,0	11,3	2,7
<b>Leverage</b>				
Ratio of borrowings to capital and reserves (%)	43	29	31	37
Ratio of debt to capital and reserves (%)	71	54	56	70
<b>Liquidity</b>				
Current ratio (times)	2,3	1,3	1,2	1,1
Solvency ratio (%)	17,4	16,6	15,2	7,2
Finance charges cover (times)	2,5	2,5	4,2	4,7
<b>Productivity</b>				
Total asset turnover ratio (times)	1,0	0,9	0,9	0,8
Number of employees – continued operations	2 926	3 044	2 904	2 689
Revenue per employee (Rand)	997 156	892 129	917 837	795 955
Operating profit per employee (Rand)	67 225	51 097	68 553	81 756
Assets per employee (Rand)	1 035 900	980 773	984 224	959 910
Cash value-added factor (%)	52	43	30	46
<b>Share statistics*</b>				
Weighted average number of shares issued (000's)	494 817	561 207	547 315	539 776
Headline earnings per share (cents)	9,9	8,1	27,6	4,4
Earnings per share (cents)	14,8	10,1	38,1	2,4
Proposed dividend (cents)	3,0	—	3,0	—
Headline earnings yield at period-end (%)	5,3	4,1	16,2	n/a
Dividend yield at period-end (%)	1,6	—	1,8	n/a
Proposed dividend cover (times)	3,3	—	9,2	—
Net asset value per share (cents)	415	347	334	276
Total number of shares traded (000's)	7 526	7 218	9 440	n/a
Total value of shares traded (R000's)	12 771	14 022	18 264	n/a
Percentage of issued shares traded (%)	1,8	1,7	3,4	3,4
Market price – Highest – ordinary (cents)	210	230	400	n/a
– Lowest – ordinary (cents)	116	160	160	n/a
– Period-end – ordinary (cents)	185	196	170	n/a

\* Refer to pages 119 and 120 for the analysis of shareholders.

# Value-added statement

for the year ended 31 March

	2017 R000's	2016 R000's
Cash derived from revenue	2 862 342	2 693 114
Paid to suppliers for materials and services	1 882 405	1 885 878
Cash value added	979 937	807 236
Interest received	5 986	10 174
<b>Total wealth created</b>	<b>985 923</b>	<b>817 410</b>
Distributed as follows:		
<b>Employees</b>		
Administration	158 089	152 672
Production	241 897	216 985
Sales	118 788	110 783
	518 774	480 440
<b>Providers of capital</b>		
Interest paid on borrowings	85 754	73 105
Dividend to shareholders	–	16 824
	85 754	89 929
<b>Monetary exchanges with government</b>		
Taxation (including customs and excise duty)	136 939	130 988
PAYE	65 553	61 081
VAT	66 854	26 125
Incentives	(19 027)	(33 469)
	250 319	184 725
<b>Retained to develop future growth</b>	<b>131 076</b>	<b>62 316</b>
<b>Total wealth distributed</b>	<b>985 923</b>	<b>817 410</b>

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 purchased and services rendered.

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	2017 %	2016 %
Employees	52,6	58,8
Government	25,4	22,6
Retained	13,3	7,6
Lenders	8,7	8,9
Shareholders	–	2,1
	100,0	100,0





# Directors' profile

## Executive directors



### Stuart Queen (45)

CHIEF EXECUTIVE OFFICER

*BCompt (Hons), CA (SA)*

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



### Gys Wege (43)

FINANCIAL DIRECTOR

*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 (59)

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 holds various directorships in investment companies including SACTWU Investment Group, and is chairperson of the social and ethics committee.



### Dave Duncan (British) (63)

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 (67)

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 and is chairperson of Tsogo Sun Holdings Limited, Niveus Investments Limited and eMedia Holdings Limited.



### Kevin Govender (47)

*BCompt (Hons)*

Kevin was appointed to the board on 10 October 2014. He joined Hosken Consolidated Investments Limited ("HCI") in 1997 and has been its chief financial officer since 2001. He holds various directorships within the HCI group of companies. He is currently also the acting chief executive officer of eMedia Holdings Limited.



### Yunis Shaik (58)

*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 he was an attorney of the High Court and served as a senior commissioner to the Commission for Conciliation, Mediation and Arbitration ("CCMA") in KwaZulu-Natal. He serves on the boards of Tsogo Sun Holdings Limited and Niveus Investments Limited.

# Directors' profile (continued)

## Independent non-executive directors



### **Rachel Watson (58)**

Rachel was appointed to the board on 10 October 2014. She has 33 years' operational experience within the manufacturing sector. During her last 14 years within the industry Rachel served as a trade union representative in various organisational positions. She currently holds a position as the managing director at a regional community broadcaster. She serves on the boards of Hosken Consolidated Investments Limited and eMedia Holdings Limited. She is a member of the audit, risk, and social and ethics committees.



### **Logie Govender (68)**

*BComm, CTA, CA (SA)*

Logie was appointed to the board on 11 March 2015. He is the sole proprietor of the auditing firm, Logie Govender & Co. He has over 40 years' experience as a practising auditor and serves on the board of eMedia Holdings Limited.



### **Naziema Jappie (57)**

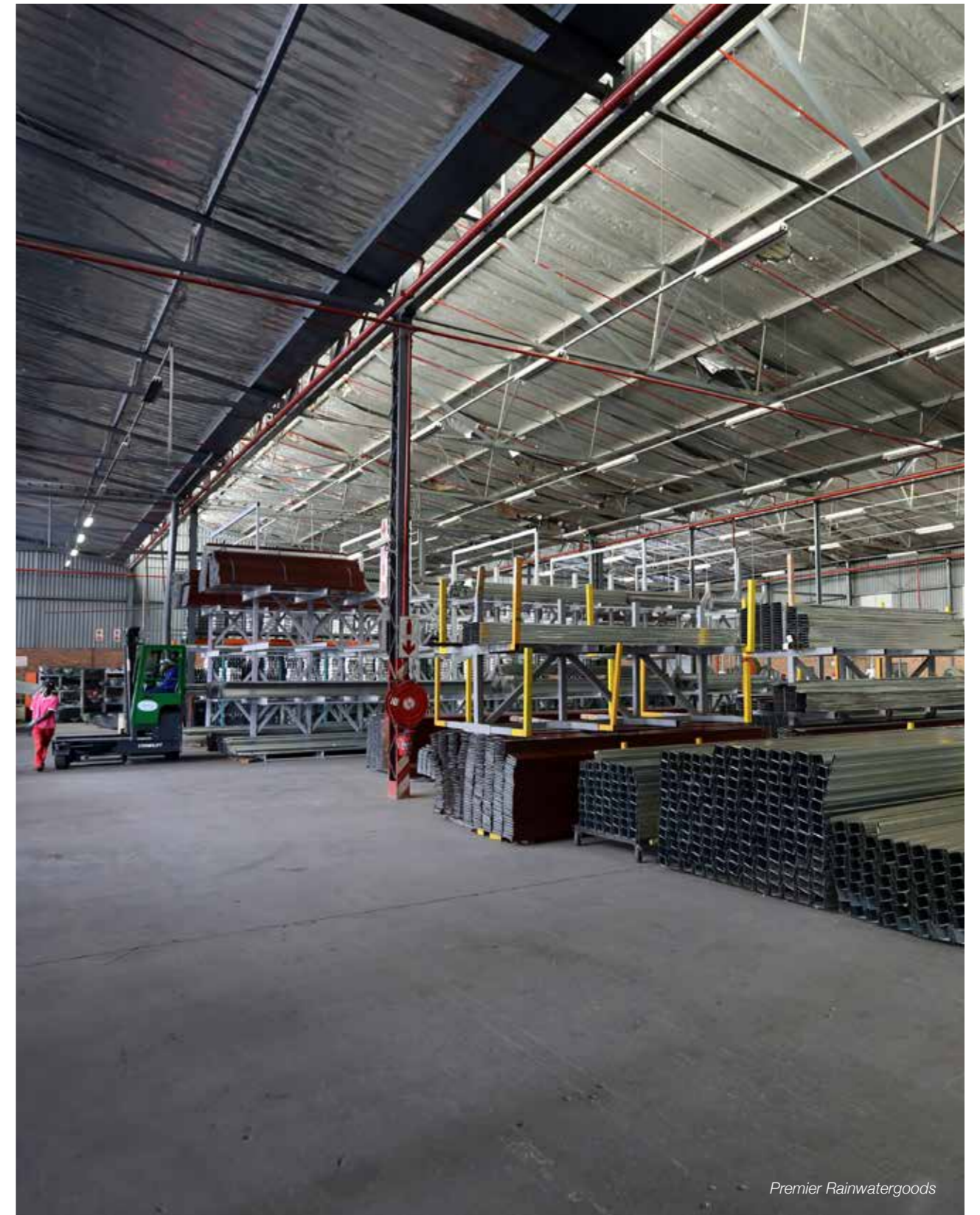
*BSocSc (Hons), MSocSc (specialising in Industrial and Labour Studies), PGDip (HE), Honorary Consul for the Republic of Maldives*

Naziema was appointed to the board on 10 October 2014. Naziema brings with her a distinguished and varied background in fields including education, labour law, conflict resolution and performance and project management. She has served as SACTWU's national education officer, executive director at the Durban University of Technology and dean of students at the University of the Witwatersrand. She is currently employed as director for the Centre for Educational Testing for Access and Placement at the University of Cape Town. She is also a non-executive director of Golden Arrow Bus Services and Montauk Energy.

### **Mohamed Ahmed (52)**

*BCompt*

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



# Chief executive officer's report



We are pleased to report good growth for the year with EPS up 46%, HEPS up 22% and NAV per share up 20% to 415 cents. These results reflect that within Deneb there are a number of businesses that continue to deliver good, solid results even in difficult economic conditions.

In overall terms, turnover grew by 7% to just over R2,9 billion. Gross profit increased by 18% on the back of improved margins while overheads grew by 9%. As a result, operating profit before finance costs grew by 26%. The Group completed a share buyback in September 2016, which saw it buy back 24% of its shares in issue for R268 million. This, coupled with the funds spent on the acquisition of Premier Rainwatergoods, resulted in net finance costs increasing by 27% to R80 million.

Deneb's underlying subsidiaries can be categorised into four main groups.

In the first instance, we have good, solid businesses that continue to grow strongly. Over the past five years on a compounding basis, these businesses have grown turnover by 16% and core operating profit by 22% per annum. They are now responsible for over R1,9 billion of turnover and deliver net operating margins in excess of 10% after accounting for all centralised head office costs.

The second set of businesses are mostly start-ups that are being developed with an eye to the future. These businesses have largely delivered on expectations and are coming along well. Although they may not all make it to become mature businesses, we are optimistic that most will join the first group and become good contributors in time.

The third group of businesses have poor fundamental economics but strong management teams and muddle through eking out small profits. These businesses are not likely to shoot the lights out anytime soon but they don't cost the Group very much to maintain them. We are working on opportunities to shift them into areas that would enable them to deliver better returns and move them into the first group.

The final group has, disappointingly, not been able to find the required traction. This failure is due to a combination of the general poor economics in the industries they serve and our own inability

to strategically reposition them onto a more sustainable path. Both of these factors are exacerbated by the challenging economic environment. We had hoped that these businesses could be fixed over time by following a growth strategy. However, given the general state of the economy we may need to be a bit more pragmatic in our outlook towards them.

Although the results overall represent another good step forward for the Group, we are cognisant of the fact that, in absolute terms, they do not represent a suitable return on the asset base. The plans to remedy the fourth group of businesses above will make a marked difference to the operating margins and return on equity calculations.

## Segmental results

### Property segment

The value of the Group's property portfolio increased by R46 million (4%) to R1,22 billion. This growth incorporates R9 million spent on development costs and R51 million of upwards revaluation, offset by disposals totalling R14 million.

Revenue increased by 10% to R150 million with revenue from external tenants representing 71% of the total. Operating profit before finance costs increased by 4% to R135 million. If the property revaluations are excluded, operating profit for the current year was up 6% to R104 million.

We have said in previous reports that we are looking to grow our property portfolio and this remains the case despite the fact that in reality we have been a net seller of property. We seem to have a different view to other buyers as to what fair acquisition yields should be. However, rather than changing our expectations, we will continue to look for opportunities that fit into our model even if it means being a bit more patient. We see our ability to remain patient as the fundamental strength of a diversified portfolio.

### Industrial Manufacturing segment

The Industrial Manufacturing segment continued to power ahead.

The acquisition of Premier Rainwatergoods earlier in the year has proven to be successful and the management team has assimilated themselves seamlessly into the Group. In return, we hope and expect to be a good shareholder for them in the long term. The results of this business as well as strong growth in the existing operations saw revenue up 32% to R643 million and operating profit up 53% to R56 million. This growth comes on the back of 49% growth in the previous reporting period and this segment is now becoming a very meaningful contributor to the Group.

### Branded Product segment

Revenue for this segment was down R21 million (1%) to R1,38 billion, however, operating profit before finance costs increased to R15 million from the R2 million recorded in the prior period.

The Prima Group, which comprises Prima Toys, Prima Interactive, the Empire Group and some smaller start-ups, had a very strong year with operating profit up 47% over the prior year. These businesses continue to deliver very good returns, which is testament to the efforts of the competent management teams within them.

On the other hand, the performance of our office automation business has been very disappointing. The new management team, appointed halfway through the year, has been working tirelessly to clean it all up. As part of this clean-up we have taken a number of large write-offs on the chin, which have affected the overall results of this segment.

Our sporting goods business, Brand ID, had a little stutter on its growth path. This business sells quite high-value discretionary durable goods and the segment of the market that it serves has undoubtedly been under pressure. Towards the end of the year it took a decision to exit some of its lower margin product ranges and consolidate its management structures to reduce its breakeven point. If one excludes the once-off costs incurred in this business then it remained profitable for the period under review.

### Textile segment

The general economics of the businesses within this sector remain challenging. Although revenue was up 8%, operating profit was down R12 million (45%) to R15 million. The main reason for the decline in operating profit was a R19 million forex loss in the current year compared to a small profit in the previous year. It is the Group's policy to cover forward any currency exposure once the selling prices have been established in order to lock in the cash margin. Ordinarily, if forex losses are recorded up to the time that the goods are delivered, it will result in higher margins when the goods are sold. This will be true in this instance as well, but the long lead times inherent in these businesses mean that a large portion of the countervailing gross profit improvement will only take place in the next financial year.

As we have mentioned in previous reports, the general poor economics of the textile sector mean making even a modest return incredibly hard work and require an enormous amount of skill from the respective management teams. We are fortunate that we have strong people at the head of each of these businesses. The work done in our home textile business justifies a specific mention. Over the past five years the turnover of this business has remained relatively flat, but five years ago some 80% of the turnover came from selling unbranded products to the major retail chains. This year that percentage was down to a little over 50% with the difference coming out of areas that are more dependent on the quality of service rather than price. We believe that this is an altogether more sustainable business model.

### Distribution

We are pleased to be able to re-introduce a distribution of 3 cents per share. We did not pay a distribution in the previous year as we reserved funds to complete the share buyback mentioned above.

**Stuart Queen**

Chief executive officer  
4 September 2017



# Corporate governance report

Deneb is committed to a high standard of corporate governance and endorses the recommendations contained in the King Code of Governance Principles for South Africa 2009 (King III). 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 to ensure 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

The board of directors comprises eleven members, seven non-executive directors and four executive directors. Four of the seven non-executive directors are independent. The composition of the board is a reflection of the demographics of the Group's diversified investments and attempts to ensure a representative voice of all relevant stakeholders.

The board adopted and approved a Gender Diversification Policy. Identifying suitable candidates for appointment to the board, the committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at a board level. The committee will continue to discuss and annually agree measurable targets for achieving gender diversity on the board.

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 objectivity.

### 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, recommendations of the King Code and the memorandum of incorporation of the company. There is a distinct division of responsibilities at board level so that no single individual has unfettered powers of decision-making. The board as a whole, within its powers and in a formal and transparent manner, is responsible for the selection and appointment of directors. Directors do not have a fixed term of appointment and there is no mandatory retirement age for non-executive directors.

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

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

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

### 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:

	18 May 2016	22 August 2016	16 November 2016	15 March 2017
M H Ahmed	√	√	√	√
J A Copelyn	√	√	√	√
D Duncan	√	√	x	√
L G Govender	√	√	√	√
T G Govender	√	√•	x	√
N B Jappie	√	√	√	√
A M Ntuli	√	√	√	√
S A Queen	√	√	√	√
Y Shaik	√	√	x	√
R D Watson	√	√	√	√
G D T Wege	√	√	√	√

- √ In attendance
- Via video call
- x Apologies

## Company secretary

Ms C Philip was appointed as the company secretary on 16 November 2016. Ms C Philip replaced HCI Managerial Services Proprietary Limited, which resigned with effect from 16 November 2016. The company secretary 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 III

The directors assessed Deneb's compliance with the recommendations of King III and confirmed that, except where indicated, the company complied in all material aspects with these corporate governance principles. With reference to the remainder of the King III requirements, where the directors' assessment has indicated that certain practices are not in the best interest of Deneb, we explain the reasons for our alternative approach as follows:

**Principle 2.16** recommends that the board should elect a chairperson who is an independent non-executive director. The board has appointed a non-executive chairperson and, in terms of the definition provided, he is not regarded as independent as he is a director of the company's ultimate shareholder. The board is of the opinion that the experience and specialist knowledge of the industry sectors in which Deneb operates makes it appropriate for him to hold this position. The board has appointed Mr M H Ahmed as lead independent non-executive director.

**Principle 2.26** recommends that the remuneration of each individual director and the three most highly paid employees who are not directors of the company be disclosed. The remuneration report discloses the remuneration of the three most highly paid employees, however the names of the employees who are not directors have not been disclosed as the board is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

# Corporate governance report (continued)

**Principle 4.6** recommends that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. It is the view of the risk committee that the existing governance principles and levels of risk tolerance embedded within Deneb provide sufficient coverage of the risks associated with the probability of anticipated unpredictable risks.

**Principles 4.9 and 9.3** recommend that the effectiveness of the risk management process and sustainable reporting and disclosure should be independently assured. Deneb'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. The extent of the independent assurance received is deemed to be sufficient.

Disclosure of Deneb's adherence to the King III principles is published on our website, [www.deneb.co.za](http://www.deneb.co.za).

## Dealings in the company's securities

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

## Whistle-blower "hotline"

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

## Governance of information technology

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

## Board committees

Deneb's board has established committees to assist it to discharge its duties. The committees play a pivotal role in guiding and overseeing strategy, enhancing high standards of governance and achieving increased effectiveness within the Group. The committees comprise members of the board and executive officers of the Group.

Board committees are free to take independent, outside professional advice within the scope of their terms of reference and as deemed necessary to carry out their duties. The Group's chief executive officer and other members of the executive management whose presence is required for such committees' effective performance of their responsibilities are invited to be in attendance at committee meetings. The board has established five committees to assist in discharging its responsibilities:

### Executive committee

**Chairperson: Mr S A Queen**

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

The Deneb executive committee comprises Messrs S A Queen (chairperson, Group chief executive officer), G D T Wege (Group financial director), 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 38 and 39.

### 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 28 and 29.

### 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 report is presented on pages 30 to 34.

### 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 22 to 27.



# Corporate governance report (continued)

## Adherence to King III principles checklist

Principle No.	Principle	
<b>Ethical leadership and corporate citizenship</b>		
1.1	Effective leadership based on an ethical foundation	√
1.2	Responsible corporate citizen	√
1.3	Effective management of Group's ethics	√
<b>Boards and directors</b>		
2.1	The board is the focal point for and custodian of corporate governance	√
2.2	Strategy, risk, performance and sustainability are inseparable	√
2.3	The board should provide effective leadership based on an ethical foundation	√
2.4	The board should ensure that the Group is and is seen to be a responsible corporate citizen	√
2.5	The board should ensure that the Group's ethics are managed effectively	√
2.6	The board should ensure that the Group has an effective and independent audit committee	√
2.7	The board should be responsible for the governance of risk	√
2.8	The board should be responsible for information technology (IT) governance	√
2.9	The board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards	√
2.10	The board should ensure that there is an effective risk-based internal audit	√
2.11	The board should appreciate that stakeholders' perceptions affect the Group's reputation	√
2.12	The board should ensure the integrity of the Group's Integrated Report	√
2.13	The board should report on the effectiveness of the Group's system of internal controls	√
2.14	The board and its directors should act in the best interests of the company	√
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Act	√
2.16	The board should elect a chairperson of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairperson of the board	x √
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	√
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	√
2.19	Directors should be appointed through a formal process	√
2.20	The induction of and ongoing training and development of directors should be conducted through a formal process	√
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	√
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	√
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	√
2.24	A governance framework should be agreed between the Group and its subsidiary boards	√
2.25	Companies should remunerate directors and executives fairly and responsibly	√
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	#
2.27	Shareholders should approve the company's remuneration policy	√

Principle No.	Principle	
<b>Audit committee</b>		
3.1	Effective and independent	√
3.2	Suitably skilled and experienced independent non-executive directors	√
3.3	Chaired by an independent non-executive director	√
3.4	Oversees integrated reporting	√
3.5	A combined assurance model is applied to improve efficiency in assurance activities	√
3.6	Satisfies itself of the expertise, resources and experience of the Group's finance function, chief financial officer and company secretary	√
3.7	Oversees internal audit	√
3.8	Integral to the risk management process	√
3.9	Oversees the external audit process	√
3.10	Reports to the board and shareholders on how it has discharged its duties	√
<b>The governance of risk</b>		
4.1/4.2	The board is responsible for the governance of risk and setting levels of risk tolerance	√
4.3	The audit committee assists the board in carrying out its risk responsibilities	√
4.4	The board delegates the risk management plan to management	√
4.5	The board ensures that risk assessments and monitoring are performed on a continual basis	√
4.6	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	x
4.7	Management implements appropriate risk responses	√
4.8	The board ensures continual risk monitoring by management	√
4.9	The board receives assurance of the effectiveness of the risk management process	x
4.10	Sufficient risk disclosure to stakeholders	√
<b>The governance of information technology</b>		
5.1	The board is responsible for information technology (IT) governance	√
5.2	IT is aligned with the performance and sustainability objectives of the Group	√
5.3	Management is responsible for the implementation of an IT governance framework	√
5.4	The board monitors and evaluates significant IT investments and expenditure	√
5.5	IT is an integral part of the Group's risk management	√
5.6	IT assets are managed effectively	√
5.7	The audit committee assists the board in carrying out its IT responsibilities	√
<b>Compliance with laws, codes, rules and standards</b>		
6.1	The board ensures that the Group complies with relevant laws	√
6.2	The board has a working understanding of the relevance and implications of non-compliance	√
6.3	Compliance risk forms an integral part of the Group's risk management process	√
6.4	The board has delegated to management the implementation of an effective framework and processes	√

# Corporate governance report (continued)

Principle No.	Principle	
<b>Internal</b>		
7.1	Effective risk-based internal audit	√
7.2	Follow risk-based approach to its plan	√
7.3	Written assessment of the effectiveness of the Group's system of internal controls and risk management	√
7.4	Be responsible for overseeing internal audit	√
7.5	Internal audit is strategically positioned to achieve its objectives	√
<b>Governing stakeholder relationships</b>		
8.1	Appreciation that stakeholders' perceptions affect the Group's reputation	√
8.2	Management proactively deals with stakeholder relationships	√
8.3	There is an appropriate balance amongst the Group's various stakeholder groupings	√
8.4	Equitable treatment of stakeholders	√
8.5	Transparent and effective communication to stakeholders	√
8.6	Disputes are resolved effectively and timeously	√
<b>Integrated reporting and disclosure</b>		
9.1	Ensures the integrity of the Group's Integrated Report	√
9.2	Sustainability reporting and disclosure is integrated with the Group's financial reporting	√
9.3	Sustainability reporting and disclosure is independently assured	x

√ Compliant  
 # Partially compliant  
 x Non-compliant



# Social and ethics committee report

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

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

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

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

## Members

The members of the committee consist of Mr A M Ntuli (executive director), Ms R D Watson (independent non-executive director), Mr S Rubidge (Group IR executive) and Mr G D T Wege (executive director). The members are appointed by the board and the committee elected Mr A M Ntuli as chairperson.

