Deneb Investments Limited

Registration number: 2013/091290/06

Separate Annual Financial Statements
for the year ended 31 March 2020

Deneb Investments Limited

Annual financial statements

for the year ended 31 March 2020

Contents

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Deneb Investments Limited, comprising the statement of financial position at 31 March 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

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

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

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

Approval of the annual financial statements

The annual financial statements of Deneb Investments Limited, as identified in the first paragraph, were approved by the board of directors on 17 July 2020 and signed by

S Queen
(Authorised Director)

G Wege
(Authorised Director)

Directors’ report

for the year ended 31 March 2020

The directors’ have pleasure in presenting their report for the year ended 31 March 2020.

Business activities
The company is an investment holding company.

General review of operations
The results of the company and the state of its affairs are set out in the financial statements of which this report forms part.

Share capital issue
During the period 756 199 (2019: 2 589 390) shares were issued in terms of the Deneb share incentive scheme.

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

Distribution
The directors resolved not to make a distribution to shareholders for the year ended 31 March 2020 (2019: 3 cents).

Directorate
The directors in office during the year and up to the date of this report are:
J Copelyn
M Ahmed
T Govender
Y Shaik
N Jappie
R Watson (Resigned: 20 May 2019)
A Ntuli
D Duncan
S Queen
G Wege
K Mahloma (Appointed: 20 May 2019)

Directors’ emoluments
Directors’ emoluments for the year ended 31 March 2020 are set out in note 13.

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

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

The directors believe that in accordance with the cash flow projections, considering a range of possible impacts of Covid-19 on performance, the company will continue as a going concern. In addition, Deneb's underlying businesses have considered several mitigating actions that could be taken in the event of a worsening of the pandemic. These considerations take into account the current measures being put in place to preserve cash during the lockdown period.

Since 31 March 2020, the Company has continued to meet its obligations to creditors and funders in the ordinary course of business.

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

Events after the reporting period

The South African government declared a National State of Disaster in response to the Covid-19 pandemic. On 22 March 2020, the president announced a lockdown period with effect from 27 March 2020. Subsequent announcements introduced a risk-based re-opening approach whereby the economy would be re-opened in five stages. The implementation and relaxation regulations are fluid and dependent on the success of curtailing the spread of the virus.

With effect from 1 May 2020, the lockdown regulations were relaxed to Level 4, which allowed most of Deneb's manufacturing business as well as certain branded product businesses to be re-opened.
With effect from 1 June 2020, a further relaxation of the lockdown regulations known as Level 3 was announced. This meant that all the business within Deneb could re-open.

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

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

The directors are not aware of any other material fact or circumstances arising between the end of the financial year and the date of this report that would require adjustments to the financial statements.

The company secretary at the date of this report is:

Ms C Philip
Suite 801
76 Regent Road
Sea Point
8005

Business address	**Postal address**	**Registered address**
5th Floor Deneb House	PO Box 1585	5th Floor Deneb House
Cnr Browning and Main Rds	Cape Town	Cnr Browning and Main Rds
Observatory	8000	Observatory
7925		7925

Special resolutions

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

- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the period 1 October 2019 until the next annual general meeting of the company;
- granting the company general authority to issue shares, options and convertible securities for cash, subject to such issue, in the aggregate, not exceeding 5% of the company's relevant number of ordinary shares at the date of the notice;
- granting the company and the subsidiaries of the company a general authority contemplated in terms of the JSE Listings Requirement paragraph 5.72, for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company; and
- granting the company authorisation to provide financial assistance to subsidiaries in accordance with sections 44 and 45 of the Companies Act.

Declaration by the company secretary

I certify that Deneb Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2020, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

Cheryl Philip
Company secretary

17 July 2020

Audit Committee Report

The Deneb audit committee is a formal committee of the board and functions within its documented terms of reference. This report is presented to shareholders and constitutes the report of the audit committee in respect of the past financial year as required by section 94 of the Companies Act, No 71 of 2008, as amended ("the Companies Act").

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

Composition and meetings of the audit committee
The committee comprises three independent, non-executive directors: Mr M H Ahmed (chairperson), Ms F Mahloma and Ms N B Jappie. The committee members are appointed by the shareholders at the annual general meeting of the company. By invitation, the chief executive officer, the financial director, the external auditors and the head of internal audit have attended the committee meetings. With effect from 1 December 2019, Deneb appointed GRIPP Advisory Proprietary Limited ("GRIPP") to perform internal audit services to the Company. GRIPP has dedicated a representative to perform the functions associated with the role of Chief Internal Audit Officer.

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

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

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

	20 May 2019	14 November 2019
M H Ahmed	√	√
K F Mahloma	√	√
N B Jappie	√	√

√ *In attendance*

Audit committee fees
Fees paid to the committee members are disclosed in note 13.

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

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

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

External audit

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

Finance function

- Considered the expertise and resources of the finance function, as well as the experience of the senior members of management responsible for the financial function.
- Considered the expertise and experience of the financial director.

Internal audit

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

External audit

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

Internal audit and internal control

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

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

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

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

Expertise and financial experience of financial director and finance function

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

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

Approval of the audit committee report
The committee confirms that it has functioned in accordance with its terms of reference for the 2020 financial year and complied with all statutory and regulatory responsibilities.

