THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations on pages 6 to 7 of this Circular apply *mutatis mutandis* to this cover page.

Action required:

1. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.
2. If you have disposed of all your Shares in Deneb, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.
3. Shareholders are referred to page 3 of this Circular, which sets out the action required by them.

Deneb does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of this Circular.

DENEB
INVESTMENTS LIMITED

DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2013/091290/06
Share Code: DNB ISIN ZAE000197398
("**Deneb**" or "**the Company**")

CIRCULAR TO DENEB SHAREHOLDERS

Regarding:

- **The Specific Repurchase of 133 507 226 Deneb Shares from SACTWU in terms of section 48 of the Companies Act and paragraph 5.69 of the JSE Listings Requirements;**

and incorporating:

- **A report prepared by the Independent Expert in terms of sections 114(2) and 114(3) of the Companies Act;**
- **Extracts of section 115 of the Companies Act dealing with the approval requirements for the Specific Repurchase and section 164 of the Companies Act dealing with dissenting Shareholders' Appraisal Rights;**
- **A notice of General Meeting of Shareholders; and**
- **A Form of Proxy (*yellow*) (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-Name Registration only).**

Corporate Adviser and Sponsor

PSG CAPITAL

Legal Adviser

Bowman Gilfillan AFRICA GROUP

Independent Reporting Accountants

KPMG

Independent Expert

BDO

Date of issue: Wednesday, 10 August 2016

Copies of this Circular are available in English only and may, from Wednesday, 10 August 2016, until Thursday, 8 September 2016, (both days inclusive), be obtained during normal business hours from the registered office of Deneb or the Corporate Adviser and Sponsor, at the addresses set out in the "*Corporate information*" section of this Circular. A copy of this Circular will also be available on Deneb's website (www.deneb.co.za).

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this forward-looking statement disclaimer.

This Circular contains statements about Deneb and/or the Deneb Group that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "**believe**", "**aim**", "**expect**", "**anticipate**", "**intend**", "**foresee**", "**forecast**", "**likely**", "**should**", "**planned**", "**may**", "**estimated**", "**potential**" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Deneb cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Deneb operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Deneb, as communicated in publicly available documents by Deneb, all of which estimates and assumptions, although Deneb believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Deneb or not currently considered material by Deneb.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Deneb not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Deneb has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

CORPORATE INFORMATION

Directors
J A Copelyn* (Non-executive Chairperson)
M H Ahmed** (Lead Independent Director)
S A Queen (Chief Executive Officer)
G D T Wege (Financial Director)
D Duncan (Chief Operating Officer)
T G Govender*
L Govender**
N B Jappie**
A M Ntuli
Y Shaik*
R D Watson**

* Non-executive
** Independent non-executive

Company Secretary
HCI Managerial Services Proprietary Limited
(Registration number 1996/017874/07)
4 Stirling Street
Zonnebloem
7925
(PO Box 5251, Cape Town, 8000)

Registered office
5th Floor, Deneb House
Corner Main and Browning Roads
Observatory
Cape Town
7925
(PO Box 1585, Cape Town, 8000)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Date of incorporation
4 June 2013

Place of incorporation
South Africa

Corporate Adviser and Sponsor
PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch
7600
(PO Box 7403, Stellenbosch, 7599)

and

1st Floor, Building 8
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton
2196
(PO Box 650957, Benmore, 2010)

Legal Adviser
Bowman Gilfillan Inc.
(Registration number 1998/021409/21)
22 Bree Street
Cape Town
8000
(PO Box 248, Cape Town, 8000)

Independent Expert
BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
22 Wellington Road
Parktown
2193
(Private Bag X60500, Houghton, 2041)

Independent Reporting Accountants
KPMG Incorporated
(Registration number 1999/021543/21)
MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001
(PO Box 4609, Cape Town, 8000)

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The definitions and interpretations on pages 6 and 7 apply *mutatis mutandis* to the table of contents.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations on pages 6 and 7 of this Circular apply *mutatis mutandis* to this section.

This Circular is important and requires your immediate attention.

Please take careful note of the following provisions regarding the action required by Deneb Shareholders. If you are in any doubt as to what actions to take, please consult your Broker, CSDP, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all of your Deneb Shares, this Circular should be handed to the purchaser of such Deneb Shares or to the Broker, CSDP, banker, attorney or other agent through whom the disposal was effected.

The General Meeting will be held at 09:00 on Thursday, 8 September 2016 at the registered offices of the Company situated at 5th Floor, Deneb House, Corner Main and Browning Roads, Observatory, Cape Town, 7925 for purposes of considering and, if deemed fit, passing the special resolutions required to authorise the implementation of the Specific Repurchase. The notice convening the General Meeting is attached to and forms part of this Circular.

1. **DEMATERIALISED DENEB SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALISED DENEB SHAREHOLDERS**

1.1 **Voting at the General Meeting**

1.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.

1.1.2 If you have not been contacted by your Broker or CSDP, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.

1.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.

1.1.4 You must not complete the attached form of proxy.

1.2 **Attendance and representation at the General Meeting**

In accordance with the mandate between you and your Broker or CSDP, you must advise your Broker or CSDP if you wish to attend the General Meeting and if so, your Broker or CSDP will issue the necessary letter of representation to you to attend and vote at the General Meeting.

2. **CERTIFICATED DENEB SHAREHOLDERS AND DEMATERIALISED DENEB SHAREHOLDERS WHO ARE OWN-NAME DEMATERIALISED DENEB SHAREHOLDERS**

2.1 **Voting and attendance at the General Meeting**

2.1.1 You may attend the General Meeting in person and may vote at the General Meeting.

2.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions contained therein and returning it to the Transfer Secretary, to be received by them, for administrative purposes, by no later than 09:00 on Tuesday, 6 September 2016 (or alternatively to be delivered to the Company by hand by no later than 09:00 on Thursday, 8 September 2016).

3. **GENERAL**

3.1 **Approvals necessary for the implementation of the Specific Repurchase at the General Meeting**

The implementation of the Specific Repurchase is subject, *inter alia*, to the approval of the Deneb Shareholders by special resolutions at the General Meeting in accordance with the Listings Requirements, the Companies Act and the MOI. In order to be approved, the special resolution must be adopted with the support of at least 75% of the voting rights exercised, excluding the votes of SACTWU and their Associates, on such resolution at the General Meeting.

3.2 **Electronic participation in the General Meeting**

Deneb Shareholders wishing to participate electronically in the General Meeting are required to deliver, by no later than 09:00 on Tuesday, 6 September 2016, a written notice to Deneb at HCI Managerial Services Proprietary Limited's office, 4 Stirling Street, Zonnebloem, 7925 (marked for the attention of HCI Managerial Services Proprietary Limited, Deneb's Company Secretary) that they wish to participate via electronic communication at the General Meeting.

In order for the abovementioned notice to be valid it must contain:

(a) if the Deneb Shareholder is an individual, a certified copy of his/her identity document and/or passport;

(b) if the Deneb Shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the General Meeting via electronic communication;

(c) a valid email address and/or facsimile number; and

(d) confirmation of whether the Deneb Shareholder wishes to participate via electronic communication. Deneb shall use its reasonable endeavours to notify a Deneb Shareholder wishing to participate in the General Meeting by way of electronic communication of the relevant details through which the shareholder can participate via electronic communication by no later than 24 hours before the General Meeting.

Should a Deneb Shareholder wish to participate in the General Meeting by way of electronic communication as mentioned above, such shareholder or his proxy, will be required to dial-in to the dial-in facility on the date of the General Meeting. The dial-in facility will be linked to the venue at which the General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the General Meeting. The dial-in facility will enable all persons to participate electronically in the General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

3.3 **Dematerialisation**

If a Certificated Deneb Shareholder wishes to Dematerialise his Certificated Deneb Shares, he should contact his Broker or CSDP.

3.4 **Dissenting Deneb Shareholders' Appraisal Rights**

Deneb Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act are referred to Annexure 2 of this Circular. Deneb Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act are required, before the resolutions are voted on at the General Meeting, to give notice to Deneb in writing objecting to the applicable special resolution and notifying Deneb of their intention to vote against the special resolution at the General Meeting and to vote against the special resolution at the General Meeting.

Within 10 business days of Deneb Shareholders having adopted the special resolution, Deneb must send a notice confirming that the special resolution has been adopted to each Deneb Shareholder who gave Deneb written notice of objection to the special resolution, and has neither withdrawn that notice nor voted in favour of the special resolution.

A Deneb Shareholder who has given Deneb written notice objecting to the applicable special resolution and who is present at the General Meeting, and votes against the special resolution and has complied with all of the procedural requirements set out in section 164 of the Companies Act may, if the special resolution has been adopted, then demand in writing within:

(i) 20 business days after receipt of the notice referred to above; or

(ii) if the Deneb Shareholder does not receive the notice from Deneb referred to above, 20 business days after learning that the special resolution has been adopted,

that Deneb pay the Deneb Shareholder the fair value for all the Deneb Shares held by that Deneb Shareholder, which demand must also be sent to the TRP in the prescribed manner.

Any Deneb Shareholder that is in doubt as to what action to take should consult their legal or professional adviser in this regard.

Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to, *inter alia*, the report of the Independent Expert set out in Annexure 1 to this Circular that concludes that the terms of the Specific Repurchase are fair and reasonable to Deneb Shareholders.

SALIENT DATES AND TIMES

The definitions and interpretations on pages 6 to 7 of this Circular apply *mutatis mutandis* to these salient dates and times.

	2016
Record date to determine which Deneb Shareholders are eligible to receive this Circular (including the notice convening the General Meeting) on	Friday, 5 August
Circular posted to Deneb Shareholders (including the notice convening the General Meeting) on	Wednesday, 10 August
Last day to trade in Deneb Shares in order to be eligible to attend, participate in and vote at the General Meeting on	Tuesday, 30 August
General Meeting Record Date for Deneb Shareholders to be recorded in the Register in order to be eligible to attend, participate in and vote at the General Meeting on	Friday, 2 September
Forms of Proxy in respect of the General Meeting to be lodged with the Transfer Secretaries by 09:00 on	Tuesday, 6 September
Forms of Proxy not lodged with the Transfer Secretaries to be handed to the chairperson of the General Meeting before 09:00 on	Thursday, 8 September
General Meeting to be held at 09:00 on	Thursday, 8 September
Results of General Meeting released on SENS on or about	Thursday, 8 September
If the Specific Repurchase is approved by Deneb Shareholders at the General Meeting:	
Last day for Deneb Shareholders who voted against the Specific Repurchase to require Deneb to seek court approval for the Specific Repurchase in terms of section 115(3)(a) of the Companies Act (where applicable) on	Thursday, 15 September
Last date for Deneb Shareholders who voted against the Specific Repurchase to apply to court for leave to apply for a review of the Specific Repurchase in terms of section 115(3)(b) of the Companies Act on	Thursday, 22 September
Last date for Deneb to send objecting Deneb Shareholders notices of the adoption of the Specific Repurchase resolutions, in accordance with section 164(4) of the Companies Act on	Thursday, 22 September
Action	
The following date assumes that the Specific Repurchase becomes unconditional and that neither court approvals nor the review of the Specific Repurchase is required and will be confirmed in an announcement if the Specific Repurchase becomes unconditional:	
Cancellation and delisting of the Specific Repurchase Shares on or about	Friday, 30 September

Notes

1. All of the above dates and times are subject to change as approved by the TRP and/or the JSE. Any changes made will be notified to Shareholders by release on SENS.
2. Shareholders should note that, as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, persons who acquire Shares after the last day to trade in order to be eligible to vote at the General Meeting, namely, Tuesday, 30 August 2016, will not be able to vote thereat.
3. Deneb Shareholders who wish to exercise their Appraisal Rights are referred to Annexure 2 to this Circular for purposes of determining the relevant timing for the exercise of their Appraisal Rights.
4. The exercise of Appraisal Rights may result in changes to the above salient dates and times and Deneb Shareholders will be notified separately of the applicable dates and times resulting from such changes.
5. Deneb Shareholders who wish to exercise their right in terms of section 115(3) of the Companies Act, to require the approval of a court for the Specific Repurchase, should refer to Annexure 2 to this Circular which includes an extract of section 115 of the Companies Act. Should Deneb Shareholders exercise their rights in terms of section 115(3) of the Companies Act, the dates and times set out above will not be relevant. Deneb Shareholders will be notified separately of the applicable dates and times under this process.
6. A Shareholder may submit the Form of Proxy at any time before the commencement of the General Meeting (or any adjournment of the General Meeting) or hand it to the chairperson of the General Meeting before the appointed proxy exercises any of the relevant Shareholder's rights at the General Meeting (or any adjournment of the General Meeting), provided that, should a Shareholder lodge the Form of Proxy with the Transfer Secretaries less than 48 hours before the General Meeting, a Shareholder will also be required to furnish a copy of such Form of Proxy to the chairperson of the General Meeting before the appointed proxy exercises any of such Shareholder's rights at the General Meeting (or any adjournment of the General Meeting).
7. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any such adjournment or postponement.
8. All times given in this Circular are local times in South Africa.

DEFINITIONS AND INTERPRETATION

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include the others, words and expressions denoting natural persons shall include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite to them in the second column.

"Appraisal Rights"	the dissenting Deneb Shareholders' appraisal rights afforded to shareholders of a company in terms of section 164 of the Companies Act, an extract of which is set out in Annexure 2 of this Circular;
"Associates"	any "associate" of a company, as defined in the definitions section of the JSE Listings Requirements;
"Board" or "Directors"	the board of directors of Deneb, whose names appear in the "Corporate Information" section of this Circular;
"Broker"	a "stockbroker" as defined in the Financial Markets Act, or its nominee;
"Business Day"	any day, other than a Saturday, Sunday or public holiday in South Africa;
"Certificated Shareholders"	holders of Certificated Shares;
"Certificated Shares"	Shares being "certificated securities" as defined in the Financial Markets Act and having accordingly not yet been Dematerialised, title to which is evidenced by Documents of Title;
"Circular"	this circular to Shareholders dated Wednesday, 10 August 2016, including all annexures and enclosures thereto;
"Companies Act"	Companies Act, No. 71 of 2008, as amended;
"Companies Act Regulations"	the Companies Act Regulations, 2011, promulgated under the Companies Act, as amended from time to time;
"Company Secretary"	HCI Managerial Services Proprietary Limited (registration number 1996/017874/07), a private company incorporated under the laws of South Africa;
"Corporate Adviser and Sponsor" or "PSG Capital"	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated under the laws of South Africa;
"CSDP"	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a Dematerialised share account;
"Custody Agreement"	a custody agreement between a person and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on Deneb's uncertificated securities register administered by a CSDP or Broker on behalf of that person;
"Dematerialise" or "Dematerialisation"	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in Deneb's uncertificated securities register administered by a CSDP;
"Dematerialised Shareholders"	Shareholders who hold Dematerialised Shares;
"Dematerialised Shares"	Shares which have been incorporated into the Strate system and which are no longer evidenced by Documents of Title;
"Deneb" or "the Company"	Deneb Investments Limited (registration number 2013/091290/06), a public company incorporated under the laws of South Africa, the issued ordinary share capital of which is listed on the JSE;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended;
"Form of Proxy"	for purposes of the General Meeting, the form of proxy (*yellow*) for use by Certificated Shareholders and Own-Name Dematerialised Shareholders only;
"General Meeting"	the general meeting of Shareholders to be held at 09:00 on Thursday, 8 September 2016 at the registered offices of the Company, 5th Floor, Deneb House, Corner Main and Browning Roads, Observatory, Cape Town, 7925, convened in terms of the notice of General Meeting enclosed and forming part of this Circular;
"General Meeting Record Date"	in terms of section 59(1)(b) of the Companies Act, the date determined by the Directors as being the date by which a Shareholder is required to be recorded as such in the Register in order to be eligible to attend, participate in and to vote at the General Meeting, being Friday, 2 September 2016;
"Group"	Deneb and its Subsidiaries;

"Independent Board"	collectively, Messrs Mohamed Ahmed, Logie Govender and Naziema Jappie, being the Deneb Directors who are independent directors in relation to the Specific Repurchase for purposes of the Companies Act Regulations;
"Independent Expert" or "BDO"	BDO Corporate Finance Proprietary Limited (registration number 1983/002903/07), a private company incorporated under the laws of South Africa;
"JSE"	the exchange, licensed under the Financial Markets Act, operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
"JSE Listings Requirements"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"KPMG" or "Independent Reporting Accountants"	KPMG Incorporated (registration number 1999/021543/21), a private company incorporated under the laws of South Africa; and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG is a registered auditor, in public practice, in terms of the Auditing Profession Act (No. 26 of 2005);
"Last Practicable Date"	the last practicable date before finalisation of this Circular, which date was Friday, 29 July 2016;
"Legal Adviser" or "Bowman Gilfillan"	Bowman Gilfillan Incorporated (registration number 1998/021409/21), a private company incorporated under the laws of South Africa;
"MOI"	the memorandum of incorporation of a company;
"NAV"	net asset value;
"Own-Name Registration" or "Own-Name Dematerialised Shareholders"	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
"Rand" or "R"	South African Rand;
"Register"	the register of Shareholders of the Company;
"SACTWU"	the Southern African Clothing and Textile Workers' Union;
"SENS"	Stock Exchange News Service of the JSE;
"Shareholders" or "Deneb Shareholders"	registered holders of Shares;
"Shares" or "Deneb Shares"	ordinary no par value shares in the share capital of Deneb, which shares are listed on the JSE;
"Solvency and Liquidity Test"	the solvency and liquidity test set out in section 4(1) of the Companies Act;
"South Africa"	the Republic of South Africa;
"Specific Repurchase"	the repurchase by Deneb of the Specific Repurchase Shares for the Specific Repurchase Consideration, as set out in this Circular in terms of section 48 of the Companies Act and paragraph 5.69 of the JSE Listings Requirements and pursuant to the terms and conditions of the Specific Repurchase Agreement;
"Specific Repurchase Agreement"	the agreement concluded between the Company and SACTWU on 13 June 2016 in terms of which the Company will repurchase the Specific Repurchase Shares for the Specific Repurchase Consideration from SACTWU. The Specific Repurchase Shares will be cancelled as part of the issued share capital of Deneb following their acquisition and be part of and reinstated to the authorised, but unissued share capital of Deneb;
"Specific Repurchase Consideration"	the aggregate consideration of R267 014 452 payable by Deneb to SACTWU in respect of the Repurchase Shares, representing a price of R2,00 per Repurchase Share, to be settled in cash;
"Specific Repurchase Shares"	133 507 226 Deneb Shares, being approximately 23,78% of Deneb's issued share capital, to be acquired from SACTWU in terms of the Specific Repurchase Agreement;
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system used by the JSE;
"Subsidiary" or "Subsidiaries"	a "subsidiary" as defined in the Companies Act;
"Transfer Secretaries" or "Computershare"	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa;
"TRP"	The Takeover Regulation Panel, established in terms of section 196 of the Companies Act; and
"VWAP"	volume weighted average trading price.

DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2013/091290/06
Share Code: DNB ISIN ZAE000197398

CIRCULAR TO DENEB SHAREHOLDERS

1. **INTRODUCTION**

1.1 In the announcement released by the Company on SENS on Tuesday, 14 June 2016, Shareholders were advised that the Company and SACTWU had entered into the Specific Repurchase Agreement, subject to Shareholder approval, in terms whereof Deneb will, subject to the conditions precedent set out in paragraph 4 below, will acquire the Specific Repurchase Shares from SACTWU, being all of the Deneb Shares held by SACTWU for the Specific Repurchase Consideration.

1.2 The purpose and subject of this Circular is to provide Deneb Shareholders with the relevant information on the Specific Repurchase and to convene the General Meeting at which Deneb Shareholders can consider and, if deemed fit, pass, with or without modification, the resolutions, as set out in the notice of General Meeting, to approve and implement the Specific Repurchase.

2. **RATIONALE FOR THE SPECIFIC REPURCHASE**

2.1 The Board believes that the Specific Repurchase at the Specific Repurchase Consideration of R2,00 per Deneb Share, which is a 42% discount to the NAV per share, based on the Company's NAV per share of R3,47 as at 31 March 2016, is an efficient use of Deneb's cash and facilities. Accordingly, the Specific Repurchase is considered an appropriate allocation of capital and is earnings enhancing to shareholders on a total comprehensive income basis. SACTWU wishes to realise their investment in Deneb for cash through the Specific Repurchase.

2.2 In addition, the Specific Repurchase will have the positive effect of increasing the proportion of "public shareholders" of the Company, as defined in terms of the JSE Listings Requirements, from 11,2% to 14,7%.

3. **TERMS OF THE SPECIFIC REPURCHASE**

3.1 In terms of the Specific Repurchase, the repurchase of the Specific Repurchase Shares and the payment of the Specific Repurchase Consideration, which is to be discharged in cash from the Company's existing cash resources and facilities, will take place on the third business day after the fulfilment or waiver of the last of the conditions precedent to the Specific Repurchase, as set out in paragraph 4 below.

3.2 In terms of the JSE Listings Requirements, the Specific Repurchase is a related party transaction, as SACTWU is a material shareholder in Deneb. In terms of section 48 of the Companies Act, read together with section 115(4) of the Companies Act, and paragraph 5.69 of the JSE Listings Requirements, a special resolution of the Company must be passed by Deneb Shareholders, excluding SACTWU and their Associates, in order to implement the Specific Repurchase.

3.3 The Specific Repurchase Consideration of R2,00 per Deneb Share is at a premium of:

- 21,2% to the closing price of Deneb shares on Friday, 10 June 2016 of R1,65; and
- 19,0% to the 30-day VWAP of R1,68 as at Friday, 10 June 2016, being the date prior to Deneb and SACTWU concluding the Specific Repurchase Agreement.

3.4 In terms of section 48(8) of the Companies Act, read together with sections 114 and 115 of the Companies Act, a fair and reasonable opinion from an independent expert is required on the Specific Repurchase. Furthermore, as the Specific Repurchase is from a related party and at a premium to the 30-day VWAP of Deneb, in terms of paragraph 5.69(e) of the JSE Listings Requirements the Specific Repurchase requires an independent expert opinion. Accordingly, the opinion of the Independent Expert on the Specific Repurchase is set out in Annexure 1 of this Circular.

3.5 The Specific Repurchase Shares will be cancelled, in accordance with the Companies Act, and their listing on the JSE terminated on, or as soon as possible after the implementation of the Specific Repurchase.

4. **CONDITIONS PRECEDENT**

4.1 The Specific Repurchase is subject, *inter alia*, to the fulfilment or waiver of the following conditions precedent in respect of the Specific Repurchase Agreement as at the Last Practicable Date:

- The shareholders of Deneb adopting such resolutions as may be required, to authorise the Specific Repurchase in accordance with paragraph 5.69 of the JSE Listings Requirements and/or sections 46, 48, 114 and 115 of the Companies Act; and
- The TRP, to the extent required, either issuing a compliance certificate or exempting the Company from the requirement to obtain a compliance certificate, in accordance with the provisions of the Companies Act.

5. **ADEQUACY OF CAPITAL**

5.1 The Directors have considered the impact of the Specific Repurchase and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with and that:

- Deneb and its subsidiaries ("the Deneb Group") will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months from the date of approval of this Circular;
- The assets of Deneb and the Deneb Group will exceed the liabilities of Deneb and the Deneb Group for a period of 12 months from the date of approval of this Circular, where for this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of Deneb which comply with the Companies Act;
- The share capital and reserves of Deneb and the Deneb Group will be adequate for ordinary business purposes for a period of 12 months from the date of approval of this Circular; and
- The working capital of the Deneb and the Deneb Group will be adequate for ordinary business purposes for a period of 12 months from the date of approval of this Circular.

5.2 Furthermore, the Directors state as follows:

- In terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the Specific Repurchase by resolution;
- In terms of section 46(1)(b) of the Companies Act, it reasonably appears that Deneb will satisfy the Solvency and Liquidity Test immediately after completing the Specific Repurchase; and
- In terms of section 46(1)(c) of the Companies Act, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that Deneb will satisfy the Solvency and Liquidity Test immediately after completing the Specific Repurchase.

6. **FINANCIAL INFORMATION**

6.1 ***Pro forma* Financial Information**

The table below sets out the *pro forma* financial effects of the Specific Repurchase on the financial position of Deneb, to assist Shareholders in assessing the impact of the Specific Repurchase on, *inter alia*, the earnings per Share, headline earnings per Share, diluted earnings per Share, diluted headline earnings per Share, NAV per Share and tangible NAV per Share.

The *pro forma* financial effects of the Specific Repurchase on Deneb Shareholders are the responsibility of the Directors and have been prepared for illustrative purposes only to provide information about how the Specific Repurchase would have affected the financial position and results of Deneb and, because of its nature, may not fairly present Deneb's financial position, changes in equity, results of operations and cash flows after the Specific Repurchase.

The accounting policies used in calculating the *pro forma* financial effects are consistent with the accounting policies applied in the annual financial statements for the previous reporting period. The *pro forma* financial information has been prepared using the most recent published financial information of Deneb for the year ended 31 March 2016.

The *pro forma* financial information is prepared in terms of the JSE Listings Requirements and the guidelines issued by the South African Institute of Chartered Accountants. The detailed *pro forma* financial information and notes thereto are contained in Annexure 3 of the Circular. The Independent Reporting Accountants' report on the *pro forma* financial information is set out in Annexure 4 to the Circular.

		Audited results before the Specific Repurchase	***Pro forma* results after the Specific Repurchase**	**Movement (%)**
Basic earnings per Share	(cents)	10,11	8,72	(13,8)
Diluted earnings per Share	(cents)	10,09	8,70	(13,8)
Headline earnings per Share	(cents)	8,07	6,05	(25,0)
Diluted headline earnings per Share	(cents)	8,05	6,03	(25,1)
NAV per Share	(cents)	347	393	13,3
Tangible NAV per Share	(cents)	326	364	11,7

Notes and assumptions:

1. The figures in the "Audited results before the Specific Repurchase" column have been extracted from the audited consolidated financial statements of Deneb for the year ended 31 March 2016.
2. The basic earnings per share and headline earnings per share figures are calculated based on the weighted average number of shares in issue at 31 March 2016.
3. The diluted basic earnings per share and the diluted headline earnings per share are calculated based on the diluted weighted average number of shares in issue at 31 March 2016.
4. The "After the Specific Repurchase" column is based on the assumption that the 133 507 226 shares were repurchased for a total consideration of R267,0 million (excluding costs, as the costs are charged to equity) with effect from 1 April 2015 for basic earnings per share, diluted basic earnings per share, headline earnings per share and diluted headline earnings per share purposes.
5. The "After the Specific Repurchase" column is based on the assumption that the 133 507 226 shares were repurchased for a total consideration of R267,0 million from 31 March 2016 for NAV and tangible NAV per share purposes.
6. Once-off net transaction costs assumed in respect of the Specific Repurchase of approximately R1,45 million have been taken into account and charged to equity.

7. Deneb will be repaid a portion of an inter-company loan from a subsidiary company to fund the Specific Repurchase ("the Loan Repayment"). The bank overdraft of a subsidiary company is deemed to have increased by the amount of R268,5 million to reflect the repayment of the inter-company loan with the cash utilised for the Specific Repurchase and the related transaction costs.
8. The total number of shares in issue have been adjusted for the 133 507 226 shares repurchased, which are assumed to be cancelled after the Specific Repurchase.
9. The earnings of the Group have been decreased by the tax deductible finance expense incurred by the subsidiary company on the cash utilised to finance the Loan Repayment. This amount has been calculated as R27,0 million (before tax) which is based on the average prime interest rate for the year ended 31 March 2016. This effect is expected to be of a continuing nature.
10. Taxation is assumed at a rate of 28%.
11. The weighted average number of shares in issue and the diluted weighted average number of shares in issue have been adjusted for the 133 507 226 shares repurchased, which are assumed to be cancelled after the Specific Repurchase.

6.2 **Historical Financial Information**

Extracts of the published audited historical financial information of Deneb for the last three financial years ended 31 March 2014, 31 March 2015 and 31 March 2016 are included in Annexure 5 and Annexure 6 to this Circular. Copies of the full financial statements for those periods will be available for inspection in terms of paragraph 16 below and are also available on the website of Deneb (www.deneb.co.za).

7. MAJOR BENEFICIAL SHAREHOLDERS

Insofar as is known to Deneb, the major Deneb Shareholders, other than a Director that, as at the Last Practicable Date, directly or indirectly, is beneficially interested in 5% or more of the issued share capital of Deneb:

Before the Specific Repurchase

Shareholder	Number of shares held	Percentage of issued share capital (%)
Hosken Consolidated Investments Limited	292 409 226	52,08
SACTWU	133 507 226	23,78
Fulela Trade and Invest 81 (Proprietary) Limited[1]	64 288 024	11,45
Squirewood Investments (Proprietary) Limited[1]	3 179 670	0,57
Total	**493 384 146**	**87,88**

After the Specific Repurchase

Shareholder	Number of shares held	Percentage of issued share capital (%)
Hosken Consolidated Investments Limited	292 409 226	68,32
Fulela Trade and Invest 81 (Proprietary) Limited[1]	64 288 024	15,02
Squirewood Investments (Proprietary) Limited[1]	3 179 670	0,74
Total	**359 876 920**	**84,08**

Note 1: Subsidiary of Hosken Consolidated Investments Limited.

8. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Deneb since the end of the last financial period, being 31 March 2016, up to and including the Last Practicable Date.

9. **DIRECTORS' INTERESTS**

The Directors' (including their Associates) direct and indirect beneficial interests in Deneb Shares, including a Director who has resigned during the last 18 months, as at the Last Practicable Date, are as follows:

Director	**Number of Shares held directly**	**Number of Shares held indirectly**	**Percentage of Shares in issue held (%)**
J A Copelyn	–	19 830 649	3,53
M H Ahmed	–	–	–
S A Queen	–	2 432 816	0,43
G D T Wege	576 706	–	0,10
D Duncan	237 283	–	0,04
T G Govender		802 900	0,14
L Govender	–	–	–
N B Jappie	–	–	–
A M Ntuli	–	1 020	–[2]
Y Shaik	–	–	–
R D Watson	–	–	–
Total	**813 989**	**23 067 385**	**4,24**

Note 2: Less than 0,01%.

There have been no changes to the Directors' shareholdings from the end of the financial year ended 31 March 2016 until the Last Practicable Date.

At the Last Practicable Date, none of the Directors (and their Associates), including previous Directors of the Company who had resigned in the 18 months prior to the Last Practicable Date, had a material beneficial interest in the transactions entered into by Deneb other than as a result of their shareholdings in Deneb as disclosed above.

10. **SHARE CAPITAL**

The authorised and issued share capital of Deneb, before and after the implementation of the Specific Repurchase, is as follows:

Before the Specific Repurchase	**R'000**
Authorised	
10 000 000 000 ordinary shares of no par value	–
Issued	
561 489 618 ordinary shares of no par value	1 717 286
Stated capital	1 717 286

After the Specific Repurchase	**R'000**
Authorised	
10 000 000 000 ordinary shares of no par value	–
Issued	
427 982 392 ordinary shares of no par value	1 448 822
Stated capital	1 448 822

Note: Deneb holds no issued shares in treasury as at the Last Practicable Date.

11. **EXPENSES**

11.1 There have been no preliminary expenses incurred by Deneb in the three years immediately preceding the date of this Circular.

11.2 The estimated expenses of Deneb in relation to the Specific Repurchase, including the fees payable to professional advisers (exclusive of Value Added Tax), are as follows:

	R'000
Securities Transfer Tax	667
Corporate Adviser and Sponsor – PSG Capital	250
Legal Adviser fees – Bowman Gilfillan	85
Independent Expert report – BDO	150
Independent Reporting Accountants fees – KPMG	85
JSE documentation fees	18
Transfer secretarial fees	25
Printing and related costs	40
TRP fees	130
TOTAL	**1 450**

12. TRP IMPLICATIONS

The TRP has provided Deneb with an exemption in terms of sections 119(6) of the Companies Act, exempting Deneb from compliance with the provisions of Chapter 5, Part B and Part C of the Companies Act and the Companies Act Regulations in respect of the Specific Repurchase, with respect to the disclosure requirements relating to Companies Regulations 101(7), 106(4) and 106(6) save for the presentation of the *pro forma* financial effects of the Specific Repurchase, in terms of Companies Act Regulations 106(7)(c) (ii), which are contained in Annexure 3 and the historical financial information of Deneb for the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016, in terms of Companies Act Regulations 106(7)(c) (i), which are contained in Annexure 5 and Annexure 6.

13. RESPONSIBILITY STATEMENTS

Responsibility statement of the Directors of the Company in terms of the JSE Listings Requirements

The Directors of Deneb, whose names are listed in the "Corporate Information" section of this Circular, 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 Circular contains all information required by the JSE Listings Requirements.

Responsibility statement of the Independent Board in terms of the Companies Act Regulations

The Independent Board accepts responsibility for the information contained in this Circular which relates to Deneb and confirms that, to the best of its knowledge and belief, such information which relates to Deneb is true and the Circular does not omit anything likely to affect the importance of such information.

14. ADVISERS' CONSENTS

Each of the advisers, whose names appear in the "Corporate Information" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consents prior to the Last Practicable Date.

15. OPINIONS AND RECOMMENDATIONS

15.1 The Independent Board have appointed BDO as the Independent Expert to provide the fair and reasonable opinion on the Specific Repurchase in terms of section 114 of the Companies Act and paragraph 5.69 of the JSE Listings Requirements.

15.2 The Independent Expert has advised that it has considered the terms and conditions of the Specific Repurchase, and at the Last Practicable Date its opinion and advice to the Independent Board is that the terms and conditions of the Specific Repurchase is fair and reasonable to Deneb Shareholders. The fair and reasonable opinion, which is contained in Annexure 1 to this Circular, will be available for inspection at Deneb's registered office for the required period of 28 days from the date of this Circular.

15.3 The Independent Board, taking into account the fair and reasonable opinion by the Independent Expert, has considered the terms and conditions of the Specific Repurchase and is of the opinion that the terms and conditions thereof are fair and reasonable to Deneb Shareholders.

15.4 Accordingly, the Independent Board recommends to Deneb Shareholders to vote in favour of the resolutions proposed in the notice of General Meeting. The Directors who hold Deneb Shares intend to vote in favour of all of the resolutions in respect of the Specific Repurchase.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Deneb and at the Johannesburg and Stellenbosch offices of the Corporate Adviser and Sponsor, during normal office hours, from the date of issue of this Circular up to and including Thursday, 8 September 2016:

- The MOI of Deneb and its Subsidiaries;
- The audited financial statements of Deneb for the three financial years ended 31 March 2014, 31 March 2015 and 31 March 2016;
- The report of the Independent Reporting Accountants regarding the *pro forma* financial information;
- The Independent Expert's opinion;
- The Specific Repurchase Agreement;
- The TRP exemption ruling letter referred to in paragraph 12; and
- The written consents from each of the advisers referred to in paragraph 14.