## 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:

	19 September 2016	17 March 2017
A M Ntuli	√	√
S Rubidge	√	√
R D Watson	X	√
G D T Wege	√	√

√ In attendance

X Apologies

## 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 socio-economic 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

During the past year, the transformation agenda in South Africa has been completely overhauled:

- promulgation of the new B-BBEE regulations on 6 June 2016;
- the establishment of the B-BBEE Commission; and
- criminalisation of fronting practices.

For Deneb, transformation has always been an exciting opportunity for further improvement and our transformation journey continued at pace. The Group's transformation efforts are aligned with the principles and objectives of B-BBEE as envisaged by the Department of Trade and Industry ("the dti").

The revised code provides more aggressive targets and recognition measurements with the aim to assist Corporate South Africa with its transformation objectives. The code contains five elements and we accordingly provide stakeholders with our progress on each of these elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development and Socio-economic Development.

Deneb is proud to have maintained its Level Four Contributor Status and further improved our B-BBEE score by 2.4 points to 86.30. In addition, Deneb has been recognised as one of the top 10 B-BBEE companies on the Johannesburg Stock Exchange.

Transformation is 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.

Deneb's B-BBEE profile is summarised below:

Element	Max	2017	2016
Ownership	25.00	25.00	25.00
Management Control	19.00	8.96	9.33
Skills Development	20.00	13.94	9.88
Enterprise and Supplier Development	40.00	33.40	34.69
Socio-economic Development	5.00	5.00	5.00
Overall score	109.00	86.30	83.90
Empowering supplier		Yes	Yes

## Ownership and Management Control

Deneb's black ownership is 73,32%, of which 41,07% is black women ownership 86,6% (2016: 86,2%) of Deneb's employees are black, demonstrating our continued commitment to cultivating a representative workforce that will support and further our organisation in the most efficient and effective manner. The Group remains committed to its Employment Equity Plan, which focuses on increasing the representation of designated groups, in particular in the senior management and professionally qualified areas.

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 a future employment.

## Skills Development

Training and development across the Group companies continued to be a prioritised focus area.

The Group's close association with the FP&M Seta has resulted in various operations having been able to take advantage of both their mandatory and discretionary grant schemes where we have accessed much-needed funding to assist in the development of workers. In addition, an on-the-job operator training model sourced

through the FP&M Seta has commenced in selected factories and is proving to be successful and motivational for our employees.

A number of previously unemployed learners who have undergone workplace experience, apprenticeship and learnership training through the company have accepted offers of permanent employment. A selection of these employees is currently on further development programmes, assisting us to grow young people through the organisation. The number of apprenticeships in both the mechanical and electrical fields has increased and we are seeing an improvement in our technical skills and expertise.

Supervisory training is on-going and we are now bearing the fruits of these interventions with a marked improvement in the overall performance of these employees. Health and Safety continues to be a focus and training is being done continually on both a formal and informal basis. The positive effect of this is being noticed in the improved awareness of all health and safety related issues. Statutory training is completed in terms of legal requirements, both in-house and externally.

As Employment Equity evolves and new members join the committees, training is scheduled annually to provide continuing education and focus on changes to labour legislation. We partner with the CCMA for this training and are able to benefit from their experience and knowledge.

Our membership of the Clothing and Textile clusters in both KwaZulu-Natal and the Western Cape is renewed annually and we take advantage of their many offerings, which have included factory visits, workshops, peer reviews, supervisory training and feedback from international textile visits. The clusters provide valuable training interventions and insights into current industry developments in all aspects of production.

Employees at all levels are given the opportunity to attend workshops and seminars as a means of on-going professional development. As we develop and grow as an organisation, so we strive to develop and grow our employees.

## Enterprise and Supplier Development

The Group views Enterprise and Supplier Development as imperative in achieving its objectives to stimulate economic growth by assisting the development of black-owned small and medium businesses in South Africa.

# Social and ethics committee report (continued)

The Group procured in excess of 78% of its qualifying spend from black-empowered companies, which again reaffirms its commitment to source merchandise and services from empowered local suppliers.

In response to this priority element the Group, together with our shareholder, Hosken Consolidated Investments (“HCI”) and its subsidiaries, has commenced a Supplier Club to develop small, medium and micro enterprises as a solution to support and develop emerging businesses through financial and non-financial benefits.

Some of the Club’s benefits to its members include the following:

- discounts on accommodation at Tsogo Sun hotels;
- discounts on stationery and office supplies from OfficeBox;
- discounts on Sharp copiers and multi-function printers;
- the opportunity to be considered for short television inserts on e.tv that profile the work of selected qualifying suppliers;
- the opportunity to be considered for participation in the Tsogo Sun Entrepreneurs business development and benefit programme;
- participation in training workshops, which provide business information for small, medium and micro enterprises;
- attendance at networking events that enable small, medium and micro enterprises to connect with Group companies; and
- opportunities to present and exhibit at supplier showcase events that are designed to expose small, medium and micro enterprises to new markets.

The Group has also developed an enterprise and supplier development (“ESD”) plan to assist local black-empowered entities and aims to build and distribute the empowered entities’ brands through the Group’s established networks. ESD is about empowering suppliers to take charge of their own growth and sustainability.

## Socio-economic Development

Deneb continued to be involved in and support various needy organisations in the communities in which our companies operate. The Group acknowledges its social responsibility towards these projects and the importance of community involvement. Projects supported cover a diverse spectrum of organisations, with the focus on development, education, women and children. Support ranges from financial, to provision of goods and services, to time generously provided by management and staff in the respective companies within the Group:

### KwaZulu-Natal Cerebral Palsy Association

The Group continued to support the Reunion School for Children with Cerebral Palsy. Some 170 children attend the school; many of them are severely handicapped and require very specialised care and attention. Over the years, our support has assisted to provide infrastructure to improve the quality of these children’s lives. The infrastructure has included the finishing of new classrooms and the installation of a specialised wheelchair-friendly playground for the children. Other activities have included “spoiling” the children with a Christmas party, including a Father Christmas to hand out presents and “goodie” bags. This was enjoyed by all and a highlight for the year.

### Rape Crisis Helderberg

The Rape Crisis Centre is situated next to the Local Government Hospital in Somerset West, Western Cape. The hospital provides support for the Rape Crisis Centre by assisting with medical supplies and making rooms available for patients. Rape Crisis Helderberg has been providing an essential service to the community since 1993, 24 hours a day and 365 days a year. Their services have been extended to having counselling offices in Nomzamo and Lwandle so patients do not have to travel into Somerset West for counselling services.

### SACTWU – Environmental Programme

In association with our majority Union SACTWU, a donation of a consignment of bags made from recycled two-litre bottles was made for onward distribution to needy organisations. The manufacturer of these bags, using recycled materials from two-litre bottles, forms part of the Deneb Group’s commitment to our environmental management programme.

### University mathematics experience

In support of Rhodes University’s programme to develop an interest and excitement for mathematics in scholars, Rhodes University has an annual mathematics competition for learners in Grades 7 to 12. In addition, lecturers and teachers are on hand to provide learners with a “mathematics experience”, which will hopefully stimulate scholars to consider a career in mathematics. Seartec has been involved in this project by providing Sharp calculators and other support for the project.

### African Champs, Rio Olympic Qualifier and SA School Sprint Championships

Twenty-two countries from the African continent participated in the African Champs and Rio Olympics canoe Qualifiers, while 300 scholars from around South Africa participated in the SA Schools Championship. Seartec provided the necessary electronic and printing equipment to ensure effective commencement of heats and results in these three major events. Canoeing SA is involved in active development programmes to grow and develop canoeing amongst previously disadvantaged communities. Great strides have been made to ensure the sport is being representative in South Africa.

### Jess Foord Foundation

Involvement and support continued for this worthy organisation. The Jess Foord Foundation currently has six support groups which provide a safe environment for individual and collective growth and healing. The ongoing “Young Men’s Mentorship Programme” and education and up-skilling of volunteers have continued. The Jess Foord Foundation has helped a countless number of people dealing with rape to become rape survivors.

The Group is humbled to be associated with these worthy causes and organisations which have made a difference in the lives of so many people.



Rhodes University Mathematics Experience



Reunion School



The Jess Foord Mentorship Programme



The Jess Foord Mentorship Programme

# Social and ethics committee report (continued)

## Environmental management

### Deneb's carbon and water footprint

The Group's 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.

The organisational boundary was set according to the operational control approach, whereby Deneb companies report on the activities over which they have operational control.

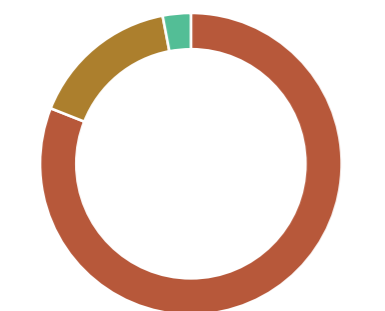
Scope 1 and 2 carbon emissions from Deneb were 65 921 tCO<sub>2</sub>e, representing a 4% increase on the prior year (2016: 63 314 tCO<sub>2</sub>e).

The majority of Deneb's Scope 1 and 2 emissions come from Winelands Textiles 57% (2016: 57%) and Frame Knitting Manufacturers 16% (2016:17%), which uses coal and HFO for steam generation and electricity to power machinery. Romatex Home Textile, Integrated Polypropylene and Brits Nonwoven contributed 24% to Deneb's total Scope 1 and 2 emissions. The remaining Deneb companies together comprise the final 3% of Scope 1 and 2 emissions (refer to figure 1 below).

Of the total 65 921 tCO<sub>2</sub>e Scope 1 and 2 emissions, 45% were Scope 1 emissions resulting from the mobile and stationary combustion of diesel, stationary combustion of petrol, the use of LPG, natural gas, HFO, coal, paraffin, oils and lubricants, and fugitive emissions from refrigerants. Coal, HFO and natural gas make up the majority of Deneb's Scope 1 footprint as illustrated in figure 2 overleaf.

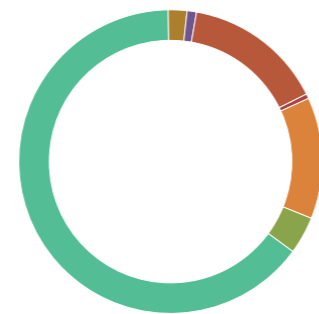
Scope 2 emissions from purchased electricity and steam totalled 35 940 tCO<sub>2</sub>e (2016: 34 429 tCO<sub>2</sub>e) (noting that electricity makes up the vast proportion of Scope 2 emissions).

**Figure 1: Scope 1 and 2 carbon emissions (tonne CO<sub>2</sub>e) broken down by segment**



- Textile Manufacturing – 81%
- Industrial Manufacturing – 16%
- Branded Product Distribution – 3%

**Figure 2: Scope 1 and 2 carbon emissions (tonne CO<sub>2</sub>e) broken down by fuel type**



- Coal – 65%
- Paraffin – 0%
- Petrol – 2%
- HFO – 13%
- Diesel – 1%
- LPG – 4%
- Natural Gas – 15%

### Deneb's Scope 3 emissions

Deneb's Scope 3 indirect (value chain) emissions comprise business travel, and energy consumption by tenants (specific to Vega Properties). Scope 3 emissions totalled 24 013 tCO<sub>2</sub>e (2016: 25 467 tCO<sub>2</sub>e), with electricity used to power buildings leased to tenants emitting 23 266 tCO<sub>2</sub>e and business travel being the remaining of the emissions totalling 747 tCO<sub>2</sub>e.

Scope 3 emissions decreased by 6% compared to the prior year. Vega Properties is the largest contributor to Scope 3 as its Scope 3 emissions include the electricity consumed by all non-Deneb tenants in its properties. Since Deneb has no operational control over Scope 3 emissions and the majority of the emissions are attributed to tenants, the bulk of variation year-on-year are related to tenants' electricity consumption and is not directly related to Deneb's production and/or staff activities.

### Deneb's total carbon footprint

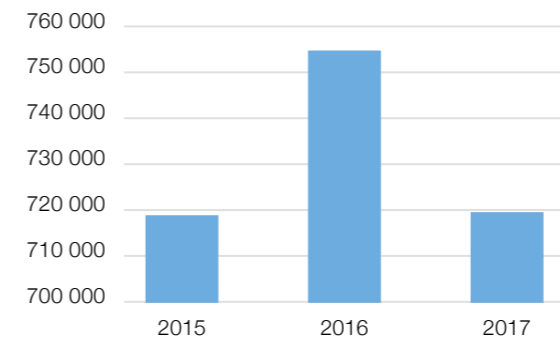
In the 2017 reporting period, Deneb's total emissions (including Scope 3 in addition to Scope 1 and 2) were 89 934 tCO<sub>2</sub>e. The total footprint data is summarised in the table below.

### Deneb's Scope 1, 2 and 3 emissions

	Scope 1, 2 and 3 emissions (tCO <sub>2</sub> e)
2015	88 601
2016	88 782
2017	89 934
% change since 2015	1,5%

### Deneb's water footprint

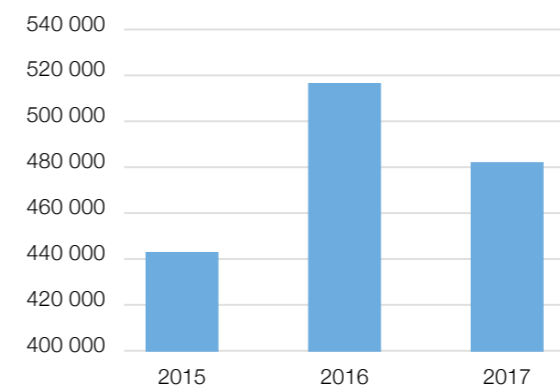
#### Withdrawals



Deneb withdrawals were 720 megalitres (Ml), compared to 754 Ml in 2016 (restated). All withdrawals are from municipal water supplies, with the exception of Brits Nonwoven, where 1 Ml is sourced from groundwater supplies.

The main proportion of Deneb's water withdrawals are from Winelands Textiles 57% (2016: 54%) and Frame Knitting Manufacturers 30% (2016: 33%). The remaining companies together comprise the remaining 13% of withdrawals.

#### Discharge



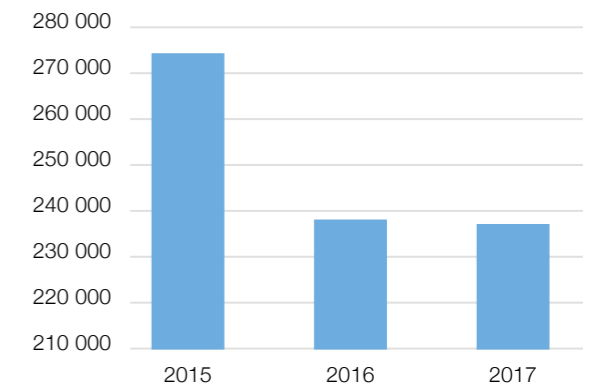
The CDP definition of water discharges excludes the discharges of collected rainwater and domestic sewage. Seven Deneb entities reported discharges of non-sewage/rainwater effluents.

Deneb's (effluent) discharges totalled 484 Ml (2016: 517 Ml). All discharges go to municipal treatment plants.

The majority of discharges come from the textile manufacturers within Deneb, including Frame Knitting Manufacturers 40% (2016: 48%) and Winelands Textiles 50% (2016: 41%). These operations use water in the production process such as dyeing of fabrics and for non-core production activities such as cleaning, cooling systems and steam generation.

The water recovery plant at Frame Knitting enabled a reduction in withdrawals and thus discharges, which the municipality assumes to be 90% of withdrawals. Winelands Textiles discharges increased due to increased activity, but also due to increase in demand for products that go through the piece dyeing process, which uses more water.

### Deneb's water consumption



Water consumption reflects water "consumed" or lost in the process of use – e.g. through evaporation, incorporation into products, or by being absorbed into the ground when watering gardens. Water consumption can be measured by subtracting total discharges (where discharges, unlike the definition above, include discharge of sewerage/storm water) from total withdrawals, and reflects total water "consumed" or lost, for example through evaporation.

Deneb's water consumption was calculated to be 236 Ml, 0,3% lower than the prior year.

# 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: Mr M H Ahmed (chairperson), Ms R D Watson, Ms N B Jappie, Mr S A Queen, Mr G D T Wege and Mr D Levin (chief risk officer).

## Risk management application

In fulfilling its duties, the committee continued to review:

- the treasury function covering liquidity, credit risk and foreign exchange risks;
- the group's facilities are provided by the Standard Bank of South Africa Limited with interest rates linked to prime;
- the group's main credit exposure is with four national retailers which collectively comprise 20% of the group's exposure as at 31 March 2017, and is an uninsured risk; and
- the Group's foreign exchange mandate requires that at least 50% of exposure is covered;
- the Group's safety, health and environmental (SH&E) and security risk control programme, which entails the continual auditing of all sites on an annual basis by the Group's operational compliance officer, and in terms of which selected sites are reviewed by independent risk consultants on a rotational basis;
- the insurance programme in terms of which Group assets are insured subject to specific policy conditions, limits and deductibles;

- any fraud matters identified either by internal audit and/or via the independently managed ethics whistle-blowing hotline;
- information technology risks as identified by the Group head of IT through continual assessment and monitoring; and
- material legal disputes.

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

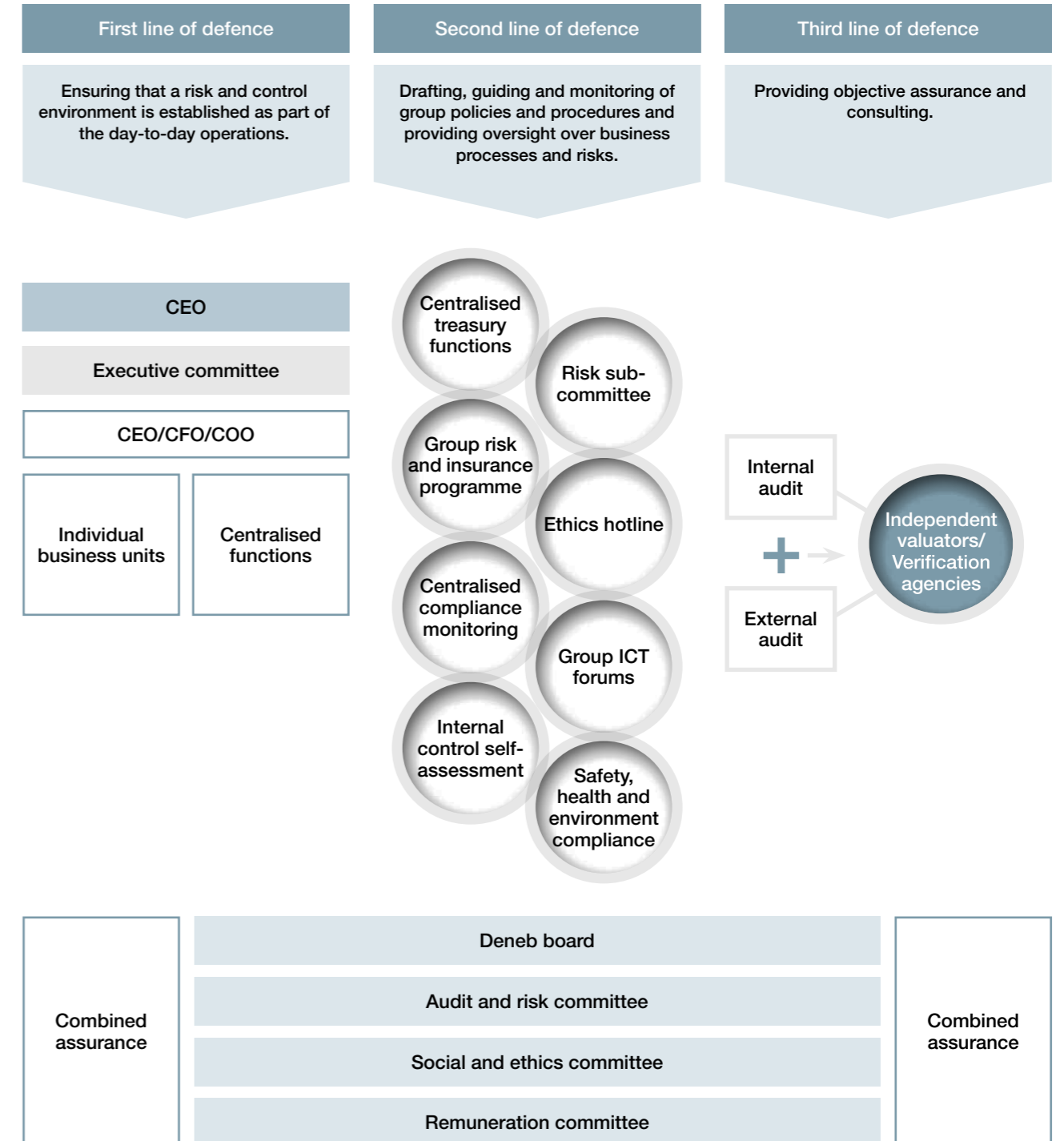
## Internal controls and combined assurance framework

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

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

The assurance obtained informs executive management and the audit committee about the effectiveness of the Group's internal controls in respect of significant risks. The risk committee, which is responsible for the oversight of risk management at Deneb, considers the risks and the assurance provided through the combined assurance framework and advises the board on the state of risks and controls in Deneb's operating environment. This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the Integrated Annual Report, on risk management and the effectiveness of internal controls within Deneb.