Mohamed Ahmed
Chairperson

17 July 2020

Independent auditor's report

To the Shareholders of Deneb Investments Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Deneb Investments Limited (the Company) as at 31 March 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Deneb Investments Limited's separate financial statements set out on pages 14 to 36 comprise:

- the separate statement of financial position as at 31 March 2020;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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5 Silo Square, V&A Waterfront, Cape Town, 8001, P O Box 2799, Cape Town, 8000
T: +27 (0) 21 529 2000, F: +27 (0) 21 529 3300, www.pwc.co.za

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of investments in subsidiaries
The Company has material investments in subsidiaries to the value of R1.1 billion. Investment in subsidiaries represents a significant portion of the Company's total assets. The Company recognised an impairment of R 88.5 million in relation to its investments in subsidiaries for the year ended 31 March 2020.
Management has performed impairment tests on all cash-generating units ("CGUs") where there is an indication that they may be impaired. Further details of the CGUs identified by management are disclosed in Note 4 to the separate financial statements.
The recoverable amounts of each CGU where there is an indication that it may be impaired has been determined based on value-in-use estimations.
We considered the impairment of investments in subsidiaries to be a matter of most significance to our current year audit due to the following:

the significant judgements and key assumptions applied by management in performing the impairment assessments, which includes determination of an appropriate pre-tax risk adjusted discount rate, long-term growth rate, gross profit margin and future cash flows; and
the magnitude of the Company's investment in subsidiaries balances in relation to total assets.

Disclosure is provided in the separate financial statements in notes 4, 6 and 17 respectively.
</td><td>
Our audit procedures included testing of the principles, integrity and mathematical accuracy of the Company's discounted cash flow model. The detail of these audit procedures have been listed below.
• We utilised our valuation expertise to test the principles of management's calculation for their model. We challenged key inputs in the calculations, which included the long-term growth rate, working capital requirements and gross profit margin and future cash flow assumptions by comparing them to approved budgets and business plans. We noted no material differences and accepted management's key inputs.
• In assessing management's forecasts, we considered the historical accuracy of the underlying businesses' forecasts by comparing the actual results for the year with the original forecasts. In cases where forecasts were not met management adjusted their forecast cash flows to take account of these variances as well as a downward adjustment to take account of the impact of the COVID – 19 pandemic and economic lockdown on the operations. We have assessed the reasonableness of management's adjustment for the impact of COVID-19 by evaluating the impact of the lockdown on its various CGUs and comparing the actual results for April to June 2020 with the forecasts. No significant variances were noted.
• We compared the discount rate used by management in their calculations to our internal benchmarks developed making use of our valuation expertise. We found that the discount rates applied by management were comparable with our internally developed benchmarks.
</td></tr>
</table>

	• We performed independent sensitivity calculations on the impairment assessments where no impairments were recognised, to assess the degree by which the key assumptions needed to change in order to trigger an impairment. No significant variances were noted.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled *"Deneb Investments Limited Separate Annual Financial Statements for the year ended 31 March 2020"* and "Deneb Investments Limited Integrated Annual Report 2020", which includes the Directors' Report, Audit Committee Report and the Declaration by Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the separate financial statements

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

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Deneb Investments Limited for 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JA Hugo
Registered Auditor
Cape Town
17 July 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH

	Notes	2020 R000's	2019 R000's
Revenue		**111**	106
Gross profit		**111**	106
Profit on disposal	**3**	**-**	1 500
Administrative and other expenses		**(1 910)**	(1 452)
Operating (loss) / profit before impairment	**3**	**(1 799)**	154
Impairment of assets	**4**	**(88 522)**	-
Operating (loss) / profit before finance costs		**(90 321)**	154
Finance Expense		**-**	-
(Loss) / profit before taxation		**(90 321)**	154
Taxation	**5**	**-**	(12)
(Loss) / profit for the year		**(90 321)**	142
Other comprehensive profit for the year, net of related tax			
Items that are or may be reclassified to profit or loss			
Fair value adjustment on financial asset at fair value through other comprehensive income	**7**	**-**	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive (loss) / income for the year		**(90 321)**	142
Basic (loss) / earnings per share from operations – cents		**(20,78)**	0,03
Diluted (loss) / earnings per share from operations - cents		**(20,78)**	0,03

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH

	Notes	2020 R000's	2019 R000's
Assets			
Non-current assets		**1 354 632**	1 456 495
Investment in subsidiary companies	**6, 17**	**1 176 122**	1 240 051
Loans to subsidiary companies	**6**	**168 130**	194 615
Financial asset at fair value through other comprehensive income	**7**	**4 237**	4 237
Share incentive receivable	**8, 16**	**6 143**	17 592
Current assets		**2 429**	8 272
Trade and other receivables	**9**	**214**	222
Loan receivable from subsidiary company	**6**	**2 000**	8 000
Cash and cash equivalents		**215**	50
Non-current assets held for sale	**18**	**-**	-
Total assets		**1 357 061**	1 464 767
Equity and liabilities			
Total equity		**1 356 691**	1 463 779
Stated capital	**10**	**1 457 584**	1 456 238
Reserves		**(100 893)**	7 541
Non-current liabilities			
Current liabilities		**370**	988
Trade and other payables	**12**	**370**	988
Total liabilities		**370**	988
Total equity and liabilities		**1 357 061**	1 464 767