SIGNED AT CAPE TOWN ON WEDNESDAY, 10 AUGUST 2016 BY MOHAMED AHMED ON BEHALF OF ALL THE DIRECTORS OF THE INDEPENDENT BOARD IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH INDEPENDENT DIRECTORS

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MOHAMED AHMED
CHAIRMAN OF THE INDEPENDENT BOARD

SIGNED AT CAPE TOWN ON WEDNESDAY, 10 AUGUST 2016 BY STUART QUEEN ON BEHALF OF ALL THE DIRECTORS OF THE COMPANY IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

____

STUART QUEEN
CHIEF EXECUTIVE OFFICER

INDEPENDENT EXPERT'S REPORT

The Directors
Deneb Investments Limited
5th Floor, Deneb House
Corner Main and Browning Roads
Observatory
Cape Town
7925

2 August 2016

Dear Sirs

REPORT OF THE INDEPENDENT EXPERT TO THE INDEPENDENT BOARD OF DIRECTORS OF DENEB INVESTMENTS LIMITED REGARDING THE SPECIFIC REPURCHASE BY DENEB INVESTMENTS LIMITED OF ITS ORDINARY SHARES FROM THE SOUTHERN AFRICAN CLOTHING AND TEXTILE WORKERS' UNION

INTRODUCTION

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance" or the "Independent Expert") has been appointed by the independent board of directors of Deneb Investments Limited ("Deneb" or the "Company" or the "Group") ("Independent Board") to provide an independent opinion to the shareholders of Deneb with regard to the agreement concluded between Deneb and the Southern African Clothing and Textile Workers' Union ("SACTWU") on 13 June 2016 ("Specific Repurchase Agreement") in terms of which Deneb will repurchase 133 507 226 ordinary no par value shares in the share capital of Deneb ("Shares" or "Deneb Shares") ("Specific Repurchase Shares") from SACTWU for an aggregate consideration of R267 014 452 representing a price of R2,00 per Share ("Specific Repurchase Consideration") ("Specific Repurchase"). The Specific Repurchase will be settled in cash using the Group's existing facilities.

Full details of the Specific Repurchase are contained in the circular to Deneb Shareholders (the "Circular") dated Wednesday, 10 August 2016, which will include a copy of this opinion.

The material interests of the board of directors of Deneb ("Board" or "Directors") are set out in paragraph 9 of the Circular. The effects of the Specific Repurchase, detailed in paragraph 6 of the Circular, will also apply to the Directors.

FAIRNESS OPINION REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

SACTWU is a material shareholder of Deneb and a related party in terms of the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements").

The Specific Repurchase Consideration of R2,00 per Deneb Share represents a premium of:

- 21,2% to the closing price of Deneb Shares on Friday, 10 June 2016 of R1,65; and
- 19,0% to the 30-day volume weighted average trading price ("VWAP") of Deneb Shares of R1,68 as at Friday, 10 June 2016, being the date prior to Deneb and SACTWU concluding the Specific Repurchase Agreement.

As the Repurchase if from a related party and the Specific Repurchase Consideration of R2,00 per Deneb Share represents a premium to the VWAP of Deneb Shares traded on the JSE over the 30-days prior to the date of the Specific Repurchase Agreement, in terms of Section 5.69(e) of the JSE Listings Requirements, the Board is required to obtain a fairness opinion confirming whether the terms and conditions of the Specific Repurchase are fair insofar as the shareholders of Deneb are concerned ("Fairness Opinion"), which must be included in the Circular.

INDEPENDENT EXPERT REPORT REQUIRED

As the Specific Repurchase involve the acquisition by the Company of more than 5% of the Company's ordinary shares in issue, section 48(8)(b) of the Companies Act (No. 71 of 2008), as amended (the "Companies Act") specifies that the Specific Repurchase is subject to the requirements of sections 114 and 115 of the Companies Act. In terms of section 114(2) and (3) of the Companies Act, as read together with Regulation 90 of the Companies Regulations, 2011 (the "Companies Regulations"), the Board must retain an independent expert to compile a report on the Specific Repurchase (the "Fair and Reasonable Opinion").

Copies of sections 115 and 164 of the Companies Act are included as Annexures to this report of the independent expert.

SECTION 114(3) REQUIREMENTS

As required in terms of section 114(3) of the Companies Act (read together with section 48 of the Companies Act), this report deals with the following:

(a) state all prescribed information relevant to the value of the securities affected by the proposed arrangement;

(b) identify every type and class of holders of the Company's securities affected by the proposed arrangement;

(c) describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);

(d) evaluate any material adverse effects of the proposed arrangement against:

 (i) the compensation that any of those persons will receive in terms of that arrangement; and

 (ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;

(e) state any material interest of any director of the Company or trustee for security holders;

(f) state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e); and

(g) include a copy of sections 115 and 164.

RESPONSIBILITY

Compliance with the Companies Act and Listings Requirements is the responsibility of the Directors. Our responsibility is to report on the fairness and reasonableness of the terms of the Specific Repurchase.

EXPLANATION AS TO HOW THE TERMS "FAIR" AND "REASONABLE" APPLY IN THE CONTEXT OF THE SPECIFIC REPURCHASE

Schedule 5.7 of the JSE Listings Requirements states that the "fairness" of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company's shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The Specific Repurchase would be considered fair if the Specific Repurchase Consideration is less than or equal to the value of the Specific Repurchase Shares, or unfair if the Specific Repurchase Consideration is more than the value of the Specific Repurchase Shares.

An assessment of reasonableness is generally based on factors other than quantitative considerations. Even though the Specific Repurchase Consideration may differ from the market value of the assets being acquired, a transaction may still be reasonable after considering other significant qualitative factors.

OVERVIEW OF DENEB

Deneb is an investment holding company with its principal investments comprising the following:

Industry	Principal investments	Description
Properties	9 properties	Group-occupied properties
	9 properties	Investment properties
Branded Products	Prima Toys	Distribution of toys, games and stationery
	Seartec	Distribution of photocopiers and calculators
	Brand ID	Distribution of sporting equipment and accessories
	FuzeCloud	Cloud-based IT services
	OfficeBox	Online stationery
	Limtech	Security solutions
Industrial Manufacturing	Integrated Polypropylene Products (including Custom Extrusion)	Manufacture of polypropylene products (industrial bags)
	Brits Nonwoven	Manufacture of non-woven products
	Gold Reef Speciality Chemicals	Manufacture of chemicals
	Premier Rainwatergoods	Manufacture of gutters
Textile Manufacturing	Winelands Textiles	Manufacture of woven products
	Romatex Home Textiles	Manufacture of household textiles
	Frame Knitting Manufacturers	Manufacture of knitted products
	First Factory Shops	Textile factory shop

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- Specific Repurchase Agreement;
- Deneb Annual Report for the years ended 31 March 2014 and 2015;
- Deneb reviewed provisional condensed consolidated results for the year ended 31 March 2016, consolidation workings for the year ended 31 March 2016 and budget for the year ending 31 March 2017;
- Deneb management accounts for the period ended 30 April 2016;
- Historical financial information for the year ended 31 March 2012 – 2016 and budgeted financial information for the year ending 31 March 2017 for each of Deneb's operating divisions;
- Independent property valuer's reports, as at 31 March 2016, on the fair values of the 18 properties held by Deneb performed by Anthony Clive Freedman, Professional Associated Valuer of David Newham Property Management Company (Pty) Ltd, whom we have satisfied ourselves is an independent external registered professional valuer in terms of the Property Valuers Profession Act (No. 47 of 2000) ("Independent Property Valuer") ("Independent Property Valuations");
- Discussions with Directors and management and/or their advisers regarding the rationale for the Specific Repurchase;
- Discussions with Directors and management and/or their advisers regarding the historical and forecast financial information of Deneb and its operating divisions;
- Discussions with Directors and management and/or their advisers on prevailing market, economic, legal and other conditions which may affect underlying value;
- Share price information of Deneb; and
- Publicly available information relating to Deneb and the markets in which the Company and its operating divisions operate.

The information above was secured from:

- Directors and management of Deneb and their advisers; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Deneb and its operating divisions.

PROCEDURES AND CONSIDERATION

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Specific Repurchase:

- Reviewed the terms and conditions of the Specific Repurchase Agreement;
- Reviewed the financial information related to Deneb and its operating divisions, as detailed above;
- Reviewed and obtained an understanding from Directors and management as to the forecast financial information of Deneb and its operating divisions. Considered the forecast financial information and the basis of the assumptions therein including the prospects of the operating divisions. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and an assessment of the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- Held discussions with Directors and management regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the Group and its operating divisions and such other matters as we have deemed relevant to our inquiry;
- The net asset value ("NAV") method of valuation is normally most appropriate for the valuation of pure investment companies. This valuation approach would be used to value an investment holding company, where the value attributable to such holding company would be determined on a "sum of the parts" ("SOTP") basis. As such, a net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business. BDO Corporate Finance performed a desktop SOTP valuation of Deneb. The valuations were based on the following principal valuation methodologies:
  - Operating divisions (profitable): compiled a capitalisation of maintainable earnings valuation for Deneb's profitable operating divisions by using adjusted historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples based on market comparables, adjusted for company-specific factors for each operating division relative to listed peers, to revenue, EBIT, EBITDA and PAT;
  - Operating divisions (loss-making): compiled a net asset valuation on a liquidation basis, based on the fair and recoverable value of the operating division's assets and liabilities;
  - Investment properties: reviewed a sample of the Independent Property Valuations in respect of the Deneb property portfolio and considered the valuation methodologies and assumptions applied. Based on our review of the Independent Property Valuations we are satisfied that the valuation approach adopted is consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the valuations and are placing reliance on the valuations;
  - Unallocated head office and administration costs: determined the net present value ("NPV") of Deneb's unallocated head office and administration function;
  - Other financial assets and financial liabilities: financial assets and financial liabilities were valued based on their carrying values, after confirming that such carrying values represent fair value in terms of *International Financial Reporting Standards*;
- Aggregated the valuations of the operating divisions of Deneb and its head office and administration function (based on the unallocated costs), as well as adjusting for the fair value of the property portfolio and financial assets and financial liabilities to determine a SOTP valuation of Deneb;
- Reviewed historic volumes and values of shares traded;
- Assessed the long-term potential of Deneb and its operating divisions;
- Performed a sensitivity analysis on key assumptions included in the SOTP valuations;
- Evaluated the relative risks associated with Deneb and its operating divisions and the industries in which they operate;
- Reviewed certain publicly available information relating to Deneb and its operating divisions and the industries in which they operate that we deemed to be relevant, including Company announcements and media articles;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industries in which Deneb and its operating divisions operate, and to analyse external factors that could influence the businesses of Deneb and its operating divisions; and
- Held discussions with the Directors and management as to their strategy and the rationale for the Specific Repurchase and considered such other matters as we considered necessary, including assessing prevailing economic and market conditions and trends.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That the Specific Repurchase Agreement will be legally enforceable;
- That the Specific Repurchase will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisers of Deneb; and
- That reliance can be placed on the audited and unaudited financial information of Deneb and its operating divisions.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from Directors and management were confirmed by documentary evidence as well as our understanding of Deneb and its operating divisions and the economic environment in which the Company operates.

LIMITING CONDITIONS

This opinion is provided in connection with and for the purposes of the Specific Repurchase. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Deneb shareholders.

Individual shareholders' decisions regarding the Specific Repurchase may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Specific Repurchase.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

We have also assumed that the Specific Repurchase will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Deneb and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE

We confirm that we have no direct or indirect interest in Deneb Shares or the Specific Repurchase. We also confirm that we have the necessary qualifications and competence to provide the opinion on the Specific Repurchase.

Furthermore, we confirm that our professional fees of R150 000, payable in cash, are not contingent upon the success of the proposed Repurchase.

VALUATION APPROACH

BDO Corporate Finance performed a valuation of Deneb on a SOTP basis to determine whether the Specific Repurchase is fair. Deneb is an investment holding company with its principal investments comprising:

Industry	Principal investments	Valuation approach
Operating divisions		
Properties	9 properties	Capitalised yield
	9 properties	Capitalised yield
Branded products	Prima Toys	NAV
	Seartec	NAV
	Brand ID	NAV
	FuzeCloud	NAV
	OfficeBox	NAV
	Limtech	Market approach
Industrial Manufacturing	Integrated Polypropylene Products (including Custom Extrusion)	Market approach
	Brits Nonwoven	Market approach
	Gold Reef Speciality Chemicals	Market approach
	Premier Rainwatergoods	Market approach
Textile Manufacturing	Winelands Textiles	NAV
	Romatex Home Textiles	Market approach
	Frame Knitting Manufacturers	NAV
	First Factory Shops	NAV
Other financial assets and financial liabilities		
Long-term receivables	Loans receivable, production incentive grants	Carrying value/expected amount of grant
Deferred tax asset	Assessed loss	DCF
Post-employment medical aid benefits	Retirement subsidy of medical scheme contributions	Actuarial valuation/carrying value
Interest-bearing liabilities	Finance leases, loans payable, bank overdraft	Carrying value
Other		
Deneb Corporate Office	Unallocated corporate costs	DCF

The valuation was performed taking cognisance of risk and other market and industry factors affecting Deneb and its operating divisions.

BDO Corporate Finance performed a Market Valuation of Integrated Polypropylene Products, Brits Nonwoven, Romatex Home Textiles, Gold Reef Speciality Chemicals and Limtech using the capitalisation of maintainable earnings methodology. The key internal value driver and assumption to the capitalisation of maintainable earnings valuation comprises the sustainable earnings for these operating divisions. The key external value drivers for the Market Valuation is a market-related earnings multiples applicable to comparable publicly traded companies, adjusted for differences between the unlisted investment and the market comparables to account for the risk profile of the unlisted investment relative to the basket of peers. The key external value drivers for these operating divisions are detailed below:

Description	EBITDA multiple (times)	PBIT multiple (times)
Integrated Polypropylene Products	4,5	5,3
Brits Nonwoven	4,0	6,4
Romatex Home Textiles	3,5	4,3
Gold Reef Speciality Chemicals	4,0	4,9
Limtech	4,5	4,5

The valuation of Premier Rainwatergoods is based on the acquisition price of R101 500 000 as this acquisition was only recently completed with the acquisition effective on 9 March 2016.

The properties have been valued by the Independent Property Valuer using the income capitalisation method. The key internal value driver comprises the budgeted net operating income whereas the key external value driver is the appropriate market yield, which range between 9,0% and 14,0% for the 18 properties.

We have determined the NPV of Deneb's unallocated head office and administration costs. Unallocated corporate costs amount to R32,8 million per annum which is the key internal value driver for the valuation of the unallocated corporate office costs. The pre-tax corporate costs were discounted at a nominal discount rate of 15,0%, being the key external value driver for the unallocated corporate office costs.

Key external value drivers to the Net Asset Value methodology included an assessment of:

- The realisable value of receivables of 90% of carrying value;
- The realisable value of inventory of 75% of carrying value;
- The realisable value of plant and machinery of 50% of carrying value; and
- The realisable value of intangibles of 0% of carrying value.

Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. The Discount for Lack of Marketability ("DLOM") is a downward adjustment to the value of an investment to reflect its reduced level of marketability. Even controlling ownership interests are subject to some form of illiquidity discount. Factors that affect the illiquidity discount include the costs to prepare for and execute a sale and the uncertainty around the time it will take to complete a transaction. In performing the valuation, a discount of 15,0% has been deemed most appropriate to reflect the DLOM of the investments held by Deneb.

Sensitivity analysis

In addition, sensitivity analyses were performed in respect of the following:

- Increasing and decreasing the earnings multiples for profitable operating divisions by a maximum of 0,5 times;
- Increasing and decreasing the net asset valuations for loss-making operating divisions by a factor of 10%;
- Increasing and decreasing the discount rate for Deneb Corporate Office by a maximum of 1%; and
- Increasing and decreasing the marketability discount of the investments by a maximum of 2,5%.

The sensitivity analysis did not indicate a sufficient effect on the valuation of Deneb to alter our opinion in respect of the Specific Repurchase.

VALUATION RESULTS

In undertaking the valuation exercise above, we determined a valuation range of a Deneb Share of R2,04 to R2,16 with a most likely value of R2,10 per Deneb Share.

The valuation above is provided solely in respect of this opinion and should not be used for any other purposes.

REASONABLENESS OF THE SPECIFIC REPURCHASE

We have assessed the terms of the Specific Repurchase with reference to normal market-related practice. We have found no indication that the Specific Repurchase will have any material adverse effect on the Company or its shareholders and have identified no transaction parameters which could be considered unreasonable to the Company or its shareholders.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Specific Repurchase and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Specific Repurchase based on quantitative considerations, are fair to the Company and Deneb shareholders.

Based on qualitative factors, we are of the opinion that the terms and conditions of the Specific Repurchase are reasonable from the perspective of the Company.

Our opinion is necessarily based upon the information available to us up to 2 August 2016, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Specific Repurchase, have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

N Lazanakis
Director

BDO Corporate Finance Proprietary Limited
22 Wellington Road
Parktown
2193

EXTRACT FROM COMPANIES ACT

"115: Required approval for transactions contemplated in Part

1. Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:

   (a) the disposal, amalgamation or merger, or scheme of arrangement:

      (i) has been approved in terms of this section; or

      (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

   (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:

      (i) dispose of all or the greater part of its assets or undertaking;

      (ii) amalgamate or merge with another company; or

      (iii) implement a scheme of arrangement,

   the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of 25 section 119(6).

2. A proposed transaction contemplated in subsection (1) must be approved:

   (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and

   (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company, if any, if:

      (i) the holding company is a company or an external company;

      (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

      (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

   (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:

   (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or

   (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:

   (a) required to be present or actually present, in determining whether the applicable quorum requirements are satisfied; or

   (b) required to be voted in support of a resolution, or actually voted in support of the resolution.

4A. In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).

5. If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:

   (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

   (b) treat the resolution as a nullity.

6. On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:

   (a) is acting in good faith;

   (b) appears prepared and able to sustain the proceedings; and

   (c) has alleged facts which, if proved, would support an order in terms of subsection (7).

7. On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
   (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
   (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
8. The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
   (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
   (b) was present at the meeting and voted against that special resolution.
9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
   (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
   (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
   (c) the transfer of shares from one person to another;
   (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
   (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
   (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."

"164: Dissenting shareholders appraisal rights

1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
   (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
   (b) enter into a transaction contemplated in section 112, 113, or 114,

   that notice must include a statement informing shareholders of their rights under this section.
3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
   (a) gave the company a written notice of objection in terms of subsection (3); and
   (b) has neither:
      (i) withdrawn that notice; or
      (ii) voted in support of the resolution.
5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
   (a) the shareholder:
      (i) sent the company a notice of objection, subject to subsection (6); and
      (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
   (b) the company has adopted the resolution contemplated in subsection (2); and
   (c) the shareholder:
      (i) voted against that resolution; and
      (ii) has complied with all of the procedural requirements of this section.
6. The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
   (a) 20 business days after receiving a notice under subsection (4); or
   (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
   (a) the shareholder's name and address;
   (b) the number and class of shares in respect of which the shareholder seeks payment; and
   (c) a demand for payment of the fair value of those shares.
9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
   (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b); the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
   (b) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
11. Within five business days after the later of:
   (a) the day on which the action approved by the resolution is effective;
   (b) the last day for the receipt of demands in terms of subsection (7)(a); or
   (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
12. Every offer made under subsection (11):
   (a) in respect of shares of the same class or series must be on the same terms; and
   (b) lapses if it has not been accepted within 30 business days after it was made.
13. If a shareholder accepts an offer made under subsection (12):
   (a) the shareholder must either in the case of:
      (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
      (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
   (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
      (i) tendered the share certificates; or
      (ii) directed the transfer to the company of uncertificated shares.
14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
   (a) failed to make an offer under subsection (11); or
   (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
15. On an application to the court under subsection (14):
   (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
   (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
   (c) the court:
      (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
      (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
      (iii) in its discretion may:
         (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
         (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment; may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

(iv) must make an order requiring:

(aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

15A. At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:

(a) that shareholder must comply with the requirements of subsection 13(a); and

(b) the company must comply with the requirements of subsection 13(b).

16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

17. If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:

(a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and

(b) the court may make an order that:

(i) is just and equitable, having regard to the financial circumstances of the company; and

(ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

(a) the provisions of that section; or

(b) the application by the company of the solvency and liquidity test set out in section 4.

20. Except to the extent:

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

PRO FORMA FINANCIAL INFORMATION OF DENEB

The *pro forma* financial information set out below has been prepared to assist Shareholders to assess the impact of the Specific Repurchase on the audited results of Deneb for the year ended 31 March 2016. The *pro forma* statement of financial position and statement of profit or loss and other comprehensive income for the year ended 31 March 2016 have been prepared to illustrate the impact of the Specific Repurchase as if the Specific Repurchase had occurred on 1 April 2015 for purposes of adjusting the *pro forma* statement of profit or loss and other comprehensive income, and on 31 March 2016 for purposes of adjusting the *pro forma* statement of financial position.

The *pro forma* financial information has been prepared for illustrative purposes only based on current information available to management and, due to its nature, may not fairly present Deneb's financial position, changes in equity, results of operations or cash flows after the Specific Repurchase. The *pro forma* information is presented in a manner that is consistent with the accounting policies used by Deneb.

The Directors are responsible for the preparation of the *pro forma* financial information contained in this Circular.

The *pro forma* financial information of Deneb should be read in conjunction with the limited assurance report of the Independent Reporting Accountants which is included as Annexure 4 to this Circular.

PRO FORMA FINANCIAL EFFECTS ON THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	Audited results before the Specific Repurchase R'000	Adjustments for the Specific Repurchase R'000	*Pro forma* results after the Specific Repurchase R'000
ASSETS				
Non-current assets		**1 689 141**	**–**	**1 689 141**
Plant and equipment		312 860	–	312 860
Owner-occupied properties		434 075	–	434 075
Investment properties		737 507	–	737 507
Intangible assets		22 263	–	22 263
Goodwill		15 023	–	15 023
Other investments		3 391	–	3 391
Long-term receivables		74 093	–	74 093
Deferred tax asset		89 929	–	89 929
Current assets		**1 452 849**	**–**	**1 452 849**
Non-current assets held for sale		2 175	–	2 175
Inventories		683 732	–	683 732
Loan receivable		83 101	–	83 101
Trade and other receivables		654 396	–	654 396
Current tax asset		143	–	143
Cash and cash equivalents		29 302	–	29 302
Total assets		**3 141 990**	**–**	**3 141 990**
EQUITY AND LIABILITIES				
Total equity attributable to equity holders		**1 950 346**	**(268 464)**	**1 681 882**
Stated capital	2 and 3	1 717 286	(268 464)	1 448 822
Reserves		232 477	–	232 477
Equity attributable to owners of the company		**1 949 763**	**(268 464)**	**1 681 299**
Non-controlling interest: NCI		583	–	583
Non-current liabilities		**100 976**	**–**	**100 976**
Deferred tax liability		5 160	–	5 160
Post-employment medical aid benefits		90 803	–	90 803
Interest-bearing liabilities		4 149	–	4 149
Operating lease accruals		864	–	864
Current liabilities		**1 090 668**	**268 464**	**1 359 132**
Post-employment medical aid benefits		6 789	–	6 789
Interest-bearing liabilities		38 733	–	38 733
Trade and other payables		489 856	–	489 856
Provisions		5 705	–	5 705
Current tax payable		1 821	–	1 821
Bank overdrafts	4	547 764	268 464	816 228
Total liabilities		**1 191 644**	**268 464**	**1 460 108**
Total equity and liabilities		**3 141 990**	**–**	**3 141 990**

		Audited results before the Specific Repurchase	Adjustments for the Specific Repurchase	*Pro forma* results after the Specific Repurchase	Percentage increase/ (decrease) as a result of the Specific Repurchase (%)
NAV per share	(cents)	347	46	393	13,3
Tangible NAV per share	(cents)	326	38	364	11,7
Actual number of share in issue at end of year	('000)	561 490	(133 507)	427 983	(23,8)

Notes and assumptions:

1. The figures in the "Audited results before the Specific Repurchase" column have been extracted from the audited consolidated financial statements of Deneb for the year ended 31 March 2016.
2. The "After the Specific Repurchase" column is based on the assumption that the 133 507 226 shares were repurchased for a total consideration of R267,0 million from 31 March 2016 for NAV and tangible NAV per share purposes.
3. Once-off net transaction costs assumed in respect of the Specific Repurchase of approximately R1,45 million have been taken into account and debited to equity.
4. Deneb will be repaid a portion of an inter-company loan from a subsidiary company to fund the Specific Repurchase ("the Loan Repayment"). The bank overdraft of a subsidiary company is deemed to have increased by the amount of R268,5 million to reflect the repayment of the inter-company loan with the cash utilised for the Specific Repurchase and the related transaction costs.
5. The total number of shares in issue have been adjusted for the 133 507 226 shares repurchased, which are assumed to be cancelled after the Specific Repurchase.

PRO FORMA FINANCIAL EFFECT ON THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	Audited results before the Specific Repurchase R'000	Adjustments for the Specific Repurchase R'000	*Pro forma* results after the Specific Repurchase R'000
Revenue		**2 715 640**	**–**	**2 715 640**
Gross profit		**628 925**	**–**	**628 925**
Operating profit before impairments, restructuring and revaluation of investment property		**133 091**	**–**	**133 091**
Revaluation of investment properties		30 648	–	30 648
Net impairment reversal/(impairment) of assets		(2 248)	–	(2 248)
Restructuring and retrenchment costs		(5 953)	–	(5 953)
Operating profit before finance costs		**155 538**	**–**	**155 538**
Finance income		10 174	–	10 174
Finance expenses	5	(73 105)	(26 971)	(100 076)
Profit before taxation		**92 607**	**(26 971)**	**65 636**
Income tax expense	6	(39 156)	7 552	(31 604)
Profit for the year from continuing operations		53 451	(19 419)	34 032
Loss for the year from discontinued operations		–	–	–
Income for the year		**53 451**	**(19 419)**	**34 032**
Other comprehensive income, net of tax				
Revaluation of land and buildings		34 841	–	34 841
Fair value adjustment on available-for-sale financial assets		(253)	–	(253)
Post-employment medical benefit – actuarial loss		10 359	–	10 359
Other comprehensive income, net of tax		**44 947**	**–**	**44 940**
Total comprehensive income for the year		**98 398**	**(19 419)**	**78 979**
Profit attributable to:				
Owners of the company		56 722	(19 419)	37 303
Non-controlling interests		(3 271)	–	(3 271)
Total profit		**53 451**	**(19 419)**	**34 032**
Total comprehensive income attributable to:				
Owners of the company		101 669	(19 419)	82 250
Non-controlling interests		(3 271)	–	(3 271)
Income for the year		**98 398**	**(19 419)**	**78 979**
Reconciliation between earnings, headline earnings and adjusted headline earnings/(loss)				
Income attributable to shareholders of Deneb		56 722	–	37 303
Net impairment of assets		2 248	–	2 248
Remeasurements of investment property		(23 783)	–	(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		(367)	–	(367)
Loss on disposal of property, plant and equipment		422	–	422
Headline earnings		**45 282**	**–**	**25 863**

		Audited results before the Specific Repurchase	Adjustments for the Specific Repurchase	*Pro forma* results after the Specific Repurchase	Percentage increase/ (decrease) as a result of the Specific Repurchase (%)
Basic earnings per share	(cents)	10,11	(1,39)	8,72	(13,8)
Diluted basic earnings per share	(cents)	10,09	(1,39)	8,70	(13,8)
Headline earnings per share	(cents)	8,07	(2,02)	6,05	(25,0)
Diluted headline earnings per share	(cents)	8,05	(2,02)	6,03	(25,1)
Weighted average number of shares in issue	('000)	561 207	(133 507)	427 700	(23,8)
Weighted average number of shares in issue (diluted)	('000)	562 263	(133 507)	428 756	(23,7)

Notes and assumptions:

1. The figures in the "Audited results before the Specific Repurchase" column have been extracted from the audited consolidated financial statements of Deneb for the year ended 31 March 2016.
2. The basic earnings per share and headline earnings per share figures are calculated based on the weighted average number of shares in issue at 31 March 2016.
3. The diluted basic earnings per share and the diluted headline earnings per share are calculated based on the diluted weighted average number of shares in issue at 31 March 2016.
4. The "After the Specific Repurchase" column is based on the assumption that the 133 507 226 shares were repurchased for a total consideration of R267,0 million (excluding costs, as the costs are charged to equity) with effect from 1 April 2015 for basic earnings per share, diluted basic earnings per share, headline earnings per share and diluted headline earnings per share purposes.
5. Deneb will be repaid a portion of an inter-company loan from a subsidiary company to fund the Specific Repurchase ("the Loan Repayment"). The earnings of the Group have been decreased by the tax deductible finance expense incurred by the subsidiary company on the cash utilised to finance the Loan Repayment. This amount has been calculated as R27,0 million (before tax) which is based on the average prime interest rate for the year ended 31 March 2016. This effect is expected to be of a continuing nature.
6. Taxation is assumed at a rate of 28%.
7. The weighted average number of shares in issue and the diluted weighted average number of shares in issue have been adjusted for the 133 507 226 shares repurchased, which are assumed to be cancelled after the Specific Repurchase.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

The Directors
Deneb Investments Limited
5th Floor Deneb House
Cnr Main and Browning Roads
Observatory
7925

2 August 2016

Dear Sirs

The definitions commencing on page 6 of this circular apply *mutatis mutandis* to this report.

We have completed our assurance engagement to report ("**Report**") on the compilation of *pro forma* earnings and diluted earnings per share, headline and diluted headline earnings per share and net asset value and net tangible asset value per share of Deneb ("**Deneb**" or "**the Company**") and the *pro forma* statement of financial position of Deneb, the *pro forma* statement of profit or loss and other comprehensive income of Deneb and the related notes and assumptions, including a reconciliation showing all of the *pro forma* adjustments to the share capital, reserves and other equity items relating to Deneb, (collectively "***Pro forma* Financial Information**"). The *Pro forma* Financial Information is set out in the Salient Features, paragraph 6 and Annexure 3 of the Circular to be issued by the Company on or about Wednesday, 10 August 2016 ("**Circular**").

The *Pro forma* Financial Information has been compiled by the directors of Deneb to illustrate the impact of the Specific Repurchase of securities ("**Specific Repurchase**") set out in Annexure 3 of the Circular on the Company's financial position and changes in equity as at 31 March 2016 and the Company's financial performance for the period ended 31 March 2016 as if the Specific Repurchase had taken place at 1 April 2015.

As part of this process, the Company's earnings, diluted earnings, headline earnings and diluted headline earnings per share, statement of profit or loss and other comprehensive income and statement of financial position have been extracted by the directors from the Company's published audited financial statements for the period ended 31 March 2016, on which an audit report has been published. In addition, the directors have calculated the net asset value and net tangible asset value per share as at 31 March 2016 based on financial information extracted from the audited financial statements.

RESPONSIBILITY OF THE DIRECTORS

The directors of Deneb are responsible for compiling the *Pro forma* Financial Information on the basis of the applicable criteria as detailed in paragraphs 8.15 to 8.34 of the Listings Requirements of the JSE Limited ("**Applicable Criteria**").

RESPONSIBILITY OF THE INDEPENDENT REPORTING ACCOUNTANT

Our responsibility is to express an opinion about whether the *Pro forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the Applicable Criteria, based on our procedures performed.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled, in all material respects, the *Pro forma* Financial Information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Published Financial Information used in compiling the *Pro forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the Published Financial Information used in compiling the *Pro forma* Financial Information.

The purpose of *Pro forma* Financial Information included in the Circular is solely to illustrate the impact of the Specific Repurchase on the financial information extracted from the audited financial statements as if the Specific Repurchase had been undertaken on 1 April 2015. Accordingly, we do not provide any assurance that the actual outcome of the Specific Repurchase, subsequent to its implementation, will be as presented in the *Pro forma* Financial Information.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors in the compilation of the *Pro forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Specific Repurchase and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The *Pro forma* Financial Information reflects the proper application of those *pro forma* adjustments to the financial information extracted from the audited financial statements.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the Specific Repurchase in respect of which the *Pro forma* Financial Information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information.