Deneb's combined assurance framework is based on Enterprise Risk Management best practice, as set out alongside:





# Remuneration report

## Remuneration policies and philosophy

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 consist of Mr M H Ahmed (chairperson, independent non-executive director), Mr L G Govender (independent non-executive director) and Mr J A Copelyn (non-executive director).

Mr L G Govender was appointed to the committee on 16 November 2016.

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

- producing 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. The committee met on 23 June 2016 and 21 June 2017. Attendance of the meetings was as follows:

	23 June 2016	21 June 2017
M H Ahmed	√	√
J A Copelyn	√	√
L G Govender	n/a	X

- √ In attendance
- X Apologies

## Shareholder engagement

The remuneration committee report, which provides insight into the Group's remuneration practices, will be tabled for a non-binding advisory vote of shareholders at the annual general meeting.

## 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.

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	Proposed fee excluding VAT R
Board member	126 000
Member of the audit committee	52 000
Member of the remuneration committee	52 000

Mr J A Copelyn, Mr T G Govender, Mr Y Shaik and Ms R D Watson are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI") and/or HCI subsidiary companies, and Ms N B Jappie and Mr L G Govender 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 2017:

Director	Board fees R000's	Salary R000's	Other benefits R000's	Share option expense R000's	Bonus R000's	Total 31 March 2017 R000's	Total 31 March 2016 R000's
J A Copelyn	–	6 493	833	3 803	4 870	15 999	13 230
T G Govender	–	3 380	585	1 640	1 690	7 295	5 815
Y Shaik	–	3 355	–	1 311	2 181	6 847	5 603
R D Watson	657	–	–	–	–	657	609
N B Jappie	231	–	–	–	–	231	150
L G Govender	350	–	–	–	–	350	283

## 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; and
- 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-term 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), 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.

Details of the executive directors' remuneration for the year ended 31 March 2017:

Director	Salary R000's	Short-term bonus R000's	Retirement and medical aid contributions R000's	Share option expense R000's	Total 31 March 2017 R000's	Total 31 March 2016 R000's
S A Queen	4 134	1 170	–	2 486	7 790	7 208
A M Ntuli	995	85	203	53	1 336	1 204
G D T Wege	1 873	612	271	358	3 114	3 404
D Duncan	2 851	573	399	699	4 522	3 821

# Remuneration report (continued)

## 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 6,5% (2016: 6%) and the annual increase date is 1 July.

## Bargaining unit employees

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

## Incentive schemes

### Discretionary short-term incentive scheme

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

### The Deneb Share Incentive Scheme

The scheme was implemented to align executive directors' and senior management's objectives with those of the shareholders so as to ensure that those employees are encouraged and motivated to pursue sustainable growth and profitability. The aggregate number of shares which any one participant may acquire in terms of the scheme may not exceed 10 769 729 ordinary shares. The aggregate number of shares which may be utilised for the schedule may not exceed 53 977 647.

Participants are entitled to exercise options based on a minimum service period criteria and a performance target, and are subject to the participant's continued employment on the date of 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.

During the year under review, 11 552 529 (2016: 8 135 448) share options were granted to employees; 639 324 (2016: 677 746) share options were exercised during the financial year.

## Options in issue are as follows:

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Life of option
S A Queen	14 October 2014	1 382 584	93	Continued employment	3 years
	14 October 2014	1 713 759	136	Continued employment	4 years
	27 January 2015	1 091 401	181	2 years' profitability and continued employment	8 years
	29 June 2015	1 591 233	175	2 years' profitability and continued employment	8 years
	30 June 2016	2 343 944	150	Continued employment	8 years
<b>Total for S A Queen</b>		<b>8 122 921</b>			
G D T Wege	14 October 2014	263 539	0	Immediately	1 years
	14 October 2014	227 691	50	Immediately	2 years
	14 October 2014	576 077	93	Continued employment	3 years
	14 October 2014	594 286	136	Continued employment	4 years
	27 January 2015	865 413	181	2 years' profitability and continued employment	8 years
	29 June 2015	668 258	175	2 years' profitability and continued employment	8 years
30 June 2016	738 491	150	Continued employment	8 years	
<b>Total for G D T Wege</b>		<b>3 933 755</b>			
D Duncan	14 October 2014	403 254	93	Continued employment	3 years
	14 October 2014	499 846	136	Continued employment	4 years
	27 January 2015	1 564 245	181	2 years' profitability and continued employment	8 years
	29 June 2015	891 388	175	2 years' profitability and continued employment	8 years
	30 June 2016	981 939	150	Continued employment	8 years
<b>Total for D Duncan</b>		<b>4 340 672</b>			
A M Ntuli	29 June 2015	164 099	175	2 years' profitability and continued employment	8 years
	30 June 2016	30 632	150	Continued employment	8 years
<b>Total for A M Ntuli</b>		<b>194 731</b>			
Other, not being directors	14 October 2014	3 532 655	0	Immediately	1 years
	14 October 2014	849 754	50	Immediately	2 years
	14 October 2014	2 230 569	93	Continued employment	3 years
	14 October 2014	3 252 512	136	Continued employment	4 years
	27 January 2015	6 030 998	181	2 years' profitability and continued employment	8 years
	29 June 2015	4 379 803	175	2 years' profitability and continued employment	8 years
30 June 2016	7 457 523	150	Continued employment	8 years	
<b>Total other</b>		<b>27 733 814</b>			
<b>Total options in issue</b>		<b>44 325 893</b>			

# Remuneration report (continued)

## Reconciliation of movements in options

Number of options	2017	2016
Opening balance	35 080 818	28 146 932
Awarded during the period	11 552 529	8 135 448
Exercised during the period	(639 324)	(677 746)
Options used for strike price	(216 516)	(523 816)
Lapsed/forfeited during the period	(1 451 614)	–
Closing balance	44 325 893	35 080 818
Exercisable at year-end	13 396 817	9 984 973
Amount expensed during the year (included in employment costs) (Rand)	2 625 127	3 255 367
Value of shares issued during the year (Rand)	1 152 604	573 313
Weighted average share price of share options exercised during the year (Rand)	1,63	2,09

The weighted average remaining contractual life of all potentially exercisable options amounts to 8 years.

Further details pertaining to the share incentive scheme is disclosed in note 33 of the financial statements.

## 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, each fund has elected a management committee with 50% employee and 50% employer representation.

### Medical aid

The majority of the Group's subsidiaries offer membership of approved medical aid funds to employees. The Group carries a liability totalling R99 million (2016: R97 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. Note 18 of the financial statements provides further detail of the post-employment medical aid benefits.

### Top three executive management earners

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

Top three earners for 2017	Top three earners for 2017 R000's
Executive 1	5 327
Executive 2	3 744
Executive 3	3 390

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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# Audit committee report

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

## Primary role and responsibility of the committee

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

## Composition and meetings of the audit committee

The committee comprises three independent, non-executive directors: Mr M H Ahmed (chairperson), Ms R D Watson and Ms N B Jappie. The committee members were appointed by the shareholders at the annual general meeting of the company held on 1 November 2016 and are proposed to shareholders for election to the committee at the forthcoming annual general meeting. By invitation, the chief executive officer, the financial director, KPMG Inc., external auditors of the Group and the Group's head of internal audit have attended the committee meetings.

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:

	18 May 2016	16 November 2016
M H Ahmed	√	√
R D Watson	√	√
N B Jappie	√	√

√ In attendance

## Audit committee fees

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

## Evaluation of the audit committee

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

## Functions and responsibilities of the audit committee

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

### Reporting

- Reviewed the interim results announcement, annual financial statements and integrated report, culminating in a recommendation to the board to adopt them.
- Reviewed and approved the appropriateness of the accounting policies and practices.
- Ensured compliance with International Financial Reporting Standards, including consistent application to all periods as presented in the consolidated financial statements.
- Evaluated and determined the effectiveness of the Group's internal control systems.
- Reviewed legal matters that could have a significant impact on the Group's consolidated financial statements.
- Reviewed the requirements of King III and instances where the King III 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 Group financial director.

### Internal audit

- Oversaw the functioning of the internal audit department and performance assessment of the head of internal audit.
- 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 KPMG Inc. as the external auditor and noted the appointment of Mr I Engels as the designated auditor for the year under review. The external auditor has unrestricted access to the Group's records and management and furnishes a written report to the committee on significant findings arising from the annual audit. The committee is satisfied that the external auditor is independent of the Group.

### Internal audit and internal control

The internal audit function is an independent and objective assurance and consulting function that adds value and improves the operations of the Group. It helps to accomplish Group objectives by evaluating and improving the adequacy and effectiveness of risk management, internal control and governance processes. The internal audit function reports functionally to the chairperson of the audit committee, but administratively to the Group 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 Group's internal financial controls; and
- is reviewed to consider new risk areas as the business evolves.

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

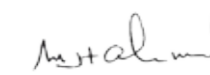
## Expertise and financial experience of financial director and finance function

The audit committee is satisfied that the expertise and experience of the Group 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 Group 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 2017 financial year and complied with all statutory and regulatory responsibilities.



**Mohamed Ahmed**  
Chairperson

4 September 2017



## 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 2017 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 46 to 118. 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 4 September 2017 and signed on its behalf by:

**Stuart Queen**  
Chief executive officer

**Gys Wege**  
Group financial director

## Declaration by company secretary

We certify that Deneb Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2017, 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 2017.

### 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, 639 324 share options were exercised in terms of the Group's share incentive scheme. Deneb acquired 133 507 226 ordinary shares from SACTWU at a price of R2,00 per share.

### Holding company

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

### Dividends/Distribution

The directors resolved to make a 3 (three) cents distribution to shareholders for the year ended 31 March 2017 (2016: 0).

### Subsequent events

Events subsequent to year-end are disclosed in note 32 of the financial statements.

### Going concern

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

### Directorate

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

### Directors' emoluments

Directors' emoluments for the year ended 31 March 2017 are set out in the remuneration report and in note 26 of the consolidated financial statements.

### Secretary's and administrative details

The secretary of the company is Ms C Philip, who was appointed on 16 November 2016. Ms C Philip replaced HCI Managerial Services Proprietary Limited, which resigned with effect from 16 November 2016. Ms C Philip's business address is located at 4 Stirling Street, Zonnebloem, 7925.

### 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 2017.

### Special resolutions

The company subscribed, by way of special resolution, for an additional 73 ordinary shares in OfficeBox for R3 million, which increased the company's shareholding in OfficeBox from 79,8% to 84,5%.

# Independent auditor's report

To the shareholders of Deneb Investments Limited

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Deneb Investments Limited (the Group) set out on pages 46 to 118, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Key audit matters

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

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

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

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

### Basis for opinion

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

### Other information

The directors are responsible for the other information. The other information comprises the Audit committee report, the Declaration by company secretary and the Directors' report as required by the Companies Act of South Africa, and the Integrated Annual Report. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

### Responsibilities of the directors for the consolidated financial statements

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

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

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

# Independent auditor's report (continued)

To the shareholders of Deneb Investments Limited

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

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

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

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

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475, dated 4 December 2015, we report that KPMG Inc. has been the auditor of Deneb Investments Limited for four years.

**KPMG Inc.**  
Registered Auditor



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

MSC House  
1 Mediterranean Street  
Foreshore  
Cape Town  
8001

4 September 2017





# Consolidated statement of financial position

as at 31 March

	Notes	2017 R000's	2016 R000's
<b>Assets</b>			
<b>Non-current assets</b>		<b>1 750 492</b>	1 689 141
Property, plant and equipment	9	770 718	746 935
Plant and equipment		312 075	312 860
Owner-occupied property		458 643	434 075
Investment property	10	759 113	737 507
Intangible assets and goodwill	11	72 230	37 286
Intangible assets		48 466	22 263
Goodwill		23 764	15 023
Other investments	12	3 026	3 391
Long-term receivables	13	88 349	74 093
Deferred tax assets	7	57 056	89 929
<b>Current assets</b>		<b>1 480 596</b>	1 452 849
Non-current assets held for sale	14	1 985	2 175
Inventories	15	706 953	683 732
Loan receivables	16	–	83 101
Trade and other receivables	16	700 195	654 396
Current tax assets		705	143
Cash and cash equivalents		70 758	29 302
<b>Total assets</b>		<b>3 231 088</b>	3 141 990
<b>Equity and liabilities</b>			
<b>Total equity</b>		<b>1 778 430</b>	1 950 346
Stated capital	17	1 449 653	1 717 286
Reserves		328 676	232 477
Equity attributable to owners of the company		1 778 329	1 949 763
Non-controlling interest	35	101	583
<b>Non-current liabilities</b>		<b>811 754</b>	100 976
Deferred tax liabilities	7	11 882	5 160
Post-employment medical aid benefits	18	91 861	90 803
Interest-bearing liabilities	19	706 752	4 149
Operating lease accruals		1 259	864
<b>Current liabilities</b>		<b>640 904</b>	1 090 668
Current tax liabilities		3 615	1 821
Post-employment medical aid benefits	18	7 131	6 789
Interest-bearing liabilities	19	52 716	38 733
Trade and other payables	20	499 094	489 856
Provisions	22	224	5 705
Bank overdraft	25	78 124	547 764
<b>Total liabilities</b>		<b>1 452 658</b>	1 191 644
<b>Total equity and liabilities</b>		<b>3 231 088</b>	3 141 990
<b>Net asset value</b>		<b>1 778 329</b>	1 949 763
<b>Net asset value per share (cents)</b>		<b>415</b>	347

# Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

	Notes	2017 R000's	2016 R000's
Revenue	3	2 917 677	2 715 640
Cost of sales		(2 173 993)	(2 086 715)
<b>Gross profit</b>		<b>743 684</b>	628 925
Other net income		31 684	59 481
Selling and distribution expenses		(363 171)	(326 839)
Administrative and other expenses		(243 799)	(228 476)
<b>Operating profit before impairments, restructuring and revaluation of investment property</b>	3	<b>168 398</b>	133 091
Revaluation of investment properties	10	30 052	30 648
Net impairment of assets	5	–	(2 248)
Restructuring and retrenchment expenses		(1 751)	(5 953)
<b>Operating profit before finance costs</b>		<b>196 699</b>	155 538
Finance income	6	5 986	10 174
Finance expenses	6	(85 754)	(73 105)
<b>Profit before taxation</b>		<b>116 931</b>	92 607
Income tax	7	(44 739)	(39 156)
<b>Profit after tax</b>		<b>72 192</b>	53 451
<b>Other comprehensive income, net of related tax</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Revaluation of land and buildings		21 389	34 841
Revaluation		25 391	44 927
Related tax	7	(4 002)	(10 086)
Post-employment medical aid benefits – actuarial gain		941	10 359
Actuarial gain	18	1 307	14 387
Related tax	7	(366)	(4 028)
<b>Items that are or may be reclassified to profit or loss</b>			
Fair value adjustment on available-for-sale financial assets		–	(253)
Foreign operations – foreign currency translation differences		(10)	
<b>Other comprehensive income, net of tax</b>		<b>22 320</b>	44 947
<b>Total comprehensive income for the year</b>		<b>94 512</b>	98 398
<b>Profit attributable to:</b>			
Owners of the company		73 129	56 722
Non-controlling interest	35	(937)	(3 271)
		<b>72 192</b>	53 451
<b>Total comprehensive income attributable to:</b>			
Owners of the company		95 449	101 669
Non-controlling interest	35	(937)	(3 271)
		<b>94 512</b>	98 398
Basic earnings per share from operations (cents)	8	14,78	10,11
Diluted earnings per share from operations (cents)	8	14,78	10,09

# 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
<b>Balance at 31 March 2015</b>		1 716 713	249 468	(95 202)	1 870 979	(2 252)	1 868 727
<b>Total comprehensive income</b>		-	34 588	67 081	101 669	(3 271)	98 398
Profit/(loss)		-	-	56 722	56 722	(3 271)	53 451
Other comprehensive income, net of tax		-	34 588	10 359	44 947	-	44 947
Fair value adjustment on available-for-sale financial assets		-	(253)	-	(253)	-	(253)
Revaluation of land and buildings		-	34 841	-	34 841	-	34 841
Post-employment medical aid benefits – actuarial gain		-	-	10 359	10 359	-	10 359
<b>Transfers to other reserves</b>		-	(36 478)	36 478	(4 579)	-	(4 579)
Change in capital gains tax rate		-	(4 579)	-	(4 579)	-	(4 579)
Reclassification of revaluation surplus		-	(36 478)	36 478	-	-	-
<b>Transactions with owners of the company</b>		573	-	(12 773)	(12 200)	-	(12 200)
Shares issued		-	-	-	-	-	-
Share scheme – expense		-	-	4 624	4 624	-	4 624
– options exercised		573	-	(573)	-	-	-
Distribution		-	-	(16 824)	(16 824)	-	(16 824)
<b>Changes in ownership interest</b>		-	-	(6 106)	(6 106)	6 106	-
Acquisition of non-controlling interest without a change in control	35	-	-	(6 106)	(6 106)	6 106	-
<b>Balance at 31 March 2016</b>		1 717 286	242 999	(10 522)	1 949 763	583	1 950 346
<b>Total comprehensive income</b>		-	21 389	74 060	95 449	(937)	94 512
Profit/(loss)		-	-	73 129	73 129	(937)	72 192
Other comprehensive income, net of tax		-	21 389	931	22 320	-	22 320
Foreign operations – foreign currency translation differences		-	-	(10)	(10)	-	(10)
Revaluation of land and buildings		-	21 389	-	21 389	-	21 389
Post-employment medical aid benefits – actuarial gain		-	-	941	941	-	941
<b>Transfers to other reserves</b>		-	(10 932)	10 932	-	-	-
Reclassification of revaluation surplus		-	(10 932)	10 932	-	-	-
<b>Transactions with owners of the company</b>		(267 633)	-	1 205	(266 428)	-	(266 428)
Share buyback		(268 785)	-	-	(268 785)	-	(268 785)
Share scheme – expense		-	-	2 357	2 357	-	2 357
– options exercised		1 152	-	(1 152)	-	-	-
<b>Changes in ownership interest</b>		-	-	(455)	(455)	455	-
Acquisition of non-controlling interest without a change in control	35	-	-	(455)	(455)	455	-
<b>Balance at 31 March 2017</b>		1 449 653	253 456	75 220	1 778 329	101	1 778 430

	2017 R000's	2016 R000's
<b>Composition of other reserves</b>		
Revaluation of investments	-	(253)
Common control reserve	(15 902)	(15 902)
Surplus on revaluation of land and buildings	269 358	259 154
	253 456	242 999

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

# Consolidated statement of cash flows

for the year ended 31 March

	Notes	2017 R000's	2016 R000's
<b>Net cash flows from operating activities</b>		<b>131 076</b>	62 316
Profit		72 192	53 451
Adjustments for:			
— Depreciation	9	39 703	37 507
— Amortisation of intangible asset	11	3 487	3 182
— Revaluation of investment property	10	(30 052)	(30 648)
— Net foreign exchange losses — unrealised		12 594	5 822
— Net (profit)/loss on disposal of property, plant and equipment		(1 455)	76
— Impairment of goodwill	5	—	2 248
— Investment income		(113)	(110)
— Post-employment medical aid benefits	18	2 707	2 872
— Share incentive scheme — expense	33	2 624	3 255
— Inventory write-down		8 756	1 918
— Net finance costs	6	79 768	62 931
— Tax expense	7	44 739	39 156
<b>Cash generated from operating activities before working capital changes</b>		<b>234 950</b>	181 660
Changes in:			
— Inventories		(9 796)	(75 436)
— Trade and other receivables		(42 335)	(13 541)
— Trade and other payables		(7 958)	10 605
— Foreign currency translation reserve		(10)	—
— Long-term receivables		(14 256)	24 846
— Other receivables		83 101	—
— Lease accrual		395	(61)
— Provisions		(5 481)	5 705
<b>Cash inflow/(outflow) from working capital changes</b>		<b>3 660</b>	(47 882)
Net finance costs	6	(79 768)	(62 931)
Taxes paid		(27 766)	(8 531)
<b>Net cash flow from investing activities</b>		<b>(66 961)</b>	(29 531)
Acquisition of property, plant and equipment		(38 252)	(64 757)
— Acquisition of plant and equipment	9	(34 973)	(36 979)
— Acquisition of owner-occupied properties	9	(3 279)	(27 778)
Proceeds from sale of assets held for sale		190	55 758
Proceeds from sale of intangible assets		—	855
Proceeds from sale of property, plant and equipment		7 605	1 849
Development cost of investment property	10	(5 889)	(20 807)
Proceeds from sale of investment property	10	14 335	—
Acquisition of subsidiary, net of cash acquired	23	(43 590)	—
Acquisition of intangible assets	11	(1 838)	(2 539)
Investment income		113	110
Proceeds from sale of investments		365	—
<b>Net cash flow from financing activities</b>		<b>446 981</b>	(21 805)
Change in borrowings		65 766	(4 981)
Overdraft converted to loan facility		650 000	—
Share buyback		(268 785)	—
Distribution paid		—	(16 824)
<b>Net change in cash and cash equivalents</b>		<b>511 096</b>	10 980
Cash and cash equivalents at beginning of the year		(518 462)	(529 442)
<b>Cash and cash equivalents at end of the year</b>		<b>(7 366)</b>	(518 462)
<b>Cash and cash equivalents comprise the following:</b>			
Cash and cash equivalents		70 758	29 302
Bank overdrafts		(78 124)	(547 764)
		(7 366)	(518 462)

# Notes to the 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 2017 and comparative figures for the year ended 31 March 2016 comprise the company and its subsidiaries (together referred to as "the Group"). The company's registered office is at 5th floor, Deneb House, cnr of Main and Browning Roads, Observatory, 7925, Cape Town.