STATEMENT OF CHANGES IN EQUITY

AT 31 MARCH

Rand thousands	Notes	Stated Capital	Retained Income	Total
Balance 31 March 2018		**1 452 264**	**22 826**	**1 475 090**
Total comprehensive profit			**142**	**142**
Profit for the year		**-**	**142**	**142**
Other comprehensive profit for the year		**-**	**-**	**-**
Transactions recognised directly in equity				
Share scheme - increase in investment in underlying subsidiaries	**16**	**-**	**1 487**	**1 487**
- options exercised	**16**	**3 974**	**(3 974)**	**-**
Distribution to shareholders			**(12 940)**	**(12 940)**
Balance 31 March 2019		**1 456 238**	**7 541**	**1 463 779**
Total comprehensive loss		**-**	**(90 321)**	**(90 321)**
Loss for the year		**-**	**(90 321)**	**(90 321)**
Other comprehensive profit for the year		**-**	**-**	**-**
Transactions with owners recognised directly in equity				
Share scheme - decrease in investment in underlying subsidiaries	**16**	**-**	**(3 749)**	**(3 749)**
- options exercised	**16**	**1 346**	**(1 346)**	**-**
Distribution to shareholders		**-**	**(13 018)**	**(13 018)**
Balance 31 March 2020		**1 457 584**	**(100 893)**	**1 356 691**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH

	2020 R000's	2019 R000's
Net cash flows from operating activities	**3 591**	(9 479)
(Loss) / profit	**(90 321)**	142
Adjustments for:		
- Impairment of assets	**88 522**	-
- Profit on disposal	**-**	(1 500)
Changes in:		
- Trade and other receivables	**6 008**	(8 042)
- Trade and other payables	**(618)**	(79)
Net cash flow from investing activities	**9 592**	22 416
Proceeds from sale of investments	**-**	1 500
Investment in subsidiary companies	**(30 593)**	(97 138)
Repayment of loans from subsidiaries	**32 485**	108 157
Share incentive receivable	**7 700**	9 897
Net cash flow from financing activities	**(13 018)**	(12 940)
Distribution paid	**(13 018)**	(12 940)
Net change in cash and cash equivalents	**165**	(3)
Cash and cash equivalents at beginning of the year	**50**	53
Cash and cash equivalents at end of the year	**215**	50

1. Accounting policies

Deneb Investments Limited (the company) is a company domiciled in South Africa. The Company's registered office is on 5th floor, Deneb House, 368 Main Road, Observatory, 7925, Cape Town.

1.1 Statement of compliance

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

1.2 Basis of preparation

The 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. The Company has consistently applied the accounting policies set out here to all periods presented in these financial statements, except for IFRS 15 and IFRS 9 as stated below.

The financial statements of Deneb Investments Limited have been audited in terms of section 30 of the Companies Act and were prepared under the supervision of the Financial Director, Mr G Wege CA (SA).

1.3 Financial instruments

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

Measurement
Subsequent to initial recognition these instruments are measured as follows:

Investments
Listed investments classified as financial asset at fair value through profit or loss, 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 except for impairment losses, which are expensed in profit or loss.

Trade, long-term and other receivables
Trade and other receivables are classified as financial assets in accordance with the provisions of IFRS 9 and continued to be stated at amortised cost.

Loans to group companies
Loans to group companies are classified as financial assets subsequently measured at amortised cost. Amortised cost is the amount recognised on the loan initially, minus principal repayments, adjusted for any loss allowance. The company applies the general impairment approach to measure ECL for loans receivable. The company assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition. In the event of a significant increase in credit risk since initial recognition, the company recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'. The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the company. The probability-weighted outcome incorporates the probability of default, exposure at default, timing of when default is likely to occur and loss given default.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits and are measured at amortised cost.

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

Derecognition
The Company 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 Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial asset/liability, any difference between carrying amount extinguished and the consideration paid is recognised in profit or loss.

1.4 Investments

Listed investments classified as financial asset at fair value through profit or loss, 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. Investment in subsidiaries comprise investments in subsidiaries and intra group loans and are accounted for at cost less any identified impairment loss.

1.5 Impairments

The Company has trade and other receivables that are subject to IFRS 9's new expected credit loss model and was required to revise its impairment methodology under IFRS 9.

Trade, long-term and other receivables
Trade and other receivables classified as financial assets in accordance with the provisions of IFRS9 and continued to be stated at amortised cost less impairment losses. For receivables and or contract assets that do not contain a significant financing component, the loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime expected credit losses (ECL).

Impairment
The Company applies the simplified approach permitted by IFRS 9 in determining provision on impairment allowances for receivables. This approach requires expected losses to be recognised from initial recognition of all receivables.

Financial assets measured at amortised cost
The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) 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 Company 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 or held-to-maturity investment securities. 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.

Investments in subsidiaries
If an investment in a subsidiary is impaired, the difference between its carrying value and recoverable amount is recognised in profit and loss. An impairment loss in respect of investment in subsidiary companies is calculated as the difference between the acquisition cost and the recoverable amount of the instrument. The recoverable amount for non-operating companies is calculated as the fair value of the underlying assets and for operating companies the value in use.

1.6 Revenue

Dividend Income
Dividend income from investments is recognised when the right to receive payment is established. Dividend income falls outside of the scope of IFRS 15 and therefore had no impact on transition.

1.7 Employee benefits

Equity settled
Share-based transactions where the Company grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity-settled.

The fair value of the 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.

The fair value adjustment is an increase to the Company's investment in subsidiary at the time it recognises the equity settled share based payment with a corresponding increase in equity. The share based payment transaction is recognised over the period in which the employee renders the related service to its subsidiary company.

Recharge-arrangement
A recharge arrangement exists whereby the subsidiary is required to fund the difference between the exercise price on the share right and the market price of the share at the time of exercising the right. The recharge arrangement is accounted for separately from the underlying equity-settled share based payment. The fair value of the recharge asset at the reporting dates is based on a cash-settled based payment (by analogy).