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

OPINION

In our opinion, the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

KPMG Inc.
Registered Auditor

Per PJ Conradie
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Inc
MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001

HISTORICAL FINANCIAL INFORMATION OF DENEB FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016 AND 31 MARCH 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March

	Notes	**2016 R000's**	2015 R000's
Continuing operations			
Revenue	3	**2 715 640**	2 665 399
Cost of sales		**(2 086 715)**	(2 059 555)
Gross profit		**628 925**	605 844
Other income		**59 481**	60 104
Selling and distribution expenses		**(326 839)**	(328 890)
Administrative and other expenses		**(228 476)**	(213 720)
Operating profit before impairments, restructuring and revaluation of investment property	3	**133 091**	123 338
Revaluation of investment properties	11	**30 648**	70 187
Net (impairment)/impairment reversal of assets	5	**(2 248)**	5 554
Restructuring and retrenchment expenses		**(5 953)**	–
Operating profit before finance costs		**155 538**	199 079
Finance income	6	**10 174**	11 271
Finance expenses	6	**(73 105)**	(58 158)
Profit before taxation		**92 607**	152 192
Income tax (expense)/income	7	**(39 156)**	72 405
Profit from continuing operations		**53 451**	224 597
Discontinued operations			
Loss from discontinued operations, net of tax	8	**–**	(17 284)
Profit		**53 451**	207 313
Other comprehensive income, net of related tax			
Items that will never be reclassified to profit or loss			
Revaluation of land and buildings		**34 841**	7 095
Revaluation	10	**44 927**	8 428
Related tax	7	**(10 086)**	(1 333)
Post-employment medical aid benefit – actuarial gain/(loss)		**10 359**	(6 875)
Actuarial gain/(loss)	19	**14 387**	(9 549)
Related tax	7	**(4 028)**	2 674
Items that are or may be reclassified to profit or loss			
Fair value adjustment on available-for-sale financial assets	13	**(253)**	3 370
Other comprehensive income, net of tax		**44 947**	3 590
Total comprehensive income for the year		**98 398**	210 903
Profit attributable to:			
Owners of the company		**56 722**	208 750
Non-controlling interest	36	**(3 271)**	(1 437)
Total comprehensive income attributable to:			
Owners of the company		**101 669**	212 340
Non-controlling interest	36	**(3 271)**	(1 437)
		98 398	210 903
Basic profit per share from continuing operations (cents)		**10,11**	41,30
Diluted profit per share from continuing operations (cents)		**10,09**	40,86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March

	Notes	**2016 R000's**	2015 R000's
Assets			
Non-current assets		**1 689 141**	1 723 603
Property, plant and equipment	10	**746 935**	595 931
Plant and equipment		**312 860**	312 365
Owner-occupied property		**434 075**	283 566
Investment property	11	**737 507**	766 804
Intangible assets and goodwill	12	**37 286**	41 032
Intangible assets		**22 263**	23 761
Goodwill		**15 023**	17 271
Other investments	13	**3 391**	3 644
Long-term receivables	14	**74 093**	182 040
Deferred tax assets	7	**89 929**	134 152
Current assets		**1 452 849**	1 310 204
Non-current assets held for sale	15	**2 175**	57 933
Inventories	16	**683 732**	610 214
Loan receivables	17	**83 101**	–
Trade and other receivables	17	**654 396**	640 855
Current tax assets		**143**	765
Cash and cash equivalents		**29 302**	437
Total assets		**3 141 990**	3 033 807
Equity and liabilities			
Total equity		**1 950 346**	1 868 727
Stated capital	18	**1 717 286**	1 716 713
Reserves		**232 477**	154 266
Equity attributable to owners of the company		**1 949 763**	1 870 979
Non-controlling interest	36	**583**	(2 252)
Non-current liabilities		**100 976**	109 428
Deferred tax liabilities	7	**5 160**	3 009
Post employment medical aid benefits	19	**90 803**	102 694
Interest-bearing liabilities	20	**4 149**	2 800
Operating lease liabilities	21	**864**	925
Current liabilities		**1 090 668**	1 055 652
Current tax liabilities		**1 821**	868
Post employment medical aid benefits	19	**6 789**	6 413
Interest-bearing liabilities	20	**38 733**	45 063
Trade and other payables	21	**489 856**	473 429
Provisions	23	**5 705**	–
Bank overdraft		**547 764**	529 879
Total liabilities		**1 191 644**	1 165 080
Total equity and liabilities		**3 141 990**	3 033 807
Net asset value		**1 949 763**	1 870 979
Net asset value per share after treasury shares (cents)		**347**	334

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

	Notes	Issued stated capital R000's	Common control stated capital* R000's	Stated capital total R000's	Other reserves R000's	Retained income R000's	Total R000's	Non-controlling interest R000's	Total R000's
Balance at 31 March 2014			1 496 346	1 496 346	321 342	(329 519)	1 488 169	–	1 488 169
Total comprehensive income		–	–	–	10 465	201 875	212 340	(1 437)	210 903
Profit		–	–	–	–	208 750	208 750	(1 437)	207 313
Other comprehensive income, net of tax		–	–	–	10 465	(6 875)	3 590	–	3 590
Fair value adjustment on available-for-sale financial assets		–	–	–	3 370	–	3 370	–	3 370
Revaluation of land and buildings		–	–	–	7 095	–	7 095	–	7 095
Post-employment medical aid benefit – actuarial loss		–	–	–	–	(6 875)	(6 875)	–	(6 875)
Transfers to other reserves		–	–	–	(82 339)	82 339	–	–	–
Reclassification of revaluation surplus		–	–	–	(82 339)	82 339	–	–	–
Transactions with owners of the company		–	–	220 367	–	(49 897)	170 470	–	170 470
Shares issued to acquire entities under common control		1 496 346	(1 496 346)	–	–	–	–	–	–
Loan capitalisation		140 577	–	140 577	–	–	140 577	–	140 577
Shares issued		50 029	–	50 029	–	–	50 029	–	50 029
Share incentive receivable capitalised		24 532	–	24 532	–	–	24 532	–	24 532
Share incentive – expense		–	–	–	–	(1 140)	(1 140)	–	(1 140)
– recharge revaluation		–	–	–	–	(94)	(94)	–	(94)
– options exercised		5 229	–	5 229	–	(5 229)	–	–	–
Distribution in specie		–	–	–	–	(43 434)	(43 434)	–	(43 434)
Changes in ownership interest		**–**	–	–	–	–	–	(815)	(815)
Acquisition of subsidiary with non-controlling interests	24	–	–	–	–	–	–	(815)	(815)
Balance at 31 March 2015		**1 716 713**	**–**	**1 716 713**	**249 468**	**(95 202)**	**1 870 979**	**(2 252)**	**1 868 727**
Total comprehensive income		**–**	**–**	**–**	**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 benefit – actuarial loss		**–**	**–**	**–**	**–**	**10 359**	**10 359**	**–**	**10 359**

	Notes	Issued stated capital R000's	Common control stated capital* R000's	Stated capital total R000's	Other reserves R000's	Retained income R000's	Total R000's	Non-controlling interest R000's	Total R000's
Transfers to other reserves		**–**	**–**	**–**	**(41 057)**	**36 478**	**(4 579)**	**–**	**(4 579)**
Capital gains tax rate change		**–**	**–**	**–**	**(4 579)**	**–**	**(4 579)**	**–**	**(4 579)**
Reclassification of revaluation surplus		**–**	**–**	**–**	**(36 478)**	**36 478**	**–**	**–**	**–**
Transactions with owners of the company		**573**	**–**	**573**	**–**	**(12 773)**	**(12 200)**	**–**	**(12 200)**
Share issue		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share scheme – expense		**–**	**–**	**–**	**–**	**4 624**	**4 624**	**–**	**4 624**
– options exercised		**573**	**–**	**573**	**–**	**(573)**	**–**	**–**	**–**
Dividends		**–**	**–**	**–**	**–**	**(16 824)**	**(16 824)**	**–**	**(16 824)**
Changes in ownership interest		**–**	**–**	**–**	**–**	**(6 106)**	**(6 106)**	**6 106**	**–**
Acquisition of NCI without a change in control		**–**	**–**	**–**	**–**	**(6 106)**	**(6 106)**	**6 106**	**–**
Balance at 31 March 2016		**1 717 286**	**–**	**1 717 286**	**242 999**	**(10 522)**	**1 949 763**	**583**	**1 950 346**

* Refer to note 18, Stated capital.

Note: All figures from 1 October 2014 are consolidated. Figures for earlier periods are presented on a book value (carry-over) basis.

For further information, see note 1, Basis of preparation on page 35.

	2016 R000's	2015 R000's
Composition of other reserves		
Revaluation of investments	**(253)**	–
Common control reserve	**(15 902)**	(15 902)
Surplus on revaluation of land and buildings	**259 154**	265 370
	242 999	249 468

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March

	Notes	2016 R000's	2015 R000's
Net cash flows from operating activities		**62 316**	(154 832)
Profit		**53 451**	207 313
Adjustments for:			
— Depreciation	10	**37 507**	35 434
— Amortisation of intangible asset	12	**3 182**	5 044
— Revaluation of investment property	11	**(30 648)**	(70 187)
— Net foreign exchange losses/(gain) — unrealised		**5 822**	(4 033)
— Net profit on disposal of property, plant and equipment in continued operations		**76**	159
— Impairment reversal of property, plant and equipment		**—**	(12 771)
— Impairment on property, plant and equipment — continued operations	5	**—**	3 410
— Impairment on property, plant and equipment — discontinued operations		**—**	2 647
— Impairment of assets held for sale	5	**—**	3 807
— Impairment of goodwill	5	**2 248**	—
— Investment income		**(110)**	—
— Post-employment medical aid benefit	19	**2 872**	2 098
— Share incentive scheme — expense	34	**3 255**	6 261
— Inventory write-down		**1 918**	7 453
— Net finance costs	6	**62 931**	46 887
— Tax income/(expense)	7	**39 156**	(72 405)
Cash generated from operating activities before working capital changes		**181 660**	161 117
Changes in:			
— Inventories		**(75 436)**	(80 495)
— Trade and other receivables		**(13 541)**	(105 771)
— Trade and other payables		**10 605**	6 889
— Loans receivable		**24 846**	(55 200)
— Lease accrual		**(61)**	684
— Provisions		**5 705**	(23 116)
Cash outflow from working capital changes		**(47 882)**	(257 009)
Net finance costs	6	**(62 931)**	(46 887)
Taxes paid		**(8 531)**	(12 053)
Net cash flow from investing activities		**(29 531)**	(47 831)
Acquisition of property, plant and equipment		**(64 757)**	(57 189)
Acquisition of plant and equipment	10	**(36 979)**	(57 189)
Acquisition of owner-occupied properties	10	**(27 778)**	—
Proceeds from sale of assets held for sale		**55 758**	—
Proceeds from sale of intangible assets		**855**	—
Proceeds from sale of property, plant and equipment		**1 849**	55 778
Development cost of investment property	11	**(20 807)**	(42 387)
Proceeds on sale of investment property		**—**	15 600
Interest capitalised to investment property		**—**	(211)
Acquisition of subsidiary, net of cash acquired	24	**—**	186
Acquisition of intangible assets	12	**(2 539)**	(19 608)
Investment income		**110**	—
Net cash flow from financing activities		**(21 805)**	207 425
Change in borrowings		**(4 981)**	28 012
Loan capitalised		**—**	140 577
Share issue		**—**	50 029
Share-based liability settled		**—**	(11 193)
Dividend paid		**(16 824)**	—
Net change in cash and cash equivalents		**10 980**	4 762
Cash and cash equivalents at beginning of the year		**(529 442)**	(534 204)
Cash and cash equivalents at end of the year		**(518 462)**	(529 442)
Cash and cash equivalents comprise the following:			
Cash and cash equivalents		**29 302**	437
Bank balances		**29 302**	437
Cash floats and petty cash		**—**	—
Bank overdrafts		**(547 764)**	(529 879)
		(518 462)	(529 442)

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 2016 and comparative figures for the year ended 31 March 2015 comprise the company and its subsidiaries (together referred to as the Group). The company's registered office is on 5th floor, Deneb House, 368 Main Road, Observatory, 7925, Cape Town.

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.

Background

The Group was established during the prior reporting period when Deneb acquired the Property, Branded Product Distribution, Textile manufacturing and Industrial manufacturing businesses from Seardel Investment Corporation Limited ("Seardel") through a internal reorganisation that occurred on 1 October 2014.

Deneb unbundled from Seardel on 1 December 2014 and listed on the JSE Limited ("JSE") under the Financial Services – Speciality Finance sector.

Basis of preparation

The consolidated financial statements are presented in South African Rands, which is the company's functional 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.

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

Deneb has therefore chosen the book value accounting policy, using the hierarchy for the selection of accounting policies in IAS 8: Accounting Policies, Changes and Accounting Estimates and Errors. This accounting policy choice will be applied consistently to all transactions of a similar nature.

Book value accounting

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 transferor.

As the Group was established in the prior reporting period it did not prepare separate financial statements in accordance with IFRS for the periods up to and including 30 September 2014. The book value accounting method allows for comparative information to be presented as if the common control transaction had taken place at the start of the first reporting period presented. Accordingly, the comparative figures were prepared on a carve-out basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Seardel up to the date of the actual restructure.

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 Seardel 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 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.

1. **ACCOUNTING POLICIES (continued)**

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. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value.

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

Reclassification to investment property

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

Investment property

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

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

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

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

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 consolidated 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 as 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.

1. **ACCOUNTING POLICIES (continued)**

An impairment loss is recognised in profit or loss and reflected in an allowance account against loans and receivables. 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.

Finance income and expenses

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

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

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

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in 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 to the extend that it is probable that the amount will reverse in the foreseeable future but outside the control of the Group. 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 15% 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 and 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 a other reserve except for impairment losses, which are expensed in profit or loss.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

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 rate 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 consolidated statement of cash flows.

Financial liabilities, trade and other payables

Non-derivative financial liabilities are recognised at amortised cost using the effective interest rate 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 consolidated statement of financial position.

Derecognition

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

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

Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when 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 reliable, 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.

1. **ACCOUNTING POLICIES (continued)**

Lease income

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

Dividend income

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

Earnings per share

Basic earnings per share 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 earnings 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 consolidated 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 – the 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 consolidated 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; that 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 and disclosed as long-term benefits.

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 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.

Recharge-arrangement

IFRS does not provide any guidance on the accounting for recharge arrangements.

The policy adopted by the Group is to make use of the guidance in IFRS 2 relating to cash-settled share-based payments (by analogy). This means that the Group will determine the fair value of the recharge liability at the date that the recharge arrangement is entered into, and will recognise this value over the vesting period. At each reporting date, the recharge liability is remeasured taking into account items such as the time value of money, expected vesting and changes in the estimated future cash flows under the arrangement. The revised liability is recognised over the remaining vesting period.

The recharge was recognised through equity as a share-based liability recharge.

Dividends to shareholders

Dividends 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.

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

The segment report has been presented on page 43.

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 shall be 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 10 – Property, plant and equipment
- Note 11 – Investment property

The Deneb Group was established on 1 October 2014 when Deneb, a wholly owned subsidiary of Seardel Investment Corporation Limited ("Seardel"), acquired all the non-media assets from Seardel through a reorganisation. The reorganisation represents a common control transaction as Hosken Consolidated Investments Limited ("HCI") is the ultimate controlling entity before and after the transaction. Common control falls outside the scope of IFRS 3 and IFRIC 17 and is not specifically addressed in IFRS. Deneb has elected the Book value accounting. Refer to Basis of preparation for more information.

Judgement is required to determine whether a property is classified as investment property or property, plant and equipment. The Group's intention regarding the property is the main consideration in determining the classification.

Assumptions and estimation uncertainties

Properties classified as having a duel purpose, whereby part of the property is used for own-use activities and part is used as an investment property, are only 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 portion of 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 ending 31 March 2016 is included in the following notes:

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

Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values that are reviewed on an ongoing basis. Review includes significant unobservable inputs and valuations adjustments. If third party information, such as 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)

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

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

- Note 10 – Property, plant and equipment
- Note 11 – Investment property
- Note 13 – Other investments
- Note 20 – Financial instruments
- Note 34 – Share-base payment arrangements

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

	2016 R000's	2015 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:		
Revenue		
– Sale of goods	**2 531 141**	2 512 868
– Rental income	**97 712**	95 519
– Dividend income	**110**	–
– Services	**86 677**	57 012
Total revenue	**2 715 640**	2 665 399
Income		
Compensation for property, plant and equipment that were impaired, lost or given up	**–**	122
Dividends – unlisted investments	**110**	–
Government grants	**33 933**	34 860
Finance lease income	**15 786**	13 141
Foreign exchange gains – realised	**17 559**	4 680
Foreign exchange gains – unrealised	**7 027**	9 756
Rental income from investment property	**97 712**	95 519
Profit on disposal of property, plant and equipment	**510**	352
Expenditure		
Amortisation	**3 182**	5 044
Bad debts – net recoveries and reversals of allowance account	**2 486**	5 329
Bank charges	**6 626**	3 757
Depreciation – buildings	**2 948**	2 505
– plant and machinery	**24 154**	22 694
– equipment and fittings	**8 945**	8 708
– motor vehicles	**1 460**	1 527
Total depreciation	**37 507**	35 434
Total depreciation on owned assets	**36 748**	34 267
Total depreciation on leased assets	**759**	1 167
Employment costs*	**492 563**	456 326
Loss on disposal of property, plant and equipment	**586**	511
Foreign exchange losses – realised	**5 602**	5 680
Foreign exchange losses – unrealised	**12 849**	5 723
Operating lease charges – property	**20 562**	25 795
– equipment and vehicles	**3 390**	3 494
Technical and consulting fees	**7 697**	10 657
Write-down of inventory to net realisable value	**4 568**	7 565
Reversal of write-down of inventory to net realisable value	**(2 650)**	(112)

* Includes contributions of R39,3 million (2015: R41 million) to medical, pension, provident and benefit funds. These contributions are after a R9,5 million charge (2015: R8,6 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 R3,3 million (2015: R6,3 million).

4. **SEGMENT REPORT**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, 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 their 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 sale of goods and services, renting and development of industrial and commercial properties and shared head office services. Inter-segmental pricing is determined on an arm's length basis.

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

	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	Depre-ciation R000's	Amorti-sation R000's	Impair-ments R000's	Reversal of impair-ments R000's	Restruc-turing and retrench-ment costs R000's	Revaluation of invest-ment properties R000's	Operating profit/loss before depreciation, amortisation, impairments, restructuring and revaluation of investment properties R000's
Year ended 31 March 2016														
CONTINUED OPERATIONS														
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**	**1 743**	**—**	**—**	**1 743**	**(8 088)**	**(1 970)**	**(2 248)**	**—**	**(5 882)**	**–**	**19 931**
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**	**(102 326)**	**10 174**	**(73 105)**	**(39 395)**	**(549)**	**(1 212)**	**—**	**—**	**—**	**–**	**(37 634)**
Total continued operations	**2 759 478**	**(43 838)**	**2 715 640**	**92 607**	**10 174**	**(73 105)**	**155 538**	**(37 507)**	**(3 182)**	**(2 248)**	**—**	**(5 953)**	**30 648**	**173 780**
Total	**2 759 478**	**(43 838)**	**2 715 640**	**92 607**	**10 174**	**(73 105)**	**155 538**	**(37 507)**	**(3 182)**	**(2 248)**	**—**	**(5 953)**	**30 648**	**173 780**
Year ended 31 March 2015														
CONTINUED OPERATIONS														
Property	129 114	(33 595)	95 519	153 082	—	—	153 082	(2 570)	—	(3 807)	—	—	70 187	89 272
Branded Product Distribution	1 408 968	(863)	1 408 105	19 576	—	—	19 576	(6 402)	(3 930)	—	—	—	–	29 908
Textiles	718 310	(7 568)	710 742	40 614	—	—	40 614	(14 669)	—	—	12 771	—	–	42 512
Industrials	451 033	—	451 033	24 618	—	—	24 618	(10 369)	—	(3 410)	—	—	–	38 397
Head office	—		—	(85 698)	11 271	(58 158)	(38 811)	(684)	(1 114)	—	—	—	–	(37 013)
Total continued operations	2 707 425	(42 026)	2 665 399	152 192	11 271	(58 158)	199 079	(34 694)	(5 044)	(7 217)	12 771	—	70 187	163 076
DISCONTINUED OPERATIONS														
Clothing	9 581	—	9 581	(17 284)	—	—	(17 284)	(740)	—	(2 647)	—	—	–	(13 897)
Total discontinued operations	9 581	—	9 581	(17 284)	—	—	(17 284)	(740)	—	(2 647)	—	—	–	(13 897)
Total	2 717 006	(42 026)	2 674 980	134 908	11 271	(58 158)	181 795	(35 434)	(5 044)	(9 864)	12 771	—	70 187	149 179

										Geographical segments based on customer location				
										Revenue from external customers			Holdings of property, plant and equipment, investment property and intangible assets	
	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 expen-diture R000's	Conside-ration paid for business combina-tions R000's	South Africa R000's	Direct exports R000's	Total R000's	Within South Africa R000's	Total R000's
Year ended 31 March 2016														
CONTINUED OPERATIONS														
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**
Total continued operations	**(4 568)**	**2 650**	**510**	**(586)**	**53 451**	**3 141 990**	**1 191 644**	**88 103**	**–**	**2 562 353**	**153 287**	**2 715 640**	**1 506 705**	**1 506 705**
Total	**(4 568)**	**2 650**	**510**	**(586)**	**53 451**	**3 141 990**	**1 191 644**	**88 103**	**–**	**2 562 353**	**153 287**	**2 715 640**	**1 506 705**	**1 506 705**
Year ended 31 March 2015														
CONTINUED OPERATIONS														
Property	–	–	85	–	153 082	1 129 952	15 219	42 810	–	95 519	–	95 519	1 050 770	1 050 770
Branded Product Distribution	(6 558)	–	75	(137)	13 858	812 405	224 406	37 893	1 400	1 211 657	196 448	1 408 105	47 352	47 352
Textiles	(977)	–	178	–	40 614	521 469	150 593	10 097	–	688 324	22 418	710 742	168 896	168 896
Industrials	(30)	–	–	(285)	24 568	279 199	64 201	27 586	–	437 083	13 950	451 033	115 912	115 912
Head office	–	–	14	–	(7 525)	286 109	708 600	698	–	–	–	–	3 052	3 052
Total continued operations	(7 565)	–	352	(422)	224 597	3 029 134	1 163 019	119 084	1 400	2 432 583	232 816	2 665 399	1 385 982	1 385 982
DISCONTINUED OPERATIONS														
Clothing	–	112	–	(89)	(17 284)	4 673	2 061	100	–	9 581	–	9 581	514	514
Total discontinued operations	–	112	–	(89)	(17 284)	4 673	2 061	100	–	9 581	–	9 581	514	514
Total	(7 565)	112	352	(511)	207 313	3 033 807	1 165 080	119 184	1 400	2 442 164	232 816	2 674 980	1 386 496	1 386 496

All property, plant and equipment, investment property and intangible assets are held within South Africa.

5. NET (IMPAIRMENT)/IMPAIRMENT REVERSAL OF ASSETS

Reconciliation of carrying amount

	2016 R000's	2015 R000's
The following impairments were recognised during the year:		
Category of asset		
Property, plant and equipment	**–**	6 057
Assets held for sale – property, plant and equipment	**–**	3 807
Goodwill	**2 248**	–
Total	**2 248**	9 864
Included in discontinued operations	**–**	(2 647)
Impairments from continuing operations	**2 248**	7 217
The following impairments were reversed during the year:		
Category of asset		
Property, plant and equipment	**–**	12 771
Total	**–**	12 771
Net impairment (loss)/reversal from continuing operations	**(2 248)**	5 554

Impairment testing

The Group has performed impairment testing on:

- all cash-generating units ("CGUs") where there is an indication that they may be impaired or impairment should be reversed; 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 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 11,37% for the current period (2015: 8,02%) and a terminal value growth rate of 4,5% (2015: 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.

Events and circumstances that led to the recognition of the impairment losses

Poor results and/or budgeted future results triggered an assessment of realisable value.

Events and circumstances that led to the reversal of impairments

There were no impairment reversals in the current year. During the prior year, internal restructuring, combined with changes in the dynamics of the market in which certain businesses within the textile segment operate, resulted in better than expected performances. Impairment testing of these plants resulted in the impairment losses recorded in previous reporting periods, totalling R12 771, to be reversed.

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.

In percent	**2016 R000's**	2015 R000's
Discount rate	**11,37**	8,02
Terminal value growth rate	**4,5**	4,5
Budgeted EBITDA growth rate (average of the next 5 years)	**6**	6

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R14,5 million. 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.

In percent	**2016 R000's**	2015 R000's
Discount rate	**11,37**	8,02
Terminal value growth rate	**4,5**	4,5
Budgeted EBITDA growth rate (average of the next 5 years)	**6**	6

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R172,5 million. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

6. FINANCE INCOME AND EXPENSES

	2016 R000's	2015 R000's
Recognised in profit or loss		
Finance income		
Interest received from financial institutions	**291**	1 723
Interest received from related parties	**9 831**	9 548
Other interest received	**52**	–
	10 174	11 271
Finance expenses		
Interest paid on finance leases and instalment sale agreements	**132**	261
Interest paid to financial institutions	**69 559**	53 071
Interest paid to related parties	**3 414**	2 963
Other interest paid	**–**	1 863
	73 105	58 158

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

7. TAXATION AND DEFERRED TAXATION

	2016 R000's	2015 R000's
Income tax		
South African normal taxation		
– Current	**(9 451)**	(12 914)
– Prior year	**(654)**	806
Deferred taxation	**(29 051)**	84 513
	(39 156)	72 405

7. **TAXATION AND DEFERRED TAXATION (continued)**

	2016 %	2015 %
Reconciliation between actual and normal taxation rates		
Taxation as a percentage of loss before taxation	**42,3**	(53,7)
Rate change	**(10,8)**	—
Prior period	**(0,7)**	0,6
Specific tax deductible expenses	**(3,9)**	(2,9)
Non-deductible expenses	**1,0**	2,8
Exempt income	**—**	7,3
Capital gains tax on revaluation of investment property	**1,9**	—
(Utilisation)/restricted recognition of tax loss	**(1,8)**	73,9
Normal taxation rate	**28,0**	28,0

	2016 R000's	2015 R000's
Deferred taxation		
Balance at beginning of the year	**131 143**	52 691
– Asset	**134 152**	58 738
– Liability	**(3 009)**	(6 047)
Current movements recognised in profit and loss	**(29 051)**	84 513
– Rate changes	**(10 040)**	—
– Capital allowances	**16 270**	(12 464)
– Provision for post-employment medical aid benefits	**804**	587
– Tax losses (utilised)/recognised during the period	**(34 640)**	115 526
– Capital allowances on intangible asset	**305**	17
– Shares and investments	**—**	4 153
– Revaluations – investment property	**(1 405)**	(4 937)
– Share incentive scheme	**751**	(339)
– Working capital differences	**(1 096)**	(18 030)
Current movements recognised in other comprehensive income	**(17 323)**	(6 061)
– Rate changes – investment property	**(4 579)**	—
– Provision for post-employment medical aid benefits	**(4 028)**	2 674
– Share incentive scheme	**1 369**	(7 402)
– Reclassification of revaluation surplus	**4 646**	—
– Revaluations – owner-occupied property	**(14 731)**	(1 333)
Balance at end of the year	**84 769**	131 143
– Asset	**89 929**	134 152
– Liability	**(5 160)**	(3 009)
Deferred tax assets and liabilities are attributable to the following:		
– Provision for post-employment medical aid benefits	**27 326**	30 550
– Working capital allowances	**(7 271)**	(6 175)
– Share incentive scheme	**4 356**	2 236
– Tax losses	**252 915**	287 554
– Capital allowances	**(71 379)**	(87 649)
– Capital allowances on intangible asset	**(92)**	(397)
– Revaluations – owner occupied property	**(121 086)**	(94 976)
Net deferred tax at end of the year	**84 769**	131 143

Unrecognised tax losses, reflected at 28% of the underlying tax loss, exist in Seartec Trading Proprietary Limited (R9 million) and Limtech Biometric Solutions Proprietary Limited (R3 million).

8. DISCONTINUED OPERATIONS

Operations classified as discontinued operations in the prior-year consolidated financial statements consist of the clothing factory stores and the apparel manufacturing businesses, the latter of which was disposed to a related party (an associated company of the South African Clothing and Textile Workers' Union) as a going concern.

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

	2016 R000's	2015 R000's
Results of discontinued operations		
Revenue	–	9 581
Cost of revenue	–	(15 903)
Gross loss	–	(6 322)
Other income	–	150
Distribution costs	–	(4 740)
Administrative and other expenses	–	(3 725)
Operating loss before impairments and restructuring and retrenchment costs	–	(14 637)
Impairment of assets	–	(2 647)
Restructuring and retrenchment costs	–	–
Loss on sale of plant, equipment and inventory		–
Operating loss before finance costs	–	(17 284)
Finance income	–	–
Finance expenses	–	–
Loss before taxation	–	(17 284)
Income tax expense	–	–
Loss for the period from discontinued operations	–	(17 284)

Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	–	(21 985)
Net cash from investing activities	–	39 518
Net cash from financing activities	–	–
Net cash used in discontinued operations	–	17 533

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

9. **EARNINGS PER SHARE**

	Gross R000's	Net R000's	Number of shares 000's	Per share (cents)
2016				
Number of shares in issue				
Net number of shares at 31 March 2016			**561 490**	
Number of shares in issue at 31 March 2016			**561 490**	
Weighted average number of shares				
Weighted average number of shares at 31 March 2016			**561 207**	
Shares as at 1 April 2015			**560 812**	
Effect of share options exercised			**395**	
Diluted average number of shares				
Diluted weighted average number of shares			**562 263**	
Weighted average number of shares			**561 207**	
Dilution effect of share options granted			**1 056**	
Earnings per share				
Basic earnings				
Profit attributable to equity holders of the parent		**56 722**	**561 207**	**10,11**
Continued operations		**56 722**		**10,11**
Discontinued operations		**–**		**–**
Diluted earnings				
Profit attributable to equity holders of the parent		**56 722**	**562 263**	**10,09**
Continued operations		**56 722**		**10,09**
Discontinued operations		**–**		**–**
Headline earnings				
Reconciliation between profit and headline earnings				
Profit attributable to equity holders of the parent		**56 722**		
Impairment of assets	**2 248**	**2 248**		
Reversal of impairment of assets	**–**	**–**		
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**		
Profit on disposal of property, plant and equipment	**(510)**	**(367)**		
Loss on disposal of property, plant and equipment	**586**	**422**		
Headline earnings		**45 282**	**561 207**	**8,07**
Continued operations		**45 282**		**8,07**
Discontinued operations		**–**		**–**
Diluted headline earnings		**45 282**	**562 263**	**8,05**
Continued operations		**45 282**		**8,05**
Discontinued operations		**–**		**–**

Issued shares

During the period 677 746 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)
2015				
Number of shares				
Net number of shares in issue			560 812	
Number of shares at 31 March 2015			560 812	
Weighted average number of shares			547 315	
Shares as at 1 April 2014			539 776	
Effect of recapitalisation			7 018	
Effect of share options exercised			521	
Diluted average number of shares				
Diluted weighted average number of shares			553 242	
Weighted average number of shares			547 315	
Dilution effect of share options granted			5 927	
Earnings/loss per share				
Basic earnings/(loss)				
Profit attributable to equity holders of the parent		208 750	547 315	38,14
Earnings from continued operations		226 034		41,30
Loss from discontinued operations		(17 284)		(3,16)
Diluted earnings/(loss)				
Profit attributable to equity holders of the parent		208 750	553 242	37,73
Earnings from continued operations		226 034		40,86
Loss from discontinued operations		(17 284)		(3,12)
Headline loss				
Reconciliation between profit and headline loss				
Profit attributable to equity holders of the parent		208 750		
Impairment of assets	9 864	7 102		
Reversal of impairment of assets	(12 771)	(9 195)		
Insurance claim for capital asset	—	—		
Remeasurement of investment property	(70 187)	(56 449)		
Profit on disposal of property, plant and equipment	(352)	(253)		
Loss on disposal of property, plant and equipment	511	368		
Loss on disposal of investment property	601	489		
Headline earnings		150 812	547 315	27,55
Earnings from continued operations		166 127		30,35
Loss from discontinued operations		(15 315)		(2,80)
Diluted headline earnings		150 812	553 242	27,26
Earnings from continued operations		166 127		30,03
Loss from discontinued operations		(15 315)		(2,77)

Issued shares

As part of the Internal Restructure, 539 776 349 shares were issued to Seardel Investment Corporation Limited ("Seardel") on 1 October 2014 for the exchange of all Seardel's non-media investments.

Subsequent to the Internal Restructuring, 18 115 848 shares were issued by Deneb to Seardel on 10 November 2014 in exchange for R52,5 million in cash to ensure that Deneb is appropriately capitalised prior to its listing and unbundling.

Deneb listed on the JSE Limited on 1 December 2014 by unbundling from Seardel. Seardel shareholders were entitled to receive 12,91952 Deneb shares for every 100 Seardel shares. No fractions of shares were issued and Deneb shares were issued based on the rounding principle. Accordingly, 64 shares were delisted on 1 December 2014 due to rounding.

During the 2015 period, 2 919 619 shares were issued in terms of the Group's share incentive scheme.

10. **PROPERTY, PLANT AND EQUIPMENT**

Reconciliation of carrying amount	**Notes**	**Owner-occupied properties at valuation R000's**	**Plant and machinery at cost R000's**	**Equipment and fittings at cost R000's**	**Motor vehicles at cost R000's**	**Total R000's**
2016						
Cost/valuation at 31 March 2016		**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	11	**80 752**		**—**	**—**	**80 752**
Disposals		**—**	**(789)**	**(18 245)**	**(2 482)**	**(21 516)**
Accumulated depreciation and impairment at 31 March 2016		**—**	**283 986**	**59 377**	**9 993**	**353 356**
Opening balance		**—**	**260 029**	**68 220**	**10 139**	**338 388**
Current period 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)**
Carrying value at 31 March 2016		**434 075**	**269 566**	**36 773**	**6 521**	**746 935**
Rate of (straight-line) depreciation		**0 — 3,5%**	**4 — 7%**	**10 — 20%**	**20%**	
Residual values		**40 — 65%**	**0%**	**0%**	**20%**	
2015						
Cost/valuation at 31 March 2015		283 566	533 743	100 052	16 958	934 319
Opening balance		335 718	511 082	93 677	17 383	957 860
Additions		—	34 605	20 112	2 472	57 189
Acquisition through business combination	24	—	—	91	2	93
Revaluations		5 923	—	—	—	5 923
Reclassification to assets held for sale		(58 075)	(11 169)	—	—	(69 244)
Disposals		—	(775)	(13 828)	(2 899)	(17 502)
Accumulated depreciation and impairment at 31 March 2015		—	260 029	68 220	10 139	338 388
Opening balance		—	255 560	69 460	10 758	335 778
Current year depreciation		2 505	22 694	8 708	1 527	35 434
Revaluations		(2 505)	—	—	—	(2 505)
Impairment		—	3 410	2 647	—	6 057
Reversal of impairment		—	(12 771)	—	—	(12 771)
Reclassification to assets held for sale		—	(8 864)			(8 864)
Disposals		—	—	(12 595)	(2 146)	(14 741)
Carrying value at 31 March 2015		283 566	273 714	31 832	6 819	595 931

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.

	2016 R000's	2015 R000's
Cost	**271 577**	163 047
Accumulated depreciation	**(2 017)**	(2 017)
Carrying value	**269 560**	161 030
Reconciliation of cost of land and buildings:		
Opening cost at beginning of the year	**163 047**	172 921
Additions	**27 778**	–
Additions through business combination	**–**	–
Disposals, transfers to investment property and assets reclassified as held for sale	**80 752**	(9 874)
Closing cost at end of the year	**271 577**	163 047

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**
2016				
Cost	**1 151**	**–**	**4 924**	**6 075**
Accumulated depreciation	**(333)**	**–**	**(1 592)**	**(1 925)**
Carrying value at 31 March 2016	**818**	**–**	**3 332**	**4 150**
2015				
Cost	8 133	9 029	4 532	21 694
Accumulated depreciation	(1 031)	(8 996)	(1 234)	(11 261)
Carrying value at 31 March 2015	7 102	33	3 298	10 433

Impairment losses and subsequent reversal – Plant and equipment

The Group has performed impairment testing on all cash-generating units ("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 use 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 11,37% for the current period (2015: 8,02%) with a terminal value growth rate of 4,5% (2015: 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 and reversals.

Measurement of fair value – Land and buildings

Fair value hierarchy

The fair value of owner-occupied property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's owner-occupied property portfolio on an annual basis, the valuation was done on 31 March 2016.