### Statement of compliance

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

### Basis of preparation

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

They have been prepared on the going concern and historical cost bases under IFRS, except for those assets and liabilities which are stated at fair value as disclosed in the notes to the financial statements.

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

### Book value accounting

A common control transaction is where the ultimate controlling entity is the same 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.

Deneb applies the book value accounting policy for all common control transactions, using the hierarchy for the selection of accounting policies in IAS 8 (Accounting Policies, Changes and Accounting Estimates and Errors).

The book value accounting method requires the assets acquired and the liabilities assumed through the reorganisation to be accounted for using the book values in the financial statements of the transferred.

### Common control reserve

The principles of book value accounting are that no assets or liabilities are restated to their fair values. The Group incorporates the transferor carrying values.

The transaction is not seen as a change of control from the date of the reorganisation, therefore no goodwill beyond that recorded by the transferor in relation to the acquiree can arise.

The result is that the difference between the consideration paid and the capital of the acquirer are recognised in the equity under common control reserve.

### 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

# Notes to the financial statements

for the year ended 31 March (continued)

## I Accounting policies (continued)

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.

#### **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 an available-for-sale financial asset 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 that 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.

# Notes to the financial statements

for the year ended 31 March (continued)

## I Accounting policies (continued)

### 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. If the building is partially owner-occupied, the portions rented out cannot be sold or leased out separately. The property is investment property only if the owner-occupied portion is insignificant.

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.

### 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 operations 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.

### Impairment

#### Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in other reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

### Non-financial assets

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

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

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

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

# Notes to the financial statements

for the year ended 31 March (continued)

## I Accounting policies (continued)

### Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and gains on the disposal of available-for-sale financial assets.

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

Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. 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 ("OCI"), in which case it is recognised in equity or OCI.

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 offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

### Inventory

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

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are determined by discounting the expected future cost. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current or best estimate.

### Financial instruments

#### Initial recognition

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

#### Measurement

Subsequent to initial recognition these instruments are measured as follows:

#### Investments

Listed investments classified as available-for-sale financial assets 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 OCI in an other reserve except for impairment losses, which are expensed in profit or loss.

#### Trade, long-term and other receivables

Trade and other receivables originated by the Group are stated at amortised cost less impairment losses using the effective interest method (see accounting policy on impairment).

#### 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 cost.

#### 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.

#### 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.

# Notes to the financial statements

for the year ended 31 March (continued)

## I Accounting policies (continued)

### 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 significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

#### 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.

#### Rendering of services

Revenue in respect of services rendered is recognised in profit or loss as the services are rendered.

#### Earnings per share

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

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

#### Foreign currency transactions

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

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

### Leases

#### Finance leases

##### The Group as lessee

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

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

##### The Group as lessor

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

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

#### Operating leases

##### Group is the lessee

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

#### 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 OCI 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.

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

# Notes to the financial statements

for the year ended 31 March (continued)

## 1 Accounting policies (continued)

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 are 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 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.

### Dividends/distributions to shareholders

Dividends/distributions are accounted for in the period in which the dividends are declared.

### Segmental reporting

The Group follows the management approach to 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 assess performance and allocate resources.

Segments are determined on the basis of products and services offered.

During the course of ordinary business, certain segments enter into transactions with one another which have been eliminated on consolidation.

The segment report has been presented in note 4.

### Intangible assets

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

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

### Amortisation

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

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

### Government grants

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

### Borrowing costs

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

## 2 Use of judgements and estimates

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

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

### Judgements

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

- Note 1 – Accounting policies: Basis of preparation
- Note 9 – Property, plant and equipment
- Note 10 – Investment property

### Assumptions and estimation uncertainties

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 insignificant.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2017 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 18 – Measurement of defined benefit obligation: Key actuarial assumptions

### Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values that are reviewed on an ongoing basis. If third party information, such as from an external property valuator, is used to measure fair values, then it's assessed if the evidence obtained from the third parties support 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)



# Notes to the financial statements

for the year ended 31 March (continued)

## 2 Use of judgements and estimates (continued)

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 9 – Property, plant and equipment
- Note 10 – Investment property
- Note 12 – Other investments
- Note 19 – Financial instruments
- Note 33 – Share-based payment arrangements

## 3 Operating profit before impairments, restructuring and revaluation of investment property

	2017 R000's	2016 R000's
The following items have been taken into account in determining operating profit for continuing and discontinuing operations before impairments, restructuring and revaluation of investment property.		
<b>Income</b>		
Revenue		
– Sale of goods	2 720 826	2 531 141
– Rental income from investment property	106 165	97 712
– Dividend income – unlisted investments	113	110
– Services	90 573	86 677
Total revenue	2 917 677	2 715 640
Other net income		
– Government grants	37 950	33 933
– Finance lease income	17 691	15 786
– Foreign exchange gains – realised	3 861	17 559
– Foreign exchange gains – unrealised	12 620	7 027
– Surplus on disposal of property, plant and equipment	1 512	510
– Loss on disposal of property, plant and equipment	(57)	(586)
– Foreign exchange losses – realised	(20 904)	(5 602)
– Foreign exchange losses – unrealised	(25 214)	(12 849)
– Other sundry income	4 225	3 703
Other income	31 684	59 481
<b>Expenditure</b>		
Amortisation	3 487	3 182
Bad debts – net of recoveries and reversals of allowance account	7 762	2 486
Bank charges	3 775	6 626
Depreciation – buildings	4 102	2 948
– plant and machinery	24 127	24 154
– equipment and fittings	9 429	8 945
– motor vehicles	2 045	1 460
Total depreciation	39 703	37 507
Total depreciation from owned assets	38 728	36 748
Total depreciation from leased assets	975	759
Employment costs*	526 798	492 563
Operating lease charges – property	23 178	20 562
– equipment and vehicles	4 298	3 390
Technical and consulting fees	9 080	7 697
Write-down of inventory to net realisable value	9 527	4 568
Reversal of write-down of inventory to net realisable value	(771)	(2 650)

\* Includes contributions of R32,3 million (2016: R39,3 million) to medical aid and pension, provident and benefit funds. These contributions are after a R9,8 million charge (2016: R9,5 million) in respect of post-employment medical aid benefits relating to a defined benefit obligation and an IFRS 2 charge in respect of the share option scheme of R2,6 million (2016: R3,3 million).

# Notes to the financial statements

for the year ended 31 March (continued)

## 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 performance of the operating segments, has been identified as the executive committee.

The Textile and Industrial segments derive its revenue from manufacturing activities. The Branded Product Distribution segment derives its revenue from the distribution of branded toys, electronics, stationery and clothing. The Property segment derives its revenue from property rental.

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.

	Gross revenue R000's	Inter-segment revenue R000's	External revenue R000's	Operating profit before taxation R000's	Interest revenue R000's	Interest expense R000's	Operating profit/(loss) before finance costs R000's	Depreciation R000's	Amortisation R000's	Impairments R000's	Restructuring and retrenchment costs R000's	Revaluation of investment properties R000's	Operating profit/loss before depreciation, amortisation, impairments, restructuring and revaluation of investment properties R000's
<b>Year ended 31 March 2017</b>													
Property	150 021	(43 856)	106 165	134 519	—	—	134 519	(4 182)	—	—	—	30 052	108 649
Branded Product Distribution	1 380 071	(4 811)	1 375 260	14 585	—	—	14 585	(8 101)	(1 736)	—	(1 195)	—	25 617
Textiles	793 398	—	793 398	14 900	—	—	14 900	(14 872)	—	—	(556)	—	30 328
Industrials	642 741	—	642 741	56 198	—	—	56 198	(12 427)	(1 577)	—	—	—	70 202
Head office	113	—	113	(103 271)	5 986	(85 754)	(23 503)	(121)	(174)	—	—	—	(23 208)
<b>Total</b>	<b>2 966 344</b>	<b>(48 667)</b>	<b>2 917 677</b>	<b>116 931</b>	<b>5 986</b>	<b>(85 754)</b>	<b>196 699</b>	<b>(39 703)</b>	<b>(3 487)</b>	<b>—</b>	<b>(1 751)</b>	<b>30 052</b>	<b>211 588</b>
<b>Year ended 31 March 2016</b>													
Property	136 715	(39 003)	97 712	129 444	—	—	129 444	(3 022)	—	—	—	30 648	101 818
Branded Product Distribution	1 401 039	(4 835)	1 396 204	2 219	—	—	2 219	(8 088)	(1 970)	(2 248)	(5 882)	—	20 407
Textiles	733 109	—	733 109	27 108	—	—	27 108	(14 918)	—	—	(54)	—	42 080
Industrials	488 505	—	488 505	36 638	—	—	36 638	(10 930)	—	—	(17)	—	47 585
Head office	110	—	110	(102 802)	10 174	(73 105)	(39 871)	(549)	(1 212)	—	—	—	(38 110)
<b>Total</b>	<b>2 759 478</b>	<b>(43 838)</b>	<b>2 715 640</b>	<b>92 607</b>	<b>10 174</b>	<b>(73 105)</b>	<b>155 538</b>	<b>(37 507)</b>	<b>(3 182)</b>	<b>(2 248)</b>	<b>(5 953)</b>	<b>30 648</b>	<b>173 780</b>

# Notes to the financial statements

for the year ended 31 March (continued)

## 4 Segment report (continued)

	Write-down of inventory R000's	Reversal of write-down of inventory R000's	Gain on disposal of property, plant and equipment R000's	Loss on disposal of property, plant and equipment R000's	Profit or loss after tax for the year R000's	Segment assets R000's	Segment liabilities R000's	Capital expenditure R000's	Consideration paid for business combinations R000's	Geographical segments based on customer location					
										Revenue from external customers			Holdings of property, plant and equipment, investment property and intangible assets		
										South Africa R000's	Direct exports R000's	Total R000's	Within South Africa R000's	Outside South Africa R000's	Total R000's
<b>Year ended 31 March 2017</b>															
Property	—	—	—	(7)	134 519	1 238 511	19 516	9 191	—	106 166	—	106 166	1 218 050	—	1 218 050
Branded Product Distribution	(7 957)	89	—	(50)	8 653	904 240	228 275	7 271	—	1 282 645	92 615	1 375 260	47 393	250	47 643
Textiles	—	—	115	—	18 662	515 801	143 822	4 826	—	765 473	27 925	793 398	147 395	—	147 395
Industrials	(1 570)	682	1 397	—	52 353	434 585	115 185	24 359	77 897	627 888	14 853	642 741	162 832	—	162 832
Head office	—	—	—	—	(141 995)	137 951	945 860	332	—	112	—	112	2 376	—	2 376
<b>Total</b>	<b>(9 527)</b>	<b>771</b>	<b>1 512</b>	<b>(57)</b>	<b>72 192</b>	<b>3 231 088</b>	<b>1 452 658</b>	<b>45 979</b>	<b>77 897</b>	<b>2 782 284</b>	<b>135 393</b>	<b>2 917 677</b>	<b>1 578 046</b>	<b>250</b>	<b>1 578 296</b>
<b>Year ended 31 March 2016</b>															
Property	—	—	272	(18)	129 444	1 196 518	17 287	48 611	—	97 712	—	97 712	1 171 934	—	1 171 934
Branded Product Distribution	(1 864)	2 557	44	—	2 009	899 392	266 633	18 805	—	1 275 233	120 971	1 396 204	55 113	—	55 113
Textiles	(2 482)	93	174	—	26 674	529 193	126 833	4 229	—	715 524	17 585	733 109	157 560	—	157 560
Industrials	(222)	—	20	(181)	27 240	304 198	81 303	15 040	—	473 774	14 731	488 505	119 398	—	119 398
Head office	—	—	—	(387)	(131 916)	212 689	699 588	1 418	—	110	—	110	2 700	—	2 700
<b>Total</b>	<b>(4 568)</b>	<b>2 650</b>	<b>510</b>	<b>(586)</b>	<b>53 451</b>	<b>3 141 990</b>	<b>1 191 644</b>	<b>88 103</b>	<b>—</b>	<b>2 562 353</b>	<b>153 287</b>	<b>2 715 640</b>	<b>1 506 705</b>	<b>—</b>	<b>1 506 705</b>

# Notes to the financial statements

for the year ended 31 March (continued)

## 5 Net impairment of assets

### Reconciliation of carrying amount

	2017 R000's	2016 R000's
The following impairments were recognised during the year:		
<b>Category of asset</b>		
Goodwill	–	2 248
Total	–	2 248

#### Impairment testing

The Group has performed impairment testing on:

- all CGUs where there is an indication that they may be impaired or impairment should be reversed; and
- all CGUs that contains goodwill.

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 or disposing of the entity's assets.

#### CGUs where there is an indication that they may be impaired or the impairment reversed

The recoverable amount of a CGU is determined based on a fair value less cost to sell, or value-in-use calculation as appropriate.

Value-in-use calculations use cash flow projections approved by management. These cash flow forecast cover four years and the cash flows after the forecast period are extrapolated into the future over the useful life of the CGU, using steady growth rates that are 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. The pre-tax discount rate was calculated as 16,45% for the current period (2016: 11,37%) with a terminal value growth rate of 4,5% (2016: 4,5%).

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

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

**The events and circumstances that led to the recognition of the impairment losses in the prior period were as follows:**  
Poor results and/or budgeted future results triggered an assessment of realisable value.

#### Impairment testing for CGUs containing goodwill

There were two CGUs containing goodwill in the current period:

##### **Branded Product Distribution investment**

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

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2).

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.

	2017 %	2016 %
Discount rate	16,45	11,37
Terminal value growth rate	4,5	4,5
Budgeted EBITDA growth rate (average of the next five years)	6	6

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.

##### **Industrials investment**

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

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2).

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.

	2017 %	2016 %
Discount rate	16,45	11,37
Terminal value growth rate	4,5	4,5
Budgeted EBITDA growth rate (average of the next five years)	6	6

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.

# Notes to the financial statements

for the year ended 31 March (continued)

## 6 Finance income and expenses

	2017 R000's	2016 R000's
<b>Recognised in profit or loss</b>		
<b>Finance income</b>		
Interest received from financial institutions	793	291
Interest received from related parties	4 854	9 831
Other interest received	339	52
	<b>5 986</b>	<b>10 174</b>
<b>Finance expenses</b>		
Interest paid on finance leases and instalment sale agreements	288	132
Interest paid to financial institutions	75 875	69 559
Interest paid to related parties	7 233	3 414
Other interest paid	2 358	–
	<b>85 754</b>	<b>73 105</b>

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

## 7 Taxation and deferred taxation

	2017 R000's	2016 R000's
<b>Income tax</b>		
South African normal taxation		
– Current	(19 341)	(9 451)
– Prior year	1 079	(654)
Deferred taxation	(26 477)	(29 051)
	<b>(44 739)</b>	<b>(39 156)</b>

	%	%
<b>Reconciliation between actual and normal taxation rates</b>		
Taxation as a percentage of loss before taxation	38,3	42,3
Rate change	–	(10,8)
Prior period	0,9	(0,7)
Non-deductible expenses	(2,6)	(3,9)
Specific tax deductible expenses	0,5	1,0
Capital gains tax on revaluation of investment property	1,4	1,9
Restricted recognition of deferred asset on tax losses	(10,5)	(1,8)
Normal taxation rate	<b>28,0</b>	<b>28,0</b>

	Note	2017 R000's	2016 R000's
<b>Deferred taxation</b>			
<b>Balance at beginning of the year</b>		<b>84 769</b>	131 143
<b>– Asset</b>		<b>89 929</b>	134 152
<b>– Liability</b>		<b>(5 160)</b>	(3 009)
Balance brought in through business combination	23	(8 483)	–
– Capital allowances		(654)	–
– Temporary differences on intangible asset		(7 799)	–
– Working capital differences		(30)	–
Current movements recognised in profit or loss		<b>(26 477)</b>	(29 051)
– Rate changes		–	(10 040)
– Capital allowances		2 735	16 270
– Provision for post-employment medical aid benefits		758	804
– Tax losses (utilised)/recognised during the period		(33 907)	(34 640)
– Temporary differences on intangible asset		488	305
– Shares and investments		–	–
– Revaluations		(4 673)	(1 405)
– Share incentive scheme		(323)	751
– Working capital differences		8 445	(1 096)
Current movements recognised in other comprehensive income/directly in equity		<b>(4 635)</b>	(17 323)
– Rate changes – investment property		–	(4 579)
– Provision for post-employment medical aid benefits		(366)	(4 028)
– Share incentive scheme		(267)	1 369
– Reclassification of revaluation surplus		–	4 646
– Revaluations		(4 002)	(14 731)
<b>Balance at end of the year</b>		<b>45 174</b>	84 769
<b>– Asset</b>		<b>57 056</b>	89 929
<b>– Liability</b>		<b>(11 882)</b>	(5 160)
<b>Deferred tax assets and liabilities are attributable to the following:</b>			
– Provision for post-employment medical aid benefits		27 718	27 326
– Working capital allowances		1 144	(7 271)
– Share incentive scheme		3 766	4 356
– Tax losses		219 008	252 915
– Capital allowances		(70 473)	(71 379)
– Temporary differences on intangible asset		(7 403)	(92)
– Revaluations		(128 586)	(121 086)
Net deferred tax at end of the year		<b>45 174</b>	84 769

# Notes to the financial statements

for the year ended 31 March (continued)

## 8 Earnings per share

	Gross R000's	Net R000's	Number of shares 000's	Per share (cents)
<b>2017</b>				
<b>Number of shares in issue</b>				
<b>Net number of shares at 31 March 2017</b>			428 622	
Number of shares in issue at 31 March 2017			428 622	
<b>Weighted average number of shares</b>				
<b>Weighted average number of shares at 31 March 2017</b>			494 817	
Shares as at 1 April 2016			561 490	
Effect of share buyback			(66 753)	
Effect of share options exercised			80	
<b>Diluted average number of shares</b>				
<b>Diluted weighted average number of shares</b>			494 817	
Weighted average number of shares			494 817	
<b>Earnings per share</b>				
<b>Basic earnings</b>				
Profit attributable to equity holders of the parent		73 129	494 817	14,78
<b>Diluted earnings</b>				
Profit attributable to equity holders of the parent		73 129	494 817	14,78
<b>Headline earnings</b>				
<b>Reconciliation between profit and headline earnings</b>				
Profit attributable to equity holders of the parent		73 129		
Remeasurement of investment property	(30 052)	(23 320)		
Surplus on disposal of property, plant and equipment	(1 512)	(1 089)		
Loss on disposal of property, plant and equipment	57	41		
<b>Headline earnings</b>		48 761	494 817	9,85
<b>Diluted headline earnings</b>		48 761	494 817	9,85

### Issued shares

During the period, 639 324 shares were issued in terms of the Group's share incentive scheme.

	Gross R000's	Net R000's	Number of shares 000's	Per share (cents)
<b>2016</b>				
<b>Number of shares</b>				
<b>Net number of shares in issue</b>			561 490	
Number of shares at 31 March 2016			561 490	
<b>Weighted average number of shares</b>			561 207	
Shares as at 1 April 2015			560 812	
Effect of recapitalisation			—	
Effect of share options exercised			395	
<b>Diluted average number of shares</b>				
<b>Diluted weighted average number of shares</b>			562 263	
Weighted average number of shares			561 207	
Dilution effect of share options granted			1 056	
<b>Earnings per share</b>				
<b>Basic profit</b>				
Profit attributable to equity holders of the parent		56 722	561 207	10,11
<b>Diluted profit</b>				
Profit attributable to equity holders of the parent		56 722	562 263	10,09
<b>Headline loss</b>				
<b>Reconciliation between profit and headline loss</b>				
Profit attributable to equity holders of the parent		56 722		
Impairment of assets	2 248	2 248		
Remeasurement of investment property	(30 648)	(23 783)		
Changes in the deferred tax balance resulting from the change in CGT rates that relates to previous remeasurement of investment property	10 040	10 040		
Surplus on disposal of property, plant and equipment	(510)	(367)		
Loss on disposal of property, plant and equipment	586	422		
<b>Headline earnings</b>		45 282	561 207	8,07
<b>Diluted headline earnings</b>		45 282	562 263	8,06

### Issued shares

During the period, 677 746 shares were issued in terms of the Group's share incentive scheme.

# Notes to the financial statements

for the year ended 31 March (continued)

## 9 Property, plant and equipment

Reconciliation of carrying amount	Notes	Owner-occupied properties at valuation R000's	Plant and machinery at cost R000's	Equipment and fittings at cost R000's	Motor vehicles at cost R000's	Total R000's
<b>2017</b>						
<b>Cost/valuation at 31 March 2017</b>		<b>458 643</b>	<b>564 226</b>	<b>98 262</b>	<b>21 301</b>	<b>1 142 432</b>
Opening balance		434 075	553 552	96 150	16 514	1 100 291
Additions		3 279	15 969	13 551	5 453	38 252
Acquisition through business combinations	23	—	3 468	156	2 369	5 993
Revaluations		21 289	—	—	—	21 289
Disposals		—	(8 763)	(11 595)	(3 035)	(23 393)
<b>Accumulated depreciation and impairment at 31 March 2017</b>		<b>—</b>	<b>299 955</b>	<b>62 189</b>	<b>9 570</b>	<b>371 714</b>
Opening balance		—	283 986	59 377	9 993	353 356
Current period depreciation		4 102	24 127	9 429	2 045	39 703
Revaluations		(4 102)	—	—	—	(4 102)
Disposals		—	(8 158)	(6 617)	(2 468)	(17 243)
<b>Carrying value at 31 March 2017</b>		<b>458 643</b>	<b>264 271</b>	<b>36 073</b>	<b>11 731</b>	<b>770 718</b>
		%	%	%	%	
Rate of (straight-line) depreciation		0 – 3,5	4 – 7	10 – 20	20	
Residual values		40 – 65	0	0	20	
		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
<b>Reconciliation of carrying amount</b>						
<b>2016</b>						
<b>Cost/valuation at 31 March 2016</b>		434 075	553 552	96 150	16 514	1 100 291
Opening balance		283 566	533 743	100 052	16 958	934 319
Additions		27 778	20 598	14 343	2 038	64 757
Revaluations		41 979	—	—	—	41 979
Reclassification from investment property	10	80 752	—	—	—	80 752
Disposals		—	(789)	(18 245)	(2 482)	(21 516)
<b>Accumulated depreciation and impairment at 31 March 2016</b>		<b>—</b>	<b>283 986</b>	<b>59 377</b>	<b>9 993</b>	<b>353 356</b>
Opening balance		—	260 029	68 220	10 139	338 388
Current year depreciation		2 948	24 154	8 945	1 460	37 507
Revaluations		(2 948)	—	—	—	(2 948)
Disposals and assets reclassified as held for sale		—	(197)	(17 788)	(1 606)	(19 591)
<b>Carrying value at 31 March 2016</b>		<b>434 075</b>	<b>269 566</b>	<b>36 773</b>	<b>6 521</b>	<b>746 935</b>

### 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.

	2017 R000's	2016 R000's
Cost	274 856	271 577
Accumulated depreciation	(2 017)	(2 017)
<b>Carrying value</b>	<b>272 839</b>	<b>269 560</b>
Reconciliation of cost of land and buildings:		
Opening cost at beginning of the year	271 577	163 047
Additions	3 279	27 778
Additions through business combination	—	—
Reclassification from investment property	—	80 752
Disposals, transfers to investment property and assets reclassified as held for sale	—	—
<b>Closing cost at end of the year</b>	<b>274 856</b>	<b>271 577</b>

### 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
<b>2017</b>				
Cost	1 461	—	5 758	7 219
Accumulated depreciation	(754)	—	(2 162)	(2 916)
<b>Carrying value at 31 March 2017</b>	<b>707</b>	<b>—</b>	<b>3 596</b>	<b>4 303</b>
<b>2016</b>				
Cost	1 151	—	4 924	6 075
Accumulated depreciation	(333)	—	(1 592)	(1 925)
<b>Carrying value at 31 March 2016</b>	<b>818</b>	<b>—</b>	<b>3 332</b>	<b>4 150</b>

# Notes to the financial statements

for the year ended 31 March (continued)

## 9 Property, plant, and equipment (continued)

### Impairment losses and subsequent reversal – Plant and equipment

The Group has performed impairment testing on all CGUs where there is an indication that they may be impaired.