On initial recognition the Company recognises a corresponding share scheme settlement asset at fair value and a corresponding adjustment to the carrying amount of the investment in subsidiary.

Subsequent to initial recognition, the recharge arrangement is measured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the settlement provision recognised is greater than the investment in subsidiary, the excess is recognised as a dividend received.

1.8 Dividends to shareholders

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

1.9 Income tax

Dividend 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, in which case it is recognised in equity or other comprehensive income.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividends tax on behalf of its shareholders at an appropriate rate 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.

2. Use of judgements and estimates

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.

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

Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Company 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 7 - Other investments

Note 16 - Share-base payment arrangements

3. Operating profit/(loss) before impairments

	2020	2019
	R000's	R000's
The following items have been taken into account in determining		
Income		
Dividends – other investments	**111**	106
Administrative and other expenses *		
Audit fees	**(780)**	(300)
Bank charges	**(3)**	(3)
Stock exchange fees	**(485)**	(434)
Company announcements	**(642)**	(715)
Profit on disposal**	**-**	1 500

* The company is an Investment holding company. The expenses are non-deductible for tax purposes as it is not in the production of income.

** Disposal of Limtech Biometric Solutions in the prior year.

4. Impairment of assets

Reconciliation of carrying amount

	2020 R000's	2019 R000's
The following impairments were recognised during the year:		
Category of asset		
Investment in subsidiary companies	**88 522**	-

Impairment testing

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

The company has performed impairment testing on all cash-generating units ("CGU's") where there is an indication that they may be impaired or impairment should be reversed.

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

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

CGU's where there is an indication that they may be impaired or impairment reversal
For impairment testing in line with IAS 36, the recoverable amount of a CGU was determined based on the higher of fair value less costs to sell, or value-in-use calculation, as appropriate.

Value-in-use estimations have been used to determine the recoverable amount for continuing CGUs.

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

In determining value-in-use, projected cash flows are discounted using the entity-specific pre-tax discount rate. Projected cash flows were adjusted for each CGUs specific risks. The pre-tax discount rate was calculated as 15.86% for the current period with a terminal value growth rate of 4.5%.

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

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.

Impairments recognised are attributed mainly to the following operations:

	Recoverable amount R000's	Valuation method	Description of CGU
HTIC	29 252	Value-in-use	Business operation comprising assets and liabilities
New Just Fun	-	Value-in-use	Business operation comprising assets and liabilities

The investments were written down to the their recoverable amounts, being the fair value as follows:

HTIC

Impairment losses recognised with respect to its investment in Oops Global SA which was written off in its entirety resulting in impairment losses of R48,7 million.

New Just Fun

Impairment losses recognised due to the investment written down to its recoverable amount resulting in impairment losses of R39,8 million.

These losses were driven by challenging trading and economic conditions, compounded by the Covid-19 pandemic crisis and the effects it has on the economic outlook. Management has reassessed the value of these investments based on lower than previously anticipated projected cash flows. Recoverable amounts are based on their value in use and were below the carrying value of the investments.

5. Taxation

	2020 R000's	2019 R000's
South African Normal Taxation		
Current	**-**	12
	-	12
Reconciliation between actual and		
(Loss) / Profit for the year	**(90 321)**	142
Non-deductible expense / Non-taxable	**90 321**	(142)
Capital gains tax on disposal	**-**	12
	-	12

6. Investment in subsidiaries

Shares at cost, less impairment	**1 176 122**	1 240 051
Shares at cost	**1 284 205**	1 259 612
Net impairments	**(108 083)**	(19 561)
Loans to subsidiary companies	**170 130**	202 615
Current portion	**2 000**	8 000
Non-current portion	**168 130**	194 615

The company has a loan receivable from Sargas Proprietary Limited (a 100% held subsidiary) which it recalls partly for any short-term funding requirements, this has been disclosed as current in the Statement of Financial Position. The loans are interest-free and there are no fixed terms of repayment.

An assessment was performed on the ECL considerations on the loans to subsidiaries and the risk/outcome was immaterial.

7. Financial asset at fair value through other comprehensive income

	2020 R'000	2019 R'000
Business Partners Limited (unlisted)	**4 237**	4 237

	Number of shares	Number of shares
Business Partners Limited (unlisted)	**605 220**	605 220

	R'000	R'000
Investments are classified as financial asset at fair value through other comprehensive income and are reconciled as follows:		
Opening balance	**4 237**	4 237
Revaluations	-	-
Closing balance	**4 237**	4 237

8. Long-term receivables

Share incentive scheme charge receivable.	**6 143**	17 592

The beneficiary's employer is obliged to refund the purchase price of these shares when shares are issued in terms of the share scheme.

Refer to note 16 for further details.

9. Trade and other receivables

Prepaid Expenditure	**214**	222

10. Stated capital

(a) Authorised

10 000 000 000 (2019: 10 000 000 000) ordinary shares at no par value	-	-
Each ordinary share has the right to 1 vote at general meetings		

(b) Issued stated capital

434 682 934 (2019: 433 926 735) ordinary shares of no par value	**1 457 584**	1 456 238
Balance at beginning of year 433 926 735 (2019: 431 337 345)	**1 456 238**	1 452 264
Issued during the year 756 199 (2019: 2 589 390)	**1 346**	3 974

All shares are fully paid.

Issue of shares

Current period
During the period 756 199 (2019: 2 589 390) shares were issued in terms of the share incentive scheme.