The fair value measurement of owner-occupied property of R434 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

10. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Level 3 fair value

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

	R000's
Carrying value at 31 March 2015	**283 566**
Additions	**27 778**
Reclassification from investment property	**80 752**
Disposals and depreciation	**(2 948)**
Revaluation recognised directly in equity	
– Changes in fair value	**44 927**
Carrying value at 31 March 2016	**434 075**
Carrying value at 31 March 2014	335 718
Acquisitions and acquisitions through business combinations	–
Disposals, depreciation and reclassification to investment property and assets held for sale	(60 580)
Revaluation recognised directly in equity	
– Changes in fair value	8 428
Carrying value at 31 March 2015	283 566

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.	– Capitalisation rate – Occupation rate – Projected income	The estimated fair value would increase/(decrease) if: – the capitalisation rate was higher (lower) [see sensitivity analysis below] – the occupancy rate was higher (lower) – projected income was higher (lower)

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	
	2016 R000's	2015 R000's
Increase of 1% in the capitalisation rate	**395 583**	261 581
Decrease of 1% in the capitalisation rate	**477 964**	308 706

Refer to note 32 which relates to security provided for the benefit of the Group's bankers.

11. INVESTMENT PROPERTIES

Reconciliation of carrying amount	2016 R000's	2015 R000's
Opening carrying value	**766 804**	669 619
Development cost	**20 807**	42 387
Capitalised borrowing costs	**–**	211
Fair value adjustments	**30 648**	70 187
Transfer to owner-occupied property	**(80 752)**	–
Disposals/Transfers to held for sale	**–**	(15 600)
Closing carrying value	**737 507**	766 804

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

Included in profit and loss		
Rental income from investment property	**97 711**	95 519
Direct operating expenses (including repairs and maintenance) relating to investment properties	**21 426**	20 864
Direct operating expenses (including repairs and maintenance) relating to owner-occupied properties	**10 766**	6 368
Rates relating to investment properties	**10 730**	10 314
Rates relating to owner-occupied properties	**3 957**	2 417

Borrowing cost

The capitalisation rate used to capitalise borrowing costs during the prior year was the prime rate.

Capital commitments

There are no commitments to further develop our investment properties (2015: R39,4 million).

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 of R738 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

Level 3 fair value

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

	R000's
Opening value at 31 March 2015	**766 804**
Development cost and capitalised borrowing cost	**20 807**
Reclassification to owner-occupied property	**(80 752)**
Gain included in profit or loss	
– Changes in fair value	**30 648**
Closing value at 31 March 2016	**737 507**

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs
Capitalisation of income: The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations.	– Capitalisation rate – Occupation rate – Projected income

11. **INVESTMENT PROPERTIES (continued)**

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	
	2016 R000's	2015 R000's
Increase of 1% in the capitalisation rate	**668 599**	704 843
Decrease of 1% in the capitalisation rate	**817 053**	842 899

Refer to note 32 which relates to security provided for the benefit of the Group's bankers.

12. **INTANGIBLE ASSETS AND GOODWILL**

	Notes	**Brand names/ Trade-marks R000's**	**Software R000's**	**Licences R000's**	**Goodwill R000's**	**Total intangibles R000's**
Cost at 31 March 2016		**10 880**	**2 470**	**20 856**	**17 271**	**51 477**
Opening balance		**10 880**	**6 147**	**19 999**	**17 271**	**54 297**
Assets acquired separately		**—**	**932**	**1 607**	**—**	**2 539**
Disposals and assets reclassified as held for sale		**—**	**(4 609)**	**(750)**	**—**	**(5 359)**
Accumulated amortisation and impairment at 31 March 2016		**3 241**	**1 375**	**7 327**	**2 248**	**14 191**
Opening balance		**1 744**	**4 502**	**7 019**	**—**	**13 265**
Current period amortisation		**1 497**	**1 377**	**308**	**—**	**3 182**
Disposals and assets reclassified as held for sale		**—**	**(4 504)**	**—**	**—**	**(4 504)**
Impairment losses recognised in profit or loss	5	**—**	**—**	**—**	**2 248**	**2 248**
Carrying value at 31 March 2016		**7 639**	**1 095**	**13 529**	**15 023**	**37 286**
Nature of useful lives		Finite	Finite	Finite		
Amortisation method		Straight line	Straight line	Straight line		
Rate of amortisation		Period of contract	20%	Period of licence		
Residual values		0%	0%	0%		
Cost at 31 March 2015		10 880	6 147	19 999	17 271	54 297
Opening balance		—	5 919	11 499	14 204	31 622
Assets acquired separately		10 880	228	8 500	—	19 608
Acquired through business combinations	24	—		—	3 067	3 067
Accumulated amortisation and impairment at 31 March 2015		1 744	4 502	7 019	—	13 265
Opening balance		—	3 387	4 834	—	8 221
Current period amortisation		1 744	1 115	2 185	—	5 044
Carrying value at 31 March 2015		9 136	1 645	12 980	17 271	41 032

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

	2016 R000's	2015 R000's
Administrative and other expenses	**3 182**	5 044
	3 182	5 044

13. OTHER INVESTMENTS

	2016 R000's	2015 R000's
Business Partners Limited (unlisted)	**3 026**	3 329
Old Mutual (listed)	**365**	315
	3 391	3 644

	Number of shares	Number of shares
Business Partners Limited (unlisted)	**605 220**	605 220
Old Mutual (listed)	**8 900**	8 900
	614 120	614 120

Investments are classified as available for sale and are reconciled as follows:

	R000's	R000's
Opening balance	**3 644**	43 709
Distribution	**–**	(43 435)
Revaluations	**(253)**	3 370
Closing balance	**3 391**	3 644

Refer to note 20 for additional disclosure.

14. LONG-TERM RECEIVABLES

Reconciliation of carrying amount	**2016 R000's**	2015 R000's
Net investment in finance leases	**74 093**	58 808
Other loans	**–**	123 232
	74 093	182 040

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.

Other loans	**2016 R000's**	2015 R000's
Included in other loans are:		
Loan to Hosken Consolidated Investments Limited ("HCI")	**–**	55 003
Loan to the South African Clothing and Textile Workers' Union ("SACTWU")	**–**	68 071
Other	**–**	158
Total	**–**	123 232

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**
2016			
Lease payments receivable			
– 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**
2015			
Lease payments receivable			
– Not later than one year	39 546	8 957	30 589*
– Later than one year but not later than five years	67 841	9 033	58 808
	107 387	17 990	89 397

* Included in trade and other receivables.

14. **INVESTMENT PROPERTIES (continued)**

Interest is charged at rates varying between 14% and 25%.

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

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.

15. **ASSETS HELD FOR SALE**

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

	2016 R000's	2015 R000's
Land and buildings	**935**	55 628
Plant and machinery	**1 240**	2 305
	2 175	57 933

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

	Industrials R000's	**Property R000's**	**Total R000's**
2016			
Land and buildings	**–**	**935**	**935**
Plant and machinery	**1 240**	**–**	**1 240**
	1 240	**935**	**2 175**
2015			
Land and buildings	–	55 628	55 628
Plant and machinery	2 305	–	2 305
Motor vehicles	–	–	–
	2 305	55 628	57 933

Refer to note 4 for additional segmental disclosure.

Reconciliation of carrying amount	**Land and buildings at valuation R000's**	**Plant and machinery at cost R000's**	**Total R000's**
Carrying value at 31 March 2015	**55 628**	**2 305**	**57 933**
Disposal	**(54 693)**	**(1 065)**	**(55 758)**
Impairment	**–**	**–**	**–**
Carrying value at 31 March 2016	**935**	**1 240**	**2 175**
Carrying value at 31 March 2014	53 985	551	54 536
Reclassification from property, plant and equipment	58 075	11 169	69 244
Disposal	(52 625)	(9 415)	(62 040)
Impairment	(3 807)	–	(3 807)
Carrying value at 31 March 2015	55 628	2 305	57 933

Measurement of fair value – Assets held for sale

Fair value hierarchy

The fair value of land and buildings classified as assets held for sale was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's owner-occupied property portfolio on an annual basis. The valuation was done on the 31 March 2016.

The fair value measurement of land and building of R1 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

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.	– Capitalisation rate – Occupation rate – Projected income	The estimated fair value would increase/(decrease) if: – the capitalisation rate was higher (lower) – the occupancy rate was higher (lower) – projected income was higher (lower)

Refer to note 32 which relates to security provided for the benefit of the Group's bankers.

16. INVENTORIES

	2016 R000's	2015 R000's
Raw materials and consumables	**142 795**	147 919
Work-in-progress	**60 205**	52 894
Finished goods	**480 732**	409 401
	683 732	610 214
Inventories stated at net realisable value	**210 039**	126 873
Inventories acquired through business combinations (refer to note 24)	**–**	701
Carrying amount of inventory pledged as security for liabilities	**683 732**	594 197
Write-down of inventory to net realisable value during the year	**4 568**	7 565
Reversals of previous write-down of inventory to net realisable value during the year*	**(2 650)**	(112)

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

17. TRADE AND OTHER RECEIVABLES

Reconciliation of carrying value	**2016 R000's**	2015 R000's
Trade receivables	**472 247**	497 890
Lease receivables	**48 169**	30 589
Other receivables	**112 580**	86 112
Fair value of outstanding foreign exchange contracts	**–**	3 670
Prepayments	**21 400**	22 594
Trade and other receivables	**654 396**	640 855
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.

Business acquisition		
Trade and other receivables acquired through business combination (refer to note 24)	**–**	3 211
Other receivables		
Included under other receivables are:		
Income receivable from Production Incentive programme (refer to note 22)	**38 950**	38 486
Lease smoothing asset	**16 085**	16 268
VAT	**22 715**	10 439

Refer to note 32 which relates to security provided for the benefit of the Group's bankers.

* Loan receivables were included under long-term receivables in prior period (refer to note 14).

18. STATED CAPITAL

	2016 R000's	2015 R000's
Authorised		
10 000 000 000 (2015: 10 000 000 000) ordinary shares of no par value	**–**	–
Each ordinary share has the right to one vote at general meetings		
Issued stated capital		
561 489 618 (2015: 560 811 872) ordinary shares of no par value	**1 717 286**	1 716 713
Balance at beginning of the year – 560 811 872 (2015: 120)	**1 716 713**	–
Issued during the year – 677 746 (2015: 560 811 752)	**573**	1 716 713
	1 717 286	1 716 713

Issue of shares

Current period

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

Prior period

As part of the Internal Restructure, 539 776 349 shares were issued by Deneb to Seardel Investment Corporation Limited ("Seardel") on 1 October 2014.

Subsequent to the Internal Restructure, 18 115 848 shares were issued by Deneb to Seardel on 10 November 2014 in exchange for R52,5 million in cash to ensure that Deneb is appropriately capitalised prior to its Listing and unbundling.

Deneb listed on the JSE Limited on 1 December 2014 by unbundling from Seardel. Seardel shareholders were entitled to receive 12,91952 Deneb shares for every 100 Seardel shares. No fractions of shares were issued and Deneb shares were issued based on the rounding principle. Accordingly, 64 shares were delisted on 1 December 2014 due to rounding.

During the period, 2 919 619 shares were issued in terms of the Group's share incentive scheme.

Reserved under options (see note 34)

28 146 932 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 or such shares in accordance with the terms and conditions of The Deneb Share Incentive Scheme Plan and any amendments thereto.

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

19. **POST-EMPLOYMENT MEDICAL AID BENEFITS**

General description of plan

The post-employment subsidy policy is summarised below:

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

	2016 R000's	2015 R000's
Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:		
Current service cost	**489**	444
Interest on the obligation	**9 056**	8 178
Total included in staff costs	**9 545**	8 622
Reconciliations in the net liability recognised in the consolidated statement of financial position are as follows:		
Liability at beginning of year	**109 107**	97 460
Net expense recognised in profit or loss	**9 545**	8 622
Contributions from employer	**(6 673)**	(6 524)
Actuarial (gains)/losses recognised in other comprehensive income – changes from financial assumptions	**(14 387)**	9 549
Liability in the consolidated statement of financial position	**97 592**	109 107
Represented by:		
Liability due within 12 months	**6 789**	6 413
Liability due after 12 months	**90 803**	102 694
	97 592	109 107
Present value of unfunded obligations	**97 592**	109 107
Fair value of plan assets	**–**	–
Recognised liability for defined benefit obligations	**97 592**	109 107

The net cumulative actuarial loss recognised in other comprehensive income is R3,64 million.

Forecast reconciliation of the plan to 31 March 2017 is as follows:

	2017 R000's
Liability at 31 March 2016	97 592
Net expense in the consolidated statement of profit or loss and other comprehensive income	9 816
Contributions	(7 110)
Forecast liability at 31 March 2017	100 298

19. **POST-EMPLOYMENT MEDICAL AID BENEFITS (continued)**

		2016	2015
The principal actuarial assumptions at the reporting date:			
Discount rate	(%)	**9,68**	8,30
Medical inflation	(%)	**8,49**	8,60
Sensitivity of results			
A 1% increase in medical aid inflation would result in:			
An increase in the accrued liability of	(R000's)	**10 438**	13 274
	(%)	**10,70**	12,20
An increase in the service and interest cost of	(R000's)	**1 083**	1 212
	(%)	**11,00**	12,70
A 1% decrease in medical aid inflation would result in:			
A decrease in the accrued liability of	(R000's)	**(8 921)**	(11 164)
	(%)	**(9,10)**	(10,20)
A decrease in the service and interest cost of	(R000's)	**(922)**	(1 013)
	(%)	**(9,40)**	(10,60)
A 1% decrease in the discount rate would result in:			
An increase in the accrued liability of	(R000's)	**10 418**	13 449
	(%)	**10,68**	12,30
A 1% increase in the discount rate would result in:			
A decrease in the accrued liability of	(R000's)	**(8 757)**	(11 098)
	(%)	**(8,97)**	(10,20)

20. **FINANCIAL INSTRUMENTS**

Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

Interest-bearing liabilities	Final repayment dates	Average rate of interest p.a.	**2016 R000's**	2015 R000's
Secured				
Instalment sale and finance lease agreements	2019	9 to 11	**5 147**	4 481
			5 147	4 481
Unsecured				
Other loans	2018	Prime	**159**	–
HCI Treasury Proprietary Limited*	2017	Prime	**37 334**	33 920
Contingent payments relating to business combinations	2017	Prime	**242**	9 462
			37 735	43 382
Total interest-bearing liabilities			**42 882**	47 863
Current portion of interest-bearing liabilities			**38 733**	45 063
Non-current portion of interest-bearing liabilities			**4 149**	2 800

* The loan has no fixed terms of repayment.

Instalment sales and finance lease agreements are payable as follows:

	Principal R000's	**Interest R000's**	**Gross instalments R000's**
2016			
Less than one year	**1 399**	**116**	**1 515**
Between one and five years	**3 748**	**785**	**4 533**
	5 147	**901**	**6 048**
2015			
Less than one year	2 148	247	2 395
Between one and five years	2 333	328	2 661
	4 481	575	5 056

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

Financial risk management

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

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

Credit risk management: Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, investments and receivables. A significant amount of the Group's trade debt is in respect of sales to retailers, in particular Amic Trading Proprietary Limited (R13,9 million (2015: R60,5 million)), Shoprite Holdings Limited (R10,4 million (2015: R15,4 million)), Massmart Limited (R51,1 million (2015: R46,3 million)), Edcon Limited (R24,4 million (2015: R8,4 million)), Kingsgate Clothing Proprietary Limited (R11,8 million (2015: R1 million)) and Clicks Group Limited (R14,4 million (2015: R12,4 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 R451 million (91,6%) (2015: R472 million (89%)) being denominated in South African Rands.

Trade receivables denominated in USD accounted for 8,2% (2015: 10%), and those in EUR accounted for 0,2% (2015: 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 liabilities amounting to R2 051,3 million (2015: R1 980,4 million).

20. **FINANCIAL INSTRUMENTS (continued)**

Collateral

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

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

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

	2016 R000's	2015 R000's
Allowances for credit losses		
The movement in the allowance for impairment in respect of trade receivables during the period was as follows:		
Opening balance	**5 741**	3 682
Written off as irrecoverable	**(1 666)**	(303)
Disposal of subsidiary	**(258)**	(73)
Increase in allowance for impairment	**3 186**	3 357
Decrease in allowance for impairment	**(812)**	(922)
Closing balance	**6 191**	5 741
Past due but not impaired financial assets		
The following analysis reflects the aging of trade receivables as at year-end which have exceeded their credit terms, but have not been impaired.		
30+ days	**948**	55
60+ days	**332**	1 590
90+ days	**15 798**	16 752
120+ days	**12 818**	7 564
	29 896	25 961
The following analysis reflects the aging and remaining value of trade receivables as at year-end which are considered to have been impaired and against which an impairment for non-recovery has already been made.		
30+ days	**26**	—
60+ days	**—**	—
90+ days	**511**	413
120+ days	**4 493**	3 010
	5 030	3 423

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

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

	2016 R000's	2015 R000's
Cash flow and funding risk management		
This risk is managed through cash flow forecasts and ensures that adequate borrowing facilities are maintained. In terms of the memorandum of incorporation, the Group's borrowing powers are unlimited. Refer to note 26 for borrowing facilities.		
Categories of financial assets		
The carrying amount of financial assets, which also represent the maximum credit exposure and reasonably approximate their fair values, are as follows:		
Loans and receivables	**713 676**	786 629
Fair value through profit or loss (FECs)	**—**	3 670
Available for sale	**3 391**	3 644
	717 067	793 943

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

	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
2016					
Investments	**–**	**–**	**3 391**	**–**	**3 391**
Long-term receivables	**74 093**	**–**	**–**	**–**	**74 093**
Trade and other receivables	**610 281**	**–**	**–**	**44 115**	**654 396**
Cash and cash equivalents	**29 302**	**–**	**–**	**–**	**29 302**
	713 676	**–**	**3 391**	**44 115**	**761 182**
2015					
Investments	–	–	3 644	–	3 644
Long-term receivables	182 040	–	–	–	182 040
Trade and other receivables	604 152	3 670	–	33 033	640 855
Cash and cash equivalents	437	–	–	–	437
	786 629	3 670	3 644	33 033	826 976

	2016 R000's	2015 R000's
Categories of financial liabilities		
The carrying amount of financial liabilities, which also reasonably approximate their fair values, are as follows:		
Measured at amortised cost	**1 074 602**	1 046 844
	1 074 602	1 046 844

	Measured at amortised cost R000's	Non-financial liability R000's	Total R000's
2016			
Interest-bearing liabilities – non-current	**4 149**	**–**	**4 149**
Interest-bearing liabilities – current	**38 733**	**–**	**38 733**
Trade and other payables	**483 956**	**5 900**	**489 856**
Bank overdrafts	**547 764**	**–**	**547 764**
	1 074 602	**5 900**	**1 080 502**
2015			
Interest-bearing liabilities – non-current	2 800	–	2 800
Interest-bearing liabilities – current	45 063	–	45 063
Trade and other payables	469 102	4 327	473 429
Bank overdrafts	529 879	–	529 879
	1 046 844	4 327	1 051 171

20. **FINANCIAL INSTRUMENTS (continued)**

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**	**3 – 5 years R000's**	**Over 5 years R000's**	**Total R000's**
2016					
Assets					
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**
Total financial assets	**639 583**	**102 582**	**—**	**—**	**742 165**
Liabilities					
Interest-bearing borrowings	**38 733**	**4 149**	**—**	**—**	**42 882**
Trade and other payables	**478 187**	**—**	**—**	**—**	**478 187**
Bank overdrafts	**547 764**	**—**	**—**	**—**	**547 764**
Total financial liabilities – non-derivatives	**1 064 684**	**4 149**	**—**	**—**	**1 068 833**
Trade and other payables	**5 769**	**—**	**—**	**—**	**5 769**
Total financial liabilities – derivatives	**5 769**	**—**	**—**	**—**	**5 769**
Net financial (liabilities)/assets	**(430 870)**	**98 433**	**—**	**—**	**(332 437)**

	0 – 12 months R000's	1 – 3 years R000's	3 – 5 years R000's	Over 5 years R000's	Total R000's
2015					
Assets					
Investments	—	3 644	—	—	3 644
Long-term receivables	—	191 073	—	—	191 073
Trade and other receivables	607 822	—	—	—	607 822
Cash and cash equivalents	437	—	—	—	437
Total financial assets	608 259	194 717	—	—	802 976
Liabilities					
Interest-bearing borrowings	45 063	2 800	—	—	47 863
Trade and other payables	464 773	—	—	—	464 773
Bank overdrafts	529 879	—	—	—	529 879
Total financial liabilities – non-derivatives	1 039 715	2 800	—	—	1 042 515
Trade and other payables	4 329	—	—	—	4 329
Total financial liabilities – derivatives	4 329	—	—	—	4 329
Net financial (liabilities)/assets	(435 785)	191 917	—	—	(243 868)

Contractual undiscounted cash flows

	0 – 12 months R000's	1 – 3 years R000's	3 – 5 years R000's	Over 5 years R000's	Total R000's
2016					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	**43 236**	**5 020**	**—**	**—**	**48 256**
Trade and other payables	**478 187**	**—**	**—**	**—**	**478 187**
Bank overdrafts	**605 365**	**—**	**—**	**—**	**605 365**
Total financial liabilities – non-derivatives	**1 126 788**	**5 020**	**—**	**—**	**1 131 808**
Trade and other payables	**5 769**	**—**	**—**	**—**	**5 769**
Total financial liabilities – derivatives	**5 769**	**—**	**—**	**—**	**5 769**
2015					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	49 490	3 318	—	—	52 808
Trade and other payables	464 773	—	—	—	464 773
Bank overdrafts	582 010	—	—	—	582 010
Total financial liabilities – non-derivatives	1 096 273	3 318	—	—	1 099 591
Trade and other payables	4 329	—	—	—	4 329
Total financial liabilities – derivatives	4 329	—	—	—	4 329

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

20. **FINANCIAL INSTRUMENTS (continued)**

Accounting classifications and fair values

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

		Carrying value					Fair value			
	Notes	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	Level 3 R000's	Total R000's
2016										
Financial assets measured at fair value										
Equity securities	13	–	–	3 391	–	3 391	365	3 026	–	3 391
Forward exchange contracts	17	–	–	–	–	–	–	–	–	–
Financial assets not measured at fair value										
Long-term receivables	14	74 093	–	–	–	74 093				74 093
Trade and other receivables	17	610 281	–	–	–	610 281				610 281
Cash and cash equivalents		29 302	–	–		29 302				29 302
		713 676	–	3 391	–	717 067	365	3 026	–	717 067
Financial liabilities measured at fair value										
Forward exchange contracts		–	(5 769)	–	–	(5 769)	–	(5 769)	–	(5 769)
Financial liabilities not measured at fair value										
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	21	–	–	–	(478 187)	(478 187)				(478 187)
Bank overdrafts	26	–	–	–	(547 764)	(547 764)				(547 764)
		–	(5 769)	–	(1 068 833)	(1 074 602)	–	(5 769)	–	(1 074 602)

		Carrying value					Fair value			
	Notes	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	Level 3 R000's	Total R000's
2015										
Financial assets measured at fair value										
Equity securities	13	—		3 644	—	3 644	315	3 329		3 644
Forward exchange contracts	17	—	3 670	—	—	3 670	—	3 670	—	3 670
Financial assets not measured at fair value										
Long-term receivables	14	182 040	—	—	—	182 040				182 040
Trade and other receivables	17	604 152	—	—	—	604 152				604 152
Cash and cash equivalents		437	—	—	—	437				437
		786 629	3 670	3 644	—	793 943	315	6 999	—	793 943
Financial liabilities measured at fair value										
Forward exchange contracts		—	(4 329)	—	—	(4 329)	—	(4 329)	—	(4 329)
Financial liabilities not measured at fair value										
Instalment sale and finance lease agreements		—	—	—	(4 481)	(4 481)				(4 481)
Secured bank loans		—	—	—	—	—				—
Unsecured loans		—	—	—	(43 382)	(43 382)				(43 382)
Trade and other receivables	21	—	—	—	(464 773)	(464 773)				(464 773)
Bank overdrafts	26	—	—	—	(529 879)	(529 879)				(529 879)
		—	(4 329)	—	(1 042 515)	(1 046 844)	—	(4 329)	—	(1 046 844)

20. **FINANCIAL INSTRUMENTS (continued)**

Reclassification of financial assets

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

Pledges of financial assets

No financial assets were pledged as collateral for liabilities or contingent liabilities.

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

	2016 **R000's**	2015 R000's
These "past due, but not impaired debtors" amount to:	**29 896**	25 961

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 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 and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods and raw materials; and
- interest rate caps to mitigate the risk of rising interest rates.

	2016 **R000's**	2015 R000's
The fair value of the derivatives at year-end, determined by marking-to-market of contracts, amounted to	**(5 769)**	(660)

Liquidity risk

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

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

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 a equity risk in that it holds investments in both Old Mutual and Business Partners 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 equity.

Foreign currency sensitivity analysis

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

Interest rate sensitivity analysis

At year-end the Group's net interest-bearing borrowings amounted to R561 million (2015: R577 million). In the main the interest rates applicable to these loans are variable. Consequently, in the event of a 10% change in interest rates, (i.e. an increase of 1,05%) there will be an additional interest charge of R5,89 million (2015: R5,19 million) before tax.

21. TRADE AND OTHER PAYABLES

	2016 R000's	2015 R000's
Trade payables	**318 902**	300 957
Fair value of outstanding foreign exchange contracts	**5 769**	4 329
Accruals and other current liabilities	**165 185**	168 143
	489 856	473 429
The operating lease liabilities are payable as follows:		
Less than one year (included under trade and other payables)	**(1 035)**	670
Between one and five years (shown separately as operating lease accruals on the balance sheet)	**864**	925
	(171)	1 595
Trade and other payables acquired through business combinations (refer to note 24).	**–**	6 673

22. GOVERNMENT GRANTS

	2016 R000's	2015 R000's
Receivable balance for government grants brought forward	**38 486**	33 875
Total income from government grants, included in other income, recognised during the year amounted to	**33 933**	34 860
Total cash received during the year from government grants amounted to	**(33 469)**	(30 249)
Amount outstanding as at year-end	**38 950**	38 486

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

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

There are no unfulfilled conditions or contingencies relating to the production incentive recognised.

23. PROVISIONS

	2016 R000's	2015 R000's
Restructuring and retrenchment costs		
Carrying amount at beginning of the year	**–**	23 116
Additional provisions made in the year, including increases to existing provisions	**5 705**	–
Amounts utilised during the year	**–**	(23 116)
Carrying amount at end of the year	**5 705**	–

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

24. BUSINESS COMBINATIONS

Subsidiaries acquired in the prior period include:

Subsidiary name	Acquisition date	Segment	Description	Voting power %	Revenue contributed to the Group R000's	Net profit/ (loss) contribution to the Group R000's	Revenue contributed to the Group had the acquisition been effective on 1 April 2014 R000's	Net profit/ (loss) contribution to the Group had the acquisition been effective on 1 April 2014 R000's
2016								
There were no acquisitions during the current period								
2015								
Limtech Biometric Solutions Proprietary Limited	1 Apr 2014	Branded Products Distribution	Provider of access security solutions, specialising in biometric fingerprint recognition	100	10 597	(859)	10 597	(859)
OfficeBox Proprietary Limited	1 Aug 2014	Branded Products Distribution	Online distributor of stationery	51	8 499	(1 496)	8 499	(1 496)

Consideration transferred

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

	Branded Product Distribution R000's	**Industrials R000's**	**Total R000's**
2015			
Contingent consideration	**1 400**	**–**	**1 400**
Total consideration	**1 400**	**–**	**1 400**

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 R1 530 000.

The fair value of the contingent consideration arrangement of R1 400 000 was estimated by applying a discount rate of 9,25%.

Identifiable assets acquired and liabilities assumed

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

	Branded Product Distribution R000's
2015	
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property plant and equipment	**93**
Inventories	**701**
Trade and other receivables	**3 211**
Cash and cash equivalents	**256**
Trade and other payables	**(6 673)**
Bank overdrafts	**(70)**
Total identifiable net assets	**(2 482)**
Less non-controlling interest	**815**
Goodwill	**3 067**
Total consideration	**1 400**
Cash flow from this investing activity	
Less cash and cash equivalents in the business acquired	**256**
Add overdraft in the business acquired	**(70)**
Net cash inflow from investing operations	**186**

25. **LEASES**

	Nominal Amount	
	2016 R000's	2015 R000's
The Group as Lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**22 721**	19 240
Between one and five years	**28 128**	36 565
More than five years	**1 596**	–
	52 445	55 805
The Group as Lessor		
Non-cancellable operating lease rentals are receivable as follows:		
Less than one year	**99 262**	95 111
Between one and five years	**139 881**	190 858
More than five years	**16 439**	9 568
	255 582	295 537

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.

26. **BORROWING FACILITIES**

	2016 R000's	2015 R000's
Available facility	**820 000**	825 000
Net utilised	**(547 764)**	(588 363)
Unutilised balance	**272 236**	236 637

These facilities have been secured in terms of note 32.

27. **DIRECTORS' EMOLUMENTS**

Paid by a subsidiary company Name	Salary R000's	Bonus R000's	Retirement and medical aid contributions R000's	Share option expense R000's	Directors' fees R000's	Total R000's
2016						
Executive directors* **						
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**
Non-executive directors						
J A Copelyn (Chairman)**	**—**	**—**	**—**	**—**	**158**	**158**
M H Ahmed	**—**	**—**	**—**	**—**	**193**	**193**
T G Govender**	**—**	**—**	**—**	**—**	**112**	**112**
L Govender	**—**	**—**	**—**	**—**	**133**	**133**
N B Jappie	**—**	**—**	**—**	**—**	**150**	**150**
R D Watson	**—**	**—**	**—**	**—**	**150**	**150**
Y Shaik	**—**	**—**	**—**	**—**	**112**	**112**
	—	**—**	**—**	**—**	**1 008**	**1 008**
						16 645
Executive committee members						
K Robson	**1 538**	**600**	**52**	**256**	**—**	**2 446**
I Morris	**1 830**	**3 720**	**229**	**—**	**—**	**5 779**
	3 368	**4 320**	**281**	**256**	**—**	**8 225**
						24 870
2015						
Executive directors* **						
S A Queen (CEO)*	3 551	3 201	—	3 190	—	9 942
A M Ntuli	886	75	172	—	—	1 133
G D T Wege	1 657	1 711	248	1 052	—	4 668
D Duncan	2 565	1 581	312	11		4 469
	8 659	6 568	732	4 253	—	20 212
Non-executive directors						
J A Copelyn (Chairman)**	—	—	—	—	144	144
M H Ahmed	—	—	—	—	167	167
L Govender	—	—	—	—	—	—
T G Govender**	—	—	—	—	103	103
N B Jappie	—	—	—	—	75	75
R D Watson	—	—	—	—	145	145
Y Shaik**	—	—	—	—	144	144
	—	—	—	—	778	778
Executive committee members						
K Robson	1 421	560	54	204	—	2 239
I Morris	1 742	3 799	208	—	—	5 749
	3 163	4 359	262	204	—	7 988
						28 978

Paid by a subsidiary company Name	Salary R000's	Bonus R000's	Retirement and medical aid contributions R000's	Share option expense R000's	Directors' fees R000's	Total R000's
2016						
Executive directors* **						
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**
Non-executive directors						
J A Copelyn (Chairman)**	**—**	**—**	**—**	**—**	**158**	**158**
M H Ahmed	**—**	**—**	**—**	**—**	**193**	**193**
T G Govender**	**—**	**—**	**—**	**—**	**112**	**112**
L Govender	**—**	**—**	**—**	**—**	**133**	**133**
N B Jappie	**—**	**—**	**—**	**—**	**150**	**150**
R D Watson	**—**	**—**	**—**	**—**	**150**	**150**
Y Shaik	**—**	**—**	**—**	**—**	**112**	**112**
	—	**—**	**—**	**—**	**1 008**	**1 008**
						16 645
Executive committee members						
K Robson	**1 538**	**600**	**52**	**256**	**—**	**2 446**
I Morris	**1 830**	**3 720**	**229**	**—**	**—**	**5 779**
	3 368	**4 320**	**281**	**256**	**—**	**8 225**
						24 870
2015						
Executive directors* **						
S A Queen (CEO)*	3 551	3 201	—	3 190	—	9 942
A M Ntuli	886	75	172	—	—	1 133
G D T Wege	1 657	1 711	248	1 052	—	4 668
D Duncan	2 565	1 581	312	11		4 469
	8 659	6 568	732	4 253	—	20 212
Non-executive directors						
J A Copelyn (Chairman)**	—	—	—	—	144	144
M H Ahmed	—	—	—	—	167	167
L Govender	—	—	—	—	—	—
T G Govender**	—	—	—	—	103	103
N B Jappie	—	—	—	—	75	75
R D Watson	—	—	—	—	145	145
Y Shaik**	—	—	—	—	144	144
	—	—	—	—	778	778
Executive committee members						
K Robson	1 421	560	54	204	—	2 239
I Morris	1 742	3 799	208	—	—	5 749
	3 163	4 359	262	204	—	7 988
						28 978

27. **DIRECTORS' EMOLUMENTS (continued)**

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

	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
2016							
Executive directors***							
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**	**—**
Non-executive directors							
J A Copelyn (Chairman)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
M H Ahmed	**—**	**—**	**—**	**—**	**—**	**—**	**—**
L Govender	**—**	**—**	**—**		**—**	**—**	**—**
T G Govender**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
R D Watson	**—**	**—**	**—**	**—**	**—**	**—**	**—**
N B Jappie	**—**	**—**	**—**		**—**	**—**	**—**
Y Shaik	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2015							
Executive directors***							
S A Queen (CEO)*	—	6 469	(1 735)	—	4 734	0,93	2,10
A M Ntuli	—	—	—	—	—	—	—
G D T Wege	—	3 052	(375)	—	2 677	1,01	2,10
D Duncan	—	2 627	—	—	2 627	1,54	—
Non-executive directors							
J A Copelyn (Chairman)**	—	—	—		—	—	—
N B Jappie	—	—	—		—	—	—
L Govender	—	—	—		—	—	—
M H Ahmed	—	—	—		—	—	—
T G Govender**	—	—	—		—	—	—
R D Watson	—	—	—		—	—	—
Y Shaik	—	—	—		—	—	—
Executive committee members							
K Robson	—	1 192	—	—	1 192	1,31	—
I Morris	—	1 315	(232)	—	1 083	1,53	2,10

	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
2015							
Executive directors***							
S A Queen (CEO)*	8 820	—	(2 000)	(6 820)	—	—	1,79
A M Ntuli	—	—	—	—	—	—	—
G D T Wege	2 773	—	—	(2 773)	—	—	—
D Duncan	2 047	—	(700)	(1 347)	—	—	1,79
Non-executive directors							
J A Copelyn (Chairman)**	—	—	—	—	—	—	—
N B Jappie	—	—	—	—	—	—	—
L Govender	—	—	—	—	—	—	—
M H Ahmed	—	—	—	—	—	—	—
T G Govender**	—	—	—	—	—	—	—
R D Watson	—	—	—	—	—	—	—
Y Shaik	—	—	—	—	—	—	—
Executive committee members							
K Robson	1 086	—	(250)	(836)	—	—	1,90
I Morris	1 549	—	(699)	(850)	—	—	1,80

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

** Ceded to HCI.

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

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

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

The following table reflects the remuneration received by directors who also serve on the Board of HCI and its subsidiaries for the year ended 31 March 2016:

Director	Board fees R000's	Salary R000's	Other benefits R000's	Share option expense R000's	Bonus R000's	Total 31 March 2016 R000's	Total 31 March 2015 R000's
J A Copelyn	–	6 114	877	3 488	2 751	13 230	13 906
T G Govender	–	3 183	607	1 500	525	5 815	6 389
Y Shaik	–	3 159	–	1 212	1 232	5 603	14 130
R D Watson	609	–	–	–	–	609	376
L Govender	283	–	–	–	–	283	–

28. FOREIGN CURRENCY COMMITMENTS

	Currency	**Uncovered R000's**	**Covered R000's**	**Total R000's**
2016				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	**—**	**11**	**11**
	EUR	**—**	**1 630**	**1 630**
	USD	**—**	**53 609**	**53 609**
		—	**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**
2015				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	518	—	518
	EUR	834	—	834
	USD	58 233	19 118	77 351
	GBP	—	—	—
		59 585	19 118	78 703
Foreign payables	AUD	—	—	—
	EUR	832	891	1 723
	GBP	873	11	884
	USD	65 438	14 616	80 054
	CHF	—	66	66
		67 143	15 584	82 727

Sensitivity analysis

All foreign currency receivables and payables were covered at year-end. Foreign exchange contracts are used as a natural hedge and hedge accounting was not applied.