The recoverable amount of a CGU is determined based on a fair value less cost to sell, or value-in-use calculation as appropriate.

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

In determining value in use, projected cash flows are discounted using the Group's pre-tax discount rate. Projected cash flows were adjusted for each CGU's specific risks.

The pre-tax discount rate was calculated as 16,45% for the current period (2016: 11,37%) with a terminal value growth rate of 4,5% (2016: 4,5%).

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

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

Refer to note 5 for impairments.

### 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 2017.

The fair value measurement of owner-occupied property 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 2016	434 075
Additions	3 279
Disposals and depreciation	(4 102)
<b>Revaluation recognised directly in equity</b>	
– Changes in fair value	25 391
<b>Carrying value at 31 March 2017</b>	<b>458 643</b>
Carrying value at 31 March 2015	283 566
Additions	27 778
Reclassification from investment property	80 752
Disposals and depreciation	(2 948)
<b>Revaluation recognised directly in equity</b>	
– Changes in fair value	44 927
<b>Carrying value at 31 March 2016</b>	<b>434 075</b>

### Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	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.	<ul style="list-style-type: none"> <li>– Capitalisation rate</li> <li>– Occupation rate</li> <li>– Projected income</li> </ul>	The estimated fair value would increase/ (decrease) if: <ul style="list-style-type: none"> <li>– the capitalisation rate was higher (lower) [see sensitivity analysis below]</li> <li>– the occupancy rate was higher (lower)</li> <li>– the projected income was higher (lower)</li> </ul>

### Sensitivity analysis on the fair value of owner-occupied buildings

The capitalisation rates for the fair value of the properties were between 8,5% and 14,0%. 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	
	2017 R000's	2016 R000's
Increase of 1% in the capitalisation rate	419 386	395 583
Decrease of 1% in the capitalisation rate	507 556	477 964

Refer to note 31, which relates to security provided for the benefit of the Group's bankers.



# Notes to the financial statements

for the year ended 31 March (continued)

## 10 Investment properties

	2017 R000's	2016 R000's
<b>Reconciliation of carrying amount</b>		
<b>Opening carrying value</b>	<b>737 507</b>	766 804
Development cost	5 889	20 807
Fair value adjustments	30 052	30 648
Transfer to owner-occupied property	–	(80 752)
Disposals	(14 335)	–
<b>Closing carrying value</b>	<b>759 113</b>	737 507

Investment property comprises 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. In the prior period one property was transferred to property, plant and equipment (see note 9) from investment property.

### Included in profit or loss

Rental income from investment property	106 165	97 711
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	23 260	21 426
Direct operating expenses (including repairs and maintenance) relating to owner-occupied properties	12 490	10 766
Rates relating to rental-generating properties	11 930	10 730
Rates relating to owner-occupied properties	4 842	3 957

### Capital commitments

See note 28 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 fair value measurement of investment property 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 2016	737 507
Development cost and capitalised borrowing cost	5 889
Reclassification to owner-occupied property	–
Disposal	(14 335)
<b>Gain included in profit or loss</b>	
– Changes in fair value	30 052
<b>Closing value at 31 March 2017</b>	<b>759 113</b>

Opening value at 31 March 2015	766 804
Development cost and capitalised borrowing cost	20 807
Reclassification to owner-occupied property	(80 752)
<b>Gain included in profit or loss</b>	
– Changes in fair value	30 648
<b>Closing value at 31 March 2016</b>	<b>737 507</b>

### Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	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.	<ul style="list-style-type: none"> <li>– Capitalisation rate</li> <li>– Occupation rate</li> <li>– Projected income</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>– the capitalisation rate was higher (lower) [see sensitivity analysis below]</li> <li>– the occupancy rate was higher (lower)</li> <li>– the project income was higher (lower)</li> </ul>

### Sensitivity analysis on the fair value of investment buildings

The capitalisation rates for the fair value of the properties were between 9% and 11%. 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	
	2017 R000's	2016 R000's
Increase of 1% in the capitalisation rate	689 053	668 599
Decrease of 1% in the capitalisation rate	843 895	817 053

### Securitisation of assets

Refer to note 31, which relates to the security provided for the benefit of the Group's bankers.

# Notes to the financial statements

for the year ended 31 March (continued)

## 11 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 intangi- bles R000's
<b>Cost at 31 March 2017</b>		<b>11 080</b>	<b>28 852</b>	<b>1 622</b>	<b>21 206</b>	<b>26 012</b>	<b>88 772</b>
Opening balance		10 880	—	2 470	20 856	17 271	51 477
Assets acquired separately		200	1 000	288	350	—	1 838
Disposals		—	—	(1 136)	—	—	(1 136)
Acquired through business combinations	23	—	27 852	—	—	8 741	36 593
<b>Accumulated amortisation and impairment at 31 March 2017</b>		<b>4 599</b>	<b>1 577</b>	<b>791</b>	<b>7 327</b>	<b>2 248</b>	<b>16 542</b>
Opening balance		3 241	—	1 375	7 327	2 248	14 191
Current period amortisation		1 358	1 577	552	—	—	3 487
Disposals		—	—	(1 136)	—	—	(1 136)
<b>Carrying value at 31 March 2017</b>		<b>6 481</b>	<b>27 275</b>	<b>831</b>	<b>13 879</b>	<b>23 764</b>	<b>72 230</b>
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%		
<b>Cost at 31 March 2016</b>		<b>10 880</b>	<b>—</b>	<b>2 470</b>	<b>20 856</b>	<b>17 271</b>	<b>51 477</b>
Opening balance		10 880	—	6 147	19 999	17 271	54 297
Assets acquired separately		—	—	932	1 607	—	2 539
Disposals		—	—	(4 609)	(750)	—	(5 359)
<b>Accumulated amortisation and impairment at 31 March 2016</b>		<b>3 241</b>	<b>—</b>	<b>1 375</b>	<b>7 327</b>	<b>2 248</b>	<b>14 191</b>
Opening balance		1 744	—	4 502	7 019	—	13 265
Disposals		—	—	(4 504)	—	—	(4 504)
Impairment losses recognised in profit and loss		—	—	—	—	2 248	2 248
Current period amortisation		1 497	—	1 377	308	—	3 182
<b>Carrying value at 31 March 2016</b>		<b>7 639</b>	<b>—</b>	<b>1 095</b>	<b>13 529</b>	<b>15 023</b>	<b>37 286</b>

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

	2017 R000's	2016 R000's
Administrative and other expenses	3 487	3 182
	<b>3 487</b>	<b>3 182</b>

## 12 Other investments

	2017 R000's	2016 R000's
Business Partners Limited (unlisted)	3 026	3 026
Old Mutual (listed)	—	365
	<b>3 026</b>	<b>3 391</b>
	Number of shares	Number of shares
Business Partners Limited (unlisted)	605 220	605 220
Old Mutual (listed)	—	8 900
	<b>605 220</b>	<b>614 120</b>
Investments are classified as available for sale and are reconciled as follows:		
	R000's	R000's
Opening balance	3 391	3 644
Distribution	(365)	—
Revaluations	—	(253)
Closing balance	<b>3 026</b>	<b>3 391</b>

# Notes to the financial statements

for the year ended 31 March (continued)

## 13 Long-term receivables

	2017 R000's	2016 R000's
<b>Reconciliation of carrying amount</b>		
Net investment in finance leases	88 349	74 093
	88 349	74 093

### 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 long-term receivable financial assets during the current or prior years.

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

	Gross investment in leases R000's	Unearned finance income R000's	Net investment in leases R000's
<b>2017</b>			
<b>Lease payments receivable</b>			
– Not later than one year	57 210	14 895	42 315*
– Later than one year but not later than five years	97 394	9 045	88 349
	154 604	23 940	130 664
<b>2016</b>			
<b>Lease payments receivable</b>			
– Not later than one year	63 157	14 988	48 169*
– Later than one year but not later than five years	99 191	25 098	74 093
	162 348	40 086	122 262

\* Included in trade and other receivables.

Interest is charged at rates up to 25%.

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

The Group enters into finance leasing arrangements for its copiers 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.

## 14 Assets held for sale

The categories of property, plant and equipment classified as held for sale are as follows:

	2017 R000's	2016 R000's
Land and buildings	935	935
Plant and machinery	1 050	1 240
	1 985	2 175

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

	Industrials R000's	Property R000's	Total R000's
<b>2017</b>			
Land and buildings	–	935	935
Plant and machinery	1 050	–	1 050
	1 050	935	1 985
<b>2016</b>			
Land and buildings	–	935	935
Plant and machinery	1 240	–	1 240
	1 240	935	2 175

Refer to note 4 for additional disclosure.

	Land and buildings at valuation R000's	Plant and machinery at cost R000's	Total R000's
<b>Reconciliation of carrying amount</b>			
Carrying value at 31 March 2016	935	1 240	2 175
Disposal	–	(190)	(190)
Carrying value at 31 March 2017	935	1 050	1 985
<b>Carrying value at 31 March 2015</b>	55 628	2 305	57 933
Disposal	(54 693)	(1 065)	(55 758)
Carrying value at 31 March 2016	935	1 240	2 175

# Notes to the financial statements

for the year ended 31 March (continued)

## 15 Inventories

	2017 R000's	2016 R000's
Raw materials and consumables	171 353	142 795
Work-in-progress	57 228	60 205
Finished goods	478 372	480 732
	<b>706 953</b>	683 732
Inventories stated at net realisable value	243 047	210 039
Inventories acquired through business combination (refer to note 23)	22 181	–
Carrying amount of inventory pledged as security for liabilities	706 953	683 732
Write-down of inventory to net realisable value during the year	9 527	4 568
Reversals of previous write-down of inventory to net realisable value during the year*	(771)	(2 650)

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

## 16 Trade and other receivables

	2017 R000's	2016 R000's
<b>Reconciliation of carrying value</b>		
Trade receivables	485 267	472 247
Lease receivables	42 315	48 169
Other receivables	115 728	112 580
Fair value of outstanding foreign exchange contracts	14 332	–
Prepayments	42 553	21 400
Trade and other receivables	<b>700 195</b>	654 396
Loan to Hosken Consolidated Investments Limited ("HCI")	–	61 148
Loan to the South African Clothing and Textile Workers' Union ("SACTWU")	–	21 953
Loan receivables	–	83 101
Carrying values approximate fair values for all classes.		
<b>Business acquisition</b>		
Trade and other receivables acquired through business combination (refer to note 23)	16 060	–
<b>Other receivables</b>		
Included under other receivables are:		
Income receivable from Production Incentive programme (refer to note 21)	57 873	38 950
Lease smoothing asset	13 292	16 085
VAT	15 830	22 715

### Securitisation of assets

Refer to note 31, which relates to the security provided to the Group's bankers.

## 17 Stated capital

	Group and Company	
	2017 R000's	2016 R000's
<b>Authorised</b>		
10 000 000 000 (2016: 10 000 000 000) ordinary shares of no par value	–	–
Each ordinary share has the right to one vote at general meetings		
<b>Issued stated capital</b>		
428 621 716 (2016: 561 489 618) ordinary shares of no par value	1 449 653	1 717 286
Balance at beginning of year – 561 489 618 (2016: 560 811 872)	1 717 286	1 716 713
Share buyback during the year – 133 507 226 (2016: 0)	(268 785)	–
Issued during the year – 639 324 (2016: 677 746)	1 152	573
	<b>1 449 653</b>	1 717 286

### Issue of shares

#### Current period

During the period, 639 324 shares were issued in terms of the Group's share incentive scheme.

#### Share buy-back

Deneb concluded an agreement with the Southern African Clothing and Textile Workers' Union ("SACTWU") in terms of which Deneb acquired 133 507 226 Deneb shares from SACTWU at a price of R2,00 per Deneb share.

#### Prior period

During the period, 677 746 shares were issued in terms of the Group's share incentive scheme.

#### Reserved under options (see note 33)

53 977 647 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any of such shares in accordance with the terms and conditions of The Deneb Share Incentive Scheme Plan and any amendments thereto.

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

# Notes to the financial statements

for the year ended 31 March (continued)

## 18 Post-employment medical aid benefits

### General description of plan

The post-employment subsidy policy is summarised below:

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

	2017 R000's	2016 R000's
<b>Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:</b>		
Current service cost	369	489
Interest on the obligation	9 447	9 056
Total included in staff costs	9 816	9 545
Reconciliations in the net liability recognised in the consolidated statement of financial position are as follows:		
Liability at beginning of year	97 592	109 107
Net expense recognised in profit or loss	9 816	9 545
Contributions from employer	(7 109)	(6 673)
Actuarial (gains)/losses recognised in other comprehensive income – changes from financial assumptions	(1 307)	(14 387)
Liability in the consolidated statement of financial position	98 992	97 592
Represented by:		
Liability due within 12 months	7 131	6 789
Liability due after 12 months	91 861	90 803
	98 992	97 592
Present value of unfunded obligations	98 992	97 592
Fair value of plan assets	–	–
Recognised liability for defined benefit obligations	98 992	97 592

The net cumulative actuarial loss recognised in other comprehensive income is R2,34 million.

The average age of the members is 75,90 years.

### Forecast reconciliation of the plan to 31 March 2018 is as follows:

	2018 R000's
Liability at 31 March 2017	98 992
Net expense in the statement of comprehensive income	9 879
Contributions	(7 465)
Forecast liability at 31 March 2018	101 406

### Trend information

#### Principal actuarial assumptions at the reporting date:

		2017	2016
Discount rate	(%)	9,60	9,68
Medical inflation	(%)	8,23	8,49

#### Sensitivity of results

A 1% increase in medical aid inflation would result in:

– An increase in the accrued liability of	(R000's)	10 192	10 438
	(%)	10,30	10,70
– An increase in the service and interest cost of	(R000's)	1 047	1 083
	(%)	10,60	11,00

A 1% decrease in medical aid inflation would result in:

– A decrease in the accrued liability of	(R000's)	(8 756)	(8 921)
	(%)	(8,80)	(9,10)
– A decrease in the service and interest cost of	(R000's)	(896)	(922)
	(%)	(9,10)	(9,40)

A 1% decrease in the discount rate would result in:

– An increase in the accrued liability of	(R000's)	10 154	10 418
	(%)	10,30	10,68

A 1% increase in the discount rate would result in:

– A decrease in the accrued liability of	(R000's)	(8 581)	(8 757)
	(%)	(8,70)	(8,97)

# Notes to the financial statements

for the year ended 31 March (continued)

## 19 Financial instruments

### Financial risk management

#### Overview

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

- Credit risk
- Liquidity risk
- 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.

	Final repayment dates	Average rate of interest p.a.	2017 R000's	2016 R000's
<b>Interest-bearing liabilities</b>				
<b>Secured</b>				
Instalment sale and finance lease agreements	2020	Prime	8 981	5 147
Loans from financial institutions**	2021	**	650 000	–
			<b>658 981</b>	5 147
<b>Unsecured</b>				
Other loans	2017	Prime	–	401
HCI Treasury Proprietary Limited*		Prime	100 487	37 334
			<b>100 487</b>	37 735
<b>Total interest-bearing liabilities</b>			<b>759 468</b>	42 882
Current portion of interest-bearing liabilities			52 716	38 733
Non-current portion of interest-bearing liabilities			706 752	4 149

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

\*\* Refer to note 25 for further information.

Instalment sales and finance lease agreements are payable as follows:

	Principal R000's	Interest R000's	Gross instalments R000's
<b>2017</b>			
Less than one year	2 716	163	2 879
Between one and five years	6 265	170	6 435
	<b>8 981</b>	<b>333</b>	<b>9 314</b>
<b>2016</b>			
Less than one year	1 399	116	1 515
Between one and five years	3 748	785	4 533
	5 147	901	6 048

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

**Foreign currency management:** Operating subsidiaries undertake transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Material exchange rate exposure on imported goods, trade debtors/creditors, foreign currency assets and liabilities and capital equipment is hedged through the use of forward exchange contracts. Trade exports are hedged using forward exchange contracts and customer foreign currency accounts. Forward exchange contracts ("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 (R15,3 million (2016: R13,9 million)), Shoprite Holdings Limited (R3,9 million (2016: R10,4 million)), Massmart Limited (R64,2 million (2016: R51,1 million)), Edcon Limited (R22,4 million (2016: R24,4 million)), Steinhoff Investment Holdings Limited (R13,0 million) and Clicks Group Limited (R11,9 million (2016: R14,4 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 R458 million (98%) (2016: R451 million (91,6%)) being denominated in South African Rands

Trade receivables denominated in USD accounted for 2% (2016: 8,2%), and those in EUR accounted for 0% (2016: 0,2%).

Receivables are presented net of impairment provisions. The risk arising on trade receivables is managed through a Group policy on the granting of credit limits, continual review and monitoring of these limits.

**Capital management:** The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base of the business is viewed as being the shareholder equity and non-current interest-bearing liabilities amounting to (R2 485,1 million (2016: R1 953,9 million)).

#### Collateral

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

# Notes to the financial statements

for the year ended 31 March (continued)

## 19 Financial instruments (continued)

During the period the Group did not obtain any assets, excluding inventory, 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.

	2017 R000's	2016 R000's
<b>Allowances for credit losses</b>		
The movement in the allowance for impairment in respect of trade receivables during the period was as follows:		
Opening balance	6 191	5 741
Written off as irrecoverable	(777)	(1 666)
Increase in allowance for impairment	16 112	3 186
Decrease in allowance for impairment	(782)	(1 070)
Closing balance	20 744	6 191
<b>Past due but not impaired financial assets</b>		
The following analysis reflects the aging of trade receivables as at year-end, which have exceeded their credit terms, but have not been impaired.		
30+ days	1 838	948
60+ days	6 697	332
90+ days	7 082	15 798
120+ days	25 129	12 818
	40 746	29 896
The following analysis reflects the aging and remaining value of trade receivables as at year-end, which are considered to be impaired and against which an impairment for non-recovery has already been made.		
30+ days	306	26
60+ days	169	-
90+ days	164	511
120+ days	8 662	4 493
	9 301	5 030

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

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

	2017 R000's	2016 R000's
<b>Cash flow and funding risk management</b>		
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 25 for borrowing facilities.		
<b>Categories of financial assets</b>		
The carrying amount of financial assets, which also represent the maximum credit exposure and reasonably approximate their fair values, are as follows:		
Loans and receivables	786 587	713 676
Fair value through profit or loss (foreign exchange contracts)	14 332	-
Available for sale	3 026	3 391
	803 945	717 067

Reconciliation with line items presented in the consolidated statement of financial position:

	Notes	Loans and receivables R000's	Fair value through profit or loss R000's	Available for sale R000's	Non-financial assets R000's	Total R000's
<b>2017</b>						
Investments	12	-	-	3 026	-	3 026
Long-term receivables	13	88 349	-	-	-	88 349
Trade and other receivables	16	627 480	14 332	-	58 383	700 195
Cash and cash equivalents		70 758	-	-	-	70 758
		786 587	14 332	3 026	58 383	862 328
<b>2016</b>						
Investments	12	-	-	3 391	-	3 391
Long-term receivables	13	74 093	-	-	-	74 093
Trade and other receivables	16	610 281	-	-	44 115	654 396
Cash and cash equivalents		29 302	-	-	-	29 302
		713 676	-	3 391	44 115	761 182

# Notes to the financial statements

for the year ended 31 March (continued)

## 19 Financial instruments (continued)

	Group	
	2017 R000's	2016 R000's
<b>Categories of financial liabilities</b>		
The carrying amount of financial liabilities, which also reasonably approximate their fair values, are as follows:		
Fair value through profit or loss (foreign exchange contracts)	2 737	5 769
Measured at amortised cost	1 326 230	1 068 833
	<b>1 328 967</b>	<b>1 074 602</b>

Reconciliation with line items presented in the consolidated statement of financial position:

	Notes	Fair value through profit or loss R000's	Measured at amortised cost R000's	Non-financial liability R000's	Total R000's
<b>2017</b>					
Interest-bearing liabilities – non-current		–	706 752	–	706 752
Interest-bearing liabilities – current		–	52 716	–	52 716
Trade and other payables	20	2 737	488 638	7 719	499 094
Bank overdrafts	25	–	78 124	–	78 124
		<b>2 737</b>	<b>1 326 230</b>	<b>7 719</b>	<b>1 336 686</b>
<b>2016</b>					
Interest-bearing liabilities – non-current		–	4 149	–	4 149
Interest-bearing liabilities – current		–	38 733	–	38 733
Trade and other payables	20	5 769	478 187	5 900	489 856
Bank overdrafts	25	–	547 764	–	547 764
		<b>5 769</b>	<b>1 068 833</b>	<b>5 900</b>	<b>1 080 502</b>

