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 2021 and comparative figures for the year ended 31 March 2020 comprise the company and its subsidiaries (together referred to as the Group). The company's registered office is 5th floor, Deneb House, 368 Main Road, Observatory, 7925, Cape Town.

1.1 Significant accounting policies

Statement of compliance

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

Basis of preparation

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

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

Historical cost bases have been used under IFRS, adjusted for those assets and liabilities measured at fair value, where applicable.

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

A number of new or amended standards became applicable for the current reporting period which did not have a material impact on the Group. Therefore, the Group did not have to change its accounting policies or make retrospective adjustments as a result of these standards.

Predecessor accounting

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

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

Judgements and estimates

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

The assumptions and estimates are reviewed on an on-going 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)

1.1 Significant 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 a financial asset at fair value through other comprehensive income depending on the level of influence retained.

Transactions eliminated on consolidation

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

Accounting for acquisitions of non-controlling interests

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

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

Property, plant and equipment

Recognition and measurement

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

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

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

Depreciation

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

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

Reclassification to investment property

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

Investment property

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

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

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

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

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

Discontinued operations

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

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

Non-current assets held for sale

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

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

Impairment

Financial assets

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

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

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

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

Non-financial assets

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

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

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

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

Finance income and expenses

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

Finance expenses comprise interest expense on borrowings and all borrowing costs not capitalised in terms of IAS 23 are recognised in profit or loss using the effective interest rate method.

Income tax

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

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

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

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

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

Inventory

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

Provisions

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

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

Financial instruments

The accounting policies relating to financial instruments below have been disclosed based on the requirements of IFRS 9.

Initial recognition and measurement

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

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

Subsequent measurement

Financial assets at fair value through other comprehensive income

Investments

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

Financial assets at amortised cost

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

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

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

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

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method, less loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 22.

Cash and cash equivalents

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

Financial liabilities at amortised cost

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

Financial liabilities, trade and other payables

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

Financial instruments at fair value through profit or loss

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

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

Derivative instruments

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

Offset

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

Derecognition

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

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

The exchange between the Group and its original lenders of debt instruments with substantial modifications of the terms of existing financial liabilities are accounted for as an extinguishment of the original financial liability and recognition of a new liability. The Group assesses both the quantitative and qualitative factors in determining a substantial modification, such as the new term, changes in the type of interest rate.

Revenue

Revenue from contracts with customers

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation. Revenue is measured at the fair value of consideration received or receivable.

Payment of the transaction price is due immediately when the customer purchases the products.

Revenue is generally recognised at a point in time, however, for our tooling supply arrangements control is transferred over a period of time, and revenue is recognised when associated costs can be estimated reliably.

When revenue is recognised over time, costs incurred to fulfil the contract to date are effectively recognised immediately, since the revenue booked represents recovery of costs incurred at zero profit margin.

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

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

Lease income

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

Dividend income

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

Earnings per share

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

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

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

Foreign currency transactions

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

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

Leases

The Group as lessee

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

Lease liabilities include the net present value of lease payments:

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

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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

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

The Group as lessor

Finance leases

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

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

Operating leases

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

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of South African government bonds that have terms to maturity approximating the terms of the related plan liability.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised directly in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

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

Termination benefits

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

Short-term employee benefits

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

Share-based payment transactions

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

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

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

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

Distributions to shareholders

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

1. ACCOUNTING POLICIES (continued)

1.1 Significant accounting policies *(continued)*

Segmental reporting

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

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

The segment report has been presented in note 3.

Intangible assets

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

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

Amortisation

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

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

Government grants

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

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

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

Borrowing costs

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

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

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

1.2 New standards, interpretations and amendments to existing standards

At the date of authorisation of these annual financial statements certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are effective in future accounting periods of the Group. The most significant of these, which the Group has decided not to early adopt, are the following:

Standard	Effective date (periods beginning on or after)
Covid-19-Related Rent Concessions (Amendments to IFRS 16)	1 June 2020
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

The Group has concluded that, other than the possible effect on disclosures, the above amendments to existing standards are not expected to have a material effect on the results of the Group.