	Currency	**Spot rate 31 March 2016**	Spot rate 31 March 2015	Average for the period
The exchange rates were as follows:				
	EUR	**16,89600**	13,04070	15,21460
	GBP	**21,20020**	18,00060	20,72240
	USD	**14,76370**	12,14780	13,77640

29. **COMMITMENTS**

	Capital expenditure		Contractual commitments	
	2016 R000's	2015 R000's	**2016 R000's**	2015 R000's
Investment Property	**20 807**	42 387	**–**	39 435
Land and buildings	**27 778**	–	**–**	–
Plant and equipment	**36 979**	57 189	**140**	–
Intangible assets	**2 539**	19 608	**3 253**	–
Business combinations	**–**	1 400	**–**	–
	88 103	120 584	**3 393**	39 435

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

30. **RELATED PARTIES**

Transactions between Group companies

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

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

	Transaction values for the year ended 31 March Income/(Expense)		Balance outstanding as at 31 March Balance receivable/ (owing)	
	2016 R000's	2015 R000's	**2016 R000's**	2015 R000's
SACTWU loan	**3 687**	7 508	**21 953**	68 070
HCI – loan from HCI	**(3 414)**	(2 936)	**(37 334)**	(33 920)
HCI – loan to HCI	**6 145**	5 003	**61 148**	55 003
Management fees paid				
HCI – managerial and secretarial services	**(4 200)**	(3 850)	**(399)**	(399)
Management fees received				
Formex Industries – a subsidiary of HCI	**1 380**	1 296	**141**	–
HCI Invest 8 HoldCo	**180**	–	**–**	–
Risk Management to HCI	**765**	813	**–**	–

SACTWU loan

The loan attracts interest at prime and will be repaid out of any cash payments or distributions receivable by SACTWU from eMedia Holdings Limited or HCI.

HCI loan

Loans between HCI and the Group attracted interest at prime.

The loan advanced to HCI during the year has no fixed terms of repayment.

Transactions with companies with common directors or fellow subsidiaries of HCI

	Transaction values for the year ended 31 March Income/(Expense)		Balance outstanding as at 31 March Balance receivable/ (owing)	
	2016 R000's	2015 R000's	**2016 R000's**	2015 R000's
Sale of goods and services				
Zenzeleni Clothing – a company of which J A Copelyn, T G Govender and A M Ntuli are directors	**8 545**	5 527	**3 941**	1 633
KWV South Africa Proprietarily Limited – HCI subsidiary	**260**	–	**143**	
Vukani Gaming Corporation Proprietary 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:

	2016 R000's	2015 R000's
Basic	**48 382**	57 301
Benefits	**7 732**	3 188
	56 114	60 489

A share incentive scheme has been implemented for key management personnel. See note 34 for further details.

The percentage of shares held by directors of the company and their related entities at the reporting date are disclosed in the Analysis of shareholders report on page 117 of Deneb's 2016 Integrated Annual Report.

31. **CONTINGENCIES**

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

32. **SECURITISATION OF ASSETS**

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

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 Standard Bank for rights to all book debts and other debts due.

Each group company, comprising the borrower group, has guaranteed the payment of all indebtedness of other group companies to 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**
2016			
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**
2015			
Property, plant and equipment	595 931	584 711	11 220
Investment property	766 804	766 804	—
Intangible assets	23 761	23 761	—
Other investments	3 644	3 644	—
Long-term receivables	182 040	181 882	158
Inventories	610 214	594 197	16 017
Trade and other receivables	640 855	624 588	16 267
Non-current assets held for sale	57 933	57 933	—

33. **EVENTS AFTER YEAR-END**

The Group has entered into an agreement in terms of which it has acquired the entire issued share capital of Premier Rainwatergoods Proprietary Limited ("Premier"). The acquisition is in line with the Group's growth strategy and will allow Deneb to deepen its distribution channels within the industrial manufacturing segment. For further information, refer to SENS announcements dated 9 March 2016 and 24 May 2016.

Deneb has concluded an agreement with the Southern African Clothing and Textile Workers' Union ("SACTWU") in terms of which Deneb will acquire 133 507 226 Deneb ordinary shares from SACTWU at a price of R2,00 per Deneb Share. The agreement is subject to certain conditions precedent being fulfilled. For further information, refer SENS announcement dated 14 June 2016.

34. **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.

Options were accounted for as equity-settled.

Equity-settled

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

The Deneb 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 the continued growth and profitability of Group companies.

During the financial year 8 135 448 ordinary options (2015: 32 914 664) were allotted in terms of the Deneb Incentive Plan.

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

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

Options in issue are as follows:

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Life of option
S A Queen	14 October 2014	–	0	Immediately	3 years
	14 October 2014	546 457	53	Immediately	3 years
	14 October 2014	1 382 584	96	Continued employment	4 years
	14 October 2014	1 713 759	139	Continued employment	5 years
	27 January 2015	1 091 401	184	2 years' profitability and continued employment	8 years
	29 June 2015	1 591 233	175	2 years' profitability and continued employment	8 years
Total for S A Queen		6 325 434			
G D T Wege	14 October 2014	413 539	0	Immediately	3 years
	14 October 2014	227 691	53	Immediately	3 years
	14 October 2014	576 077	96	Continued employment	4 years
	14 October 2014	594 286	193	Continued employment	5 years
	27 January 2015	865 413	184	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		3 345 264			
D Duncan	14 October 2014	–	0	Immediately	3 years
	14 October 2014	159 383	53	Immediately	3 years
	14 October 2014	403 254	96	Continued employment	4 years
	14 October 2014	499 846	139	Continued employment	5 years
	27 January 2015	1 564 245	184	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		3 518 116			
A M Ntuli	29 June 2015	164 099	175	2 years' profitability and continued employment	8 years
Total for A M Ntuli		164 099			
Other, not being directors	14 October 2014	3 532 655	0	Immediately	3 years
	14 October 2014	849 754	53	Immediately	3 years
	14 October 2014	2 230 569	96	Continued employment	4 years
	14 October 2014	3 252 512	139	Continued employment	5 years
	27 January 2015	7 041 945	184	2 years' profitability and continued employment	8 years
	29 June 2015	4 820 470	175	2 years' profitability and continued employment	8 years
Total other		**21 727 905**			
Total options in issue		**35 080 818**			

Reconciliation of movements in options

	2016 R000's	2015 R000's
Opening balance	**28 146 932**	–
Awarded during the period	**8 135 448**	32 914 664
Exercised during the period	**(677 746)**	(3 264 288)
Options used for strike price	**(523 816)**	
Lapsed/forfeited during the period	**–**	(1 503 444)
Closing balance	**35 080 818**	28 146 932
Exercisable at year-end		5 966 041
Amount expensed during the year (included in employment costs)	**3 255 367**	6 261 203
Value of shares issued during the year	**573 313**	6 015 993
Weighted average share price of share options exercised during the year	**2,09**	1,84

The weighted average remaining contractual life of all potentially exercisable options amounts to 9,6 years.

34. **SHARE INCENTIVE SCHEME (continued)**

Valuation methodology

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

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

The key principles of the Black-Schöles 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,

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

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

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

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

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

Valuation assumptions

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

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

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 JSE Limited and obtained from I-Net Bridge was used. The rates used in the valuation are based on the yield curve provided at the acceptance date of each option granted. The Nominal Bond Curve was determined by the appropriate risk-free rate corresponding with 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, 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:

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

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

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

Dividend yield

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

Employee turnover

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

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

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

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

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

During the period over which the options vest, any differences in actual leavers to the assumption will be accounted for in the consolidated 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.

35. NEW STANDARDS

At the date of authorisation of the financial statements, the following standards and interpretations that were applicable to the Group were in issue, but not yet effective:

Standard/Interpretation		Date issued by IASB (1)	Effective date
IFRS 15	Revenue from Contracts with Customers	May 2014	1 January 2018
IFRS 9	Financial Instruments	July 2014	1 January 2018
IFRS 16	Leases	January 2016	1 January 2019

IFRS 15 Revenue from Contracts with Customers

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.

This new standard will most likely have an impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 March 2017 financial statements.

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

35. **NEW STANDARDS (continued)**

IFRS 9 Financial Instruments

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.

IFRS 16 Leases

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 on 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 group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

36. **NON-CONTROLLING INTEREST**

In February 2016, the Group increased its shareholding in OfficeBox to 79,8% from 51% through a rights issue. The carrying amount of OfficeBox's net assets in the Group's financial statements on the date of the rights issue was negative R11,2 million and subsequent to the rights issue it was positive R3,1 million.

No dividends were paid to non-controlling interests ("NCI") during the current period (2015: Nil).

The Group recognised an increase in NCI of R6,1 million and an equal decrease in retained earnings attributable to owners of the Group.

	2016 R000's
Carrying amount of NCI before the rights issue	**(5 475)**
Carrying amount of NCI subsequent to rights issue	**631**
A decrease in equity attributable to owners of the group	**(6 106)**

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI:

	OfficeBox Proprietary Limited	
	2016 %	2015 %
31 March 2016		
NCI percentage	**20,2**	49
	2016 R000's	2015 R000's
Non-current assets	**728**	1 875
Current assets	**4 836**	2 956
Non-current liabilities	**(99)**	–
Current liabilities	**(3 171)**	(2 746)
Net assets attributable to the shareholders of OfficeBox	**2 294**	2 085
Total carrying amount of NCI	**583**	(2 252)
Net assets attributable to the shareholders	**1 711**	4 337
Revenue	**16 188**	8 499
Loss for the year	**(7 302)**	(2 933)
Other comprehensive income for the year	**–**	–
Total comprehensive income	**(7 302)**	(2 933)
Loss allocated to NCI	**(3 271)**	(1 437)
Other comprehensive income allocated to NCI	**–**	–

HISTORICAL FINANCIAL INFORMATION OF DENEB FOR THE FINANCIAL YEARS ENDED 31 MARCH 2015 AND 31 MARCH 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

	Note	2015 R000's	2014* R000's
Continuing operations			
Revenue		**2 665 399**	2 140 324
Cost of sales		**(2 059 555)**	(1 596 652)
Gross profit		**605 844**	543 672
Other income		**130 291**	122 792
Selling and distribution expenses		**(271 297)**	(226 139)
Administrative and other expenses		**(271 313)**	(220 483)
Operating profit before impairment reversal	3	**193 525**	219 842
Net impairment reversal of assets	5	**5 554**	–
Operating profit before finance costs		**199 079**	219 842
Finance income	6	**11 271**	2 080
Finance expenses	6	**(58 158)**	(49 094)
Profit before taxation		**152 192**	172 828
Income tax income	7	**72 405**	4 899
Profit from continuing operations		**224 597**	177 727
Discontinued operations			
Loss from discontinued operations, net of tax	8	**(17 284)**	(165 053)
Profit		**207 313**	12 674
Other comprehensive income, net of related tax			
Items that will never be reclassified to profit or loss			
Revaluation of land and buildings		**7 095**	19 193
Post-employment medical benefit – actuarial loss		**(6 875)**	(4 295)
Items that are or may be reclassified to profit or loss			
Fair value adjustment on available-for-sale financial assets		**3 370**	12 260
Other comprehensive income, net of tax		**3 590**	27 158
Total comprehensive income for the year		**210 903**	39 832
Profit attributable to:			
Owners of the company		**208 750**	12 674
Non-controlling interest	37	**(1 437)**	–
		207 313	12 674
Total comprehensive income attributable to:			
Owners of the company		**212 340**	39 832
Non-controlling interest	37	**(1 437)**	–
		210 903	39 832
Basic profit per share from continuing operations (cents)	9	**41,30**	32,93
Diluted profit per share from continuing operations (cents)	9	**40,86**	32,93

STATEMENT OF FINANCIAL POSITION AT 31 MARCH

	Note	Group 2015 R000's	Group 2014* R000's
ASSETS			
Non-current assets		**1 723 603**	1 544 389
Property, plant and equipment	10	**595 931**	622 082
Plant and equipment		**312 365**	286 364
Owner-occupied property		**283 566**	335 718
Investment property	11	**766 804**	669 619
Intangible assets and goodwill	12	**41 032**	23 401
Intangible assets		**23 761**	9 197
Goodwill		**17 271**	14 204
Other investments	13	**3 644**	43 709
Long-term receivables	14	**182 040**	126 840
Deferred tax assets	7	**134 152**	58 738
Current assets		**1 310 204**	1 122 528
Assets held for sale	15	**57 933**	54 536
Inventories	16	**610 214**	536 471
Trade and other receivables	17	**640 855**	527 838
Current tax assets		**765**	103
Cash and cash equivalents		**437**	3 580
Total assets		**3 033 807**	2 666 917
EQUITY AND LIABILITIES			
Total equity		**1 868 727**	1 488 169
Stated capital	18	**1 716 713**	1 496 346
Reserves		**154 266**	(8 177)
Equity attributable to owners of the company		**1 870 979**	1 488 169
Non-controlling interest	37	**(2 252)**	–
Non-current liabilities		**109 428**	149 757
Deferred tax liabilities	7	**3 009**	6 047
Post-employment medical aid benefits	19	**102 694**	91 180
Share-based liabilities	35	**–**	35 631
Interest-bearing liabilities	20	**2 800**	16 658
Operating lease accruals		**925**	241
Current liabilities		**1 055 652**	1 028 991
Current tax liabilities		**868**	151
Post-employment medical aid benefits	19	**6 413**	6 280
Interest-bearing liabilities	20	**45 063**	3 193
Trade and other payables	21	**473 429**	458 467
Provisions	23	**–**	23 116
Bank overdraft		**529 879**	537 784
Total liabilities		**1 165 080**	1 178 748
Total equity and liabilities		**3 033 807**	2 666 917
Net asset value		**1 870 979**	1 488 169
Net asset value per share after treasury shares (cents)		**334**	276

*Restated, see note 32

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

	Note	Issued Stated Capital R000's	Common Control Stated Capital** R000's	Stated Capital Total R000's	Other Reserves R000's	Common Control Reserves R000's	Retained Income R000's	Total R000's	Non-Controlling Interest R000's	Total R000's
Group										
Restated balance 31 March 2013*		–	1 477 489	1 477 489	307 741	(7 452)	(316 947)	1 460 831	–	1 460 831
Total comprehensive income		–	–	–	31 453	–	8 379	39 832	–	39 832
Profit		–	–	–	–	–	12 674	12 674	–	12 674
Other comprehensive income, net of tax		–	–	–	31 453	–	(4 295)	27 158	–	27 158
Fair value adjustment on available-for-sale financials assets		–	–	–	12 260	–	–	12 260	–	12 260
Revaluation of land and buildings		–	–	–	19 193	–	–	19 193	–	19 193
Post-employment medical benefit – actuarial loss		–	–	–	–	–	(4 295)	(4 295)	–	(4 295)
Transfers to other reserves		–	–		(1 950)	–	1 580	(370)	–	(370)
Reclassification of revaluation surplus		–	–		(1 950)	–	1 580	(370)	–	(370)
Transactions with owners of the company		–	1 749	1 749	–	–	(22 531)	(20 782)	–	(20 782)
Share Scheme – Expense		–	–	–	–	–	4 511	4 511	–	4 511
– Recharge revaluation		–	–	–	–	–	(19 878)	(19 878)	–	(19 878)
Shares issued to acquire entities under common control		–	–	–	–	–	–	–	–	–
Loan capitalization		–	1 749	1 749	–	–	–	1 749	–	1 749
Distribution in specie		–	–	–	–	–	(7 164)	(7 164)	–	(7 164)
Changes in ownership interest				17 108	–	(8 450)	–	8 658	–	8 658
Acquisition of subsidiary	24	–	17 108	17 108	–	(8 450)	–	8 658	–	8 658

	Note	Issued Stated Capital R000's	Common Control Stated Capital** R000's	Stated Capital Total R000's	Other Reserves R000's	Common Control Reserves R000's	Retained Income R000's	Total R000's	Non-Controlling Interest R000's	Total R000's
Balance 31 March 2014*		**–**	**1 496 346**	**1 496 346**	**337 244**	**(15 902)**	**(329 519)**	**1 488 169**	**–**	**1 488 169**
Total comprehensive income				**–**	**10 465**	**–**	**201 875**	**212 340**	**(1 437)**	**210 903**
Profit/(loss)		**–**	**–**	**–**	**–**		**208 750**	**208 750**	**(1 437)**	**207 313**
Other comprehensive income, net of tax		**–**	**–**	**–**	**10 465**	**–**	**(6 875)**	**3 590**	**–**	**3 590**
Fair value adjustment on available-for-sale financial assets		**–**	**–**	**–**	**3 370**	**–**	**–**	**3 370**	**–**	**3 370**
Revaluation of land and buildings		**–**	**–**	**–**	**7 095**	**–**	**–**	**7 095**	**–**	**7 095**
Post-employment medical benefit – actuarial loss		**–**	**–**	**–**	**–**	**–**	**(6 875)**	**(6 875)**	**–**	**(6 875)**
Transfers to other reserves				**–**	**(82 339)**	**–**	**82 339**	**–**	**–**	**–**
Reclassification of revaluation surplus		**–**	**–**	**–**	**(82 339)**	**–**	**82 339**	**–**	**–**	**–**
Transactions with owners of the company		**–**	**–**	**220 367**	**–**	**–**	**(49 897)**	**170 470**	**–**	**170 470**
Shares issued to acquire entities under common control		**1 496 346**	**(1 496 346)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loan capitalization		**140 577**	**–**	**140 577**	**–**	**–**	**–**	**140 577**	**–**	**140 577**
Share issue		**50 029**	**–**	**50 029**	**–**	**–**	**–**	**50 029**	**–**	**50 029**
Share incentive receivable capitalized	35	**24 532**	**–**	**24 532**	**–**	**–**	**–**	**24 532**	**–**	**24 532**
Share scheme – expense		**–**	**–**	**–**	**–**	**–**	**(1 140)**	**(1 140)**	**–**	**(1 140)**
– recharge revaluation		**–**	**–**	**–**	**–**	**–**	**(94)**	**(94)**	**–**	**(94)**
– options exercised		**5 229**	**–**	**5 229**	**–**	**–**	**(5 229)**	**–**	**–**	**–**
Distribution in specie		**–**	**–**	**–**	**–**	**–**	**(43 434)**	**(43 434)**	**–**	**(43 434)**
Changes in ownership interest				**–**	**–**	**–**	**–**	**–**	**(815)**	**(815)**
Acquisition of subsidiary	24	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(815)**	**(815)**
Balance 31 March 2015		**1 716 713**	**–**	**1 716 713**	**265 370**	**(15 902)**	**(95 202)**	**1 870 979**	**(2 252)**	**1 868 727**

* Refer to note 32, Change in comparatives.

** Refer to note 18, Stated capital.

Note: All figures from 1 October 2014 are consolidated. Figures for earlier periods are presented on a book value (carry-over) basis. For further information see "Basis of preparation" in note 1 of the accounting policy

	Group 2015 R000's	2014 R000's
Composition of other reserves		
Revaluation of investments	**–**	32 186
Surplus on revaluation of land and buildings[†]	**265 370**	305 058
	265 370	337 244

†There is no restrictions on the Group to distribute these funds once realized.

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

STATEMENT OF CASH FLOWS AS AT 31 MARCH

	Notes	Group **2015** **R000's**	2014 R000's
Net cash flows from operating activities		**(154 832)**	28 521
Profit		**207 313**	12 674
Adjustments for:			
– Depreciation	10	**35 434**	40 394
– Amortization of intangible asset	12	**5 044**	4 287
– Revaluation of investment property	11	**(70 187)**	(20 726)
– Net foreign exchange gain – unrealised		**(4 033)**	(4 187)
– Property received as part of settlement	11	**–**	(38 703)
– Loss on disposal of plant and equipment from discontinued operations	8	**–**	31 260
– Net loss/(surplus) on disposal of property, plant and equipment from continued operations		**159**	(2 524)
– Impairment reversal of property, plant and equipment	5	**(12 771)**	–
– Impairment reversal of property, plant and equipment – continued operations	5	**3 410**	–
– Impairment reversal of property, plant and equipment – discontinued operations	5	**2 647**	–
– Impairment of assets held for sale	5	**3 807**	–
– Impairment of intangible assets – discontinued operations	5	**–**	4 617
– Post-employment medical benefit	19	**2 098**	2 062
– Share incentive scheme – expense	35	**6 261**	1 860
– Inventory write-down		**7 453**	10 672
– Net finance costs		**46 887**	47 014
– Tax Income	7	**(72 405)**	(4 899)
Cash generated from operating activities before working capital changes		**161 117**	83 801
Changes in:			
– Inventories		**(80 495)**	89 026
– Trade and other receivables		**(105 771)**	(5 783)
– Trade and other payables		**6 889**	(12 877)
– Non-current receivables		**(55 200)**	(11 022)
– Non-current receivables from the disposal of discontinued operations	8	**–**	(76 631)
– Lease accrual		**684**	123
– Provisions	23	**(23 116)**	22 761
Cash (outflow)/generated from working capital changes		**(257 009)**	5 597
Net finance costs		**(46 887)**	(47 014)
Taxes paid		**(12 053)**	(13 863)
Net cash flow from investing activities		**(47 831)**	(50 921)
Acquisition of property, plant and equipment		**(57 189)**	(29 451)
Acquisition of plant and equipment	10	**(57 189)**	(29 255)
Acquisition of owner-occupied properties	10	**–**	(196)
Proceeds from sale of property, plant and equipment		**55 778**	24 419
Development cost of investment property	11	**(42 387)**	(37 499)
Proceeds on sale of investment property		**15 600**	1 850
Interest capitalised to investment property		**(211)**	–
Acquisition of subsidiary, net of cash acquired	24	**186**	(5 169)
Acquisition of intangible assets	12	**(19 608)**	(5 071)
Net cash flow from financing activities		**207 425**	(9 356)
Change in borrowings		**28 012**	(1 144)
Loan capitalized		**140 577**	1 749
Share issue		**50 029**	–
Share-based liability settled		**(11 193)**	(9 961)
Net change in cash and cash equivalents		**4 762**	(31 756)
Cash and cash equivalents at the beginning of the year		**(534 204)**	(502 448)
Cash and cash equivalents at the end of the year		**(529 442)**	(534 204)
Cash and cash equivalents comprise the following			
Cash and cash equivalents		**437**	3 580
Bank balances		**437**	2 404
Cash floats and petty cash		**–**	1 176
Bank overdrafts		**(529 879)**	(537 784)
		(529 442)	(234 204)

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 2015 and comparative figures for the year ended 31 March 2014 comprise the company and its subsidiaries (together referred to as the Group). The company's registered office is on the 5th Floor, Deneb House, 368 Main Road, Observatory, 7925, Cape Town.

Statement of compliance

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

Background

The Group was established during the current reporting period where Deneb acquired the property, branded product distribution, textiles manufacturing and industrial manufacturing businesses from Seardel Investment Corporation Limited (Seardel) through an internal reorganisation that occurred on 1 October 2014. Deneb unbundled from Seardel on 1 December 2014 and listed on the JSE Limited (JSE) under the Financial Services – Speciality Finance sector.

Although the Group was only established in the current reporting period, the comparative period information has been presented as if the internal reorganisation occurred before the start of the earliest period presented. This was done to reflect that the entities within this Group were in existence in the comparative period, albeit held directly by Seardel. The comparatives presented were audited. Refer to "Basis of Preparation" for further information.

Basis of preparation

The consolidated financial statements are presented in South African Rand, which is the company's functional 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.

The internal reorganisation of the Group represents a common control transaction as Hosken Consolidated Investment Limited (HCI) is the ultimate controlling entity before and after the transaction. Common control transactions fall outside the scope of IFRS 3 and IFRIC 17, and are not specifically addressed in IFRS. Deneb has therefore chosen the book value accounting policy, in accounting for the transaction, using the hierarchy for the selection of accounting policies allowed in IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). This accounting policy choice will be applied consistently to all transactions of a similar nature.

Book value accounting and comparatives

The book value accounting method requires the assets acquired and the liabilities assumed through the internal reorganisation to be accounted for using the book values within the financial statements of the transferor (Seardel). The comparatives presented were audited. Refer to note 32 for further details on the comparatives presented.

As the Group was established in the current reporting period it did not prepare separate financial statements in accordance with IFRS for the periods up to and including 30 September 2014. The book value accounting method allows for comparative information to be presented as if the common control transaction had taken place at the start of the first reporting period presented in the set of consolidated financial statements. Accordingly, the comparative figures were prepared on a carve- out basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Seardel.

Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. As included on page 47 the Group has therefore made the policy choice to apply book value accounting.

The principles of book value accounting are that no assets or liabilities are restated to their fair values. The Group incorporates the transferor's 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 Seardel in relation to the acquiree can arise.

The result is that the difference between the consideration paid and the capital of the acquirer is recognised in the equity under a 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 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, where 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.

Transactions 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 is comprised of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

1. **ACCOUNTING POLICIES (continued)**

Depreciation

Land is not depreciated while buildings are depreciated on a straight-line basis over their estimated useful lives. 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 amounts 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. The Group's intentions regarding the property is the primary criterion in considering classifications. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

Investment property

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

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

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

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

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 as 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 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 reserves from 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.

Finance income and expenses

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

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

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

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in 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 to the extent that it is probable that they will not reverse in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Dividends

1. **ACCOUNTING POLICIES (continued)**

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 15% 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 and 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 classified as available for sale and 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 other reserves 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 rate 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.

Financial liabilities, trade and other payables

Non-derivative financial liabilities are recognised at amortised cost using the effective interest rate 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 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 off-set 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 right 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.

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 reliable, 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.

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 earnings 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 Rand at rates of exchange ruling at the reporting date. Translation gains and losses, whether realised or unrealised, are taken to profit or loss.

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

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, data panels 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 benefit medical aid

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; that 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.

1. **ACCOUNTING POLICIES (continued)**

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

Seardel Investment Corporation Limited (Seardel) granted rights to its equity instruments to employees of subsidiaries. With effect from 1 October 2014 the participants of the Seardel Share Incentive Scheme have no further rights under the scheme and all unvested share options issued in terms of the scheme have lapsed. This is as a result of the change in control of the relevant employer company which came about as a result of an internal restructure. The Deneb Investments Long Term Incentive Plan was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014. An initial tranche of first allocation Deneb options totalling 22 531 660 have been granted to selected participants who were holders of unvested Seardel share options at 30 September 2014.

Seardel required the subsidiaries to make payment of the rights. This type of intra-group payment arrangement is commonly referred to as a "recharge arrangement", noted below.

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

Equity compensation benefits

The Group granted share options to certain employees under an employee share plan.

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.

Equity compensation benefits before 10 October 2014 relates to the Seardel Investment Corporation Limited Scheme. The scheme is administered through a trust which acts as an agent of the sponsor, the sponsor being Seardel Investment Corporation Limited.

Equity compensation benefits after 10 October 2014 relates to the Deneb Investments Limited Scheme.

Recharge arrangement

IFRS does not provide any guidance on the accounting for recharge arrangements.

The policy adopted by the Group for the Seardel share options is to make use of the guidance in IFRS 2 relating to cash- settled share-based payments (by analogy). This means that the Group will determine the fair value of the recharge liability at the date that the recharge arrangement is entered into, and will recognise this value over the vesting period. At each reporting date, the recharge liability is remeasured taking into account items such as the time value of money, expected vesting and changes in the estimated future cash flows under the arrangement. The revised liability is recognised over the remaining vesting period.

The recharge was recognised through equity as a share-based liability recharge.

Dividends to shareholders

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

The segment report has been presented on page 98.

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 shall be 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.

Export incentives

Duty credit certificates used to procure foreign goods serve to adjust the total cost of imported goods. Where these are not required for own import, they are sold and the resulting income is recognised as other income.

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

The Deneb Group was established on 1 October 2014 where Deneb, a wholly-owned subsidiary of Seardel Investment Corporation Limited (Seardel), acquired all the non-media assets from Seardel through a reorganisation. The reorganisation represents a common control transaction as Hosken Consolidated Investments Limited (HCI) is the ultimate controlling entity before and after the transaction. Common control fall outside the scope of IFRS 3 and IFRIC 17 and is not specifically addressed in IFRS.

Deneb has elected the book value accounting and chosen to provide comparatives as if the Group existed before 1 October 2014. Refer to Basis of preparation for more information.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2015 is included in the following notes:

Note 5 – impairment test; key assumptions underlying recoverable amounts

Note 7 – recognition of deferred tax assets; availability of future taxable profit against which carry-forward tax losses can be used

Note 19 – measurement of defined benefit obligation; key actuarial assumptions

Measurement of fair values

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

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

Significant valuation issues are reported to the Group audit committee.

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

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

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

Further information about the assumptions made in measuring fair values is included in the following notes: Note 10 – owner-occupied land

Note 10 – owner-occupied land

Note 11 – investment property

Note 13 – other investments

Note 20 – financial instruments

Note 35 – share-based payment arrangements

3. **OPERATING PROFIT BEFORE IMPAIRMENTS**

The following items have been taken into account in determining operating profit for continuing and discontinuing operations before impairments and restructuring and retrenchment costs:

	2015 R000's	2014* R000's
Income		
Compensation for property, plant and equipment that were impaired, lost or given up	**122**	347
Dividends – unlisted investments	**–**	228
Government grants	**34 860**	33 875
Finance lease income	**13 141**	11 833
Foreign exchange gains – realised	**4 680**	12 898
– unrealised	**9 756**	31 569
Litigation settlement***	**–**	38 703
Rental income from investment property	**95 519**	71 547
Fair value adjustments to investment property	**70 187**	20 726
Surplus on disposal of property, plant and equipment	**352**	2 958
Expenditure		
Amortisation	**5 044**	4 287
Bad debts – net recoveries and reversals of allowance account	**5 329**	1 303
Bank charges	**3 757**	4 192
Depreciation – buildings	**2 505**	2 908
– plant and machinery	**22 070**	24 443
– equipment and fittings	**8 708**	10 964
– motor vehicles	**984**	1 288
Total owned assets	**34 267**	39 603
Total leased assets	**1 167**	791
Total depreciation	**35 434**	40 394
Employment costs**	**456 326**	660 369
Loss on disposal of property, plant and equipment	**511**	31 694
Foreign exchange losses – realised	**5 680**	3 697
– unrealised	**5 723**	27 382
Operating lease charges – property	**25 795**	22 467
– equipment and vehicles	**3 494**	1 941
Technical and consulting fees	**10 657**	18 512
Write-down of inventory to net realisable value	**7 565**	12 244
Reversal of write-down of inventory to net realisable value	**(112)**	(1 572)

* Restated, see note 32.

** Includes contributions of R41 million (2014: R52,6 million) to medical, pension, provident and benefit funds. These contributions are also after an R8,6 million charge (2014: R8,1 million) in respect of post-employment medical benefits relating to a defined benefit obligation and an IFRS 2 charge in respect of the share option scheme of R6,3 million (2014: R1,9 million).

***Income as a result of settlement of various litigation proceedings and claims against former directors and officers of the company and entities controlled by them.

4. **SEGMENT REPORT**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision- maker. The chief operating decision-maker, 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 their 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.

	Gross revenue R000's	Inter-segment revenue R000's	External revenue R000's	Operating profit/(loss) before finance costs R000's	Interest revenue R000's	Interest expense R000's	Profit or loss for the year R000's	Segment assets R000's	Segment liabilities R000's	Capital expen-diture R000's	Consi-deration paid for business combi-nations R000's	Depre-ciation R000's	Amorti sation R000's
Year ended 31 March 2015													
Continued operations													
Property	**129 114**	**(33 595)**	**95 519**	**153 082**	**–**	**–**	**153 082**	**1 129 952**	**15 219**	**42 810**	**–**	**(2 570)**	**–**
Branded product distribution	**1 408 968**	**(863)**	**1 408 105**	**19 576**	**–**	**–**	**13 858**	**812 405**	**224 406**	**37 893**	**1 400**	**(6 402)**	**(3 930)**
Textiles	**718 310**	**(7 568)**	**710 742**	**40 614**	**–**	**–**	**40 614**	**521 469**	**150 593**	**10 097**	**–**	**(14 669)**	**–**
Industrials	**451 033**	**–**	**451 033**	**24 618**	**–**	**–**	**24 568**	**279 199**	**64 201**	**27 586**	**–**	**(10 369)**	**–**
Head Office	**–**		**–**	**(38 811)**	**11 271**	**(58 158)**	**(7 525)**	**286 109**	**708 600**	**698**	**–**	**(684)**	**(1 114)**
Total continued operations	**2 707 425**	**(42 026)**	**2 665 399**	**199 079**	**11 271**	**(58 158)**	**224 597**	**3 029 134**	**1 163 019**	**119 084**	**1 400**	**(34 694)**	**(5 044)**
Discontinued operations													
Clothing	**9 581**	**–**	**9 581**	**(17 284)**	**–**	**–**	**(17 284)**	**4 673**	**2 061**	**100**		**(740)**	
Total discontinued operations	**9 581**	**–**	**9 581**	**(17 284)**	**–**	**–**	**(17 284)**	**4 673**	**2 061**	**100**	**–**	**(740)**	**–**
Total	**2 717 006**	**(42 026)**	**2 674 980**	**181 795**	**11 271**	**(58 158)**	**207 313**	**3 033 807**	**1 165 080**	**119 184**	**1 400**	**(35 434)**	**(5 044)**
Year ended 31 March 2014*													
Continued operations													
Property	118 926	(47 379)	71 547	103 769	–	–	103 769	1 075 261	10 777	37 716	–	(2 910)	–
Branded product distribution	957 545	(3 622)	953 923	37 359	–	–	25 995	550 763	174 271	9 911	1 286	(4 788)	(1 381)
Textiles	736 920	(46 767)	690 153	35 306	–	–	35 306	478 092	218 251	14 787	–	(12 164)	–
Industrials	424 701	–	424 701	35 115	–	–	31 055	271 467	89 953	6 568	25 214	(9 596)	–
Head Office	–		–	8 293	2 080	(49 094)	(18 398)	125 816	607 280	77	–	(305)	(1 177)
Total continued operations	2 238 092	(97 768)	2 140 324	219 842	2 080	(49 094)	177 727	2 501 399	1 100 532	69 059	26 500	(29 763)	(2 558)
Discontinued operations													
Clothing	627 651	–	627 651	(151 305)	66	(13 814)	(165 053)	165 518	78 216	2 962	–	(10 631)	(1 729)
Total discontinued operations	627 651	–	627 651	(151 305)	66	(13 814)	(165 053)	165 518	78 216	2 962	–	(10 631)	(1 729)
Total	2 865 743	(97 768)	2 767 975	68 537	2 146	(62 908)	12 674	2 666 917	1 178 748	72 021	26 500	(40 394)	(4 287)

*Restated, see note 32.