## Maturity profile of financial instruments

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

	0 – 12 months R000's	1 – 3 years R000's	Total R000's
<b>2017</b>			
<b>Assets</b>			
Investments	–	3 026	3 026
Long-term receivables	–	94 129	94 129
Trade and other receivables	641 812	–	641 812
Cash and cash equivalents	70 758	–	70 758
<b>Total financial assets</b>	<b>712 570</b>	<b>97 155</b>	<b>809 725</b>
<b>Liabilities</b>			
Interest-bearing borrowings	52 716	706 752	759 468
Trade and other payables	491 375	–	491 375
Bank overdrafts	78 124	–	78 124
<b>Total financial liabilities</b>	<b>622 215</b>	<b>706 752</b>	<b>1 328 967</b>
<b>Net financial assets/(liabilities)</b>	<b>90 355</b>	<b>(609 597)</b>	<b>(519 242)</b>
	0 – 12 months R000's	1 – 3 years R000's	Total R000's
<b>2016</b>			
<b>Assets</b>			
Investments	–	3 391	3 391
Long-term receivables	–	99 191	99 191
Trade and other receivables	610 281	–	610 281
Cash and cash equivalents	29 302	–	29 302
<b>Total financial assets</b>	<b>639 583</b>	<b>102 582</b>	<b>742 165</b>
<b>Liabilities</b>			
Interest-bearing borrowings	38 733	4 149	42 882
Trade and other payables	483 956	–	483 956
Bank overdrafts	547 764	–	547 764
<b>Total financial liabilities</b>	<b>1 070 453</b>	<b>4 149</b>	<b>1 074 602</b>
<b>Net financial (liabilities)/assets</b>	<b>(430 870)</b>	<b>98 433</b>	<b>(332 437)</b>



# Notes to the financial statements

for the year ended 31 March (continued)

## 19 Financial instruments (continued)

### Contractual undiscounted cash flows

	0 – 12 months R000's	1 – 3 years R000's	Total R000's
<b>2017</b>			
<b>Liabilities – contractual undiscounted cash flows</b>			
Interest-bearing borrowings	124 865	841 035	965 900
Trade and other payables	491 375	–	491 375
Bank overdrafts	163 649	–	163 649
<b>Total financial liabilities</b>	<b>779 889</b>	<b>841 035</b>	<b>1 620 924</b>
<b>2016</b>			
<b>Liabilities – contractual undiscounted cash flows</b>			
Interest-bearing borrowings	43 236	5 020	48 256
Trade and other payables	483 956	–	483 956
Bank overdrafts	605 365	–	605 365
<b>Total financial liabilities</b>	<b>1 132 557</b>	<b>5 020</b>	<b>1 137 577</b>

### Fair value of financial instruments

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

### 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 statement of financial position, 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

# Notes to the financial statements

for the year ended 31 March (continued)

## 19 Financial instruments (continued)

### Fair value of 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 measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Notes	Carrying value				Fair value			
		Loans and receivables R000's	Fair value through profit or loss R000's	Available for sale R000's	Measured at amortised cost R000's	Total R000's	Level 1 R000's	Level 2 R000's	Total R000's
<b>2017</b>									
<b>Financial assets measured at fair value</b>									
Equity securities	12	—	—	3 026	—	3 026	—	3 026	3 026
Forward exchange contracts	16	—	14 332	—	—	14 332	—	14 332	14 332
<b>Financial assets not measured at fair value</b>									
Long-term receivables	13	88 349	—	—	—	88 349	—	—	88 349
Trade and other receivables		627 480	—	—	—	627 480	—	—	627 480
Cash and cash equivalents		70 758	—	—	—	70 758	—	—	70 758
		<b>786 587</b>	<b>14 332</b>	<b>3 026</b>	<b>—</b>	<b>803 945</b>	<b>—</b>	<b>17 358</b>	<b>803 945</b>
<b>Financial liabilities measured at fair value</b>									
Forward exchange contracts		—	(2 737)	—	—	(2 737)	—	(2 737)	(2 737)
<b>Financial liabilities not measured at fair value</b>									
Instalment sale and finance lease agreements		—	—	—	(8 981)	(8 981)	—	—	(8 981)
Secured bank loans		—	—	—	(650 000)	(650 000)	—	—	(650 000)
Unsecured loans		—	—	—	(100 487)	(100 487)	—	—	(100 487)
Trade and other payables		—	—	—	(488 638)	(488 638)	—	—	(488 638)
Bank overdrafts	25	—	—	—	(78 124)	(78 124)	—	—	(78 124)
		<b>—</b>	<b>(2 737)</b>	<b>—</b>	<b>(1 326 230)</b>	<b>(1 328 967)</b>	<b>—</b>	<b>(2 737)</b>	<b>(1 328 967)</b>
<b>2016</b>									
<b>Financial assets measured at fair value</b>									
Equity securities	12	—	—	3 391	—	3 391	365	3 026	3 391
Forward exchange contracts	16	—	—	—	—	—	—	—	—
<b>Financial assets not measured at fair value</b>									
Long-term receivables	13	74 093	—	—	—	74 093	—	—	74 093
Trade and other receivables		610 281	—	—	—	610 281	—	—	610 281
Cash and cash equivalents		29 302	—	—	—	29 302	—	—	29 302
		<b>713 676</b>	<b>—</b>	<b>3 391</b>	<b>—</b>	<b>717 067</b>	<b>365</b>	<b>3 026</b>	<b>717 067</b>
<b>Financial liabilities measured at fair value</b>									
Forward exchange contracts		—	(5 769)	—	—	(5 769)	—	(5 769)	(5 769)
<b>Financial liabilities not measured at fair value</b>									
Instalment sale and finance lease agreements		—	—	—	(5 147)	(5 147)	—	—	(5 147)
Secured bank loans		—	—	—	—	—	—	—	—
Unsecured loans		—	—	—	(37 735)	(37 735)	—	—	(37 735)
Trade and other payables		—	—	—	(478 187)	(478 187)	—	—	(478 187)
Bank overdrafts	25	—	—	—	(547 764)	(547 764)	—	—	(547 764)
		<b>—</b>	<b>(5 769)</b>	<b>—</b>	<b>(1 068 833)</b>	<b>(1 074 602)</b>	<b>—</b>	<b>(5 769)</b>	<b>(1 074 602)</b>

# Notes to the financial statements

for the year ended 31 March (continued)

## 19 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 31 for securitisation of assets.

### Determination of fair value for financial assets and liabilities

Receivables are impaired based on the estimated credit losses on a debtor-by-debtor basis. Receivables and liabilities denominated in foreign currencies are restated based on the year-end exchange rate. Publically traded investments are revalued to their market values on an annual basis. Included in the Group's trade receivable balance is 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.

	2017 R000's	2016 R000's
These "past due, but not impaired debtors" amount to	40 746	29 896

### 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 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.

	2017 R000's	2016 R000's
The fair value of the derivatives at year-end, determined by marking-to-market of contracts, amounted to	11 595	(5 769)

### Liquidity risk

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

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

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

### Sensitivity analysis

#### Equity price sensitivity analysis

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

#### Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk in the form of trade receivables and trade payables denominated in foreign currencies as well as related forward exchange contracts and customer foreign currency accounts. Details of the Group's exposure in this regard is contained in note 27 of these financial statements.

#### Interest rate sensitivity analysis

At year-end the Group's net interest-bearing borrowings amounted to R767 million (2016: R561 million). 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 1,05% in the prime interest rate), there will be an additional interest charge of R8,05 million (2016: R5,89 million) before tax.

## 20 Trade and other payables

	2017 R000's	2016 R000's
Trade payables	290 416	318 902
Fair value of outstanding foreign exchange contracts	2 737	5 769
Accruals and other current liabilities	205 941	165 185
	499 094	489 856
The operating lease liabilities are payable as follows:		
Less than one year (included under trade and other payables)	381	(1 035)
Between one and five years (shown separately as operating lease accruals on the balance sheet)	1 259	864
	1 640	(171)
Trade and other payables acquired through business combination (refer to note 23).	6 462	-

## 21 Government grants

	2017 R000's	2016 R000's
Receivable balance for government grants brought forward	38 950	38 486
Total income from government grants, included in other income, recognised during the year amounted to	37 950	33 933
Total cash received during the year from government grants amounted to	(19 027)	(33 469)
Amount outstanding as at year-end	57 873	38 950

The government grants received related to the Production Incentive Scheme established by the Department of Trade and Industry.

Amounts outstanding at year-end is included under Other receivables (refer to note 16).

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

## 22 Provisions

	2017 R000's	2016 R000's
<b>Restructuring and retrenchment costs</b>		
Carrying amount at beginning of the year	5 705	-
Additional provisions made in the year, including increases to existing provisions	224	5 705
Amounts utilised during the year	(5 705)	-
Carrying amount at end of the year	224	5 705

In the prior period the Group concluded a restructure of its office automation operations that affected approximately 85 employees. Consultation commenced before year-end and was concluded during the first quarter of the 2017 financial year.

# Notes to the financial statements

for the year ended 31 March (continued)

## 23 Business combinations

### Consideration transferred

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

	Total 2017 R000's
<b>Consideration</b>	
Cash	67 897
Contingent consideration	10 000
<b>Total consideration</b>	<b>77 897</b>

### Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners a fixed amount based on future operational profits. The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between RNil and R11 006 662.

The fair value of the contingent consideration arrangement of R10 000 000 was calculated by applying a discount rate of 9,63%.

### Identifiable assets acquired and liabilities assumed

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

	Total 2017 R000's
Property, plant and equipment	5 993
Inventories	22 181
Intangible assets	27 852
Trade and other receivables	16 060
Cash and cash equivalents	24 307
Non-current loan	(734)
Deferred liabilities	(820)
Deferred tax liability	(8 484)
Trade and other payables	(6 462)
Current tax liabilities	(10 737)
<b>Total identifiable net assets</b>	<b>69 156</b>
Goodwill	8 741
<b>Total consideration</b>	<b>77 897</b>
<b>Cash flow from this investing activity</b>	
Cash consideration transferred	(67 897)
Add cash and cash equivalents in the business acquired	24 307
Net cash inflow from investing operations	(43 590)

## Subsidiaries acquired through the year:

### 2017

Subsidiary name	Acquisition date	Segment	Description	Voting interest acquired %	Revenue contributed to the Group R000's	Net profit contribution to the Group R000's	Revenue contributed to the Group had the acquisition been effective on 1 April 2016 R000's	Net profit contribution to the Group had the acquisition been effective on 1 April 2016 R000's
Premier Rainwater Goods Proprietary Limited	1 June 2016	Industrials	A manufacturer of galvanised steel roofing accessories	100	91 380	10 791	110 004	14 806

### Measurement of fair values

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

#### Assets acquired

Intangible assets

#### Valuation techniques

Customer-related intangible assets: Income method. This entails the identification, separation and quantification of the cash flows attributable to the contracts, the application of a contributory asset charge and brand charge and the determination of the net present value of the resulting future cash flows by applying the discounted cash flow valuation methodology.

Certain intangible assets were identified but were not considered to be separable from other intangible assets. An important exception to the individual recognition of intangible assets is the value of assembled workforce as IFRS 3 states that an assembled workforce shall not be recognised as an intangible asset apart from goodwill.

### Goodwill

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

### 2016

There were no acquisitions during the prior period.

# Notes to the financial statements

for the year ended 31 March (continued)

## 24 Leases

	Nominal amount	
	2017 R000's	2016 R000's
<b>The Group as lessee</b>		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	17 938	22 721
Between one and five years	22 186	28 128
More than five years	1 505	1 596
	<b>41 629</b>	<b>52 445</b>
<b>The Group as lessor</b>		
Non-cancellable operating lease rentals are receivable as follows:		
Less than one year	95 351	99 262
Between one and five years	109 899	139 881
More than five years	11 549	16 439
	<b>216 799</b>	<b>255 582</b>

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

No contingent rentals were recognised as income in the period.

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

## 25 Borrowing and loan facilities

### Borrowing facility

	2017 R000's	2016 R000's
Available facility	470 000	820 000
Net utilised	(108 094)	(547 764)
Bank overdraft	(78 124)	(547 764)
Letter of credits	(29 970)	–
Unutilised balance	<b>361 906</b>	<b>272 236</b>

These facilities have been secured in terms of note 31.

### Loan facility

The Group 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 Group's properties.

	2017 R000's	2016 R000's
Available facility	650 000	–
Utilised	(650 000)	–
Non-current portion	(600 000)	–
Current portion	(50 000)	–

### Details of the loan facilities

	2017 R000's	2016 R000's
<i>Loan facility A</i>		
Available facility	50 000	–
Utilised	50 000	–
Date of repayment of capital towards the loan facility	28 February 2018	N/A
Interest rates	Prime less 1,62%	N/A
<i>Loan facility B</i>		
Available facility	150 000	–
Utilised	150 000	–
Date of repayment of capital towards the loan facility	4 March 2019	N/A
Interest rates	Prime less 1,40%	N/A
<i>Loan facility C</i>		
Available facility	450 000	–
Utilised	450 000	–
Date of repayment of capital towards the loan facility	4 March 2021	N/A
Interest rates	Prime less 1,25%	N/A

# Notes to the financial statements

for the year ended 31 March (continued)

## 26 Directors' emoluments

Paid by a subsidiary company Name	Salary		Retirement and medical aid contributions R000's	Share option expense R000's	Directors' fees R000's	Other benefits R'000	Total R000's
	R000's	Bonus R000's					
<b>2017</b>							
<b>Executive directors***</b>							
S A Queen (CEO)*	4 134	1 170	—	2 481	—	5	7 790
A M Ntuli	995	85	203	53	—	—	1 336
G D T Wege	1 873	612	271	358	—	—	3 114
D Duncan	2 851	573	399	699	—	—	4 522
	9 853	2 440	873	3 591	—	5	16 762
<b>Non-executive directors</b>							
J A Copelyn (Chairperson)**	—	—	—	—	163	—	163
M H Ahmed	—	—	—	—	211	—	211
T G Govender**	—	—	—	—	116	—	116
L G Govender	—	—	—	—	165	—	165
N B Jappie	—	—	—	—	163	—	163
R D Watson	—	—	—	—	163	—	163
Y Shaik**	—	—	—	—	116	—	116
	—	—	—	—	1 097	—	1 097
<b>Executive committee members</b>							
K Robson	1 646	648	70	248	—	—	2 612
I Morris	1 809	1 182	398	355	—	—	3 744
	3 455	1 830	468	603	—	—	6 356
<b>2016</b>							
<b>Executive directors***</b>							
S A Queen (CEO)*	3 825	1 456	—	1 927	—	—	7 208
A M Ntuli	936	79	189	—	—	—	1 204
G D T Wege	1 757	783	256	608	—	—	3 404
D Duncan	2 691	275	364	491	—	—	3 821
	9 209	2 593	809	3 026	—	—	15 637
<b>Non-executive directors</b>							
J A Copelyn (Chairperson)**	—	—	—	—	158	—	158
M H Ahmed	—	—	—	—	193	—	193
L G Govender	—	—	—	—	112	—	112
T G Govender**	—	—	—	—	133	—	133
N B Jappie	—	—	—	—	150	—	150
R D Watson	—	—	—	—	150	—	150
Y Shaik**	—	—	—	—	112	—	112
	—	—	—	—	1 008	—	1 008
<b>Executive committee members</b>							
K Robson	1 538	600	52	256	—	—	2 446
I Morris	1 830	3 720	229	169	—	—	5 948
	3 368	4 320	281	425	—	—	8 394

	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 cents	Exercised price of shares exercised R
<b>2017</b>							
<b>Deneb Investments Limited options</b>							
<b>Executive directors***</b>							
S A Queen (CEO)*	6 325	2 344	(546)	—	8 123	1,50	0,50
A M Ntuli	164	31	—	—	195	1,50	—
G D T Wege	3 345	738	(149)	—	3 934	1,50	0,00
D Duncan	3 518	982	(159)	—	4 341	1,50	0,50
<b>Non-executive directors</b>							
J A Copelyn (Chairperson)**	—	—	—	—	—	—	—
M H Ahmed	—	—	—	—	—	—	—
L G Govender	—	—	—	—	—	—	—
T G Govender**	—	—	—	—	—	—	—
R D Watson	—	—	—	—	—	—	—
N B Jappie	—	—	—	—	—	—	—
Y Shaik	—	—	—	—	—	—	—
<b>Executive committee members</b>							
K Robson	1 289	443	—	—	1 732	1,50	—
I Morris	1 556	661	—	—	2 217	1,50	—

# Notes to the financial statements

for the year ended 31 March (continued)

## 26 Directors' emoluments (continued)

	Opening balance of share options 000's	Number of share options awarded during the year 000's	Number of shares exercised 000's	Number of shares cancelled 000's	Closing balance of share options 000's	Strike price of share options awarded R	Exercised price of shares exercised R
<b>2016</b>							
<b>Executive directors***</b>							
S A Queen (CEO)*	4 734	1 591	—	—	6 325	1,75	—
A M Ntuli	—	164	—	—	164	1,75	—
G D T Wege	2 677	668	—	—	3 345	1,75	—
D Duncan	2 627	891	—	—	3 518	1,75	—
<b>Non-executive directors</b>							
J A Copelyn (Chairperson)**	—	—	—	—	—	—	—
N B Jappie	—	—	—	—	—	—	—
L G Govender	—	—	—	—	—	—	—
M H Ahmed	—	—	—	—	—	—	—
T G Govender**	—	—	—	—	—	—	—
R D Watson	—	—	—	—	—	—	—
Y Shaik**	—	—	—	—	—	—	—
<b>Executive committee members</b>							
K Robson	1 192	334	(237)	—	1 289	1,75	2,07
I Morris	1 083	473	—	—	1 556	1,75	—

\* The remuneration of S A Queen is included in the managerial services provided by HCI referred to in note 29, 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 29, Related parties.

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 2017.

Director	Board fees R000's	Salary R000's	Other benefits R000's	Bonus R000's	Total for the year ended 31 March 2017 R000's	Total for the year ended 31 March 2016 R000's
J A Copelyn	—	6 493	4 636	4 870	15 999	13 230
T G Govender	—	3 380	2 225	1 690	7 295	5 815
Y Shaik	—	3 355	1 311	2 181	6 847	5 603
N B Jappie	231	—	—	—	231	150
R D Watson	657	—	—	—	657	609
L G Govender	350	—	—	—	350	283

## 27 Foreign currency commitments

	Currency	Uncovered	Covered	Total
<b>2017</b>				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	10	—	10
	EUR	93	—	93
	USD	59 130	—	59 130
		59 233	—	59 233
Foreign payables	AUD	—	—	—
	EUR	—	2 192	2 192
	GBP	—	197	197
	USD	36 579	2 535	39 114
	CHF	—	167	167
		36 579	5 091	41 670
<b>2016</b>				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	—	11	11
	EUR	—	1 630	1 630
	USD	—	53 609	53 609
	GBP	—	—	—
		—	55 250	55 250
Foreign payables	AUD	—	—	—
	EUR	—	3 395	3 395
	GBP	—	1 004	1 004
	USD	—	107 182	107 182
	CHF	—	7	7
		—	111 588	111 588

### Sensitivity analysis

Foreign exchange contracts are used as a natural hedge and hedge accounting was not applied. A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R5 923 300 while the uncovered payables balance would decrease by R3 657 700, resulting in a net loss of R2 265 400. A weakening of the Rand by 10% would have an equal, but opposite effect.

	Currency	Spot rate 31 March 2017	Spot rate 31 March 2016	Average for the period
The exchange rates were as follows:				
	EUR	14,36620	16,89600	15,45167
	GBP	16,82410	21,20020	18,44180
	USD	13,43240	14,76370	14,06590

# Notes to the financial statements

for the year ended 31 March (continued)

## 28 Commitments and capital expenditure

	Capital expenditure		Contractual commitments	
	2017 R000's	2016 R000's	2017 R000's	2016 R000's
Investment property	5 889	20 807	—	—
Land and buildings	3 279	27 778	—	—
Plant and equipment	34 973	36 979	9 609	140
Intangible assets	1 838	2 539	—	3 253
Business combinations	77 897	—	—	—
	<b>123 876</b>	<b>88 103</b>	<b>9 609</b>	<b>3 393</b>

The capital commitments are expected to be incurred during the remainder of the current financial year. Commitments will be funded through banking facilities.

## 29 Related parties

### Transactions between Group companies

Transactions between Group companies: During the year, in the ordinary course of business, certain companies within the Group entered into transactions with each other. 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		Balance outstanding as at 31 March	
	Income/(Expense)		Balance receivable/(owing)	
	2017 R000's	2016 R000's	2017 R000's	2016 R000's
SACTWU loan	1 181	3 687	—	21 953
HCI – loan from HCI	(7 233)	(3 414)	(100 487)	(37 334)
HCI – loan to HCI	3 673	6 145	—	61 148
<b>Management fees paid</b>	—	—	—	—
HCI – managerial and secretarial services	(4 242)	(4 200)	(404)	(399)
<b>Management fees received</b>	—	—	—	—
Formex Industries – a subsidiary of HCI	6 267	1 380	4 956	141
HCI Invest 8 HoldCo	192	180	—	—
Risk Management to HCI	165	765	147	—

### 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.

### Share buyback

Deneb concluded an agreement with the Southern African Clothing and Textile Workers' Union ("SACTWU") in terms of which Deneb acquired 133 507 226 Deneb ordinary shares from SACTWU at a price of R2,00 per Deneb share.

## Transactions with companies with common directors or fellow subsidiaries of HCI

	Transaction values for the year ended 31 March		Balance outstanding as at 31 March	
	Income/(Expense)		Balance receivable/(owing)	
	2017 R000's	2016 R000's	2017 R000's	2016 R000's
<b>Sale of goods and services</b>				
Zenzeleni Clothing (a company of which J A Copelyn, T G Govender and A M Ntuli are directors)	27 262	8 545	6 123	3 941
KWV South Africa Proprietarily Limited (HCI subsidiary)	—	260	—	143
Vukani Gaming Corporation Proprietarily Limited (HCI subsidiary)	—	106	—	38

### 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:

	2017 R000's	2016 R000's
Basic	42 935	46 382
Benefits	6 777	7 732
	<b>49 712</b>	<b>54 114</b>

A share incentive scheme has been implemented for key management personnel. See note 33 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 pages 119 and 120.