2. USE OF JUDGEMENTS AND ESTIMATES

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

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

2.1 Judgements

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

- Note 1 – Accounting policies – Basis of preparation
- Note 8 – Taxation and deferred taxation
- Note 12 – Leases
- Note 13 – Owner-occupied property
- Note 14 – Investment property
- Note 15 – Intangible assets
- Note 22 – Financial instruments – IFRS 9 expected credit loss model
- Note 26 – Business combinations

Extension and termination options

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

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

The following factors are normally the most relevant:

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

Going concern

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

Income tax provisioning

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

2.2 Assumptions and estimations uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2021 is included in the following notes:

- Note 6 – Impairment test: Key assumptions underlying recoverable amounts
- Note 8 – Recognition of deferred tax assets: Availability of future taxable profit against which carry forward tax losses can be used
- Note 21 – Measurement of defined benefit obligation: Key actuarial assumptions

2. USE OF JUDGEMENTS AND ESTIMATES (continued)

2.3 Measurement of fair values

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

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

Significant valuation issues are reported to the Group audit committee.

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

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

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

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

- Note 6 – Impairments
- Note 13 – Owner-occupied property
- Note 14 – Investment property
- Note 16 – Financial asset at fair value through other comprehensive income
- Note 22 – Financial instruments
- Note 34 – Share-based payment arrangements

3. SEGMENT REPORT

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive committee. The segments have similar economic characteristics, they operate within the same regulatory environment, have overlapping client bases and their production processes are similar in nature.

The CODM has identified the following segments:

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

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

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

3. SEGMENT REPORT (continued)

	Gross revenue R000's	Inter-segment revenue R000's	External revenue R000's	Operating profit/ (loss) before taxation R000's	Interest revenue R000's	Interest expense R000's	Operating profit/ (loss) before finance costs R000's	Depreciation and amortisation R000's	Depreciation of right-of-use asset R000's
Year ended 1 March 2021									
CONTINUING OPERATIONS									
Property	**184 809**	**(36 008)**	**148 801**	**177 887**	**–**	**–**	**177 887**	**(2 130)**	**(101)**
Branded Product Distribution	**1 083 110**	**(15 070)**	**1 068 040**	**22 868**	**–**	**–**	**22 868**	**(6 718)**	**(5 863)**
Automotive Parts Manufacturing	**444 268**	**–**	**444 268**	**32 254**	**–**	**–**	**32 254**	**(13 233)**	**(3 627)**
Industrial Product Manufacturing	**998 762**	**(56 317)**	**942 445**	**25 052**	**–**	**–**	**25 052**	**(24 304)**	**(9 404)**
Centralised Services	**–**	**–**	**–**	**(121 461)**	**6 811**	**(82 176)**	**(46 096)**	**(827)**	**–**
Total continuing operations	**2 710 949**	**(107 395)**	**2 603 554**	**136 600**	**6 811**	**(82 176)**	**211 965**	**(47 212)**	**(18 995)**
DISCONTINUED OPERATIONS									
Branded Product Distribution	**15 366**	**–**	**15 366**	**1 006**	**–**	**(149)**	**1 155**	**–**	**–**
Industrial Product Manufacturing	**22 556**	**–**	**22 556**	**(6 498)**	**–**	**(8)**	**(6 490)**	**–**	**–**
Total discontinued operations	**37 922**	**–**	**37 922**	**(5 492)**	**–**	**(157)**	**(5 335)**	**–**	**–**
Total	**2 748 871**	**(107 395)**	**2 641 476**	**131 108**	**6 811**	**(82 333)**	**206 630**	**(47 212)**	**(18 995)**
Year ended 31 March 2020									
CONTINUING OPERATIONS									
Property	178 158	(39 398)	138 760	93 403	–	–	93 403	(2 465)	(101)
Branded Product Distribution	1 302 841	–	1 302 841	(29 167)	–	–	(29 167)	(8 224)	(5 392)
Automotive Parts Manufacturing	531 164	–	531 164	43 767	–	–	43 767	(15 054)	(3 627)
Industrial Product Manufacturing	898 834	–	898 834	28 969	–	–	28 969	(23 348)	(9 750)
Centralised Services	–	–	–	(154 682)	1 802	(127 298)	(29 186)	(792)	–
Total continuing operations	2 910 997	(39 398)	2 871 599	(17 710)	1 802	(127 298)	107 786	(49 883)	(18 870)
DISCONTINUED OPERATIONS									
Branded Product Distribution	87 624	–	87 624	(42 084)	5	(1 166)	(40 923)	–	–
Industrial Product Manufacturing	256 916	–	256 916	(80 649)	–	(7 968)	(72 681)	–	–
Total discontinued operations	344 540	–	344 540	(122 733)	5	(9 134)	(113 604)	–	–
Total	3 255 537	(39 398)	3 216 139	(140 443)	1 807	(136 432)	(5 818)	(49 883)	(18 870)