4. SEGMENT REPORT (continued)

	Write-down of inventory R000's	Reversal of write-down of inventory R000's	Impairments R000's	Reversal of impairments R000's	Restructuring and retrenchment costs R000's	Revaluation of investment properties R000's	Gain on disposal of property, plant and equipment R000's	Loss on disposal of property, plant and equipment R000's	Income tax (expense)/ income R000's	Geographical segments based on customer location: Revenue from external customers: South Africa R000's	Direct exports R000's	Total R000's	Holdings of property, plant and Equipment, investment property and intangible assets: Within South Africa R000's	Outside South Africa R000's	Total R000's
Year ended 31 March 2015															
Continued operations															
Property	**–**	**–**	**(3 807)**	**–**	**–**	**70 187**	**85**	**–**	**–**	**95 519**	**–**	**95 519**	**1 050 770**	**–**	**1 050 770**
Branded product distribution	**(6 558)**	**–**	**–**	**–**	**–**	**–**	**75**	**(137)**	**(5 718)**	**1 211 657**	**196 448**	**1 408 105**	**47 352**	**–**	**47 352**
Textiles	**(977)**	**–**	**–**	**12 771**	**–**	**–**	**178**	**–**	**–**	**688 324**	**22 418**	**710 742**	**168 896**	**–**	**168 896**
Industrials	**(30)**	**–**	**(3 410)**	**–**	**–**	**–**	**–**	**(285)**	**(50)**	**437 083**	**13 950**	**451 033**	**115 912**	**–**	**115 912**
Head Office	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**–**	**78 173**	**–**	**–**	**–**	**3 052**	**–**	**3 052**
Total continued operations	**(7 565)**	**–**	**(7 217)**	**12 771**	**–**	**70 187**	**352**	**(422)**	**72 405**	**2 432 583**	**232 816**	**2 665 399**	**1 385 982**	**–**	**1 385 982**
Discontinued operations					**–**										
Clothing	**–**	**112**	**(2 647)**	**–**	**–**	**–**	**–**	**(89)**	**–**	**9 581**	**–**	**9 581**	**514**	**–**	**514**
Total discontinued operations	**–**	**112**	**(2 647)**	**–**	**–**	**–**	**–**	**(89)**	**–**	**9 581**	**–**	**9 581**	**514**	**–**	**514**
Total	**(7 565)**	**112**	**(9 864)**	**12 771**	**–**	**70 187**	**352**	**(511)**	**72 405**	**2 442 164**	**232 816**	**2 674 980**	**1 386 496**	**–**	**1 386 496**
Year ended 31 March 2014*															
Continued operations															
Property	–	–	–	–	–	20 726	62	–	–	71 547	–	71 547	1 005 356	–	1 005 356
Branded product distribution	(5 217)	–	–	–	3	–	170	(174)	(11 364)	868 201	85 722	953 923	20 301	–	20 301
Textiles	(1 931)	–	–	–	(2 242)	–	11	(128)	–	681 779	8 374	690 153	161 562	–	161 562
Industrials	(95)	–	–	–	–	–	25	(132)	(4 060)	402 697	22 004	424 701	106 091	–	106 091
Head Office	–	–	–	–	–	–	(14)	–	20 323	–	–	–	2 979	–	2 979
Total continued operations	(7 243)	–	–	–	(2 239)	20 726	254	(434)	4 899	2 024 224	116 100	2 140 324	1 296 289	–	1 296 289
Discontinued operations															
Clothing	(5 001)	1 572	(4 617)	–	(43 860)	–	2 704	(31 260)	–	627 651	4 609	627 651	4 609	–	4 609
Total discontinued operations	(5 001)	1 572	(4 617)	–	(43 860)	–	2 704	(31 260)	–	627 651	4 609	627 651	4 609	–	4 609
Total	(12 244)	1 572	(4 617)	–	(46 099)	20 726	2 958	(31 694)	4 899	2 651 875	1 300 898	2 767 975	1 300 898	–	1 300 898

*Restated, see note 32.

5. **NET IMPAIRMENT REVERSAL/(IMPAIRMENT) OF ASSETS**

Reconciliation of carrying amount	**2015 R000's**	2014* R000's
The following impairments were recognised during the year:		
Category of asset		
Property, plant and equipment	**(6 057)**	–
Assets held for sale – property, plant and equipment	**(3 807)**	–
Intangible assets	**–**	(4 617)
Total	**(9 864)**	(4 617)
Included in discontinued operations	**2 647**	4 617
Impairments from continuing operations	**(7 217)**	–
The following impairments were reversed during the year:		
Category of asset		
Property, plant and equipment	**12 771**	–
Total	**12 771**	–
Included in discontinued operations	**–**	–
Impairments reversed from continuing operations	**12 771**	–
Net impairments from continuing operations	**5 554**	–

*Restated, see note 32.

Impairment testing

The Group has performed impairment testing on:

- all cash-generating units (CGUs) where there is an indication that they may be impaired or impairment should be reversed; and
- all CGUs that contain 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 makes 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 forecasts cover four years and the cash flows after the forecast period are extrapolated into the future over the useful life of the CGU, using steady growth rates that are consistent with that of the industry and country.

In determining value in use, projected cash flows are discounted using the entity's weighted average cost of capital (WACC) adjusted for any risk that are not reflected in the underlying cash flows. WACC was calculated as 8,02% for the current period (2014: 7,41%).

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 are as follows:

- Poor results and/or budgeted future results triggered an assessment of realisable value.

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

- Internal restructuring, as well as changes in the dynamics of the market in which certain businesses within the textile segment operate, resulted in better-than-expected performances. Impairment testing of these plants resulted in the impairment losses recorded in previous reporting periods being reversed.

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).

5. **NET IMPAIRMENT REVERSAL/(IMPAIRMENT) OF ASSETS (continued)**

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.

In per cent	**2015**
Discount rate	**7,41**
Terminal value growth rate	**4,5**
Budgeted EBITDA growth rate (average of the next five years)	**6**

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R9,2 million. 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.

In per cent	**2015**
Discount rate	**7,41**
Terminal value growth rate	**4,5**
Budgeted EBITDA growth rate (average of the next five years)	**6**

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R106,6 million. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

6. **FINANCE INCOME AND EXPENSES**

	Group	
	2015	2014*
	R000's	R000's
Recognised in profit or loss		
Finance income		
Interest received from financial institutions	**1 723**	1 901
Interest received from connected persons	**9 548**	–
Other interest received	**–**	245
Included in discontinued operations	**–**	(66)
	11 271	2 080
Finance expenses		
Interest paid on finance leases and instalment sale agreements	**261**	620
Interest paid to financial institutions	**53 071**	54 244
Interest paid to connected persons	**2 963**	2 499
Unwinding of contingent payments on business combinations	**–**	943
Other interest paid	**1 863**	4 602
Included in discontinued operations	**–**	(13 814)
	58 158	49 094

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

*Restated, see note 32.

7. **TAXATION AND DEFERRED TAXATION**

	Group 2015 R000's	2014* R000's
Income tax		
South African normal taxation		
– current	**(12 914)**	(15 203)
– prior year	**806**	(302)
Deferred taxation	**84 513**	20 404
	72 405	4 899
	%	%
Reconciliation between actual and normal taxation rates		
Taxation as a percentage of profit before taxation	**(53,7)**	(63,0)
Prior period	**0,6**	(3,9)
Specific tax deductible and non-deductible items and tax inclusions	**(0,1)**	(22,2)
Exempt income	**7,3**	130,4
Capital gains tax on asset disposals	**–**	20,1
Restricted recognition of tax loss	**73,9**	(33,4)
Normal taxation rate	**28,0**	28,0
Deferred taxation	**R000's**	R000's
Balance at the beginning of the year	**52 691**	34 313
– Asset	**58 738**	42 713
– Liability	**(6 047)**	(8 400)
Balance brought in through business combination	**–**	(1 023)
– Capital allowances	**–**	(2 744)
– Tax losses recognised during in the period	**–**	1 572
– Working capital differences	**–**	179

*Restated, see note 32.

7. **TAXATION AND DEFERRED TAXATION (continued)**

	Group	
	2015	2014*
	R000's	R000's
Current movements recognised in profit and loss	**84 513**	20 404
– Capital allowances	**(12 464)**	(5 804)
– Provision for post-employment medical benefits	**587**	578
– Tax losses recognised during in the period	**115 526**	34 870
– Capital allowances on intangible asset	**17**	439
– Shares and investments	**4 153**	–
– Revaluations	**(4 937)**	(10 754)
– Share incentive scheme	**(339)**	126
– Working capital differences	**(18 030)**	949
Current movements recognised in other comprehensive income	**(6 061)**	(1 003)
– Provision for post-employment medical benefits	**2 674**	1 670
– Shares and investments	**–**	(2 810)
– Share incentive scheme	**(7 402)**	2 651
– Reclassification of revaluation surplus	**–**	(370)
– Revaluations	**(1 333)**	(2 144)
Balance at the end of the year	**131 143**	52 691
– Asset	**134 152**	58 738
– Liability	**(3 009)**	(6 047)
Deferred tax assets and liabilities are attributable to the following:		
– Provision for post-employment medical benefits	**30 550**	27 289
– Working capital allowances	**(6 175)**	11 856
– Shares and investments	**–**	(4 153)
– Share incentive scheme	**2 236**	9 977
– Tax losses	**287 554**	172 029
– Capital allowances	**(87 649)**	(75 185)
– Capital allowances on intangible asset	**(397)**	(414)
– Revaluations	**(94 976)**	(88 708)
Net deferred tax at the end of the year	**131 143**	52 691

There are estimated tax losses in respect of four subsidiary companies. The directors have considered the future profitability of these entities and on the basis that they are projected to produce taxable income in the foreseeable future, these deferred tax assets are considered fully recoverable. Tax losses have been recognised in Seardel Group Trading Proprietary Limited and Brits Automotive Systems Proprietary Limited to the extent considered recoverable.

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

Seardel Group Trading Proprietary Limited	**–**	130 527

*Restated, see note 32.

8. **DISCONTINUED OPERATIONS**

Operations classified as discontinued operations in the consolidated financial statements consist of the clothing factory stores and the apparel manufacturing businesses. The latter of which was disposed of to a related party (an associated company of SACTWU), as a going concern.

The results of the discontinued operations have been separately disclosed on the face of the statements of profit and loss and other comprehensive income. Where practical, the prior year results have been restated accordingly.

	Group	
	2015	2014*
Results of discontinued operations	**R000's**	R000's
Revenue	**9 581**	627 651
Cost of revenue	**(15 903)**	(548 154)
Gross loss	**(6 322)**	79 497
Other income	**150**	3 806
Distribution costs	**(4 740)**	(108 953)
Administrative and other expenses	**(3 725)**	(45 918)
Operating loss before impairments and restructuring and retrenchment costs	**(14 637)**	(71 568)
Impairment of assets	**(2 647)**	(4 617)
Restructuring and retrenchment costs	**–**	(43 860)
Loss on sale of plant, equipment and inventory	**–**	(31 260)
Operating loss before finance costs	**(17 284)**	(151 305)
Finance income	**–**	66
Finance expenses	**–**	(13 814)
Loss before taxation	**(17 284)**	(165 053)
Income tax expense	**–**	–
Loss for the period from discontinued operations	**(17 284)**	(165 053)
Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	**(21 985)**	(46 457)
Net cash from investing activities	**39 518**	7 061
Net cash from financing activities	**–**	–
Net cash used in discontinued operations	**17 533**	(39 396)

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

*Restated, see note 32.

9. **PROFIT/(LOSS) PER SHARE**

The Group was established as part of an internal restructure on 1 October 2014. The consolidated financial statements of the Group is based on book value (carry-over) accounting, on the basis that Deneb has remained a subsidiary of the Hosken Consolidated Investments Limited (HCI) group. Comparative information in the consolidated financial statements of Deneb was restated and it adjusted its current reporting period before the date of the transaction as if the combination had occurred before the start of the earliest period presented.

For the purposes of calculating the earnings per share the number of shares in issue were restated as if the transaction occurred before 1 April 2013. Refer to note 1, Basis of preparation and note 32, Changes in comparatives for more information.

	Gross R000's	Net R000's	Number of shares R000's	Per share (cents)
2015				
Number of shares in issue				
Net number of shares in issue at 31 March 2015			**560 812**	
Weighted average number of shares				
Weighted average number of shares at 31 March 2015			**547 315**	
Shares as at 1 April 2014			**539 776**	
Effect of recapitalisation			**7 018**	
Effect of share options exercised			**521**	
Diluted average number of shares				
Diluted weighted average number of shares			**553 242**	
Weighted average number of shares			**547 315**	
Dilution effect of share options granted			**5 927**	
Earnings per share				
Basic earnings				
Profit attributable to equity holders of the parent		**208 750**	**547 315**	**38,14**
Earnings from continued operations		**226 034**		**41,30**
Loss from discontinued operations		**(17 284)**		**(3,16)**
Diluted earnings				
Profit attributable to equity holders of the parent		**208 750**	**553 242**	**37,73**
Earnings from continued operations		**226 034**		**40,86**
Loss from discontinued operations		**(17 284)**		**(3,12)**
Headline earnings				
Reconciliation between profit and headline earnings				
Profit attributable to equity holders of the parent		**208 750**		
Impairment of assets	**9 864**	**7 102**		
Reversal of impairment of assets	**(12 771)**	**(9 195)**		
Remeasurement of investment property	**(70 187)**	**(56 449)**		
Surplus on disposal of property, plant and equipment	**(352)**	**(253)**		
Loss on disposal of property, plant and equipment	**511**	**368**		
Gain on deemed disposals	**–**	**–**		
Loss on disposal of investment property	**601**	**489**		
Headline earnings		**150 812**	**547 315**	**27,55**
Earnings from continued operations		**166 127**		**30,35**
Loss from discontinued operations		**(15 315)**		**(2,80)**
Diluted headline earnings		**150 812**	**553 242**	**27,26**
Earnings from continued operations		**166 127**		**30,03**
Loss from discontinued operations		**(15 315)**		**(2,77)**

Issued shares

As part of the internal restructure, 539 776 349 shares were issued to Seardel Investment Corporation Limited (Seardel) on1 October 2014 for the exchange of all Seardel's non-media investments.

Subsequent to the internal restructuring, 18 115 848 shares were issued by Deneb to Seardel on 10 November 2014 in exchange for R52,5 million in cash to ensure that Deneb is appropriately capitalised prior to the listing and unbundling.

Deneb listed on the JSE Limited on 1 December 2014 by unbundling from Seardel. Seardel shareholders were entitled to receive 12,91952 Deneb shares for every 100 Seardel shares. No fractions of shares were issued and Deneb shares was issued based on the rounding principle. Accordingly 64 shares were delisted on 1 December 2014 due to rounding.

The internal restructure transaction was accounted for as if it occurred before 1 April 2013. Refer to note 1, Basis of preparation for further information.

During the period 2 919 619 shares were issued in terms of the Group's share incentive scheme.

	Gross R000's	Net R000's	Number of shares R000's	Per share (cents)
2014*				
Number of shares				
Net number of shares – 31 March 2014			**539 776**	
Weighted average number of shares			539 776	
Issued shares as at 1 April 2013			539 776	
Diluted average number of shares				
Diluted weighted average number of shares			539 776	
Weighted average number of shares			539 776	
Dilution effect of share options granted			–	
Earnings per share				
Basic earnings				
Profit attributable to equity holders of the parent		12 674	539 776	2,35
Earnings from continued operations		177 727		32,93
Loss from discontinued operations		(165 053)		(30,58)
Diluted earnings				
Profit attributable to equity holders of the parent		12 674	539 776	2,35
Earnings from continued operations		177 727		32,93
Loss from discontinued operations		(165 053)		(30,58)
Headline loss				
Reconciliation between profit and headline loss				
Profit attributable to equity holders of the parent		12 674		
Impairment of assets	4 617	3 324		
Insurance claim for capital asset	(73)	(73)		
Remeasurement of investment property	(20 726)	(16 861)		
Surplus on disposal of property, plant and equipment	(2 958)	(2 639)		
Loss on disposal of investment property	100	81		
Loss on disposal of property, plant and equipment	31 694	26 994		
Headline earnings		23 500	539 776	4,36
Earnings from continued operations		158 547		29,37
Loss from discontinued operations		(135 047)		(25,01)
Diluted headline earnings		23 500	539 776	4,36
Earnings from continued operations		158 547		29,37
Loss from discontinued operations		(135 047)		(25,01)

Issued shares

Deneb was incorporated on 4 June 2013 as a wholly-owned subsidiary of Seardel with 120 shares.

The internal restructure transaction for 539 776 349 shares, as referred to above, was accounted for as if it occurred before 1 April 2013.

*Restated, see note 32.

10. **PROPERTY, PLANT 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
Group						
2015						
Cost/valuation at 31 March 2015		283 566	533 743	100 052	16 958	934 319
Opening balance		335 718	511 082	93 677	17 383	957 860
Additions		–	34 605	20 112	2 472	57 189
Acquisition through business combinations	24	–	–	91	2	93
Revaluations		5 923	–	–	–	5 923
Reclassification to assets held for sale	15	(58 075)	(11 169)	–	–	(69 244)
Disposals		–	(775)	(13 828)	(2 899)	(17 502)
Accumulated depreciation and impairment at 31 March 2015		–	260 029	68 220	10 139	338 388
Opening balance		–	255 560	69 460	10 758	335 778
Current period depreciation		2 505	22 694	8 708	1 527	35 434
Revaluations		(2 505)	–	–	–	(2 505)
Impairment		–	3 410	2 647	–	6 057
Reversal of impairment		–	(12 771)	–	–	(12 771)
Reclassification to assets held for sale		–	(8 864)	–	–	(8 864)
Disposals and assets reclassified as held-for-sale		–	–	(12 595)	(2 146)	(14 741)
Carrying value at 31 March 2015		283 566	273 714	31 832	6 819	595 931
Rate of (straight-line) depreciation		0 – 3,5%	4 – 7%	10 – 20%	20%	
Residual values		40 – 65%	0%	0%	20%	
2014*						
Cost/valuation at 31 March 2015		335 718	511 082	93 677	17 383	957 860
Opening balance		418 605	617 514	153 783	21 330	1 211 232
Additions		196	18 980	8 457	1 818	29 451
Acquisition through business combinations		–	10 621	229	1 066	11 916
Revaluations		18 429	–	–	–	18 429
Reclassification to investment property		(49 312)	–	–	–	(49 312)
Reclassification to assets held for sale		(52 200)	(551)	–	–	(52 751)
Disposals		–	(135 482)	(68 792)	(6 831)	(211 105)
Accumulated depreciation and impairment at 31 March 2014		–	255 560	69 460	10 758	335 778
Opening balance		–	327 377	114 968	14 406	456 751
Current period depreciation		2 908	24 829	10 966	1 691	40 394
Revaluations		(2 908)	–	–	–	(2 908)
Disposals and assets reclassified as held-for-sale		–	(96 646)	(56 474)	(5 339)	(158 459)
Carrying value at 31 March 2014		335 718	255 522	24 217	6 625	622 082

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.

	2015 R000's	2014* R000's
Cost	**163 047**	172 921
Accumulated depreciation	**(2 017)**	(2 017)
Carrying value	**161 030**	170 904
Reconciliation of cost of land and buildings:	**172 921**	198 884
Opening cost at the beginning of the year Additions	**–**	196
Disposals, transfers to investment property and assets reclassified as held for sale	**(9 874)**	(26 159)
Closing cost at the end of the year	**163 047**	172 921

Capitalised leased assets included in the above are:

	Plant and machinery R000's	Equipment and Fitting R000's	Motor Vehicles R000's	Total R000's
Group				
2015				
Cost	**8 133**	**9 029**	**4 532**	**21 694**
Accumulated depreciation	**(1 031)**	**(8 996)**	**(1 234)**	**(11 261)**
Carrying value at 31 March 2015	**7 102**	**33**	**3 298**	**10 433**
2014*				
Cost	8 133	9 029	3 452	20 614
Accumulated depreciation	(406)	(8 996)	(731)	(10 133)
Carrying value at 31 March 2014	7 727	33	2 721	10 481

*Restated, see note 32.

Impairment losses and subsequent reversal – plant and equipment

The Group has performed impairment testing on all cash-generating units (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.

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

In determining value in use projected cash flows are discounted using the entity's weighted average cost of capital (WACC) adjusted for any risk that are not reflected in the underlying cash flows. WACC was calculated as 8,02% for the current period (2014: 7,41%).

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 and reversals.

Measurement of fair value – land and buildings

Fair value hierarchy

The fair value of owner-occupied property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's owner-occupied property portfolio on an annual basis. The valuation was done on 31 March 2015.

The fair value measurement of owner-occupied property of R283,6 million has been categorised as a Level 3 fair value, based on the inputs to the valuation technique used (see note 2).

10. **PROPERTY, PLANT EQUIPMENT (continued)**

Level 3 fair value

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

	R000's
Carrying value at 31 March 2014	**335 718**
Acquisitions and acquisitions through business combinations	**–**
Disposals, depreciation and reclassification to investment property and assets held for sale	**(60 580)**
Revaluation straight through equity	
– Changes in fair value	**8 428**
Carrying value at 31 March 2015	**283 566**
Carrying value at 31 March 2013	418 605
Acquisitions and acquisitions through business combinations	196
Disposals, depreciation and reclassification to investment property and assets held for sale	(104 420)
Revaluation straight through equity	
– Changes in fair value	21 337
Carrying value at 31 March 2014	335 718

Valuation technique and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
Capitalisation of income: The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next twelve months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations	Capitalisation rate Occupation rate Projected income	The estimated fair value would increase/ (decrease) if: – capitalisation rates were higher (lower) [see sensitivity analysis below]; – the occupancy rates were higher (lower); and – projected income were higher (lower)

Sensitivity analysis on the fair value of owner-occupied buildings

The capitalisation rates for the fair value of the properties varied between 9% –14,5%. 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	
	2015	2014
	R000's	R000's
Increase of 1% in the capitalisation rate	**261 581**	309 833
Decrease of 1% in the capitalisation rate	**308 706**	366 539

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

11. **INVESTMENT PROPERTIES**

	Group	
	2015	2014*
Reconciliation of carrying amount	**R000's**	R000's
Opening carrying value	**669 619**	525 229
Additions – transfer from owner-occupied property	**–**	49 312
Development cost	**42 387**	37 499
Capitalised borrowing costs	**211**	–
Fair value adjustments	**70 187**	20 726
Additions – litigation settlement	**–**	38 703
Disposals/Transfers to held for sale	**(15 600)**	(1 850)
Closing carrying value	**766 804**	669 619
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.		
Included in profit and loss:		
Rental income from investment property	**95 519**	71 547
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	**20 864**	10 322
Direct operating expenses (including repairs and maintenance) relating to property which did not generate income	**6 368**	147
Rates relating to rental-generating properties	**10 314**	7 431
Rates relating to property which did not generate income	**2 417**	805

*Restated, see note 32.

Borrowing cost

The capitalisation rate used to capitalise borrowing costs during the current year was the prime rate.

Litigation

During the prior year, the final aspect of the settlement of the litigation against former directors and officers of the company and entities controlled by them was implemented. Erf 27412, Observatory, with a market value of R38,7 million was transferred to a subsidiary of the company.

Capital commitments

There are commitments to further develop our investment properties by R39,4 million (2014: R2,15 million).

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 of R767 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

Level 3 fair value

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

	R000's
Opening value at 31 March 2014	669 619
Development cost and capitalised borrowing cost	42 598
Disposal	(15 600)
Gain included in other income	
– Changes in fair value	70 187
Closing value at 31 March 2015	766 804

Valuation technique and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
Capitalisation of income: The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next twelve months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations	Capitalisation rate Occupation rate Projected income	The estimated fair value would increase/ (decrease) if: – capitalisation rates were higher (lower) [see sensitivity analysis below]; – the occupancy rates were higher (lower); and – projected income were higher (lower)

Sensitivity analysis on the fair value of investment buildings

The capitalisation rates for the fair value of the properties varied between 9% –14,5%. 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	
	2015	2014
	R000's	R000's
Increase of 1% in the capitalisation rate	**704 843**	612 081
Decrease of 1% in the capitalisation rate	**842 899**	738 946

Securitisation of assets

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

12. INTANGIBLE ASSETS AND GOODWILL

	Notes	Brand Names/ Trade-marks R000's	Software R000's	Licenses R000's	Goodwill R000's	Total Intangibles R000's
Group						
Cost at 31 March 2015		**10 880**	**6 147**	**19 999**	**17 271**	**54 297**
Opening balance		**–**	**5 919**	**11 499**	**14 204**	**31 622**
Assets acquired separately		**10 880**	**228**	**8 500**	**–**	**19 608**
Acquired through business combinations	24	**–**	**–**	**–**	**3 067**	**3 067**
Accumulated amortisation and impairment at 31 March 2015		**1 744**	**4 502**	**7 019**	**–**	**13 265**
Opening balance		**–**	**3 387**	**4 834**	**–**	**8 221**
Current period amortisation		**1 744**	**1 115**	**2 185**	**–**	**5 044**
Carrying value at 31 March 2015		**9 136**	**1 645**	**12 980**	**17 271**	**41 032**
Nature of useful lives		Finite	Finite	Finite		
Amortisation method		Straight line	Straight line	Straight line		
Rate of amortisation		Period of contract	20%	Period of licence		
Residual values		0%	0%	0%		
Cost at 31 March 2014*		–	5 919	11 499	14 204	31 622
Opening balance		–	14 046	7 000	–	21 046
Assets acquired separately		–	572	4 499	–	5 071
Disposals and assets reclassified as held for sale		–	(8 699)	–	–	(8 699)
Acquired through business combinations	24	–	–	–	14 204	14 204
Accumulated amortisation and impairment at 31 Mach 2014		–	3 387	4 834	–	8 221
Opening balance		–	4 563	3 453	–	8 016
Disposals and assets reclassified as held for sale		–	(8 699)	–	–	(8 699)
Impariment losses recognised in profit and loss		–	4 617	–	–	4 617
Current period amortisation		–	2 906	1 381	–	4 287
Carrying value at 31 March 2014*		–	2 532	6 665	14 204	23 401

The amortisation of intangible assets is included in the following line items in the statement of comprehensive income:

	2015 R000's	2014* R000's
Cost of revenue	**–**	–
Distribution costs	**3 930**	953
Administrative and other expenses	**1 114**	3 334
	5 044	4 287

*Restated, see note 32.

13. OTHER INVESTMENTS

	Group 2015 R000's	2014* R000's
Business Partners Limited (unlisted)	**3 329**	3 329
Seardel Investment Corporation Limited (listed)	**–**	40 065
Old Mutual (listed)	**315**	315
	3 644	43 709
	Number of shares	Number of shares
Business Partners Limited (unlisted)	**605 220**	605 220
Seardel Investment Corporation Limited (listed) ordinary shares Seardel Investment	**–**	14 704 938
Corporation Limited (listed) N ordinary shares	**–**	6 123 306
Old Mutual (listed)	**8 900**	8 900
	614 120	21 442 364
Investments are classified as available for sale and are reconciled as follows:	**R000's**	R000's
Opening balance	**43 709**	28 574
Distribution	**(43 435)**	–
Revaluations	**3 370**	15 135
Closing balance	**3 644**	43 709

*Restated, see note 32.

14. LONG-TERM RECEIVABLES

	Group 2015	2014*
Reconciliation of carrying amount	**R000's**	R000's
Net investment in finance leases	**58 808**	50 115
Other loans	**123 232**	76 725
	182 040	126 840

Fair value of long-term receivables

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

Other loans

Included in other loans are:

	2015 R000's	2014* R000's
Loan to Hosken Consolidated Investments Limited (HCI)	**55 003**	–
Loan to South African Clothing & Textile Workers Union	**68 071**	76 631
(SACTWU) Other	**158**	94
Total	**123 232**	76 725

14. **LONG-TERM RECEIVABLES (continued)**

The loans have no fixed terms of repayment and by mutual agreement the loans will not be recalled before 31 March 2016. 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**
2015			
Lease payments receivable			
– Not later than one year	**39 546**	**8 957**	**30 589****
– Later than one year but not later than five years	**67 841**	**9 033**	**58 808**
	107 387	**17 990**	**89 397**
2014			
Lease payments receivable			
– Not later than one year	34 677	8 313	26 364**
– Later than one year but not later than five years	58 365	8 250	50 115
	93 042	16 563	76 479

* Restated, see note 32.

**Included in trade and other receivables.

Interest is charged at rates varying between 14% and 25%.

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

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

15. **ASSETS HELD FOR SALE**

	Group	
	2015 R000's	2014* R000's
Land and buildings	**55 628**	53 985
Plant and machinery	**2 305**	551
	57 933	54 536

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

	Textiles R000's	Industrials R000's	Property R000's	Total R000's
2015				
Land and buildings	**–**	**–**	**55 628**	**55 628**
Plant and machinery	**–**	**2 305**	**–**	**2 305**
	–	**2 305**	**55 628**	**57 933**
2014*				
Land and buildings	–	–	53 985	53 985
Plant and machinery	551	–	–	551
	551	–	53 985	54 536

Reconciliation of carrying amount	**Land and buildings at valuation R000's**	**Plant and machinery at cost R000's**	**Total R000's**
Carrying value at 31 March 2014*	**53 985**	**551**	**54 536**
Reclassification from property, plant and equipment	**58 075**	**11 169**	**69 244**
Disposal	**(52 625)**	**(9 415)**	**(62 040)**
Impairment	**(3 807)**	**–**	**(3 807)**
Carrying value at 31 March 2015	**55 628**	**2 305**	**57 933**
Carrying value at 31 March 2013*	2 295	–	2 295
Reclassification from property, plant and equipment	52 200	551	52 751
Disposal	(510)	–	(510)
Carrying value at 31 March 2014*	53 985	551	54 536

*Restated, see note 32.

Measurement of fair value – assets held for sale

Fair value hierarchy

The fair value of land and buildings classified as assets held for sale 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 2015.

The fair value measurement of land and buildings of R55,6 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

Valuation technique and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
Capitalisation of income: The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next twelve months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations	Capitalisation rate Occupation rate Projected income	The estimated fair value would increase/ (decrease) if: – capitalisation rates were higher (lower) [see sensitivity analysis below]; – the occupancy rates were higher (lower); and – projected income were higher (lower)

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

16. **INVENTORIES**

	Group 2015 R000's	2014* R000's
Raw materials and consumables	**147 919**	185 264
Work in progress	**52 894**	42 042
Finished goods	**409 401**	309 165
	610 214	536 471
Inventories stated at net realisable value	**126 873**	112 672
Inventories acquired through business combinations (refer to note 24)	**701**	8 401
Carrying amount of inventory pledged as security for liabilities	**594 197**	522 376
Write-down of inventory to net realisable value during the year	**7 565**	12 244
Reversals of previous write-down of inventory to net realisable value during the year**	**(112)**	(1 572)

* Restated, see note 32.

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

17. **TRADE AND OTHER RECEIVABLES**

Reconciliation of carrying value	Group 2015 R000's	2014* R000's
Trade receivables	**497 890**	402 071
Lease receivables	**30 589**	26 364
Other receivables	**86 112**	74 700
Fair value of outstanding foreign exchange contracts	**3 670**	2 640
Prepayments	**22 594**	22 063
	640 855	527 838
Business acquisition		
Trade and other receivables acquired through business combinations (refer to note 24)	**3 211**	13 080
Other receivables		
Included under other receivables are:		
Income receivable from Production Incentive programme (refer to note 22)	**38 486**	33 875
Lease smoothing asset	**16 268**	12 078
VAT	**10 439**	10 713

*Restated, see note 32.

Securitisation of assets

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

18. STATED CAPITAL

	2015 R000's	2014* R000's
Authorised		
10 000 000 000 (2014: 10 000 000 000) ordinary shares at no par value	**–**	–
Each ordinary share has the right to one vote at general meetings.		
Issued stated capital		
560 811 872 (2014: 120) ordinary shares of no par value	**1 716 713**	–
Balance at the beginning of the year 120 (2014: 0)	**–**	–
Issued during the year 560 811 752 (2014: 120)	**1 716 713**	–
	1 716 713	–
Common control stated capital		
Nil (2014: 539 776 469) ordinary shares at no par value	**–**	1 496 346

Establishment of the Group

The Group was established as part of an internal restructure on 1 October 2014. The reorganisation of the Deneb businesses into the Group is a common control transaction as Hosken Consolidated Investments Limited (HCI) is the ultimate controlling entity before and after the reorganisation.

The consolidated financial statements of the Group are based on book value (carry-over basis) accounting, on the basis that the Deneb investments have simply been moved from one part of the Group to another. In applying book value accounting, Deneb has recognised the assets acquired and liabilities assumed using the book values in the financial statements of Seardel Investment Corporation Limited (Seardel).

Comparative information in the consolidated financial statements of Deneb was restated and the Group adjusted its current reporting period before the date of the transaction as if the combination had occurred before the start of the earliest period presented.

However, in the separate financial statements of Deneb Investments Limited, as it is a legal entity, the legal form of the transaction guided the accounting in its financial statements.

The above authorised and issued stated capital reflects the figures of the legal entity, Deneb Investments Limited.

Issue of shares

Current period

As part of the internal restructure 539 776 349 shares were issued by Deneb to Seardel Investment Corporation Limited (Seardel) on 1 October 2014.