Reserved under options – see note 16

53 977 647 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any or such shares in accordance with the terms and conditions of the 2017 Deneb Share Incentive Scheme. The remainder of the unissued shares are under the control of the directors until the next annual general meeting.

11. Financial instruments

Financial risk management

Overview
Effective risk management is integral to the company's objective of consistently adding value to the business. The focus of risk management is on identifying, assessing, managing and monitoring risk. Exposure to credit risk, liquidity risk and market risk is in the normal course of the company's business.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

Financial risk management

Interest rate management: The company 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.

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 316 million (2019: R1 464 million).

Credit risk on loans to subsidiary companies: The Company is exposed to credit risk to subsidiary companies totalling R170m (2019: R209m). The risk is managed by reviewing the solvency and liquidity of the subsidiaries on a bi-annual basis.

	2020	2019
	R'000	R'000
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:		
Financial asset at fair value through other comprehensive income	**4 237**	4 237
Financial assets at fair value through profit or loss	**6 143**	17 592
Financial assets at amortised cost	**170 130**	202 615
	182 510	224 444

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

	Notes	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial asset at fair value through other comprehensive income	Non financial assets	Total
	Notes	**R000's**	**R000's**	**R000's**	**R000's**	**R000's**
2020						
Financial asset at fair value through other comprehensive income	**7**	**-**	**-**	**4 237**	**-**	**4 237**
Share scheme receivable	**8**	**-**	**6 143**	**-**	**-**	**6 143**
Trade and other receivables		**-**	**-**	**-**	**214**	**214**
Loans receivable from subsidiaries		**170 130**	**-**	**-**	**-**	**170 130**
Cash and cash equivalents		**215**	**-**	**-**	**-**	**215**
		170 345	**6 143**	**4 237**	**214**	**180 939**
2019						
Financial asset at fair value through other comprehensive income	7	-	-	4 237	-	4 237
Share scheme receivable	8	-	17 592	-	-	17 592
Trade and other receivables		-	-	-	222	222
Loans receivable from subsidiaries		202 615	-	-	-	202 615
Cash and cash equivalents		50	-	-	-	50
		202 665	17 592	4 237	222	224 716

	2020	2019
	R'000	R'000
Categories of financial liabilities		
The carrying amount of financial liabilities, which also reasonably approximate their fair values are as follows:		
Measured at amortised cost	**370**	988
	370	988

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

	Measured at amortised cost R'000	Non financial liability R'000	Total R'000
2020			
Trade and other payables	**370**	**-**	**370**
	370	**-**	**370**
2019			
Trade and other payables	988	-	988
	988	-	988

Maturity profile of financial instruments
Maturity profile of financial assets and liabilities at 31 March 2020 is summarised as follows:

R000's	**0 – 12 months**	**1 – 3 years**	**3 – 5 years**	**Over 5 years**	**Total**
2020					
Assets					
Financial asset at fair value through other comprehensive income	**-**	**4 237**	**-**	**-**	**4 237**
Share scheme receivable	**-**	**6 143**	**-**	**-**	**6 143**
Loans receivable from subsidiaries	**2 000**	**168 130**	**-**	**-**	**170 130**
Cash and cash equivalents	**215**	**-**	**-**	**-**	**215**
Total financial assets	**2 215**	**178 510**	**-**	**-**	**180 725**
Liabilities					
Trade and other payables	**(370)**	**-**	**-**	**-**	**(370)**
Total financial liabilities	**(370)**	**-**	**-**	**-**	**(370)**
Net financial (liabilities)/assets	**1 845**	**178 510**	**-**	**-**	**180 355**

R000's	0 – 12 months	1 – 3 years	3 – 5 years	Over 5 years	Total
2019					
Assets					
Financial asset at fair value through other comprehensive income	-	4 237	-	-	4 237
Share scheme receivable	-	17 592	-	-	17 592
Loans receivable from subsidiaries	8 000	194 615	-	-	202 615
Cash and cash equivalents	50	-	-	-	50
Total financial assets	8 050	216 444	-	-	224 494
Liabilities					
Trade and other payables	(988)	-	-	-	(988)
Total financial liabilities	(988)	-	-	-	(988)
Net financial (liabilities)/assets	7 062	216 444	-	-	223 506

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).

Accounting classifications and fair values

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

		Carrying value					Fair value			
		Financial assets at amortised costs	**Financial assets at fair value through profit or loss**	**Financial asset at fair value through other compre-hensive income**	**Financial liabilities at amortised costs**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Notes	**R000's**	**R000's**	**R000's**	**R000's**	**R000's**	**R000's**	**R000's**	**R000's**	**R000's**
2020										
Financial assets measured at fair value										
Equity securities	**7**	**-**	**-**	**4 237**	**-**	**4 237**	**-**	**4 237**	**-**	**4 237**
Share scheme receivable	**8**	**-**	**6 143**	**-**	**-**	**6 143**	**-**	**6 143**	**-**	**6 143**
Financial assets not measured at fair value										
Loans receivable from subsidiaries	**6**	**170 130**	**-**	**-**	-	**170 130**	**-**	**-**	**-**	**170 130**
Financial liabilities not measured at fair value										
Trade and other payables		-	**-**	-	**(370)**	**(370)**	**-**	**(370)**	**-**	**(370)**
		170 130	**6 143**	**4 237**	**(370)**	**180 140**	**-**	**10 010**	**-**	**180 140**
2019										
Financial assets measured at fair value										
Equity securities	7	-	-	4 237	-	4 237	-	4 237	-	4 237
Share scheme receivable	8	-	17 592	-	-	17 592	-	17 592	-	17 592
Financial assets not measured at fair value										
Loans receivable from subsidiaries	6	202 615	-	-	-	202 615	-	-	-	202 615
Financial liabilities not measured at fair value										
Trade and other payables		-	-	-	(988)	(988)	-	-	-	(988)
		202 615	17 592	4 237	(988)	223 456	-	21 829	-	223 456

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 pledged as collateral for liabilities or contingent liabilities.