Earnings before interest, tax, depreciation and amortisation R000's	Impairments R000's	Restructuring expenditure R000's	Revaluation of investment properties R000's	Segment assets R000's	Segment liabilities R000's	Capital expenditure R000's	Geographical segments based on customer location Holdings of property, plant and equipment, investment property and intangible assets Within South Africa R000's	Outside South Africa R000's	Total R000's
180 118	**(225)**	**–**	**49 829**	**1 487 081**	**21 420**	**11 504**	**1 392 820**	**–**	**1 392 820**
35 449	**–**	**–**	**–**	**412 923**	**156 152**	**13 110**	**32 253**	**4 452**	**36 705**
49 114	**–**	**–**	**–**	**416 070**	**248 480**	**20 257**	**215 180**	**–**	**215 180**
58 760	**(6 705)**	**(11 716)**	**–**	**615 285**	**302 326**	**31 832**	**246 674**	**–**	**246 674**
(45 269)	**–**	**–**	**–**	**155 373**	**857 299**	**596**	**3 661**	**–**	**3 661**
278 172	**(6 930)**	**(11 716)**	**49 829**	**3 086 732**	**1 585 677**	**77 299**	**1 890 588**	**4 452**	**1 895 040**
1 155	**(143)**	**–**	**–**	**58 354**	**–**	**–**	**–**	**–**	**–**
(6 490)	**(8 715)**	**–**	**–**	**26 950**	**9 802**	**–**	**16 450**	**–**	**16 450**
(5 335)	**(8 858)**	**–**	**–**	**85 304**	**9 802**	**–**	**16 450**	**–**	**16 450**
272 837	**(15 788)**	**(11 716)**	**49 829**	**3 172 036**	**1 595 479**	**77 299**	**1 907 038**	**4 452**	**1 911 490**
95 969	–	–	(28 315)	1 414 755	23 485	20 423	1 381 147	–	1 381 147
(15 551)	(36 945)	–	–	571 685	177 306	12 322	34 617	3 865	38 482
62 448	–	–	–	414 996	261 351	38 571	212 912	–	212 912
62 067	–	–	–	628 301	293 272	37 761	262 804	–	262 804
(28 394)	–	–	–	168 688	1 007 730	267	2 124	–	2 124
176 539	(36 945)	–	(28 315)	3 198 425	1 763 144	109 344	1 893 604	3 865	1 897 469
(40 923)	(8 206)	–	–	32 094	13 784	12	143	–	143
(72 681)	(35 336)	–	–	75 106	65 569	6 550	30 345	–	30 345
(113 604)	(43 542)	–	–	107 200	79 353	6 562	30 488	–	30 488
62 935	(80 487)	–	(28 315)	3 305 625	1 842 497	115 906	1 924 092	3 865	1 927 957

4. REVENUE

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manufacturing R000's	Industrial Product Manufacturing R000's	Head Office and Centralised Services R000's	Total R000's
2021						
Segment revenue						
Gross revenue	184 809	1 098 476	444 268	1 021 318	–	2 748 871
Less: Inter-segment sales	(36 008)	(15 070)	–	(56 317)	–	(107 395)
	148 801	1 083 406	444 268	965 001	–	2 641 476
Less: Revenue attributable to discontinued operations	–	(15 366)	–	(22 556)	–	(37 922)
Revenue as per statement of comprehensive income	148 801	1 068 040	444 268	942 445	–	2 603 554
Primary geographical market						
South Africa	184 809	1 023 621	436 966	997 239	–	2 642 635
Other African countries	–	17 850	–	24 079	–	41 929
Asia	–	4 508	–	–	–	4 508
Europe	–	49 022	416	–	–	49 438
South America	–	888	6 886	–	–	7 774
North America	–	2 587	–	–	–	2 587
	184 809	1 098 476	444 268	1 021 318	–	2 748 871
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	745 443	–	745 443
Pressed, roll-formed steel products	–	–	444 268	141 490	–	585 758
Speciality chemicals	–	–	–	134 385	–	134 385
Rentals	184 809	–	–	–	–	184 809
Toys, electronic games and sports goods	–	824 279	–	–	–	824 279
Stationery, publishing and office supplies	–	274 197	–	–	–	274 197
	184 809	1 098 476	444 268	1 021 318	–	2 748 871
Timing of revenue recognition						
At a point in time	184 809	1 098 476	389 487	1 021 318	–	2 694 090
Over time:						
Pressed, roll-formed steel products	–	–	54 781	–	–	54 781
	184 809	1 098 476	444 268	1 021 318	–	2 748 871