Subsequent to the internal restructure 18 115 848 shares were issued by Deneb to Seardel on 10 November 2014 in exchange for R52,5 million in cash to ensure that Deneb was appropriately capitalised prior to the listing and unbundling.

Deneb listed on the JSE Limited on 1 December 2014 by unbundling from Seardel. Seardel shareholders were entitled to receive 12,91952 Deneb shares for every 100 Seardel shares. No fractions of shares were issued and Deneb shares were issued based on the rounding principle. Accordingly 64 shares were delisted on 1 December 2014 due to rounding.

During the period 2 919 619 shares were issued in terms of the Group's share incentive scheme.

Prior period

Deneb was incorporated on 4 June 2013 with 120 ordinary shares.

Common control stated capital

The internal restructure transaction was accounted for as if it occurred before 1 April 2013. The "common control stated capital" reflect the stated capital had the shares been issued before 1 April 2013.

For further information see "Basis of preparation" in note 1 of the accounting policy.

Reserved under options – see note 35

28 146 932 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any of such shares in accordance with the terms and conditions of The Deneb Share Incentive Scheme Plan and any amendments thereto.

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

19. POST-EMPLOYMENT MEDICAL AID BENEFITS

General description of plan

The post-employment subsidy policy is summarised below:

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

	2015 R000's	2014* R000's
Amounts recognised in the statement of profit or loss:		
Current service cost	**444**	444
Interest on the obligation	**8 178**	7 654
Total included in staff costs	**8 622**	8 098
Reconciliations in the net liability recognised in the statement of financial position are as follows:		
Liability at the beginning of the year	**97 460**	89 433
Net expense recognised in profit or loss	**8 622**	8 098
Contributions from employer	**(6 524)**	(6 036)
Actuarial losses/(gains) recognised in other comprehensive income – changes from financial assumptions	**9 549**	5 965
Liability in the statement of financial position	**109 107**	97 460
Represented by		
Liability due within 12 months	**6 413**	6 280
Liability due after 12 months	**102 694**	91 180
	109 107	97 460
Present value of unfunded obligations	**109 107**	97 460
Fair value of plan assets	**–**	–
Recognised liability for defined benefit obligations	**109 107**	97 460

No reconciliation of the opening and closing balances of the plan assets is provided as there are no plan assets. The net cumulative actuarial loss recognised in other comprehensive income is R17,85 million

*Restated, see note 32.

Forecast reconciliation of the plan to 31 March 2016 is as follows:

	2016 R000's
Liability at 31 March 2015	109 107
Net expense in the statement of profit or loss	9 545
Contributions	(6 673)
Forecast liability at 31 March 2016	111 979

Trend information

	2015 R000's	2014* R000's	2013* R000's	2012* R000's	2011* R000's
Present value of obligations	**109 107**	97 460	89 433	79 307	71 233

		2015	2014*
The principals actuarial at the reporting date:			
Discount rate	(%)	**8,30**	8,70
Medical inflation	(%)	**8,60**	8,40
Sensitivity of results			
A 1% increase in medical aid inflation would result in:			
An increase in the accrued liability of	(R000's)	**13 274**	11 028
	(%)	**12,20**	11,30
An increase in the service and interest cost of	(R000's)	**1 212**	1 059
	(%)	**12,70**	12,30
A 1% decrease in medical aid inflation would result in:			
An decrease in the accrued liability of	(R000's)	**(11 164)**	(9 303)
	(%)	**(10,20)**	(9,50)
An decrease in the service and interest cost of	(R000's)	**(1 013)**	(888)
	(%)	**(10,60)**	(10,30)
A 1% decrease in the discount rate would result in:			
An increase in the accrued liability of	(R000's)	**13 449**	11 515
	(%)	**12,30**	11,80
A 1% increase in the discount rate would result in:			
An decrease in the accrued liability of	(R000's)	**(11 098)**	(9 547)
	(%)	**(10,20)**	(9,80)

*Restated, see note 32.

20. FINANCIAL INSTRUMENTS

Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

Interest-bearing liabilities

			Group	
Interest-bearing liabilities	Final repayment dates	Average rate of interest p.a	**2015 R000's**	2014* R000's
Secured				
Instalment sale and finance lease agreements	2019	9 to 11	**4 481**	5 751
			4 481	5 751
Unsecured				
HCI Treasury Proprietary Limited **	2017	Prime	**33 920**	–
Deposit held for rentals	2021	Prime	**–**	4 508
Contingent payments relating to business combinations	2016	9,05	**9 462**	9 592
			43 382	14 100
Total interest-bearing liabilities			**47 863**	19 851
Current portion of interest-bearing liabilities			**45 063**	3 193
Non-current portion of interest-bearing liabilities			**2 800**	16 658

* Restated, see note 32.

**The loan has no fixed terms of repayment.

Instalment sales and finance lease agreements are payable as follows:

	Principal R000's	**Interest R000's**	**Gross Instalments R000's**
2015			
Less than one year	**2 148**	**247**	**2 395**
Between one and five years	**2 333**	**328**	**2 661**
	4 481	**575**	**5 056**
2014*			
Less than one year	3 193	332	3 525
Between one and five years	2 558	306	2 864
	5 751	638	6 389

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 exposure 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 (R60,5 million (2014: R40,4 million)), Shoprite Holdings Limited (R15,4 million (2014: R8,0 million)), Massmart Limited (R46,3 million (2014: R37,9 million)) and Clicks Group Limited (R12,4 million (2014: R7,0 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 R472 million (89%) (2014: R422 million (98,5%) being denominated in South African Rands.

Trade receivables denominated in USD accounted for 10,8% (2014: 0,8%) and those in EUR accounted for 0,1% (2014: 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. The company is jointly and severally liable in respect of third-party liabilities incurred by subsidiary companies.

Capital management: The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base of the business is viewed as being the shareholder equity and non-current liabilities amounting to R1 980,4 million (2014: R1 637,9 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.

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

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

*Restated, see note 32.

	Group	
	2015	2014*
	R000's	R000's
Allowances for credit losses		
The movement in the allowance for impairment in respect of trade receivables during the period was as follows:		
Opening balance	**3 682**	5 231
Written off as irrecoverable	**(303)**	(2 356)
Increased through business combinations	**–**	385
Disposal of subsidiary	**(73)**	–
Increase in allowance for impairment	**3 357**	1 610
Decrease in allowance for impairment	**(922)**	(1 188)
Closing balance	**5 741**	3 682
Past due but not impaired financial assets		
The following analysis reflects the aging of trade receivables as at year-end, which have exceeded their credit terms, but have not been impaired.		
30+ days	**55**	397
60+ days	**1 590**	196
90+ days	**16 752**	6 802
120+ days	**7 564**	2 496
	25 961	9 891
The following analysis reflects the aging and remaining value of trade receivables as at year-end, which are considered to have been impaired and against which an impairment for non-recovery has already been made.		
30+ days	**–**	–
60+ days	**–**	–
90+ days	**413**	101
120+ days	**3 010**	2 933
	3 423	3 034

*Restated, see note 32.

20. **FINANCIAL INSTRUMENTS (continued)**

	Group	
	2015	2014*
	R000's	R000's
In determining the impairments, the Group considered, inter alia, disputes with customers, untraceable and slow payers, long overdue accounts and customers placed under liquidation.		
Cash flow and funding risk management		
This risk is managed through cash flow forecasts and ensures that adequate borrowing facilities are maintained. In terms of the memorandum of incorporation, the Group's borrowing powers are unlimited. Refer to note 26 for borrowing facilities.		
Categories of financial assets		
The carrying amount of financial assets, which also represents the maximum credit exposure and reasonably approximate their fair values, are as follows:	**786 629**	622 842
Loans and receivables	**3 670**	2 640
Fair value through profit or loss (FECs)	**3 644**	43 709
Available for sale	**793 943**	669 191

*Restated, see note 32.

Reconciliation with line items presented in the 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 Asset R000's	Total R000's
2015						
Investments		**–**	**–**	**3 644**	**–**	**3 644**
Long-term receivables		**182 040**	**–**	**–**	**–**	**182 040**
Trade and other receivables		**604 152**	**3 670**	**–**	**33 033**	**640 855**
Cash and cash equivalents		**437**	**–**	**–**	**–**	**437**
		786 629	**3 670**	**3 644**	**33 033**	**826 976**
2014*						
Investments		–	–	43 709	–	43 709
Long-term receivables		126 840	–	–	–	126 840
Trade and other receivables		492 422	2 640	–	32 776	527 838
Cash and cash equivalents		3 580	–	–	–	3 580
		622 842	2 640	43 709	32 776	701 967

Categories of financial liabilities

	2015	2014*
	R000's	R000's
The carrying amounts of financial liabilities, which also reasonably approximate their fair values, are as follows:		
Measured at amortised cost	**1 046 844**	1 014 558
	1 046 844	1 014 558

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

	Measured at amortised cost R000's	**Non-financial liability R000's**	**Total R000's**
2015			
Interest-bearing liabilities – non-current	**2 800**	**–**	**2 800**
– current	**45 063**	**–**	**45 063**
Trade and other payables	**469 102**	**4 327**	**473 429**
Bank overdrafts	**529 879**	**–**	**529 879**
	1 046 844	**4 327**	**1 051 171**
2014*			
Interest-bearing liabilities – non-current	16 658	–	16 658
– current	3 193	–	3 193
Trade and other payables	456 923	1 544	458 467
Bank overdrafts	537 784	–	537 784
	1 014 558	1 544	1 016 102

*Restated, see note 32.

Maturity profile of financial instruments

Maturity profile of financial assets and liabilities at 31 March 2015 is summarised as follows:

	0 – 12 months R000's	1 – 3 years R000's	3 – 5 years R000's	Over 5 years R000's	Total R000's
2015					
Assets					
Investments	**–**	**3 644**	**–**	**–**	**3 644**
Long-term receivables	**–**	**191 073**	**–**	**–**	**191 073**
Trade and other receivables	**607 822**	**–**	**–**	**–**	**607 822**
Cash and cash equivalents	**437**	**–**	**–**	**–**	**437**
Total financial assets	**608 259**	**194 717**	**–**	**–**	**802 976**
Liabilities					
Interest-bearing borrowings	**45 063**	**2 800**	**–**	**–**	**47 863**
Trade and other payables	**464 773**	**–**	**–**	**–**	**464 773**
Bank overdrafts	**529 879**	**–**	**–**	**–**	**529 879**
Total financial liabilities – non-derivatives	**1 039 715**	**2 800**	**–**	**–**	**1 042 515**
Trade and other payables	**4 329**	**–**	**–**	**–**	**4 329**
Total financial liabilities – derivatives	**4 329**	**–**	**–**	**–**	**4 329**
Net financial (liabilities)/assets	**(435 785)**	**191 917**	**–**	**–**	**(243 868)**
2014*					
Assets					
Investments	–	43 709	–	–	43 709
Long-term receivables	–	126 840	–	–	126 840
Trade and other receivables	495 062	–	–	–	495 062
Cash and cash equivalents	3 580	–	–	–	3 580
Total financial assets	498 642	170 549	–	–	669 191
Liabilities					
Interest-bearing borrowings	3 193	16 658	–	–	19 851
Trade and other payables	448 901	–	–	–	448 901
Bank overdrafts	537 784	–	–	–	537 784
Total financial liabilities – non-derivatives	989 878	16 658	–	–	1 006 536
Trade and other payables	3 628	–	–	–	3 628
Total financial liabilities – derivatives	3 628	–	–	–	3 628
Net financial (liabilities)/assets	(494 864)	153 891	–	–	(340 973)

*Restated, see note 32.

Contractual undiscounted cash flows

	0 – 12 months R000's	1 – 3 years R000's	3 – 5 years R000's	Over 5 years R000's	Total R000's
2015					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	**49 490**	**3 318**	**–**	**–**	**52 808**
Trade and other payables	**464 773**	**–**	**–**	**–**	**464 773**
Bank overdrafts	**582 010**	**–**	**–**	**–**	**582 010**
Total financial liabilities – non-derivatives	**1 096 273**	**3 318**	**–**	**–**	**1 099 591**
Trade and other payables	**4 329**	**–**	**–**	**–**	**4 329**
Total financial liabilities – derivatives	**4 329**	**–**	**–**	**–**	**4 329**
2014*					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	3 488	18 199	–	–	21 687
Trade and other payables	448 901	–	–	–	448 901
Bank overdrafts	584 798	–	–	–	584 798
Total financial liabilities – non-derivatives	1 037 187	18 199	–	–	1 055 386
Trade and other payables	3 628	–	–	–	3 628
Total financial liabilities – derivatives	3 628	–	–	–	3 628

20. **FINANCIAL INSTRUMENTS (continued)**

Fair value of financial instruments

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

*Restated, see note 32.

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	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	Level 3 R000's	Total R000's
2015										
Financial assets measured at fair value										
Equity securities	13	–	–	3 644	–	3 644	315	3 329	–	3 644
Forward exchange contracts	17	–	3 670	–	–	3 670	–	3 670	–	3 670
		–	3 670	3 644	–	7 314	315	6 999	–	7 314
Financial assets not measure at fair value										
Long-term receivables	14	182 040	–	–	–	182 040				
Trade and other receivables	17	604 152	–	–	–	604 152				
Cash and cash equivalents		437	–	–	–	437				
		786 629	–	–	–	786 629				
Financial liabilities not measured at fair value										
Installment sale and finance lease agreements		–	–	–	(4 481)	(4 481)				
Unsecured loans		–	–	–	(43 382)	(43 382)				
Trade and other payables	21	–	–	–	(469 102)	(469 102)				
Bank overdrafts	26	–	–	–	(529 879)	(529 879)				
		–	–	–	(1 046 844)	(1 046 844)				

*Restated, see note 32.

	Notes	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	Level 3 R000's	Total R000's
2014*										
Financial assets measured at fair value										
Equity securities	13	–	–	43 709	–	43 709	40 380	3 329	–	43 709
Forward exchange contracts	17	–	2 640	–	–	2 640	–	2 640	–	2 640
		–	2 640	43 709	–	46 349	40 380	5 969	–	45 349
Financial assets not measure at fair value										
Long-term receivables	14	126 840	–	–	–	126 840				
Trade and other receivables	17	492 422	–	–	–	492 422				
Cash and cash equivalents		3 580	–	–	–	3 580				
		622 842	–	–	–	622 842				
Financial liabilities not measured at fair value										
Installment sale and finance lease agreements		–	–	–	(5 751)	(5 751)				
Unsecured loans		–	–	–	(14 100)	(14 100)				
Trade and other payables	21	–	–	–	(456 923)	(456 923)				
Bank overdrafts	26	–	–	–	(537 784)	(537 784)				
		–	–	–	(1 014 558)	(1 014 558)				

*Restated, see note 32.

20. **FINANCIAL INSTRUMENTS (continued)**

Reclassification of financial assets

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

Pledges of financial assets

No financial assets were pledged as collateral for liabilities or contingent liabilities.

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

	Group	
	2015	2014*
	R000's	R000's
These "past due, but not impaired debtors" amount to:	**25 961**	9 891

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 and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the importation of electronic equipment, toys, finished goods and raw materials; and
- interest rate caps to mitigate the risk of rising interest rates.

	Group	
	2015	2014*
	R000's	R000's
The fair value of the derivatives at year-end, determined by marking to market of contracts amounted to:	(660)	(988)

Liquidity risk

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

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

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 in financial instruments, including derivative financial instruments, for speculative purposes.

Sensitivity analysis

Equity price sensitivity analysis

The Group faces equity risk in that it held an investment in Seardel Investment Corporation and holds an investment in Business Partners as disclosed under the investments note.

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 are contained in note 28 of these financial statements.

Interest rate sensitivity analysis

At year-end the Group's net interest-bearing borrowings amounted to R577 million (2014: R540 million). In the main the interest rates applicable to these loans are variable. Consequently, in the event of a 10% change in interest rates, (i.e. an increase of 0,9%) there will be an additional interest charge of R5,19 million (2014: R4,9 million) before tax.

*Restated, see note 32.

21. **TRADE AND OTHER PAYABLES**

	2015 R000's	2014* R000's
Trade payables	**300 957**	263 390
Fair value of outstanding foreign exchange contracts	**4 329**	3 628
Accruals and other current liabilities	**168 143**	191 449
Shareholders for dividend	**–**	–
	473 429	458 467
The operating leased accrual is payable as follows:		
Less than one year (included under trade and other payables)	**670**	102
Between one and five years (shown separately as operating lease accruals on the statement of financial position)	**925**	241
	1 595	343
Trade and other payables acquired through business combination (refer to note 24)	**6 673**	10 791

22. **GOVERNMENT GRANTS**

	2015 R000's	2014* R000's
Receivable balance for government grants brought forward	**33 875**	39 456
Total income from government grants, included in other income, recognized during the year amounted to	**34 860**	33 875
Total cash received during the year from government grants amounted to	**(30 249)**	(39 456)
Amount outstanding as at year-end	**38 486**	33 875

The government grants received related to the Production Incentive Scheme established by the Department of Trade and Industry. The receivable is disclosed under trade and other receivables.

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

*Restated see note 32.

23. **PROVISIONS**

	Group	
	2015 R000's	2014* R000's
Restructuring and retrenchment costs		
Carrying amount at the beginning of the year	**23 116**	355
Additional provisions made in the year, including increases to existing provisions	**–**	23 309
Unused amounts reversed during the year	**–**	(6)
Amounts utilised during the year	**(23 116)**	(542)
Carrying amount at the end of year	**–**	23 116

*Restated see note 32.

During the prior period the directors resolved to exit the Group's apparel manufacturing business through the closure of its Western Cape and KwaZulu-Natal operations. The Group sold the apparel manufacturing business to an associate company of SACTWU.

These prior period provisions relate to management's restructuring plans and were implemented or already implemented during the current financial period.

24. BUSINESS COMBINATIONS

Subsidiaries acquired through the year

Subsidiary name	Acquisition date	Segment	Description	% Voting interest	Revenue contributed to the Group R000's	Net profit/ (loss) contribution to the Group R000's	Revenue contributed to the group had the acquisition been effective 1 April 2014 R000's	Net profit/ (loss) contribution to the group had the acquisition been effective 1 April 2014 R000's
2015								
Limtech Biometric Solutions Proprietary Limited	1 Apr 2014	Branded Product Distribution	Provider of access security solutions, specializing in biometric fingerprint recognition	100%	**10 597**	**(859)**	**10 597**	**(859)**
Deneb Invest 141 Holdco Proprietary Limited (OfficeBox)	1 Aug 2014	Branded Product Distribution	Online Distributor of stationery	51%	**8 499**	**(1 496)**	**8 499**	**(1 496)**
2014*								
Clever Little Monkey Proprietary Limited	1 Aug 2014	Branded Product Distribution	Online Furniture and Décor shop	100%	2 898	(318)	2 898	(318)
Custom Extrusion Proprietary Limited	1 July 2013	Industrial	Extrusion and weaving of polypropylene	100%	66 888	6 637	89 685	8 898

*Restated see note 32.

Consideration transferred

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

Consideration	**Branded Products R000's**	**Industrials R000's**	**Total R000's**
2015			
Contingent consideration	**1 400**	**–**	**1 400**
Total consideration	**1 400**	**–**	**1 400**
2014*			
Cash	500	–	500
Contingent consideration	786	8 106	8 892
Own shares issued	–	17 108	17 108
Total consideration	1 286	25 214	26 500

*Restated, see note 32.

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 R1 530 000 (2014: between RNil and R14 500 000).

The fair value of the contingent consideration arrangement of R1 400 000 (2014: R12 677 912) was estimated by applying a discount rate of 9,25% (2014: 9,05%).

Identifiable assets acquired and liabilities assumed

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

	Branded Product Distribution R000's
Recognised amounts of identifiable assets acquired and liabilities assumed	
2015	
Property, plant and equipment	**93**
Inventories	**701**
Trade and other receivables	**3 211**
Cash and cash equivalents	**256**
Trade and other payables	**(6 673)**
Bank overdrafts	**(70)**
Total identifiable net assets	**(2 482)**
Less non-controlling interest	**815**
Goodwill	**3 067**
Total consideration	**1 400**

	Branded Product Distribution R000's	Industrials R000's	Total R000's
Recognised amounts identifiable assets acquired and liabilities assumed			
2014*			
Property, plant and equipment	11	11 905	11 916
Long-term receivables	–	93	93
Inventories	96	8 305	8 401
Trade and other receivables	48	13 032	13 080
Cash and cash equivalents	58	–	58
Deferred liabilities	–	(3 707)	(3 707)
Deferred tax liability	–	(1 023)	(1 023)
Trade and other payables	(111)	(11 506)	(11 617)
Interest-bearing liability	–	(8 628)	(8 628)
Bank overdrafts	–	(4 727)	(4 727)
Total identifiable net assets	102	3 744	3 846
Common control reserve	–	8 450	8 450
Goodwill	1 184	13 020	14 204
Total consideration	1 286	25 214	26 500

24. **BUSINESS COMBINATIONS (continued)**

Cash flow from this investing activity

	Branded Product Distribution R000's
2015	
Add cash and cash equivalents in the business acquired	**256**
Less overdraft in the business acquired	**(70)**
Net cash inflow from investing operations	**186**

	Branded Product Distribution R000's	Industrials R000's	Total R000's
2014*			
Cash consideration transferred	(500)	–	(500)
Less cash and cash equivalents in the business acquired	58	–	58
Add overdraft in the business acquired	–	(4 727)	(4 727)
Net cash inflow from investing operations	(442)	(4 727)	(5 269)

*Restated, see note 32.

Goodwill

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

25. **LEASES**

	Group Nominal amount	
	2015 R000's	2014* R000's
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**19 240**	14 285
Between one and five years	**36 565**	35 465
	55 805	49 750
Non-cancellable operating lease rentals are receivable as follows:		
Less than one year	**95 111**	90 127
Between one and five years	**190 858**	435 529
More than five years	**9 568**	206 382
	295 537	732 038

*Restated, see note 32.

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

No contingent rentals were recognised as income in the period.

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

26. **BORROWING FACILITIES**

	2015 R000's	2014* R000's
Available facilities	**825 000**	837 500
Net utilised	**(588 363)**	(650 697)
Unutilised balance	**236 637**	186 803

These facilities have been secured in terms of note 33.

*Restated, see note 32.

27. **DIRECTORS' EMOLUMENTS**

Paid by a subsidiary company Name	Salary R000's	Bonus R000's	Retirement and medical contributions R000's	Share option expense R000's	Directors' fees R000's	Total R000's
2015						
Executive directors* **						
S A Queen*(Chief Executive Officer)	**3 551**	**3 201**	**–**	**3 190**	**–**	**9 942**
A M Ntuli	**886**	**75**	**172**	**–**	**–**	**1 133**
G D T Wege	**1 657**	**1 711**	**248**	**1 052**	**–**	**4 668**
D Duncan	**2 565**	**1 581**	**312**	**11**	**–**	**4 469**
	8 659	**6 568**	**732**	**4 253**	**–**	**20 212**
Non-executive directors						
J Copelyn (Chairman)**	**–**	**–**	**–**	**–**	**144**	**144**
M H Ahmed	**–**	**–**	**–**	**–**	**167**	**167**
L Govender	**–**	**–**	**–**	**–**	**–**	**–**
T G Govender**	**–**	**–**	**–**	**–**	**103**	**103**
N B Jappie	**–**	**–**	**–**	**–**	**75**	**75**
R D Watson	**–**	**–**	**–**	**–**	**145**	**145**
Y Shaik**	**–**	**–**	**–**	**–**	**144**	**144**
	–	**–**	**–**	**–**	**778**	**778**
Executive committee members						
Executive 1	**1 421**	**560**	**54**	**204**	**–**	**2 239**
Executive 2	**1 742**	**3 799**	**208**	**–**	**–**	**5 749**
	3 163	**4 359**	**262**	**204**	**–**	**7 988**
						28 978
2014						
Executive directors* **						
S A Queen*(Chief Executive Officer)	3 345	–	–	2 054	–	5 399
A M Ntuli	841	71	157	–	–	1 069
G D T Wege	1 556	–	233	435	–	2 224
D Duncan	2 394	–	291	293		2 978
	8 136	71	681	2 782	–	11 670
Non-executive directors						
J Copelyn (Chairman)**	–	–	–	–	136	136
N N Lazarus (Deputy Chairman)	–	–	–	–	43	43
M H Ahmed	–	–	–	–	136	136
L Govender	–	–	–	–	–	–
T G Govender**	–	–	–	–	97	97
N B Jappie	–	–	–	–	–	–
R D Watson	–	–	–	–	117	117
Y Shaik	–	–	–	–	157	157
	–	–	–	–	686	686
Executive committee members						
Executive 1	1 888	–	62	82	–	2 032
Executive 2	1 658	3 000	186	287	–	5 131
	3 546	3 000	248	369	–	7 163
						19 519

27. **DIRECTORS' EMOLUMENTS (continued)**

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

	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
2015							
Deneb Investments Limited options							
Executive directors* **							
S A Queen* (Chief Executive Officer)	–	**6 469**	**(1 735)**	–	**4 734**	**0,93**	**2,10**
A M Ntuli	–	–	–	–	–	–	–
G D T Wege	–	**3 052**	**(375)**	–	**2 677**	**1,01**	**2,10**
D Duncan	–	**2 627**	–	–	**2 627**	**1,54**	–
Non-executive directors							
J Copelyn (Chairman)**	–	–	–	–	–	–	–
N B Jappie	–	–	–	–	–	–	–
L G Govender	–	–	–	–	–	–	–
M H Ahmed	–	–	–	–	–	–	–
T G Govender**	–	–	–	–	–	–	–
R D Watson	–	–	–	–	–	–	–
Y Shaik	–	–	–	–	–	–	–
Executive committee members							
Executive 1	–	**1 192**	–	–	**1 192**	**1,31**	–
Executive 2	–	**1 315**	**(232)**	–	**1 083**	**1,53**	**2,10**
Seardel Investment Corporation Limited options							
Executive directors							
S A Queen (Chief Executive Officer)	**8 820**	–	**(2 000)**	**(6 820)**	–	–	**1,79**
A M Ntuli	–	–	–	–	–	–	–
G D T Wege	**2 773**	–	–	**(2 773)**	–	–	–
D Duncan	**2 047**	–	**(700)**	**(1 347)**	–	–	**1,79**
Non-executive directors							
J Copelyn (Chairman)	–	–	–	–	–	–	–
N B Jappie	–	–	–	–	–	–	–
L G Govender	–	–	–	–	–	–	–
M H Ahmed	–	–	–	–	–	–	–
T G Govender	–	–	–	–	–	–	–
R D Watson	–	–	–	–	–	–	–
Y Shaik	–	–	–	–	–	–	–
Executive committee members							
Executive 1	**1 086**	–	**(250)**	**(836)**	–	–	**1,90**
Executive 2	**1 549**	–	**(699)**	**(850)**	–	–	**1,80**

	Opening balance of share options 000's	Number of share options awarded during the year 000's	Number of shares exercised 000's	Closing balance of share options 000's	Strike price of share options awarded R	Exercised price of shares exercised R
2014****						
Seardel Investment Corporation Limited options						
Executive directors* **						
S A Queen* (Chief Executive Officer)	8 820	–	–	8 820	–	–
A M Ntuli	–	–	–	–	–	–
G D T Wege	3 523	–	(750)	2 773	–	2,75
D Duncan	2 572	–	(525)	2 047	–	2,75
Non-executive directors						
J Copelyn (Chairman)**	–	–	–	–	–	–
N B Jappie	–	–	–	–	–	–
L G Govender	–	–	–	–	–	–
M H Ahmed	–	–	–	–	–	–
T G Govender**	–	–	–	–	–	–
R D Watson	–	–	–	–	–	–
Y Shaik	–	–	–	–	–	–
Executive committee members						
Executive 1	1 086	–	–	1 086	–	–
Executive 2	2 205	–	(656)	1 549	–	2,60

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

** Ceded to HCI.

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

****These options relate to the Seardel Investment Corporation Limited share options.

† Resigned.

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

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

Refer to the Remuneration Report for amounts paid to directorate by related parties.

28. FOREIGN CURRENCY COMMITMENTS

	Currency	Uncovered R000's	Covered R000's	Total R000's
2015				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	**518**	**–**	**518**
	EUR	**834**	**–**	**834**
	USD	**58 233**	**19 118**	**77 351**
		59 585	**19 118**	**78 703**
Foreign payables	AUD	**–**	**–**	**–**
	EUR	**832**	**891**	**1 723**
	GBP	**873**	**11**	**884**
	USD	**65 438**	**14 616**	**80 054**
	CHF	**–**	**66**	**66**
		67 143	**15 584**	**82 727**

Sensitivity analysis: A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R5 958 500 while the uncovered payables balance would decrease by R6 714 300 resulting in a net gain of R755 800. A weakening of the Rand by 10% would have an equal, but opposite effect.

28. **FOREIGN CURRENCY COMMITMENTS (continued)**

	Currency R000's	Uncovered R000's	Covered R000's	Total R000's
2014*				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	–	882	882
	EUR	–	10 066	10 066
	USD	–	237 735	237 735
	GBP	–	–	–
		–	248 683	248 683
Foreign payables	AUD	–	881	881
	EUR	–	928	928
	GBP	–	624	624
	USD	–	76 135	76 135
		–	78 568	78 568

Sensitivity analysis: All foreign currency receivables and payables were covered at year-end. Foreign exchange contracts are used as a natural hedge and hedge accounting was not applied.

The exchange rates were as follows:

	Spot – 31 March 2015 R	Spot – 31 March 2014 R	Average for the period R
AUD	**9,29000**	9,77265	9,65970
EUR	**13,04070**	14,54890	14,00190
GBP	**18,00060**	17,54790	17,81690
USD	**12,14780**	10,54550	11,06300

*Restated, see note 32.

29. **COMMITMENTS**

	Capital Expenditure		**Contractual commitments**	
	2015 R000's	2014* R000's	**2015 R000's**	2014* R000's
Investment property	**42 387**	37 499	**39 435**	2 152
Land and buildings	**–**	196	**–**	–
Plant and equipment	**57 189**	29 255	**–**	14 578
Intangible assets	**19 608**	5 071	**–**	21 000
Business combinations	**1 400**	26 500	**–**	–
	120 584	98 521	**39 435**	37 730

The capital commitments are expected to be incurred during the remainder of the current financial year.

30. **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 one another. These intra-group transactions have been eliminated on consolidation.

Transactions with Hosken Consolidated Investments Limited (HCI) (ultimate holding company), entities in which HCI has an interest and SACTWU (shareholder).

	Transaction values for the year ended 31 March		Balance outstanding as at 31 March	
	Income/(Expense)		Balance receivable/(Owing)	
	2015	2014*	**2015**	2014*
	R000's	R000's	**R000's**	R000's
SACTWU – disposal of apparel manufacturing operation (refer to note 8)	**7 508**	(31 260)	**68 070**	107 588
SACTWU – loan advance relating to the disposal of the apparel manufacturing operation (refer to note 8)	**–**	(957)	**–**	(30 957)
HCI – loan advanced from HCI during the year	**(2 963)**	(2 499)	**(33 920)**	–
HCI – loan advanced to HCI during the year	**5 003**	–	**55 003**	–
Management fees paid				
HCI – managerial and secretarial services	**(3 850)**	(4 200)	**(399)**	(10 195)
Management fees received	**1 296**	1 296	**–**	–
Formex Industries – a subsidiary of HCI Managerial services to HCI	**813**	617	**–**	–

*Restated, see note 32.

Disposal of apparel manufacturing operation to SACTWU

During the period the Group disposed of its South African apparel manufacturing operation and advanced on loan account an amount equal to the purchase price to SACTWU. The loan attracts interest at prime and will be repaid out of any cash payments or distributions receivable by SACTWU from Seardel or HCI.

HCI loan

Loans between HCI and the Group attracted interest at prime.

The loan advanced to HCI during the year has no fixed terms of repayment and by mutual agreement the loan will not be recalled before 31 March 2016.

The loan advanced from HCI during the year has no fixed terms of repayment.

Transactions with companies with common directors

	Transaction values for the year ended 31 March		Balance outstanding as at 31 March	
	Income/(Expense)		Balance receivable/(Owing)	
	2015	2014*	**2015**	2014*
	R000's	R000's	**R000's**	R000's
Sale of goods and services				
Zenzeleni Clothing – a company of which J Copelyn, K Govender and A Ntuli are directors	**5 527**	8 930	**1 633**	2 053

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:

	2015	2014*
	R000's	R000's
Basic	**57 301**	42 291
Provident fund	**2 511**	2 273
Medical aid	**677**	617
	60 489	45 181

*Restated, see note 32.

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

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

31. **CONTINGENCIES**

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

32. CHANGE IN COMPARATIVES

Reconciliation between assumptions used in the Pre-listing statement and the comparative results of Deneb for the year ended 31 March 2014

The Group did not prepare consolidated financial statements in the normal course of business up to and including 31 March 2014.

Accordingly, carve-out historical information was prepared for the Pre-listing statement published on 21 November 2014 on a basis of extracting historical assets, liabilities, revenue and expenses reflected in the consolidated financial statements of Seardel and preparing it as a standalone Group.

Our auditors issued an audit report on the information presented in the Pre-listing statement.

Book value accounting requires the assets acquired and the liabilities assumed through the internal reorganisation to be accounted for using the book values in the consolidated financial statements of the transferor, Seardel.

The following assumptions were used and listed in the basis of preparing of the Pre-listing statement:

Taxation

Carve-out historical information in the Pre-listing statement assumed that the deferred tax asset in Seardel Group Trading is fully recoverable. This assumption was applied retrospectively from 31 March 2011 as noted in the basis of preparation.

The assets acquired through the reorganisation were accounted for at the book value in the financial statements of Seardel. The deferred tax asset in Seardel Group Trading was assessed as fully recoverable and released in the current period in financial statements.

Financial effect	Pre-listing Statement 2014 R000's	Deneb financial Statements 2014 R000's
Statement of financial position Dr/(Cr)		
Deferred tax asset	141 399	58 738
Statement of profit or loss and other comprehensive income		
Income/(expenses)	(15 506)	21 228

Discontinued operations

Operations classified as discontinued operations at 31 March 2014 in the consolidated financial statements of Seardel consisted of the apparel manufacturing businesses which were disposed of to a third party as a going concern during the period ended 31 March 2014.

For the purpose of the preparation of the carve-out historical financial information of the Pre-listing statement it was assumed that the sale of the apparel businesses took place on 31 March 2011. Accordingly, no discontinued operations were disclosed in the statement of profit or loss and other comprehensive income in the Pre-listing statement.

Assets and liabilities of the business that were not part of the sale were disclosed as "Net receivables from discontinued operations" in the Pre-listing statement (refer to note 35 of the Pre-listing statement).

Deneb's financial statements used book value accounting and therefore the sale occurred during the 2014 financial period and the assets and liabilities were disclosed on the line items as per Seardel's financial statements.