Determination of fair value for financial assets and liabilities

Market risk is the risk that changes in the market prices such as foreign exchange rates and equity prices will affect the Company's income.

Liquidity risk

Liquidity risk is the risk that the Company 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.

12. Trade and other payables

	2020 **R'000**	2019 R'000
Accruals and other current liabilities	**370**	988
	370	988

13. Directors' emoluments

Name	**Salary R'000**	**Bonus R'000**	**Retirement and medical contributions R'000**	**Share option expense R'000**	**Directors' fees R'000**	**Other benefits R'000**	**Total R'000**
2020							
Executive Directors ***							
S. A. Queen* - (Chief Executive Officer)	4 669	1 198	-	1 719	-	-	7 586
A. M. Ntuli	966	98	241	-	-	-	1 305
G. D. T. Wege	2 207	619	322	-	-	-	3 148
D. Duncan	3 532	180	240	491	-	-	4 443
Non-executive Directors							
J.A. Copelyn (Chairman)**	-	-	-	-	193	-	**193**
M. H. Ahmed	-	-	-	-	250	-	**250**
T. G. Govender**	-	-	-	-	137	-	**137**
N. B. Jappie	-	-	-	-	193	-	**193**
K. F. Mahloma	-	-	-	-	146	-	**146**
R. Watson	-	-	-	-	33	-	**33**
Y. Shaik**	-	-	-	-	137	-	**137**
2019							
Executive Directors ***							
S. A. Queen* - (Chief Executive Officer)	4 500	1 218	-	2 165	-	-	7 883
A. M. Ntuli	1 114	94	233	31	-	-	1 472
G. D. T. Wege	2 124	634	309	370	-	-	3 437
D. Duncan	3 421	200	456	546	-	-	4 623
Non-executive Directors							
J.A. Copelyn (Chairman)**	-	-	-	-	183	-	**183**
M. H. Ahmed	-	-	-	-	237	-	**237**
T.G Govender**	-	-	-	-	130	-	**130**
N. B. Jappie	-	-	-	-	183	-	**183**
R. Watson	-	-	-	-	237	-	**237**
Y. Shaik**	-	-	-	-	130	-	**130**

* The salary of S. A. Queen is included in the managerial services provided by HCI.

** 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 Company and/or subsidiary companies.

Directors' interest in contracts is disclosed in note 14 (Related parties).

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

2020

Deneb Investments Limited options	Opening balance of share options 000's	Number of share options awarded during the year 000's	Number of shares exercised /forfeited 000's	Closing balance of share options 000's	Strike price of share options awarded during the year R	Exercised price of shares exercised R
Executive Directors						
S. A. Queen	9 672	2 290	-	11 963	1.81	-
A. M. Ntuli	316	100	(416)	-	1.81	-
G. D. T. Wege	2 802	1 088	-	3 890	1.81	-
D. Duncan	6 034	1 638	-	7 672	1.81	-
Non-executive Directors						
J. Copelyn (Chairman)	-	-	-	-	-	-
M. H. Ahmed	-	-	-	-	-	-
T. G. Govender	-	-	-	-	-	-
L. Govender	-	-	-	-	-	-
N. B. Jappie	-	-	-	-	-	-
K. F. Mahloma	-	-	-	-	-	-
R. Watson	-	-	-	-	-	-
Y. Shaik	-	-	-	-	-	-

2019

Executive Directors						
S. A. Queen	9 565	1 490	(1 383)	9 672	2.01	2.40
A. M. Ntuli	256	60	-	316	2.01	-
G. D. T. Wege	4 343	722	(2 264)	2 802	2.01	2.40
D. Duncan	5 365	1 073	(404)	6 034	2.01	2.40
Non-executive Directors						
J. Copelyn (Chairman)	-	-	-	-	-	-
M. H. Ahmed	-	-	-	-	-	-
T. G. Govender	-	-	-	-	-	-
L. Govender	-	-	-	-	-	-
N. B. Jappie	-	-	-	-	-	-
R. Watson	-	-	-	-	-	-
Y. Shaik	-	-	-	-	-	-

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 2020

Director	Board fees R000's	Salary R000's	Other benefits R000's	Share option expense R000's	Bonus R000's	Total 31 March 2020 R000's	Total 31 March 2019 R000's
J Copelyn	-	7 696	-	5 397	-	13 093	15 411
T Govender	-	1 965	-	2 373	-	4 338	4 635
Y Shaik	-	3 976	-	2 017	-	5 993	7 533
MH Ahmed	1 195	-	-	-	-	1 195	237
N Jappie	353	-	-	-	-	353	329
R Watson	1 318	-	-	-	-	1 318	871

14. Related parties

Transaction with Directors

Remuneration of directors

A share incentive has been implemented for key management personnel. See note 16 for further details.

Remuneration of directors are disclosed in note 13.

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

	2020		2019	
Direct	5 724 703	1.3%	5 724 703	1.3%
Indirect	34 974 552	8.0%	33 294 570	7.7%

There have been no material changes to the date of this report.

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

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

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

S Queen	300 464
D Duncan	87 635
	388 099

Transactions with subsidiary companies

During the year, in ordinary course of business, the company entered into transactions with its subsidiary companies. Intra group loans are disclosed in note 6.