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

5. OPERATING PROFIT BEFORE FINANCE COSTS, IMPAIRMENTS, RESTRUCTURING EXPENDITURE AND REVALUATION OF INVESTMENT PROPERTY

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

	Continuing operations		Discontinued operations		Total	
	2021 R000's	2020 R000's	**2021 R000's**	2020 R000's	**2021 R000's**	2020 R000's
Income						
Revenue from contracts with customers						
– Sale of goods	**2 526 140**	2 802 307	**37 922**	344 540	**2 564 062**	3 146 847
Less inter-segment sales	**(71 387)**	(69 468)	**–**	–	**(71 387)**	(69 468)
Other revenue						
– Rental income from investment property	**184 809**	178 158	**–**	–	**184 809**	178 158
Less inter-segment sales	**(36 008)**	(39 398)	**–**	–	**(36 008)**	(39 398)
Total revenue	**2 603 554**	2 871 599	**37 922**	344 540	**2 641 476**	3 216 139
Other income (expenses)						
– Government grants – production incentive	**9 966**	11 580	**16 482**	2 010	**26 448**	13 590
– Government grants – other	**7 934**	10 325	**–**	–	**7 934**	10 325
– Settlement refund	**9 723**	–	**–**	–	**9 723**	–
– Foreign exchange gains – realised	**7 676**	21 294	**219**	–	**7 895**	21 294
– Foreign exchange gains – unrealised	**20 351**	9 126	**–**	175	**20 351**	9 301
– Gain on lease termination	**83**	–	**529**	–	**612**	–
– Surplus on disposal of property, plant and equipment	**459**	822	**–**	524	**459**	1 346
– Loss on disposal of property, plant and equipment	**(1 839)**	(979)	**–**	–	**(1 839)**	(979)
– Foreign exchange losses – realised	**(23 869)**	(1 984)	**(13)**	(2 278)	**(23 882)**	(4 262)
– Foreign exchange losses – unrealised	**(22 942)**	(4 986)	**–**	–	**(22 942)**	(4 986)
– Other sundry income	**11 612**	8 014	**370**	10 862	**11 982**	18 876
Other income	**19 154**	53 212	**17 587**	11 293	**36 741**	64 505
Expenditure						
Cost of sales						
Material cost	**1 525 915**	1 727 699	**32 831**	220 818	**1 558 746**	1 948 517
Production labour	**147 433**	171 144	**1 362**	27 395	**148 795**	198 539
Production overheads	**176 999**	199 022	**14 538**	92 302	**191 537**	291 324
Direct costs associated with rental income	**46 751**	44 373	**–**	–	**46 751**	44 373
Production quality assurance costs	**12 519**	5 112	**–**	7 407	**12 519**	12 519
Cost of sales	**1 909 617**	2 147 350	**48 731**	347 922	**1 958 348**	2 495 272
Expenses by nature						
Amortisation	**3 603**	4 939	**–**	–	**3 603**	4 939
Write-offs – net of recoveries and reversals of allowance account	**3 992**	12 260	**1 932**	2 876	**5 924**	15 136
Bank charges	**4 715**	4 216	**35**	769	**4 750**	4 985
Depreciation – owned buildings	**2 047**	2 440	**–**	–	**2 047**	2 440
– leased buildings	**16 127**	15 807	**–**	–	**16 127**	15 807
– owned plant and machinery	**30 615**	30 537	**–**	–	**30 615**	30 537
– leased plant and machinery	**832**	856	**–**	–	**832**	856
– owned equipment and fittings	**8 773**	9 749	**–**	–	**8 773**	9 749
– owned motor vehicles	**2 174**	2 218	**–**	–	**2 174**	2 218
– leased motor vehicles	**2 036**	2 207	**–**	–	**2 036**	2 207
Total depreciation	**62 604**	63 814	**–**	–	**62 604**	63 814