## 30 Contingencies

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



# Notes to the financial statements

for the year ended 31 March (continued)

## 31 Securitisation of assets

The security has been provided to a special purpose company (Sargas Security (Pty) Ltd ("Security SPV"), which has guaranteed the obligations of the Group companies in favour of The Standard Bank of South Africa ("Standard Bank") for the facilities provided to the Group.

Sargas Proprietary Limited ("Sargas") and Prima Toy and Leisure Trading Proprietary Limited ("Prima") have indemnified the Security SPV in respect of any claim which may be made against the Security SPV.

Continuing Covering Mortgage Bonds ("CCMBs") have been registered in favour of the Security SPV in respect of Sargas's KwaZulu-Natal and Cape Town properties.

Prima has provided an unlimited security cession in favour of the Standard Bank of its rights to all book debts and other debts due.

Each group company, comprising the Borrower Group, has guaranteed the payment of all indebtedness of each other group company to the Standard Bank in terms of an interlinking demand guarantee.

The impact of the above on the figures disclosed in the consolidated statement of financial position is as follows:

	Per consolidated statement of financial position R000's	Securitised R000's	Unsecuritised R000's
<b>2017</b>			
Property, plant and equipment	770 718	435 537	335 181
Investment property	759 113	759 113	—
Intangible assets	48 466	—	48 466
Other investments	3 026	—	3 026
Long-term receivables	88 349	—	88 349
Inventories	706 953	—	706 953
Trade and other receivables	700 195	150 475	549 720
Non-current assets held for sale	1 985	—	1 985
<b>2016</b>			
Property, plant and equipment	746 935	723 935	23 000
Investment property	737 507	737 507	—
Intangible assets	22 263	—	22 263
Other investments	3 391	—	3 391
Long-term receivables	74 093	—	74 093
Inventories	683 732	—	683 732
Trade and other receivables	654 396	161 817	492 579
Non-current assets held for sale	2 175	—	2 175

## 32 Events after year end

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

In addition, the Group entered into a sale of share and claims agreement with Main Street Holdings Proprietary Limited to acquire 100% of the shares in New Just Fun Proprietary Limited, for a purchase consideration of R40,5 million. The acquisition is subject to certain conditions precedent being fulfilled on or before 30 November 2017. Further information has been published on SENS on 13 July 2017.

## 33 Share incentive scheme

### Basis of accounting

The Deneb Share Incentive Scheme was established on 10 October 2014 and adopted by the Company and the employer companies on 13 October 2014. 53 977 647 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any of such shares in accordance with the terms and conditions of the Share Incentive Scheme. At 31 March 2017, the Group had 5 415 064 securities available to be utilised in terms of the Scheme.

Options are accounted for as equity-settled.

### Equity-settled

The Deneb Share Incentive Scheme was established on 10 October 2014.

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

During the financial year, 11 552 529 ordinary options (2016: 8 135 448) were allotted in terms of the Deneb Incentive Plan.

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

- 9 010 771 options issued on 14 October 2014, which vested immediately.
- 6 105 501 options issued on 14 October 2014, which vested on 4 July 2015.
- 7 235 388 options issued on 14 October 2014, which 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.

# Notes to the financial statements

for the year ended 31 March (continued)

## 33 Share incentive scheme (continued)

Options in issue are as follows:

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Life of option
S A Queen	14 October 2014	1 382 584	93	Continued employment	3 years
	14 October 2014	1 713 759	136	Continued employment	4 years
	27 January 2015	1 091 401	181	2 years' profitability and continued employment	8 years
	29 June 2015	1 591 233	175	2 years' profitability and continued employment	8 years
	30 June 2016	2 343 944	150	Continued employment	8 years
Total for S A Queen		8 122 921			
G D T Wege	14 October 2014	263 539	0	Immediately	1 years
	14 October 2014	227 691	50	Immediately	2 years
	14 October 2014	576 077	93	Continued employment	3 years
	14 October 2014	594 286	136	Continued employment	4 years
	27 January 2015	865 413	181	2 years' profitability and continued employment	8 years
	29 June 2015	668 258	175	2 years' profitability and continued employment	8 years
Total for G D T Wege		3 933 755			
D Duncan	14 October 2014	403 254	93	Continued employment	3 years
	14 October 2014	499 846	136	Continued employment	4 years
	27 January 2015	1 564 245	181	2 years' profitability and continued employment	8 years
	29 June 2015	891 388	175	2 years' profitability and continued employment	8 years
Total for D Duncan		4 340 672			
A M Ntuli	29 June 2015	164 099	175	2 years' profitability and continued employment	8 years
	30 June 2016	30 632	150	Continued employment	8 years
Total for A M Ntuli		194 731			
Other, not being directors	14 October 2014	3 532 655	0	Immediately	1 years
	14 October 2014	849 754	50	Immediately	2 years
	14 October 2014	2 230 569	93	Continued employment	3 years
	14 October 2014	3 252 512	136	Continued employment	4 years
	27 January 2015	6 030 998	181	2 years' profitability and continued employment	8 years
	29 June 2015	4 379 803	175	2 years' profitability and continued employment	8 years
	30 June 2016	7 457 523	150	Continued employment	8 years
<b>Total other</b>		<b>27 733 814</b>			
<b>Total options in issue</b>		<b>44 325 893</b>			

## Reconciliation of movements in options

Number of options	2017	2016
Opening balance	35 080 818	28 146 932
Awarded during the period	11 552 529	8 135 448
Exercised during the period	(639 324)	(677 746)
Options used for strike price	(216 516)	(523 816)
Lapsed/forfeited during the period	(1 451 614)	-
Closing balance	44 325 893	35 080 818
Exercisable at year-end	13 396 817	9 984 973
Amount expensed during the year (included in employment costs) (Rand)	2 625 127	3 255 367
Value of shares issued during the year (Rand)	1 152 604	573 313
Weighted average share price of share options exercised during the year (Rand)	1,63	2,09

The weighted average remaining contractual life of all potentially exercisable options amounts to 7,7 years.

## Valuation methodology

The fair value of the options granted was determined using 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.

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.

# Notes to the financial statements

for the year ended 31 March (continued)

## 33 Share incentive scheme (continued)

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

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

### Valuation assumptions

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

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

### 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 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”.
- 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.

### 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 expected life of the option, determined at the grant date. A dividend yield assumption of 0,00% has been used.

### Employee turnover

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

A forfeiture rate of 5% per annum compound during the vesting period has been assumed. Our valuers' experience have 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.

# Notes to the financial statements

for the year ended 31 March (continued)

## 34 New standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group do not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

Standard/Interpretation		Date issued by IASB (1)	Effective date: Periods beginning on or after
IAS 7	Disclosure amendments	January 2014	1 January 2017
IAS 12 amendment	Recognition of Deferred Tax Assets for Unrealised Losses	May 2014	1 January 2017
IFRS 15	Revenue from Contracts with Customers	May 2014	1 January 2018
IFRS 9	Financial Instruments	July 2014	1 January 2018
IFRS 2 amendments	Clarifying share-based payment accounting	June 2016	1 January 2018
IAS 40 amendment	Transfers of investment property	December 2016	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Considerations	December 2016	1 January 2018
IFRS 16	Leases	January 2016	1 January 2019

### Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

### Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

The above amendment will not have any material impact on the Group's results.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

### Revenue from Contracts with Customers (IFRS 15)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Management has considered it and currently it will have no material impact on the method of recognition.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

### Financial Instruments (IFRS 9)

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The above amendment will not have any material impact on the Group's results.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted.

### Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

**Measurement of cash-settled share-based payments** – The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

**Classification of share-based payments settled net of tax withholdings** – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

**Accounting for a modification of a share-based payment from cash-settled to equity-settled** – The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The above amendment will not have any material impact on the Group's results.

The amendments are effective for annual periods commencing on or after 1 January 2018.

### Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment Property on when a company should transfer a property asset to, or from, investment property.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

### Foreign Currency Transactions and Advance Considerations (IFRIC 22)

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

# Notes to the financial statements

for the year ended 31 March (continued)

## 34 New standards (continued)

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The above amendment will not have any material impact on the Group's results.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

### Leases (IFRS 16)

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included in the consolidated statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The application of IFRS 16 will result in changes to the statement of financial position in the form of right-of-use assets and operating lease liabilities being brought on-balance sheet (where the group is the lessee) while profit or loss will be impacted by operating lease expense no longer being included and substituted by an amortisation of right-of-use asset and finance cost charges.

Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted.

The Group estimated the following impact on its financial position and income, excluding any tax effects, if the standard should be implemented 1 April 2017:

	1 April 2017 R000's	31 March 2018 R000's
Right-of-use asset	41 454 678	26 745 599
Lease liability	(41 454 678)	(26 019 196)
Operating lease expense*	—	16 245 330
Amortisation#	—	(14 709 079)
Finance cost#	—	(809 848)
Net income	—	726 403

\* Straight-line operating expense will no longer form part of profit or loss once IFRS 16 has been adopted.

# IFRS 16 will introduce the amortisation of right-of-use asset and finance costs, relating to the unwinding of the lease liability.

## 35 Non-controlling interest (NCI)

In March 2017, the Group increased its shareholding in OfficeBox to 84,5% from 79,8% through a R3 million share subscription.

The Group recognised an increase in NCI of R0,455 million and an equal decrease in retained earnings attributable to owners of the Group.

	2017 R000's
Carrying amount of NCI before the rights issue	(354)
Carrying amount of NCI subsequent to the rights issue	101
<b>A decrease in equity attributable to owners of the Group</b>	<b>(455)</b>

# 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:

	2017				2016			
	Number of shareholders*	%	Number of shares*	%	Number of shareholders*	%	Number of shares*	%
Ordinary shares								
Non-public	15	1,2	364 733 499	85,1	18	1,4	498 394 107	88,8
– Directors of the company and subsidiaries	8	0,7	4 459 473	1,0	9	0,7	4 612 842	0,8
– Shareholders with more than 10% holding*	3	0,2	359 876 920	84,0	4	0,3	493 384 146	87,9
– Non-director share scheme participants	4	0,3	397 106	0,1	5	0,4	397 119	0,1
Public	1 198	98,8	63 888 217	14,9	1 260	98,6	63 095 511	11,2
	1 213	100,0	428 621 716	100,0	1 278	100,0	561 489 618	100,0

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

### Directors' interest in shares

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

	2017		2016	
	Number of ordinary shares	%	Number of ordinary shares	%
Direct	1 453 313	0,3	813 989	0,1
Indirect	27 238 257	6,4	23 067 385	4,1

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

	Direct		Indirect	
	2017 Number of ordinary shares	2016 Number of ordinary shares	2017 Number of ordinary shares	2016 Number of ordinary shares
S A Queen	378 832	—	2 677 654	2 432 816
G D T Wege	726 706	576 706	—	—
D Duncan	347 775	237 283	—	—
A M Ntuli	—	—	1 206	1 020
Y Shaik	—	—	—	—
N B Jappie	—	—	—	—
L G Govender	—	—	—	—
R D Watson	—	—	—	—
T G Govender	—	—	1 020 814	802 900
J A Copelyn	—	—	23 538 583	19 830 649

\* Subsequent to year-end, G D T Wege acquired 231 874 ordinary shares.

## 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:

	2017		2016	
	Number of ordinary shares	%	Number of ordinary shares	%
Hosken Consolidated Investments Limited	292 409 226	68,2	292 409 226	52,1
Fulela Trade and Invest 81 (Pty) Ltd*	64 288 024	15,0	64 288 024	11,4
SA Clothing and Textile Workers' Union	–	–	133 507 226	23,8

Executives and staff members of the Group, other than directors, held 4 856 579 ordinary shares at year-end.

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

\* Wholly owned subsidiary of Hosken Consolidated Investments Limited.

### Analysis of shareholders

	Number of shareholders		% of total shareholders		Number of shares		% of total shares	
	2017	2016	2017	2016	2017	2016	2017	2016
1 – 1 000	685	706	56	55	119 349	132 789	–	–
1 001 – 5 000	149	193	13	15	371 228	484 612	–	–
5 001 – 50 000	282	282	23	22	4 665 306	4 799 535	1	1
50 001 – 100 000	39	37	3	3	2 838 126	2 703 685	–	–
Over 100 000	58	60	5	5	420 627 707	553 368 997	99	99
	1 213	1 278	100	100	428 621 716	561 489 618	100	100

	2017 %	2016 %
Banks, investment, finance and nominee companies and trusts	96	97
Directors and staff	1	1
Individuals	3	2
Insurance companies and pension funds	0	0

### The JSE Limited information – 31 March

		2017	2016
Total number of shares traded	('000) Ordinary	7 526	7 218
Total value of shares traded	(R000's) Ordinary	12 771	14 022
Weighted average number of shares in issue	('000) Ordinary	494 817	561 207
% of shares traded to weighted average number of issued shares	(%) Ordinary	2	1

## Property portfolio analysis

Property name	Classification	Location	GLM m <sup>2</sup>
<b>Western Cape</b>			
Brits Nonwoven	Owner occupied	John van Niekerk Street, Atlantis	10 214
Romatex	Owner occupied	Eppings Avenue, Elsie's River	15 305
Prima Toys	Owner occupied	36 Gunners Circle, Epping 1	12 332
Brand ID	Owner occupied	Nourse Ave, Epping 2	7 644
Induland – Building 3	Investment property	22/24 Induland Crescent, Lansdowne	3 310
Induland – Building 4	Investment property	26 Induland Crescent, Lansdowne	2 103
Induland – Building 5	Investment property	28/29 Induland Crescent, Lansdowne	3 009
Deneb House	Owner occupied with majority of GLM externally let	368 Main Road, Observatory	10 504
Hextex	Owner occupied	Raymond Pollet Drive, Worcester	40 221
Berg River Textiles	Owner occupied	Driebergen Street, Paarl	16 561
<b>KwaZulu-Natal</b>			
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	11 598
Frame Knitting Manufacturers	Owner occupied	Nottingham Place, Mobeni	42 379
Mobeni Industrial Park	Investment property	Warrington Road, Mobeni	31 691
New Germany Industrial Park	Investment property	124 Escom Road, New Germany	161 756
<b>Guateng</b>			
Seartec	Owner occupied	11B Riley Road, Bedfordview	1 360

# Salient features of the Deneb Investments Employee Share Scheme

## I. Definitions

In this statement, unless otherwise stated or the context requires otherwise, the words in the first column have the meanings stated opposite them in the second column. Words in the singular include the plural and vice versa. Words signifying one gender include the others and reference to a person includes references to a body corporate and vice versa.

“Act”	the Companies Act, No. 71 of 2008;
“Board”	the board of directors for the time being of the Company or, should the board of directors delegate its authority to a committee of the Board, such committee (unless the context indicates the contrary), provided always that if any director has any personal financial interest in any decision being taken by the Board (or committee) in terms of the Scheme, such director shall disclose such interest in accordance with the requirements of the Act and recuse himself from such decision-taking;
“Business Day”	any day other than a Saturday, Sunday or public holiday officially recognised as such in the Republic of South Africa;
“Company Secretary”	the company secretary of the Company from time to time and any person authorised by the company secretary of the Company from time to time to administer the Scheme for such company secretary;
“Deneb” or “the Company”	Deneb Investments Limited (Registration Number: 2013/091290/06) of 5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory, Cape Town;
“Employee”	any full-time employee, including a director holding salaried employment or office, of the Group (but excluding non-executive directors);
“Employer Company”	the relevant company in the Group which employs or employed the Participants or in respect of which the Participant holds or held office, and which has adopted the terms of the Scheme;
“Exercise Date Price”	the Middle Market Price as at the relevant date on which the Participant exercises an Option;
“Group”	the Company and its subsidiaries from time to time;
“JSE”	the JSE Limited (Registration Number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Securities Services Act, 2004;
“JSE Listings Requirements”	the listings requirements published by the JSE;
“Middle Market Price”	in relation to any particular business day, the volume weighted average of the middle market price of the shares as traded on the JSE during the 20 (twenty) business days preceding the business day in question, as notified to the company by the JSE;
“Option”	an option to acquire Shares granted to an Employee in terms of the Scheme which has not yet been exercised and which has not lapsed;
“Option Date”	the date of the Option in terms of which an Option was granted;
“Option Notice”	the written notice in terms of which the Employer Company grants an Option to an Employee to acquire Shares;

“Option Price”	the price per share, if any, payable by a participant pursuant to the exercise of an option as set out in the option notice, being the Middle Market Price as at the Option Date, less a discount of 10%, as recorded in the Option Notice;
“Participant”	an Employee who has been granted an Option (and who has accepted such Option in accordance with the Option Notice), or his executor, heir, administrator, trustee or permitted assign, as the case may be;
“Performance Target”	such performance target as may be determined, waived or amended by the Board;
“Scheme”	The Deneb Investments Employee Share Scheme;
“Statement”	this statement, forming part of the annual report of Deneb;
“Deneb shareholders” or “shareholders”	the registered shareholders of the Shares;
“Shares”	ordinary shares of no par value in the capital of the Company;
“Termination of Employment”	the date on which an Employee’s contract of employment terminates, including a termination of the contract of employment as a result of death, provided that if a notice of termination was given by either the Employee or the Employer Company, such termination shall only occur upon the expiry of the notice period, provided further that there shall be deemed to be no Termination of Employment for purposes of the Scheme, if the Participant ceases to be employed by one Employer Company but remains within the continuous employment of the Group by being employed by another Employer Company; and
“Tranche”	that number of Shares in respect of which the Participant becomes entitled to exercise the Option on the relevant anniversary date of the Option Notice, subject to meeting the relevant Performance Targets (if any).

## 2. Introduction

The purpose of this Statement is to advise Deneb shareholders of the proposed adoption of the Scheme (and to set out the salient features thereof) in order for the shareholders to consider and vote in respect of the ordinary resolution approving the adoption of the Scheme at the annual general meeting of Deneb shareholders to be held on Wednesday, 1 November 2017 at 09:00.

## 3. Rationale of the Scheme

The purpose of the Scheme is to provide selected Employees with the opportunity to acquire Shares, thereby ensuring that such Employees are encouraged and motivated to pursue continued growth and profitability of their Employer Companies and to contribute to the growth and profitability of the Employer Company and the Group as a whole.

## 4. Salient features of the Scheme

- 4.1 Only selected Employees are eligible to participate in the Scheme and to acquire Options.
- 4.2 The aggregate number of Shares (whether issued or unissued) which may be utilised for the Scheme, and which includes for this purpose Shares which remain subject to an unexercised Option and Shares which have been delivered to a Participant pursuant to the exercise of an Option, shall not exceed 42 862 171 (forty-two million, eight hundred and sixty-two thousand and one hundred and seventy-one).

# Salient features of the Deneb Investments Employee Share Scheme (continued)

- 4.3 The aggregate number of Shares which any one Participant may acquire in terms of the Scheme shall not exceed 8 572 234 (eight million, five hundred and seventy-two thousand, two hundred and thirty-four).
- 4.4 The Company in general meeting may from time to time reserve unissued Shares and place those unissued Shares under the control of the Board for the purpose of the Scheme.
- 4.5 Newly issued Shares, market-purchased Shares or Shares held in treasury may be used for purposes of the Scheme. Any shares purchased through the market will not be taken into account when calculating the number of Shares utilised by the Scheme.
- 4.6 The Option Price per Share payable by a Participant pursuant to the exercise of an Option shall be the Middle Market Price as at the Option Date, less a 10% (ten percent) discount to the Middle Market Price, and subject further to an adjustment (if any) in terms of the following formula:
- A = B – C**
- where:
- A = the adjusted Option Price;
- B = the original Option Price per Share, as stipulated in the Option Notice, being the Middle Market Price as at the Option Date, less a 10% (ten percent) discount; and
- C = the sum of all dividends and other payments to shareholders, including returns of capital (if any), declared and paid by the Company per Share in the issued share capital of the Company, provided the last date for registration (the record date) for all such dividends or payments (if any) occurred during the period from the Option Date until the date on which the Option is exercised (both dates inclusive),
- provided that where this formula results in "A" being a negative number, the adjusted Option Price shall be nil.
- 4.7 Payment for, if required, and delivery of the Shares shall take place in accordance with the Option Notice.
- 4.8 The Shares shall, at the time of delivery thereof to the Participant, be issued fully paid and shall rank *pari passu* with existing issued Shares, and shall be listed on the JSE as soon as reasonably possible in the relevant circumstances.
- 4.9 The relevant Employer Company, on the directions of the Board from time to time, shall, by way of an Option Notice, grant an Option to Employees (selected in the sole discretion of the Board and notified in writing from time to time to the Employer Company) to acquire Shares.
- 4.10 When selecting which Employees will be granted Options (and the number of Options to be granted to each such Employee), the Board shall take into account the contribution to be made by the relevant Employee to the Group in light of the Employee's skills, experience, qualifications and/or attributes and the Group's strategic objectives at the relevant time.
- 4.11 Should the Board become aware that:
- 4.11.1 the Company will be party to an amalgamation, merger or scheme of arrangement as contemplated in chapter 5 of the Act; or
- 4.11.2 shareholders in the Company who collectively hold more than 50% of the Shares in the Company will sell, exchange or otherwise dispose of their Shares in the Company; or
- 4.11.3 a mandatory offer to shareholders of the Company is required in terms of section 123 of the Act; or
- 4.11.4 the Company will propose to pass a resolution for the voluntary winding up of the Company, then the terms of the Scheme shall continue in force.
- 4.12 Should:
- 4.12.1 an Employer Company become an immediate subsidiary of another company outside of the Group as a result of a take-over, scheme of arrangement, reconstruction or amalgamation; or
- 4.12.2 shareholders in an Employer Company who hold more than 50% of the ordinary shares in the issued share capital of such Employer Company agree to sell, exchange or otherwise dispose of such shares in such Employer Company; or
- 4.12.3 an Employer Company resolve to dispose of the whole or the greater part of its undertaking or business; or
- 4.12.4 the Board serve notice on those Participants who are Employees of a particular Employer Company that such Employer Company proposes to pass a resolution for voluntary winding up, then all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically vest on a date as may be determined by the Board prior to the Change in Control.
- 4.13 Should an Employer Company cease to be part of the Group for any reason whatsoever, then all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically vest on a date as may be determined by the Board prior to the Change in Control.