15. Contingencies

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

16. Share incentive scheme

Basis of accounting

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

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

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

Equity-settled

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

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

7 235 388 options issued on 14 October 2014 relating to the 20 June 2012 issued Seardel options, of which 3 364 585 are unexercised with all performance criteria met.

10 563 004 options issued on 27 January 2015 of which 6 447 881 are unexercised and 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 of which 5 820 229 are unexercised and vest as follows from the grant date:
- up to 10% of the option shares from the first anniversary of the option date
- up to a further 20% of the option shares from the second anniversary date
- up to a further 30% of the option shares from the third anniversary date; and
- the balance namely, 40% of the option shares, from the fourth anniversary date.

11 552 529 options issued on 30 June 2016 of which 8 798 530 are unexercised and vest as follows from the grant date:
- up to 10% of the option shares from the first anniversary of the option date
- up to a further 20% of the option shares from the second anniversary date
- up to a further 30% of the option shares from the third anniversary date; and
- the balance namely, 40% of the option shares, from the fourth anniversary date.

9 204 132 options issued on 26 June 2017 of which 7 803 714 vest as follows from the grant date:
- up to 10% of the option shares from the first anniversary of the option date
- up to a further 20% of the option shares from the second anniversary date
- up to a further 30% of the option shares from the third anniversary date; and
- the balance namely, 40% of the option shares, from the fourth anniversary date.

10 781 733 options issued on 18 June 2018 of which 10 064 171 vest as follows from the grant date:
- up to 10% of the option shares from the first anniversary of the option date
- up to a further 20% of the option shares from the second anniversary date
- up to a further 30% of the option shares from the third anniversary date; and
- the balance namely, 40% of the option shares, from the fourth anniversary date.

13 096 530 options issued on 4 July 2019 of which 12 538 975 are unexercised and 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**	**Unexercised Options**	**Strike price** Cents	**Vesting conditions**	**Remaining life of option**
S.A. Queen	14 October 2014	1 713 759	127	Continued employment	1 year
	27 January 2015	1 091 401	172	Continued employment	5 years
	29 June 2015	1 591 233	166	Continued employment	5 years
	30 June 2016	2 343 944	141	Continued employment	5 years
	26 June 2017	1 441 713	136	Continued employment	6 years
	18 June 2018	1 489 586	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	2 290 642	181	Continued employment and meeting predetermined financial objectives	5 years
Total for SA Queen		11 962 278			
G.D.T. Wege	29 June 2015	668 258	166	Continued employment	5 years
	30 June 2016	738 491	141	Continued employment	5 years
	26 June 2017	672 598	136	Continued employment	6 years
	18 June 2018	722 214	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	1 088 366	181	Continued employment and meeting predetermined financial objectives	5 years
Total for GDT Wege		3 889 927			
D. Duncan	14 October 2014	499 846	127	Continued employment	1 year
	27 January 2015	1 564 245	172	Continued employment	5 years
	29 June 2015	891 388	166	Continued employment	5 years
	30 June 2016	981 939	141	Continued employment	5 years
	26 June 2017	1 023 672	136	Continued employment	6 years
	18 June 2019	1 073 155	198	Continued employment and meeting predetermined financial objectives	4 years
	4 July 2019	1 637 728	181	Continued employment and meeting predetermined financial objectives	5 years
Total for D Duncan		7 671 973			

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

Reconciliation of movements in options:

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

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

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

Risk-free interest rate

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

Expected Option Lifetime

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

Volatility of share price

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

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

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

In order to estimate the share price volatility to be used in the valuation our valuers have considered the expected option lifetime of all the grants over the vesting period. As each grant is made up of 4 distinct tranches, being the staggered vesting periods, they have made use of the expected lifetime for each of these tranches.

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

Dividend yield

IFRS 2 requires an expected dividend or dividend yield to be taken into account in the valuation of share options in those arrangements where employees are not entitled to the dividend declared during the vesting period or the period before exercise. The dividend yield used should be the best estimate of the forward-looking dividend yield over the expected life of the option, determined at the grant date. A dividend yield assumption of 0.00% has been used.

Employee turnover

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

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

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

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

Ultimately at the end of the particular vesting period the actual number of options that eventually vest would need to have been expensed as an equity-settled share-based payment.

During the period over which the options vest, any differences in actual leavers to the assumption will be accounted for in profit or loss 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:

- 1/3rd 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);
- 1/3rd 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 1/3rd of Scheme participants will exercise their options at the theoretically "optimal" time.

<u>Share based receivable</u>

Deneb granted rights (equity instruments) to the employees of its subsidiaries. Deneb 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 company determined the fair value of the recharge asset 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.

The same valuation methodology is followed as described for the options but applied specifically for cash-settled share-based payments as required by IFRS 2.