Financial effect	Pre-listing Statement 2014 R000's	Deneb financial Statements 2014 R000's
Statement of financial position Dr/(Cr)		
Loans receivable from SACTWU	–	76 631
Trade and other receivables	–	56 777
Trade and other payables	–	(57 712)
Provisions	–	(23 309)
Net receivable from discontinued operations	52 387	–
Net assets and liabilities	52 387	52 387
Statement of profit or loss and other comprehensive income		
Loss from discontinued operations, net of tax	–	(159 902)

Further more, the factory shops of the apparel manufacturing business were discontinued during the period ended 31 March 2015 accordingly, the comparative figures in March 2014 were restated. During the period in which the Pre-listing statement was issued the factory shops were still considered continued operations.

Statement of profit or loss and other comprehensive income	Pre-listing Statement 2014 R000's	Deneb financial Statements 2014 R000's
Revenue	23 195	–
Gross profit	6 268	–
Net loss included in continued operations	(5 151)	–
Loss from discontinued operations, net of tax	–	(5 151)
Consolidated loss from discontinued operations, net of tax	–	(165 053)

Share-based benefits

With effect from 1 October 2014 the participants of the Seardel Share Incentive Scheme had no further rights under the scheme and all unvested share options issued in terms of the scheme have lapsed. This is as a result of the change in control of the relevant employer company which came about as a result of the disposal of shareholding by Seardel to Deneb.

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

Seardel required the subsidiaries to make payment in respect of the rights issued to scheme participants. This type of intra-group payment arrangement is commonly referred to as a "recharge arrangement".

The Pre-listing statements assumed that Deneb had already received the receivable owing by the subsidiaries of the Group as a result of the recharge arrangement.

In the financial statement of Deneb this share-based liability is shown separately on the face of the statement of financial position as at 31 March 2014 as it was only transferred from Seardel to Deneb on 1 October 2014.

Financial effect	Pre-listing Statement 2014 R000's	Deneb financial Statements 2014 R000's
Statement of financial position Dr/(Cr)		
Share-based liability	–	(35 631)

Shares in Seardel Investment Corporation held by Seardel Group Trading

All shares held by Seardel Group Trading in Seardel were disclosed as treasury shares in the Seardel consolidated financial statements.

In the Deneb financial statements these shares were disclosed as investments and revalued to fair value through equity at each period-end.

The shares were distributed as a dividend in specie to Seardel on 10 November 2014 at a value of R43,43 million.

	Pre-listing Statement 2014 R000's	Deneb financial Statements 2014 R000's
Statement of financial position Dr/(Cr)		
Investments	–	40 064
Statement of profit or loss and other comprehensive income		
Fair value adjustment on available for sale, net of tax	–	12 260

32. **CHANGE IN COMPARATIVES (continued)**

Reconciliation between the Pre-listing statement and the Deneb financials for the period ended 31 March 2014 based on the above assumptions

	Statement of profit or loss and other compre-hensive income R000's	Weighted average number of shares 000's	Earnings/ loss per share R
Pre-listing statement profit	133 973	539 776	24,82
Continuing operations	133 973		24,82
Discontinued operations	–		–
Taxation	36 734		6,81
Discontinued operations – apparel manufacturing business	(159 901)		(29,62)
Factory shops restated as discontinued operations	–		–
Deferred tax through income statement due to fair value of investments	1 868		0,35
Deneb financial statement profit	12 674		2,35
Continued operations	177 727		32,93
Discontinued operations	(165 053)		(30,58)

33. **SECURITISATION OF ASSETS**

The security has been provided to a special purpose company (Seardel Security Proprietary Limited), which has guaranteed the obligations of the Group companies in favour of the lenders and which, in turn, is indemnified by Group companies.

Name of entity (Security grantor)	**Security Cession**	**Bond (Type, amount and subject matter)**
Nyenye Clothing Manufacturers (Pty) Ltd	Yes	None
Val Hau et Cie (Pty) Ltd	Yes	None
Seartec Trading (Pty) Ltd	Yes	General Notarial Bond, R60 million
Seartec Industries (Pty) Ltd	Yes	None
Seartec (Pty) Ltd	Yes	None
Seardel Number 16 (Pty) Ltd	Yes	None
Prima Toy and Leisure Group (Pty) Ltd	Yes	None
Gold Reef Specialty Chemicals (Pty) Ltd	Yes	General Notarial Bond, R30 million
Seardel Group Trading (Pty) Ltd	Yes	General Notarial Bond, R1 billion; movable assets of Seardel Group Trading
		Special Notarial Bond, R300 million; movable assets of Seardel Group Trading
		Mortgage Bonds, R600 million; all immovable property owned by Seardel Group Trading
Frame Industrials (Pty) Ltd	Yes	General Notarial Bond, R5 million; movable assets of Frame Industrials
		Special Notarial Bond, R15 million; movable assets of Frame Industrials
Prima Toy and Leisure Trading (Pty) Ltd	Yes	General Notarial Bond, R50 million; movable assets of Prima Toy and Leisure Trading

Note

Security cession means a security cession in terms of which the security grantor cedes to the security SPV in securitatem debiti all of such security grantor's present and future rights and interest as security for the due, proper and timeous payment and performance in full of the security grantor's obligations under the Indemnity, on the terms of the written security cession signed on 21 November 2008 between the security SPV and the security grantor.

Indemnity means an irrevocable and unconditional indemnity given by the security grantor to the security SPV, indemnifying the security SPV in respect of any claim or liability of the security SPV arising under the guarantees which the security SPV has provided in respect of all monies and liabilities owing by the security grantor and other companies within the borrower group in connection with the banking facilities provided by the guaranteed parties to the borrower group and against any loss, damage, liability, costs or expenses of any nature which the security SPV may incur as a consequence of the occurrence of any event of default, on the terms of the written indemnity agreement signed on 21 November 2008 between the security SPV and the security grantor.

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

	Per statement of financial position R000's	**Securitised R000's**	**Un-securitised R000's**
2015			
Property, plant and equipment	**595 931**	**584 711**	**11 220**
Investment property	**766 804**	**766 804**	**–**
Intangible assets	**23 761**	**23 761**	**–**
Other investments	**3 644**	**3 644**	**–**
Long-term receivables	**182 040**	**181 882**	**158**
Inventories	**610 214**	**594 197**	**16 017**
Trade and other receivables	**640 855**	**624 588**	**16 267**
Non-current assets held for sale	**57 933**	**57 933**	**–**
2014*			
Property, plant and equipment	622 082	610 529	11 553
Investment property	669 619	669 619	–
Intangible assets	9 197	9 197	–
Other investments	43 709	43 709	–
Long-term receivables	126 840	126 747	93
Inventories	536 471	522 376	14 095
Trade and other receivables	527 838	519 515	8 323
Non-current assets held for sale	54 536	54 536	–

*Restated, see note 32.

34. **POST-YEAR-END EVENTS**

Property situated on 1 Moorsom Avenue, Epping, Cape Town which was disclosed under assets held for sale in the current period, has been sold subsequent to year-end. The property was sold for R42,3 million.

Subsequent to year-end the directors concluded an agreement to purchase a property situated at 11B Riley Road, Bedfordview, Johannesburg for R22,6 million.

35. **SHARE INCENTIVE SCHEME**

Basis of accounting

The Group was established as part of an internal restructure on 1 October 2014 where Seardel Investment Corporation Limited (Seardel) sold all its non-media assets to Deneb Investments Limited (Deneb). Deneb was unbundled and listed on the JSE Limited on 1 December 2014.

Seardel Investment Corporation Limited share incentive

Prior to 1 October 2014 the Group was part of Seardel. Certain of the directors and senior management of the Group were provided with the opportunity to acquire ordinary shares in Seardel through the Seardel Share Incentive Scheme. With effect from 2 October 2014 the participants of the Seardel Share Incentive Scheme had no further rights under the scheme and all unvested share options issued in terms of the scheme lapsed.

The share incentive scheme for the period ending 31 March 2014 refers to the Seardel Investment Corporation Limited share scheme.

Deneb Investments Limited share incentive

The Deneb Share Incentive Scheme was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014. An initial tranche of first allocation Deneb options were granted to those participants who were holders of unvested Seardel share options at 30 September 2014.

The share incentive scheme for the period ending 31 March 2015 refers to the Deneb Investments Limited share scheme.

Both options were accounted for as equity settled.

Deneb Investments Limited share incentive

(a) **Equity settled**

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

The incentive plan provided 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 32 914 664 ordinary options (2014: Nil) were allotted in terms of the Deneb Incentive Plan. The exercise of the options by the employees is subject to them meeting performance targets relating to the profitability of the relevant business unit or division or Group profitability, as well as the continued employment of the employee at the date on which the option is exercised, in which case the employee may exercise:

35. **SHARE INCENTIVE SCHEME (continued)**

- 9 010 771 options issued on 14 October 2014 which refers to the Seardel options issued on 18 March 2010 and 16 July 2010 by Seardel and which vested immediately;
- 6 105 501 options issued on 14 October 2014 which relates to the 4 July 2011 issued Seardel options which vested on 4 July 2015;
- 7 235 388 options issued on 14 October 2014 relating to the 20 June 2012 issued Seardel options vest as follows:
  - up to 30% of the options granted vested immediately;
  - up to a further 30% of the option shares vest from the third anniversary date; and
  - the balance namely, 40% of the option shares, vest from the fourth anniversary date; and
- 10 563 004 options issued on 27 January 2015 which 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.

(i) *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	–	–	Immediately	3 years
	14 October 2014	546 457	53	Immediately	3 years
	14 October 2014	1 382 584	96	Continued employment	4 years
	14 October 2014	1 713 759	139	Continued employment	5 years
	27 January 2015	1 091 401	184	2 years' profitability and continued employment	8 years
Total for S A Queen		4 734 201			
G D T Wege	14 October 2014	413 539	–	Immediately	3 years
	14 October 2014	227 691	53	Immediately	3 years
	14 October 2014	576 077	96	Continued employment	4 years
	14 October 2014	594 286	139	Continued employment	5 years
	27 January 2015	865 413	184	2 years' profitability and continued employment	8 years
Total for G D T Wege		2 677 006			
D Duncan	14 October 2014	–	–	Immediately	3 years
	14 October 2014	159 383	53	Immediately	3 years
	14 October 2014	403 254	96	Continued employment	4 years
	14 October 2014	499 846	139	Continued employment	5 years
	27 January 2015	1 564 245	184	2 years' profitability and continued employment	8 years
Total for D Duncan		2 626 728			
Other, not being directors	14 October 2014	3 532 655	–	Immediately	3 years
	14 October 2014	1 086 316	53	Immediately	3 years
	14 October 2014	3 195 569	96	Continued employment	4 years
	14 October 2014	3 252 512	139	Continued employment	5 years
	27 January 2015	7 041 945	184	2 years' profitability and continued employment	8 years
Total other		**18 108 997**			
Total options in issue		**28 146 932**			

(ii) *Reconciliation of movements in options*

	2015	2014
Number of options		
Opening balance	**–**	–
Awarded during the period	**32 914 664**	–
Exercised during the period	**(3 264 288)**	–
Lapsed/forfeited during the period	**(1 503 444)**	–
Closing balance	**28 146 932**	–
Exercisable at year-end	**5 966 041**	–
Amount expensed during the year (included in employment costs)	**6 261 203**	–
Value of shares issued during the year	**6 015 993**	–
Weighted average share price of share options exercised during the year	**1,84**	–

The weighted average remaining contractual life of all potentially exercisable options amounts to 5,0 years.

(iii) *Valuation methodology*

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

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

The key principles of the Black-Schöles model are incorporated into this actuarial binomial model. They include:

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

It follows then that if the actuarial binomial model is being used to value a call option that:

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

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

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

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

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

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

Valuation assumptions

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

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

Share price

The following closing share price at each option's grant date, as available on I-Net Bridge, has been used:

Grant date	Share price (cents)
14 October 2014	183
27 January 2015	210

Risk-free interest rate

Our valuers have used the implied yield on a SA zero-coupon government bond (provided by BESA, the Bond Exchange of South Africa) issued for the appropriate expected lifetime of the option.

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.

35. **SHARE INCENTIVE SCHEME (continued)**

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 has been that employee turnover for staff included in share option schemes is generally between 5%, and 15%, although acknowledging that this varies between industries and sectors.

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

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

Weighted average share price

The weighted average share price of ordinary shares during the period was R1,17 for 2015 (2014: n/a).

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.

The table below summarises the principal assumptions used in the valuation:

Grant date	Seardel equivalent	Vesting date	Share price (cents)	Expected option lifetime (years)	Volatility (%)	Risk-free rate (%)
10 October 2014	18 March 2010	31 January 2015	183	0	13,53	5,53
	16 July 2010	31 January 2015	183	1	13,53	6,10
	4 July 2011	4 July 2015	183	2	13,67	5,99
	20 June 2012	31 January 2015	183	2	13,67	5,99
		20 June 2015	183	2	13,67	5,99
		20 June 2016	183	3	12,28	6,21
27 January 2015		27 January 2016	210	4	12,60	6,81
		27 January 2017	210	5	13,17	6,98
		27 January 2018	210	5	13,17	6,98
		27 January 2019	210	6	14,22	7,09

(iv) *Valuation results*

Cost per employee share option

Grant date	Seardel Equivalent	Vesting date	Gross option Price (cents)	Gross option Price as % of share price (%)	Net option Price (cents)	Net option price as of % share price (%)
10 October 2014	18 March 2010	31 January 2015	183	100,0	183	100,0
	16 July 2010	31 January 2015	133	72,7	133	72,7
	4 July 2011	4 July 2015	95	52,1	93	51,0
	20 June2012	31 January 2015	60	32,8	60	32,8
		20 June 2015	62	33,9	61	33,2
		20 June 2016	67	36,4	62	33,9
27 January 2015		27 January 2016	68	32,2	65	30,8
		27 January 2017	74	35,1	67	31,8
		27 January 2018	80	37,9	69	32,7
		27 January 2019	86	41,1	71	33,6

Seardel Investment Corporation Limited share incentive

With effect from 1 October 2014 the participants of the Seardel Share Incentive Scheme had no further rights under the scheme and all unvested share options issued in terms of the scheme have lapsed.

(A) equity settled

The Seardel Long-Term Incentive Trust was established on 17 February 2010. The Trustees of the Seardel Long- Term Incentive Trust executed the Seardel Long-Term Incentive Plan on 18 March 2010 to provide selected employees with the opportunity to acquire ordinary shares in Seardel Investment Corporation Limited, thereby ensuring that such employees are encouraged and motivated to pursue continued growth and profitability of Group companies.

During the financial year Nil ordinary options (2014: Nil) were allotted in terms of the Seardel Long-Term Incentive Plan.

		2015	2014
(i)	*Options in issue are as follows:*		
	Total options in issue	**–**	–
(ii)	*Reconciliation of movements in options*		
	Opening balance	**34 621 368**	43 819 982
	Awarded during the period	**–**	–
	Exercised during the period	**(6 275 694)**	(4 044 426)
	Lapsed/forfeited during the period	**(28 345 674)**	(5 154 188)
	Closing balance	**–**	34 621 368
	Exercisable at year-end	**–**	13 125 315
	Amount expensed during the year (included in employment costs)	**–**	1 859 724
	Value of shares issue during the year	**11 193 147**	10 273 556
	Weighted average share price of share options exercised during the year	**2**	2,54

(iii) Valuation methodology

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

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

The key principles of the Black-Schöles 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.

35. **SHARE INCENTIVE SCHEME (continued)**

It follows then that if the actuarial binomial model is being used to value a call option that:

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

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

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

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

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

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

Valuation assumptions

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

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

Share price

The following closing share price at each option's grant date, as available on I-Net Bridge, has been used:

Grant date	Share price (cents)
31 March 2010	36
16 July 2010	47
25 November 2010	70
4 July 2011	85
20 June 2012	145

Risk-free interest rate

Our valuers have used the implied yield on a SA zero-coupon government bond (provided by BESA, the Bond Exchange of South Africa) issued for the appropriate expected lifetime of the option.

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.

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

Dividend yield

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

Employee turnover

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

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

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

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

Weighted average share price

The weighted average share price of ordinary shares during the period was R3,61 (2014: R2,46).

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.

The table below summarises the principal assumptions used in the valuation:

Grant date	Vesting date	Share price (cents)	Expected option lifetime (years)	Volatility (%)	Risk-free rate (%)
31 March 2010	31 March 2011	36	2	46,37	7,19
	31 March 2012	36	3	46,37	7,59
	31 March 2013	36	4	46,37	7,88
	31 March 2014	36	5	46,37	7,84
16 July 2010	16 July 2011	47	2	52,84	6,93
	16 July 2012	47	3	52,84	7,27
	16 July 2013	47	4	52,84	7,53
	16 July 2014	47	5	52,84	7,64
25 November 2010	25 November 2011	70	2	52,78	6,08
	25 November 2012	70	3	51,72	6,55
	25 November 2013	70	4	51,72	6,92
	25 November 2014	70	5	51,72	7,34
4 July 2011	4 July 2012	85	2	48,09	7,41
	4 July 2013	85	3	48,09	7,41
	4 July 2014	85	4	48,09	7,87
	4 July 2015	85	5	48,09	7,87
20 June 2012	20 June 2013	145	2	46,43	5,69
	20 June 2014	145	3	46,43	6,52
	20 June 2015	145	4	46,43	6,53
	20 June 2016	145	5	46,43	6,53

35. **SHARE INCENTIVE SCHEME (continued)**

(vi) *Valuation results*

Cost per employee share option

Grant date	Vesting date	Gross option price (cents)	Gross option price as % of share price (%)	Net option price (cents)	Net option price as % of share price (%)
31 March 2010	31 March 2011	36	100,0	36	100,0
	31 March 2012	36	100,0	36	100,0
	31 March 2013	36	100,0	36	100,0
	31 March 2014	36	100,0	36	100,0
16 July 2010	16 July 2011	22	46,1	22	46,1
	16 July 2012	25	52,5	25	52,5
	16 July 2013	27	57,5	27	57,4
	16 July 2014	28	60,3	28	59,4
25 November 2010	25 November 2011	33	46,7	33	46,7
	25 November 2012	36	51,4	36	51,4
	25 November 2013	40	56,7	40	56,7
	25 November 2014	43	61,0	41	58,9
4 July 2011	4 July 2012	38	44,3	38	44,3
	4 July 2013	42	49,8	42	49,8
	4 July 2014	46	54,5	46	53,8
	4 July 2015	50	58,4	47	54,8
20 June 2012	20 June 2013	69	47,6	69	47,6
	20 June 2014	77	53,1	76	52,5
	20 June 2015	83	57,0	78	53,6
	20 June 2016	87	60,2	78	53,7

Share-based liability

Seardel (the legal parent of the Group during the 2014 period) granted rights (equity instruments) to the employees of its subsidiaries. Seardel requires the subsidiaries to make payment for the granting of these rights as the obligation falls due. This type of intragroup payment arrangement is commonly referred to as a "recharge arrangement".

Deneb adopted an accounting policy for the recharge arrangement by making use of the guidance in IFRS 2 relating to cash-settled share-based payments (by analogy). This meant the Group determined the fair value of the recharge liability at the date that the recharge arrangement is entered into, and will recognise the value over the vesting period. At each reporting date the recharge liability is remeasured.

The liability of this recharge arrangement is in the financial statements of the subsidiary companies and the corresponding receivable with the holding company, the liability and receivable will be eliminated on consolidation. However, as the legal holding company of the Group was Seardel for the period ending 31 March 2014 the liability is not eliminated. The receivable was transferred from Seardel to Deneb on 1 October 2014 and was accordingly capitalised in the Group financial statements during the current period.

	Group	
	2015	2014*
	R000's	R000's
Share-based liability	**–**	35 631
Reconciliation of share-based liability		
Opening balance as at 31 March 2014	**35 631**	
Share options exercised	**(11 193)**	
Strike price of share options exercised	**94**	
Share incentive receivable, transferred from Seardel	**(24 532)**	
Closing balance as at 31 March 2015	**–**	

*Restated, see note 32.

36. NEW STANDARDS

At the date of authorisation of the financial statements, the following standards and interpretations were in issue, but not yet effective:

Standard/ Interpretation		Date issued by IASB (1)	Effective Date
IAS 19	Defined Benefit Plans – Employee Contributions	November 2013	1 July 2014
Amendments to six standards	Improvements to IFRS 2010 – 2012 Cycle	December 2013	1 July 2014
Amendments to four standards	Improvements to IFRS 2011 – 2013 Cycle	December 2013	1 July 2014
IFRS 14	Regulatory Deferral Accounts	January 2014	1 January 2016
IFRS 11	Accounting for Acquisitions of interest in Joint Operations	May 2014	1 January 2016
IAS 16 and IAS 38	Clarifications of Acceptable Methods of Depreciation and Amortisation	May 2014	1 January 2017
IFRS 15	Revenue from Contracts with Customers	May 2012	1 January 2018
IFRS 9	Financial Instruments	July 2014	1 January 2018
IFRS 10 AND IAS 28	Sale or Contribution of Assets Between and Investor and its Joint Venture	September 2014	1 January 2016
Amendments to four standards	Improvements to IFRSs 2012 – 2014	September 2014	1 January 2016
IAS 1	Disclosure Initiative	December 2014	1 January 2016

Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

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

Regulatory Deferral Accounts (IFRS 14)

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard the entity has to be rate regulated, i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

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

Accounting for Acquisitions of Interest in Joint Operations (IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments the Group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation.

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

Clarification of Acceptable Methods of Depreciation and Amortisation (IAS 16 and IAS 38)

The amendments to IAS 16: Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38: Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly "correlated", or when the intangible asset is expressed as a measure of revenue.

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

Revenue from Contracts with Customers (IFRS 15)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles).

The Group will adopt the standard in the first annual period beginning on or after the mandatory effective date (1 January 2018). The impact of the adoption of IFRS 15 has not yet been estimated.

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.

36. **NEW STANDARDS (continued)**

Disclosure Initiative (IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of the notes, other comprehensive income of equity-accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

37. **NON-CONTROLLING INTEREST (NCI)**

During the period Deneb acquired a 51% stake in OfficeBox.

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI at 31 March 2015.

	Deneb Invest 141 Holdco Proprietary Limited t/a OfficeBox	
	2015	2014
	R000's	R000's
NCI percentage	**49,0%**	0%
Non-current assets	**1 875**	–
Current assets	**2 956**	–
Non-current liabilities	**–**	–
Current liabilities	**(2 746)**	–
Net assets attributable to the shareholders of OfficeBox	**2 085**	–
Total carrying amount of NCI	**(2 252)**	–
Revenue	**8 499**	–
Loss for the year	**(2 933)**	–
Other comprehensive income for the year	**–**	–
Total comprehensive loss	**(2 933)**	–
Loss allocated to NCI	**(1 437)**	–
Other comprehensive income allocated to NCI	**–**	–

DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2013/091290/06
Share Code: DNB ISIN ZAE000197398
("**Deneb**" or "**the Company**")

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

The definitions and interpretations on pages 6 and 7 of this Circular, which Circular also contains this notice of General Meeting, apply throughout, unless the context may so otherwise require.

Shareholders are reminded that:

- **A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the General Meeting in the place of the Shareholder. In this regard, Shareholders are referred to the attached Form of Proxy (*yellow*);**
- **An appointed proxy need not also be a Shareholder of the Company;**
- **In terms of section 63(1) of the Companies Act, any person attending and/or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as Shareholder or as proxy for a Shareholder) has been reasonably verified.**

Please note that Deneb intends to provide for participation by way of electronic communication to Deneb Shareholders to participate in the General Meeting. In this regard, please read the notes at the end of this notice.

In terms of section 59 of the Companies Act, the last date to trade in Shares in order to be eligible to attend, participate in and vote at the General Meeting is Tuesday, 30 August 2016 and the General Meeting Record Date is Friday, 2 September 2016.

Notice of General Meeting

Notice is hereby given that the General Meeting of Shareholders will be held at 09:00 on Thursday, 8 September 2016 at the registered offices of the Company situated at 5th Floor, Deneb House, Corner Main and Browning Roads, Observatory, Cape Town, 7925, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

1. **SPECIAL RESOLUTION NUMBER 1 – SPECIFIC REPURCHASE**

"RESOLVED THAT the Company, subject to Special Resolution 2 being approved, be and is hereby authorised by way of a specific authority in accordance with the applicable provisions of the Companies Act, JSE Listings Requirements and its MOI, to acquire 133 507 226 Deneb Shares currently owned by SACTWU for a consideration of R2,00 per Deneb Share and an aggregate Specific Repurchase Consideration of R267 014 452 on the terms set out in the Specific Repurchase Agreement, as detailed in the Circular to which this notice of General Meeting is attached."

Once the Specific Repurchase has been completed, the Deneb Shares acquired from SACTWU shall be cancelled and restored to the authorised, but unissued, share capital of the Company.

In terms of the Companies Act (with specific reference to section 115), the Company's MOI and the JSE Listings Requirements for special resolution number 1 to be adopted, at least 75% of Deneb Shareholders present in person or represented by proxy and entitled to vote on this resolution at the General Meeting must cast their votes in favour of special resolution number 1. SACTWU and its Associates will not be entitled to vote on this resolution.

Reason and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to authorise Deneb to acquire 133 507 226 Deneb Shares currently owned by SACTWU, by way of an acquisition of Shares in the Company in accordance with section 48 of the Companies Act and a specific repurchase in terms of paragraph 5.69 of the JSE Listings Requirements.

The Directors have considered the impact of the Specific Repurchase contemplated in this resolution and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with, and:

- In terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the Specific Repurchase by resolution;
- In terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Specific Repurchase; and
- In terms of section 46(1)(c) of the Companies Act and paragraph 5.69(b) of the JSE Listings Requirements, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Specific Repurchase.

2. **SPECIAL RESOLUTION NUMBER 2 – REVOCATION OF SPECIAL RESOLUTION NUMBER 1 IF SPECIFIC REPURCHASE TERMINATES OR LAPSES**

"**RESOLVED THAT**, as a special resolution in terms of section 164(9)(c) of the Companies Act, subject to and in the event of (i) Special resolution number 1 being approved at the General Meeting in terms of the Companies Act and (ii) Deneb announcing that the Specific Repurchase has been terminated or has lapsed as contemplated in terms of the Specific Repurchase, special resolution number 1 is revoked with effect from the date of the announcement contemplated in (ii) above, as contemplated in section 164(9)(c) of the Companies Act, and accordingly any Dissenting Shareholder that has sent a demand to Deneb in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Shares, shall have no rights to be so paid under section 164 of the Companies Act in that the Specific Repurchase did not and shall not become effective."

Reason and effect of special resolution number 2

Special resolution number 2 is intended to remove the rights to payment of Dissenting Shareholders if the Specific Repurchase has been terminated or has lapsed and shall become effective only if: (i) Special resolution number 1 is approved at the General Meeting in terms of the Companies Act; and (ii) Deneb announces that the Specific Repurchase has been terminated or has lapsed. The effect of special resolution number 2 is to remove any right to payment that a Dissenting Shareholder may have under section 164 of the Companies Act if the Specific Repurchase has been terminated or has lapsed.

In terms of the Companies Act for special resolution number 2 to be adopted, at least 75% of Deneb Shareholders present in person or represented by proxy and entitled to vote on this resolution at the General Meeting must cast their votes in favour of special resolution number 2.

Appraisal Rights for dissenting Shareholders

The attention of Deneb Shareholders is drawn to the Independent Expert's report attached as Annexure 1 to the Circular to which this notice of General Meeting is attached, and to the provisions of sections 115 and 164 of the Companies Act attached as Annexure 2 to the Circular.

In terms of section 164 of the Companies Act, at any time before the special resolution as set out in this notice of General Meeting is voted on, a Deneb Shareholder may give the Company a written notice objecting to the special resolution.

Within 10 business days after the Company has adopted the special resolution, the Company must send a notice that the special resolution has been adopted to each Deneb Shareholder who:

- Gave the Company a written notice of objection as contemplated above; and
- Has neither withdrawn that notice nor voted in support of the special resolution.

Subject to the provisions of section 164 of the Companies Act, a Deneb Shareholder may demand that the Company pay the shareholder the fair value for all of the Deneb Shares held by that person if:

- The Deneb Shareholder has sent the Company a notice of objection;
- The Company has adopted the special resolution; and
- The Deneb Shareholder voted against the special resolution and has complied with all of the procedural requirements of section 164 of the Companies Act.

VOTING AND PROXIES

A Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need not be a Shareholder of the Company.

For the convenience of Certificated Shareholders and Own-Name Dematerialised Shareholders, a Form of Proxy *(yellow)* is attached to this notice of General Meeting. Duly completed Forms of Proxy must be lodged with the Transfer Secretaries, at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 09:00 on Thursday, 8 September 2016 or handed to the chairperson of the General Meeting before the appointed proxy exercises any of the relevant Shareholder's rights at the General Meeting (or any adjournment of the General Meeting), provided that should a Shareholder lodge a Form of Proxy with the Transfer Secretaries less than 48 hours before the General Meeting, such Shareholder will also be required to furnish a copy of such Form of Proxy to the chairperson of the General Meeting before the appointed proxy exercises any of such Shareholder's rights at the General Meeting (or any adjournment of the General Meeting).

Dematerialised Shareholders without Own-Name Registration who wish to attend the General Meeting in person should request their CSDP or Broker to provide them with the necessary letter of representation in terms of the Custody Agreement entered into with their CSDP or Broker.

Dematerialised Shareholders without Own-Name Registration who do not wish to attend but wish to be represented at the General Meeting must advise their CSDP or Broker of their voting instructions.

Dematerialised Shareholders without Own-Name Registration should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

Participation in the General Meeting by electronic communication

Deneb Shareholders wishing to participate electronically in the General Meeting are required by no later than 09:00 on Tuesday, 6 September 2016, to deliver written notice to Deneb at HCI Managerial Services Proprietary Limited's office, 4 Stirling Street, Zonnebloem, 7925 (marked for the attention of HCI Managerial Services Proprietary Limited, Deneb's Company Secretary) that they wish to participate via electronic communication at the General Meeting ("**Electronic Notice**").

In order for the Electronic Notice to be valid it must contain:

(a) if the Deneb Shareholder is an individual, a certified copy of his/her identity document and/or passport;

(b) if the Deneb Shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the General Meeting via electronic communication;

(c) a valid e-mail address and/or facsimile number (**"Contact Address/Number"**); and

(d) confirmation of whether the Deneb Shareholder wishes to participate via electronic communication. By no later than 24 (twenty-four) hours (excluding Saturdays, Sundays and official public holidays) before the General Meeting Deneb shall use its reasonable endeavours to notify a shareholder at its Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

Should you wish to participate in the General Meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to dial-in to the dial-in facility on the date of the General Meeting. The dial-in facility will be linked to the venue at which the General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the General Meeting. The dial-in facility will enable all persons to participate electronically in the General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

By order of the Board

HCI Managerial Services Proprietary Limited

HCI Managerial Services Proprietary Limited
Company Secretary

Registered address
5th Floor, Deneb House
Corner Main and Browning Roads
Observatory
Cape Town
7925
(PO Box 1585, Cape Town, 8000)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2013/091290/06
Share Code: DNB ISIN ZAE000197398
("**Deneb**" or "**the Company**")

FORM OF PROXY

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN-NAME" REGISTRATION ONLY

I/We ____
(print names in full)

of (address) ____

Telephone number ____

Cell phone number ____

E-mail address ____

being a Shareholder of Deneb and entitled to [ ] votes, hereby appoint

1. ______________________ of ______________________ or failing him/her,

2. ______________________ of ______________________ or failing him/her,

3. the chairperson of the General Meeting,

as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of Deneb to be held at 09:00 on Thursday, 8 September 2016 at the registered offices of the Company, 5th Floor, Deneb House, Corner Main and Browning Roads, Observatory, Cape Town, 7925 and at any adjournment thereof, as follows:

	For	**Against**	**Abstain**
Special resolution number 1 (Specific Repurchase)			
Special resolution number 2 (Revocation of special resolution number 1 if the Specific Repurchase terminates or lapses)			

Please indicate with an "X" in the appropriate space above how you wish your vote to be cast in respect of the above resolutions should you wish to vote all Deneb Shares held or insert the actual number of Shares should you wish to vote part of your Deneb Shares held.

If you return this form duly signed without any specific directions the proxy holder will vote or abstain at his/her discretion.

Signed this ______________ day of ______________ 2016

Signature ____

Please read the notes on the reverse side hereof.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A Shareholder may, in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a Shareholder) as a proxy to participate in, speak and vote at the General Meeting on behalf of such Shareholder;
- Any appointed proxy of a Shareholder may delegate authority to act on behalf of that Shareholder to another person, subject to any restriction set out in the instrument appointing such proxy (see note 15 below);
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant Shareholder chooses to act directly and in person at the General Meeting in the exercise of any of such Shareholder's rights as a Shareholder (see note 5 below);
- Any appointment by a Shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- If an appointment of a proxy is revocable, a Shareholder may revoke the proxy appointment by: (i) cancelling it in writing or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and the Company; and
- A proxy appointed by a Shareholder is entitled to exercise, or abstain from exercising, any voting right of such Shareholder without direction, except to the extent that the Company's MOI, or the instrument appointing the proxy, provides otherwise (see note 3 below).

Notes to this Form of Proxy:

1. Each Shareholder is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and vote on behalf of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided, with or without deleting "the chairperson of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on this Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the relevant boxes provided. Failure to comply with the above will be deemed to authorise and direct the chairperson of the General Meeting, if the chairperson is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the General Meeting as such proxy deems fit, in respect of all of the Shareholder's votes exercisable at the General Meeting.
4. Completed Forms of Proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries, at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by the Transfer Secretaries by no later than 09:00 on Tuesday, 6 September 2016.
5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The chairperson of the General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the MOI.
7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by Deneb or the Transfer Secretaries.
9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been previously recorded by Deneb or the Transfer Secretaries or waived by the chairperson of the General Meeting.
10. Where Shares are held jointly, all joint holders are required to sign this Form of Proxy.
11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been previously recorded by Deneb or the Transfer Secretaries.
12. Dematerialised Shareholders who do not own Shares with Own-Name Registration and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or Broker who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the Custody Agreement entered into between the Shareholder and such Shareholder's CSDP or Broker.
13. This Form of Proxy shall be valid at any resumption of an adjourned General Meeting to which it relates, although this Form of Proxy shall not be used at the resumption of an adjourned General Meeting if it could not have been legally used at the General Meeting from which it was adjourned. This Form of Proxy shall, in addition to the authority conferred by the Companies Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the General Meeting or any adjournment of the General Meeting.
15. Any proxy appointed pursuant to this Form of Proxy may delegate his/her authority to act on behalf of the relevant Shareholder.
16. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the General Meeting or any adjournment of the General Meeting.

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)