	Continuing operations		Discontinued operations		Total	
	2021 R000's	2020 R000's	**2021 R000's**	2020 R000's	**2021 R000's**	2020 R000's
Employment costs*	**482 736**	529 029	**142**	67 579	**482 878**	596 608
– Production	**233 005**	266 033	**–**	24 964	**233 005**	290 997
– Sales	**92 172**	91 023	**53**	7 306	**92 225**	98 329
– Admin	**157 559**	171 973	**89**	35 309	**157 648**	207 282
Technical and consulting fees	**7 970**	12 145	**35**	–	**8 005**	12 145
Write-down of inventory to net realisable value	**3 291**	7 647	**–**	–	**3 291**	7 647

**Includes contributions of R28,4 million (2020: R24,7 million) to medical, pension, provident and benefit funds.*

These contributions are after a R9,6 million charge (2020: R9,8 million) in respect of post-employment medical aid benefits relating to a defined benefit obligation and an IFRS 2 charge/income in respect of the share option scheme of R2,8 million (2020: R3,7 million).

6. IMPAIRMENTS

	Note	**2021 R000's**	2020 R000's
The following impairments were recognised during the year:			
Category of asset			
Assets held for sale – property, plant and equipment		**9 019**	35 379
Assets held for sale – intangible assets		**–**	6 411
Assets held for sale – right-of-use asset		**64**	1 752
Property, plant and equipment	11	**6 705**	–
Goodwill	15	**–**	8 018
Intangible assets	15	**–**	28 927
Total		**15 788**	80 487
Included in discontinued operations	9.1	**(8 858)**	(43 542)
Impairments included in continuing operations		**6 930**	36 945
Segment classification			
Industrial Product Manufacturing		**15 420**	35 336
Property, plant and equipment	11	**6 705**	–
Assets held for sale – property, plant and equipment		**8 715**	33 971
Assets held for sale – right-of-use asset		**–**	1 365
Branded Product Distribution		**143**	45 151
Goodwill		**–**	8 018
Intangible assets		**–**	28 927
Assets held for sale – property, plant and equipment		**79**	1 408
Assets held for sale – right-of-use asset		**64**	387
Assets held for sale – intangible assets		**–**	6 411
Properties		**225**	–
Assets held for sale – property, plant and equipment	9.3	**225**	–
Total		**15 788**	80 487

6. IMPAIRMENTS (continued)

6.1 Determining CGUs for impairment testing

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

The Group has performed impairment testing on:

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

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

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

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

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

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

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

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

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, economic factors such as 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 in the Industrial Product Manufacturing Segment:

	Recoverable amount R000's	**Valuation method**	**Description of CGU**
Frame Knitting Manufacturers	11 488	Fair value less costs of disposal	Business operation comprising assets and liabilities
Romatex Home Textiles	8 289	Fair value less costs of disposal	Business operation comprising assets and liabilities

- An external valuation of Frame Knitting Manufacturers Proprietary Limited ("Frame Knitting Manufacturers") property, plant and equipment was performed, which resulted in the assets being written down to their fair value and an impairment loss of R8,7 million recognised.
- A division of Romatex Home Textiles Proprietary Limited ("Romatex Home Textiles") underwent restructuring and as a result thereof, an external valuation of property, plant and equipment was performed, which resulted in the assets being written down to their fair value and an impairment loss of R6,7 million recognised.

Fair value has been determined by independent external valuers. Frame Knitting Manufacturers and Romatex Home Textiles' assets are specialised manufacturing equipment and as a result of their specialised nature, management engaged the services of an industry expert who has an understanding of the particular niche market to determine the fair value of assets. The independent valuers determine the fair value using the market approach, which is based on publicly available data on recent transactions involving similar assets in the current international market. In addition, management reviewed the external valuations to determine the reasonability based on their knowledge of the assets and the state of the market. Where appropriate, the assets were further impaired to estimated fair value.

The following key assumptions were applied in determining the fair value less costs to sell:

- similar assets used must not be under any compulsion to sell; and
- the USD exchange rate on the date of valuation was used.

Management reviewed and accepted the reasonableness of the valuation and the assumptions applied to the valuation.