	2020 **R'000**	2019 R'000
Share-based receivable	6 143	17 592
Reconciliation of share-based receivable		
Opening balance as at 31 March 2019	17 592	20 002
Options exercised	(1 346)	(3 974)
Recharge	(10 103)	1 564
Closing balance as at 31 March 2020	6 143	17 592

17. Investment in subsidiary companies

Name of subsidiary companies

(Incorporated in the Republic of South Africa unless otherwise stated)

	Issued capital		% Interest		Shares at carrying value	
	2020	2019	**2020**	2019	**2020**	2019
Direct holdings			**%**	%	**R**	R
Brits Nonwoven Proprietary Limited	196	196	100.0	100.0	-	-
Prima Interactive Proprietary Limited (previously Brand ID Ignite Proprietary Limited)	-	-	100.0	100.0	-	-
Brand ID International Proprietary Limited	-	-	100.0	100.0	-	-
HTIC Limited – Hong Kong	5 700 100	4 000 100	100.0	100.0	29 252 309	53 552 286
Nyenye Clothing Manufacturers Proprietary Limited – Lesotho*	1 000	1 000	100.0	100.0	1 000	1 000
Prima Toy and Leisure Group Proprietary Limited	823 290	823 290	100.0	100.0	153 968 312	153 968 312
Sargas Proprietary Limited	2 500 050	2 500 050	100.0	100.0	596 461 962	596 461 962
Seardel Number 17 Proprietary Limited*	100	100	100.0	100.0	100	100
Seartec Proprietary Limited*	669 106	669 106	100.0	100.0	193 289 069	193 289 069
Seartec Trading Proprietary Limited	1 000	1 000	100.0	100.0	-	-
Clever Little Monkey Proprietary Limited	-	-	100.0	100.0	-	-
Officebox Proprietary Limited	17 300 000	17 300 000	89.3	89.3	4 648 514	4 648 514
eMonti Precision Assembly Proprietary Limited*	-	-	100.0	100.0	-	-
Ulko Active Wear Proprietary Limited (previously Explorius 151 Proprietary Limited*)	-	-	100.0	100.0	-	-
Blue Reef Water Solutions Proprietary Limited (previously Explorius Proprietary Limited)	-	-	100.0	100.0	-	-
First Factory Shops Proprietary Limited♦	-	-	100.0	100.0	-	-
Frame Knitting Manufacturers Proprietary Limited♦♦	-	-	100.0	100.0	-	-
Integrated Polypropylene Products Proprietary Limited	-	-	100.0	100.0	-	-
Romatex Home Textiles Proprietary Limited	-	-	100.0	100.0	-	-
Custom Extrusion Proprietary Limited	100	100	100.0	100.0	26 108 372	26 108 372
Winelands Textiles Proprietary Limited♦	-	-	100.0	100.0	-	-
The Kid Zone Proprietary Limited	120	120	100.0	100.0	120	120
Premier Rainwatergoods Proprietary Limited	-	-	100.0	100.0	40 134 440	40 134 440
New Just Fun Group Proprietary Limited	98	98	100.0	100.0	-	39 823 572
Formex Industries Proprietary Limited	100 001	100 001	100.0	100.0	105 058 000	105 058 000
Adjust for share incentive scheme					27 200 258	27 004 479
Ordinary shares at carrying value					**1 176 122 456**	1 240 050 226

	% Interest		
Indirect holdings	**2020**	2019	**Holding Company**
Gold Reef Speciality Chemicals Proprietary Limited	**100.0**	100.0	Sargas Proprietary Limited
Oops Global SA (Switzerland) ***	**96.4**	86.4	HTIC Limited
Prima Toy and Leisure Trading Proprietary Limited	**100.0**	100.0	Prima Toy and Leisure Group Proprietary Limited
Seartec Industries Proprietary Limited*	**100.0**	100.0	Seartec Proprietary Limited
Formex Tubing Proprietary Limited	**100.0**	100.0	Formex Industries Proprietary Limited
Autotube Manufacturing Proprietary Limited*	**100.0**	100.0	Formex Industries Proprietary Limited
Philmec Proprietary Limited*	**100.0**	100.0	Autotube Manufacturing Proprietary Limited
Tubeworx Proprietary Limited*	**100.0**	100.0	Formex Industries Proprietary Limited

* Dormant

** HTIC issued 1 700 000 additional shares of R24,4m during the year (2019: R14,5m)

*** HTIC increased its shareholding in Oops Global SA from 86.4% to 96.4% during the year

♦ Sold during the year

♦♦ Held for sale

18. Non-current assets held for sale

At the board meeting held on 12 March 2019, the Deneb board made the decision to divest from the following businesses:

- Winelands Textiles Proprietary Limited
- Frame Knitting Manufacturers Proprietary Limited
- First Factory Shops Proprietary Limited
- Brand ID Ignite (a division of Prima Interactive Proprietary Limited)

The above businesses were sold during the year, other than Frame Knitting Manufacturers (Proprietary) Limited. The investments in these subsidiary companies have been classified as held for sale and remeasured in accordance with IFRS 5. Management deems the sale to be highly probable due to the interest of buyers and their understanding of the market.

The investment in subsidiary companies held for sale has no book value (2020 : Nil).

19. Events after the reporting period

The directors are not aware of any other material fact or circumstances arising between the end of the financial year and the date of this report that would require adjustments to the financial statements.

The South African government declared a National State of Disaster in response to the Covid-19 pandemic. On 23 March 2020, the president announced a lockdown period with effect from 27 March 2020. Subsequent announcements introduced a risk-based re-opening approach whereby the economy would be re-opened in five stages. The implementation and relaxation regulations are fluid and dependent on the success of curtailing the spread of the virus.

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

With effect from 1 June 2020, a further relaxation of the lockdown regulations known as Level 3 was announced. This meant that all the business within Deneb could re-open.

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

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

20. New standards

There are no new standards, amendment to standards or interpretations effective in future reporting periods which are considered to have a significant effect on these financial statements.

21. Consolidated annual financial statements

The Company prepared consolidated annual financial statements in a separate set of financial statements. The consolidated set together with the separate set from the annual financial statements of Deneb Investments Limited. Both these sets are available at the Company's registered office.