- 4.14 Options shall, in addition to such other circumstances set out in the Scheme, lapse on the date of the relevant Participant's Termination of Employment; Provided that where the Termination of Employment is as the result of:
- 4.14.1 death; or
- 4.14.2 ill health or injury, provided that the Employer Company has received a certificate from a suitably qualified, independent medical practitioner nominated for this purpose by the Employer Company or otherwise acceptable to the Employer Company to the effect that, due to such ill health or injury, the Participant shall not be able to perform his/her normal employment duties for a consecutive period exceeding 12 (twelve) months;
- the Company Secretary shall treat an Option as having been exercised on the date of the Participant's Termination of Employment, and where the Termination of Employment is as the result of:
- 4.14.3 normal or late retirement, and the Participant has met the Performance Target in respect of the Tranche but the relevant Trigger Date has not yet arrived; or
- 4.14.4 early retirement (being retirement other than such normal or late retirement) with the approval of the Board, the Board shall be entitled, but not obliged, to direct that the Participant may exercise such Option on a date as may be determined by the Board within its sole discretion.
- 4.15 Each Participant shall become entitled to exercise an Option in respect of:
- 4.15.1 up to 10% (ten percent) of the number of Shares to which the Option relates from the first anniversary of the Option Date;
- 4.15.2 up to a further 20% (twenty percent) of the number of Shares to which the Option relates from the second anniversary of the Option Date;
- 4.15.3 up to a further 30% (thirty percent) of the number of Shares to which the Option relates from the third anniversary of the Option Date; and
- 4.15.4 the balance, namely 40% (forty percent) of the number of Shares to which the Option relates, from the fourth anniversary of the Option Date,
- provided, in respect of each Tranche, that on the date on which the Participant exercises the Option, each of the conditions required to be met in order for the Option to be exercised have been met, including the conditions that the Participant is still an Employee, the Exercise Date Price exceeds the Option Price, and the Performance Target for that Tranche, if applicable, has been met.
- 4.16 If at any time:
- 4.16.1 the Shares of the Company are consolidated or sub-divided or in any other way reorganised;
- 4.16.2 the Company is placed in liquidation pursuant to or in the course of the reorganisation of the Group;
- 4.16.3 the Company is party to a scheme of arrangement affecting the structure of its Share capital;
- 4.16.4 the Company allots additional Shares by the capitalisation of the Company's profits and/or reserves or undertakes a rights issue,
- then the number of Shares which may be utilised for the Scheme and the number of Shares which are the subject of any Option and/or the Option Price, if any, in respect thereof shall be adjusted in such manner as the Auditors determine to be appropriate and, in making such determination, the Auditors shall ensure that as far as possible in the circumstances, Participants shall remain entitled to the same proportion of the equity capital of the Company as that to which such Participant would have been entitled but for such event, and that Participants are not prejudiced nor given benefits beyond those provided for in the Scheme. The Auditors shall confirm to the Board in writing that any such adjustments were calculated on a reasonable basis and shall confirm to the JSE that any adjustments so made are in accordance with the provisions of the Scheme. The Board shall notify the Participant of that adjustment which shall be binding on the Company and on the Participant. Any such adjustment shall be reported on in the Company's annual financial statements in the financial period during which the adjustment is made. The issue of equity securities as consideration for an acquisition, the issue of securities for cash and the issue of equity securities for a vendor consideration placing will not be regarded as circumstances requiring adjustment.
- 4.17 If the Company is placed into liquidation other than for the purposes of reorganisation, any Options that have not yet vested will *ipso facto* lapse from the date of liquidation. For the purposes hereof "date of liquidation" will mean the date upon which any application for the liquidation of the Company (whether provisional or final) is granted by a South African court.
- 4.18 Where the Shares in respect of which an Option has been allocated to a Participant are not subsequently issued to such Participant, such Shares shall revert back to the Scheme and may form the subject of further Options to be allocated to Participants under the Scheme.



# Salient features of the Deneb Investments Employee Share Scheme (continued)

## 5. Conditions precedent

The implementation of the Scheme is subject to obtaining the approval of shareholders by way of an ordinary resolution (requiring a 75% majority of the votes cast in favour of such resolution) in accordance with the JSE Listings Requirements.

## 6. Directors' responsibility statement

The directors of the company collectively and individually accept full responsibility for the accuracy of the information given in this explanatory statement and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make this statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this statement contains all information required by law and the JSE Listings Requirements. The Board undertakes to comply fully with all of the provisions of the Act relating to "employee share schemes" as defined therein, including, but not limited to those set out in section 97 of the Act.

## 7. Recommendation

The directors are of the opinion that the Scheme will be beneficial to the Group and accordingly recommend that Deneb shareholders vote in favour of the ordinary resolution necessary for the adoption of the Scheme.

## 8. Deneb annual general meeting

8.1 An annual general meeting will be held on Wednesday, 1 November 2017 at 09:00 for the purposes of considering, inter alia, an ordinary resolution (requiring a 75% (seventy-five percent) majority of the votes cast in favour of such resolution by all Deneb shareholders present or represented by proxy at the annual general meeting to approve such resolution):

8.1.1 approving the scheme; and

8.1.2 placing 42 862 171 (forty-two million, eight hundred and sixty-two thousand and one hundred and seventy-one) shares under the control of the directors of Deneb for purposes of their being allotted and issued in terms of the provisions of the Scheme.

8.2 The proposed ordinary resolution accompanies the notice of annual general meeting, which is included in this annual report.

## 9. Documents available for inspection

A copy of the scheme will be available for inspection during normal business hours (Saturdays, Sundays and South African public holidays excluded) at the registered office of Deneb (set out immediately below) and at the office of the company's sponsor, PSG Capital (1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600) from 28 September 2017 to 1 November 2017.

For and on behalf of the board



Company secretary

**Mr C Philip**

Cape Town

4 September 2017

REGISTERED OFFICE

5th Floor Deneb House,  
Cnr Main And Browning Roads,  
Observatory  
7925

  
**DENE B**  
INVESTMENTS LIMITED

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

# Notice of annual general meeting

Notice is hereby given that the annual general meeting of Deneb will be held on Wednesday, 1 November 2017 at 09:00 at the offices of Hosken Consolidated Investments Limited, 5th Floor, e.tv Building, 4 Stirling Street, Zonnebloem 7925.

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 determined, in accordance with section 59 of the Companies Act, No 71 of 2008, as amended ("Companies Act"), that the record date for the purpose of determining which shareholders of the company were entitled to receive notice of the annual general meeting is Friday, 22 September 2017 and 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, 27 October 2017, with the last day to trade being Tuesday, 24 October 2017. Accordingly, only shareholders who are registered in the register of shareholders of the company on Friday, 27 October 2017 will be entitled to participate in and vote at the annual general meeting.

All shareholders are entitled to attend, speak and vote at the annual general meeting.

Please note if you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an "own name" dematerialised shareholder (i.e. 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; and
- 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, to be received by no later than 24 (twenty-four) hours prior to the time appointed for the holding of the meeting provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairperson of the annual general meeting prior to the commencement of the annual general meeting, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting (excluding Saturdays, Sundays and public holidays).

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 held through a CSDP or broker (or their nominee) and are not registered as an "own name" dematerialised shareholder, you are not a registered shareholder of the company. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the annual general meeting, 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 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 Secretary to be received by not less than 24 (twenty-four) hours prior to the time appointed for the holding of the meeting provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairperson of the annual general meeting prior to the commencement of the annual general meeting, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting (excluding Saturdays, Sundays and public holidays).

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.

# Notice of annual general meeting (continued)

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 Secretary by no later than 09:00 on Friday, 27 October 2017, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting. 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/her identity document and/or passport;
- if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the annual general meeting and a certified copy of the authorised representative's identity document and/or passport; and
- a valid e-mail address and/or facsimile number for the purpose of receiving details of the video conference facility that will be made available.

Upon receipt of the aforesaid notice and documents, the company shall 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 electronic communication.

## Voting at annual general meeting

On a poll, shareholders are entitled to 1 (one) vote per ordinary share.

Unless otherwise specifically provided below, for any of the ordinary resolutions to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, more than 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 to which this notice of annual general meeting is attached provides details of:

- the directors, including brief CVs of the directors nominated for re-election, on pages 8 to 10;
- the major shareholders of the company, on page 120; and
- the stated capital of the company, in note 17 and an analysis of shareholders on page 119.

There are no material changes to the Group's financial or trading position (other than as disclosed in the accompanying Integrated Annual Report).

The directors accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that the Integrated Annual Report and this notice provide all information required by law and the 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.

## Agenda

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 31 March 2017. The Integrated Annual Report, of which this notice forms part, contains the summarised group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on Deneb's website at [www.deneb.co.za](http://www.deneb.co.za), or may be requested and obtained in person, at no charge, at the registered office of Deneb during office hours.

## 2. To consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions set out below.

- For ordinary resolutions numbers 1 to 7 (inclusive) and ordinary resolution 10 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.
- For ordinary resolutions numbers 8 and 9 and for special resolutions numbers 1 to 3 (inclusive) to be adopted, at least 75% of the voting rights exercised on each such ordinary or special resolution must be exercised in favour thereof.
- Ordinary resolution number 10 is an advisory endorsement and is non-binding on the company.

## 3. Retirement and re-election of directors – ordinary resolutions numbers 1 to 3

Mr L G Govender, Ms N B Jappie and Mr Y Shaik retire as directors in accordance with the company's memorandum of incorporation but, being eligible, each offer themselves for re-election as a director of the company. For CV details, see pages 9 and 10. Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Mr L G Govender, Ms N B Jappie and Mr Y Shaik by way of passing the ordinary resolutions set out below:

### 3.1 Mr L G Govender – ordinary resolution number 1

“Resolved that Mr L G Govender be and is hereby re-elected as a director of the company.”

### 3.2 Ms N B Jappie – ordinary resolution number 2

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

### 3.3 Mr Y Shaik – ordinary resolution number 3

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

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (“JSE”) and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at every annual general meeting of the company and, being eligible, may offer themselves for re-election as directors.

## 4. Appointment of auditor – ordinary resolution number 4

The company's audit committee has recommended that PricewaterhouseCoopers Inc. be 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 2018 is PricewaterhouseCoopers Inc. Accordingly, the directors propose that the following resolution be adopted:

“Resolved that PricewaterhouseCoopers Inc. is hereby appointed as the auditor to the company for the ensuing financial year.”

The reason for ordinary resolution number 4 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed each year at the annual general meeting of the company as required by the Companies Act.

## 5. Re-appointment of audit committee members – ordinary resolutions numbers 5 to 7

### 5.1 Re-appointment of audit committee member – ordinary resolution number 5

“Resolved that Mr M H Ahmed (see CV details on page 10) be re-appointed to the audit committee of the company for the ensuing financial year.”

### 5.2 Re-appointment of audit committee member – ordinary resolution number 6

“Resolved that Ms N B Jappie (see CV details on page 10) be re-appointed to the audit committee of the company for the ensuing financial year.”

### 5.3 Re-appointment of audit committee member – ordinary resolution number 7

“Resolved that Ms R D Watson (see CV details on page 10) be re-appointed to the audit committee of the company for the ensuing financial year.”

The reason for ordinary resolutions numbers 5 to 7 is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be re-appointed by shareholders at each annual general meeting of a company.



# Notice of annual general meeting (continued)

**6. General authority to issue shares and options for cash – ordinary resolution number 8**

“Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to issue (which shall for the purposes of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the company, including options, as and when they in their discretion deem fit, subject to the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements as presently constituted and which may be amended from time to time.”

The reason for ordinary resolution number 8 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the company.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions), it is necessary for the board of the company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 8 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the company.

Although this is an ordinary resolution, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five per cent) of the voting rights to be cast on the resolution.

**Additional requirements imposed by the JSE Listings Requirements**

It is recorded that the company may only make an issue of shares for cash under the above general authority if the following JSE Listings Requirements are met:

- the shares which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;

- the general authority shall only be valid until the company's next annual general meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;
- an announcement will be published on SENS giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the company and party/ies subscribing for such shares and the expected effect on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) of the number of shares in issue prior to that issue;
- that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen per cent) of the number of the shares of the company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- as at the date of this notice, 15% of the company's shares in issue amounts to 64 349 320;
- in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the company and the party/ies subscribing for the shares; and
- any issue will only be made to “public shareholders” as defined by the JSE Listings Requirements and not to related parties.

**7. Approval of The Deneb Investments Employee Share Scheme (“the Scheme”) – ordinary resolution number 9**

“Resolved that: a) the Scheme, the salient terms of which have been summarised in the explanatory statement included in this Integrated Annual Report and which Scheme document has been tabled at this meeting and initialled by the chairperson for purposes of identification, be and is hereby

approved; and b) 42 862 171 (forty-two million, eight hundred and sixty-two thousand and one hundred and seventy-one) ordinary shares of no par value each in the capital of the company be and are hereby placed under the control of the directors of the company, who are specifically authorised in terms of section 38, read with section 41(2)(d) of the Act, to allot and issue all or any of such shares in accordance with the terms and conditions of the scheme and any amendments thereto.”

**Reason for and effect of ordinary resolution number 9**

The purpose of the Scheme is to provide selected employees with the opportunity to acquire Shares, thereby ensuring that such employees are encouraged and motivated to pursue continued growth and profitability of their employer companies and to contribute to the growth and profitability of the employer company and the Group as a whole. This resolution empowers the board to grant options to selected employees in accordance with the terms of the Scheme.

Although this is an ordinary resolution, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five per cent) of the voting rights to be cast on the resolution.

**8. Advisory endorsement of remuneration report for the year ended 31 March 2017 – ordinary resolution number 10 (non-binding)**

“To endorse, on an advisory basis, the company's remuneration report and policies as set out on pages 30 to 34 of the Integrated Annual Report (excluding the remuneration of the non-executive directors for their services as directors and members of board committees).”

**Motivation for advisory endorsement**

In terms of the King Code of Governance Principles for South Africa 2009, an advisory vote should be obtained from shareholders on the company's annual remuneration policy. The vote allows shareholders to express their views on the remuneration policies adopted and their implementation, but will not be binding on the company.

**9. Approval of annual fees to be paid to non-executive directors – special resolution number 1**

“To approve for the period 1 October 2017 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 as follows:

Category of fee	Proposed fee excluding VAT R
Board member	126 000
Member of the audit committee	52 000
Member of the remuneration committee	52 000

**Reason for and effect of special resolution number 1**

This resolution is proposed in order to comply with the requirements of the Companies Act. In terms of section 65(11)(h) of the Companies Act read with sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the holders within the previous 2 (two) years and only if this is not prohibited in terms of the company's memorandum of incorporation.

The payment of remuneration to directors for their services as directors is not prohibited by the company's memorandum of incorporation. This special resolution applies only to non-executive directors, as executive directors are required to attend meetings as part of their terms of employment and do not receive remuneration for their services as directors in addition to salaries they receive, by virtue of their employment by the company.

The proposed directors' remuneration payable to non-executive directors is based on best practice and aimed at ensuring fair and competitive remuneration practices. It is important for the company to attract new directors and retain directors with the relevant capabilities, skills and experience required to effectively conduct the business of the board and lead the company according to its strategic priorities.

# Notice of annual general meeting (continued)

## 10. General authority to repurchase company shares – special resolution number 2

“Resolved that the company hereby approves, as a general approval contemplated in paragraph 5.72 of the JSE Listings Requirements, the acquisition by the company or any of its subsidiaries, from time to time, of the issued 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 provisions of the Companies Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:

- acquisitions by the company and its subsidiaries of shares in the capital of the company may not, in the aggregate, exceed in any one financial year 20% (twenty per cent) (or 10% (ten per cent) where such acquisitions relate to the acquisition by a subsidiary) 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 acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- the company (or any subsidiary) is authorised to do so in terms of its memorandum of incorporation;
- 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 acquired 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 per cent) 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 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 prohibited period are fixed, which repurchase programme has been submitted to the JSE in writing and executed by an independent third party;

- in the case of a derivative (as contemplated in the JSE Listings Requirements) the price of the derivative shall be subject to the limits set out in paragraph 5.84(a) of the JSE Listings Requirements; and
- an announcement will be published on SENS as soon as the company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, and each time the company acquires a further 3% (three per cent) of such shares thereafter, which announcement shall contain full details of such acquisitions.”

The reason for special resolution number 2 is to grant the company a general authority in terms of the JSE Listings Requirements for the acquisition by the company, or any of its subsidiaries, of shares issued by the company, which authority shall be valid until the next annual general meeting of the company. The passing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

### Statement by the board of directors of the company

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the company hereby states that:

- (a) 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 or there are good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company;
- (b) 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 acquisition will take place, the directors of the company will only make the acquisition if, at the time of the acquisition, they are of the opinion that:
  - the company and its subsidiaries would, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of this notice of annual general meeting;

- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, would, after the repurchase, be in excess of the consolidated liabilities of the company and its subsidiaries for the next 12 (twelve) months after date of this notice of annual general meeting;
- the issued share capital and reserves of the company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the company or any acquiring subsidiary for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting;
- the working capital available to the company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the company for the next 12 (twelve) months after the date of approval of this notice of annual general meeting; and
- the company and its subsidiaries pass the solvency and liquidity test and that, from the time that the test is done, there are no material changes to the financial position of the company or any acquiring subsidiary; and

- (c) they will not make any repurchase until such time as the company’s sponsors have provided the JSE with a letter in relation to the working capital statement set out above (as required in terms of the JSE Listings Requirements).

## 11. General authority to provide financial assistance in terms of sections 44 and 45 of the Companies Act – special resolution number 3

“Resolved as a special resolution that, to the extent required by sections 44 and 45 of the Companies Act, the board of directors may, subject to compliance with the requirements of the company’s Memorandum of incorporation and the Companies Act, each as presently constituted and amended from time to time, as a general approval, authorise the company to provide any direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise to:

- the company’s present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company, or any person wishing to

subscribe for any option, or any securities issued or to be issued by the company’s present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company, 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 issued or to be issued by the company, or for the purchase of any securities of the company or inter-related company; or

- any one or more related or inter-related companies or corporations, or to a member of any related or inter-related company or corporation, or to a person related or inter-related to any such companies or corporations (related or inter-related will herein have the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the board of directors may determine, and that any of such financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending two years after such date.”

### Reason for and effect of special resolution number 3

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 Companies 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 3.

Sections 44 and 45 of the Companies 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,

# Notice of annual general meeting (continued)

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 Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The passing of this special resolution number 3 will have the effect of authorising the company to provide direct or indirect financial assistance in accordance with sections 44 and 45 of the Companies Act, for a period of two years after the adoption of this resolution. This special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the company.

## 12. Other business

To transact such other business which may be transacted at an annual general meeting.

General information in respect of major shareholders, material changes and the share capital of the company is contained in the Integrated Annual Report of which this notice forms part, as well as the full set of annual financial statements, being available on Deneb's website at [www.deneb.co.za](http://www.deneb.co.za) or which may be requested and obtained in person, at no charge, at the registered office of Deneb during office hours.

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

By order of the board

  
Company secretary  
**Ms C Philip**

Cape Town  
4 September 2017

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

## Form of proxy

For use at the annual general meeting of ordinary shareholders of the company to be held at 09:00 on Wednesday, 1 November 2017 ("the annual general meeting").

I/We .....name in full

or address .....

being a registered holder of ..... ordinary shares in the company, hereby appoint

1. ....or failing him/her

2. ....or failing him/her

3. ....or failing him/her

the chairperson of the annual general meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on Wednesday, 1 November 2017 at 09:00 at the offices of Hosken Consolidated Investments Limited, 4 Stirling Street, Zonnebloem 7925 and at any adjournment thereof as follows:

Agenda	Resolution number	Description	FOR	AGAINST	ABSTAIN
3.1	Ordinary resolution 1	Re-election of director: Mr L G Govender			
3.2	Ordinary resolution 2	Re-election of director: Ms N B Jappie			
3.3	Ordinary resolution 3	Re-election of director: Mr Y Shaik			
4	Ordinary resolution 4	Appointment of auditor: PricewaterhouseCoopers Inc.			
5.1	Ordinary resolution 5	Re-appointment of audit committee member: Mr M H Ahmed			
5.2	Ordinary resolution 6	Re-appointment of audit committee member: Ms N B Jappie			
5.3	Ordinary resolution 7	Re-appointment of audit committee member: Ms R D Watson			
6	Ordinary resolution 8	General authority to issue shares and options for cash			
7	Ordinary resolution 9	Approval of The Deneb Investments Employee Share Scheme			
8	Ordinary resolution 10 (non-binding)	Advisory endorsement of remuneration report for the year ended 31 March 2017			
9	Special resolution 1	Approval of annual fees to be paid to non-executive directors			
10	Special resolution 2	General authority to repurchase company shares			
11	Special resolution 3	General authority to provide financial assistance in terms of sections 44 and 45 of the Companies Act			

Indicate instructions to proxy by way of an X in the space provided above should you wish to vote.

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

Signed at .....on..... 2017

Member's signature .....

Assisted by (if applicable) .....

**Please read the notes overleaf**

# Notes to the form of proxy

1. A form of proxy is only to be completed by those shareholders who are:
  - holding shares in certificated form; or
  - recorded in the sub-register in dematerialised electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, and wish to attend the 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 by yourself and the CSDP or broker.
3. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.
4. Every person present and entitled to vote at the meeting as a shareholder 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 be 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 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 an X, 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 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, Sandton 2196 (PO Box 61051, Marshalltown 2107) so as to be received by no later than 09:00 on Friday, 27 October 2017, provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairperson of the annual general meeting prior to the commencement of the annual general meeting, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

# Corporate information

## Deneb Investments Limited (“Deneb” or “the Group” or “the company”)

The company's shares are listed under the Financial Services – Speciality Finance sector of the JSE Limited.

**Registration number:** 2013/091290/06 (Incorporated in the Republic of South Africa)

**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

**Directors:** J A Copelyn\* (Non-executive Chairperson), M H Ahmed\*^ (Lead Independent Director), D Duncan, L G Govender\*^, T G Govender\*, N B Jappie\*^, A M Ntuli, S A Queen (Chief Executive Officer), Y Shaik\*, R D Watson\*^, 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, Sandton 2196  
PO Box 61051, Marshalltown 2107

**Sponsors:** PSG Capital Proprietary Limited





5th Floor Deneb House, Cnr Main and Browning Roads, Observatory 7925 • PO Box 1585, Cape Town 8000  
[www.deneb.co.za](http://www.deneb.co.za)