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

6.3 Impairment testing for CGUs containing goodwill (refer to note 15)

Goodwill is reconciled as follows on a segmental basis:

	Branded Product Distribution R000's	Industrial Product Manufacturing R000's	Total R000's
Closing balance	**1 519**	**21 911**	**23 430**

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

		Custom Extrusion
2021		
Gross profit margin	(%)	**11,4**
Long-term growth rate	(%)	**4,5**
Pre-tax risk-adjusted discount rate	(%)	**17,7**
Working capital	(R000's)	**107,4**
2020		
Gross profit margin	(%)	8,3
Long-term growth rate	(%)	4,5
Pre-tax risk-adjusted discount rate	(%)	15,9
Working capital	(R000's)	140,0

The above tables show average rates over the forecast period.

6. IMPAIRMENTS (continued)

6.3 Impairment testing for CGUs containing goodwill *(continued)*

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

Key assumptions	How determined
Gross profit margins	Based on most recent performance and adjusted for: • Future business plans • Margins are expected to grow in line with the long-term growth rate • Impact of Covid-19 pandemic 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 10-year capital market bonds. These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific company.
Working capital	The following inputs were used to determine the change in working capital in calculating cash flows: • Forecast sales and cost of sales • Historic debtor, inventory and creditor days

The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

Impact on possible changes in key assumptions

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

The recoverable amount of the Customs Extrusion CGU is estimated to exceed the carrying values by R175 million.

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

6.4 Impairment testing for intangible assets with indefinite useful lives (note 15)

There were no intangible assets with indefinite useful lives.

7. FINANCE INCOME AND EXPENSES

	2021 **R000's**	2020 R000's
Recognised in profit or loss		
Finance income		
Interest received from financial institutions	**221**	144
Other interest received	**6 590**	1 663
Included in discontinued operations	**–**	(5)
	6 811	1 802
Finance expenses		
Interest paid on instalment sale agreements	**667**	1 591
Interest paid on leases	**15 359**	16 708
Interest paid to financial institutions	**63 185**	108 539
Interest paid to related parties	**2 905**	8 214
Other interest paid	**217**	1 380
Included in discontinued operations	**(157)**	(9 134)
	82 176	127 298

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

8. TAXATION AND DEFERRED TAXATION

	2021 R000's	2020 R000's
Income tax		
South African normal taxation		
– Current	**(18 453)**	(13 092)
– Prior year	**629**	2 168
Deferred taxation	**10 805**	30 514
	(7 019)	19 590

Reconciliation between actual and normal taxation rates*	%	%
Taxation as a percentage of profit/(loss) before taxation	**5,4**	(7,9)
Prior period	**0,5**	1,5
Non-deductible expenses**	**(1,8)**	(0,6)
Specific tax-deductible expenses***	**0,4**	0,3
Exempt income****	**0,2**	0,1
Capital gains tax on revaluation of investment property	**2,1**	(1,1)
Capital losses/unrecognised tax losses	**21,2**	(20,3)
Normal taxation rate	**28,0**	(28,0)

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

** *In calculating the tax expense for the current period, the Group has treated R2,7 million as being non-deductible for tax purposes. Non-deductible expenses relate predominantly to capital interest.*

*** *In calculating the tax expense for the current period, the Group has treated R0,8 million as being specific tax-deductible for tax purposes. Specific tax-deductible expenses relate to options exercised under the Group's share incentive scheme.*

**** *In calculating the tax expense for the current period, the Group has treated R1 million as being exempt income. Exempt income relates to government grants received from a foreign subsidiary.*

8. TAXATION AND DEFERRED TAXATION (continued)

	2021 R000's	2020 R000's
Deferred taxation		
Balance at the beginning of the year	**157 879**	103 129
– Asset	**162 814**	117 270
– Liability	**(4 935)**	(14 141)
Recognised in equity on changes in accounting policy (IFRS 16)	**–**	6 075
Balance from/to held for sale	**–**	19 802
– Capital allowances	**–**	–
– Tax losses recognised during the period	**–**	21 770
– Capital allowances on intangible asset	**–**	(4 978)
– Working capital differences	**–**	3 010
Current movements recognised in profit and loss	**10 805**	30 514
– Capital allowances	**(16 006)**	(21 654)
– Provision for post-employment medical aid benefits	**360**	380
– Tax losses (utilised)/recognised during the period	**524**	(14 344)
– Capital allowances on intangible asset	**260**	12 192
– Shares and investments	**–**	(1 103)
– Revaluations	**(9 767)**	10 789
– Revaluation surplus reversed	**–**	46
– Share incentive scheme	**454**	(1 503)
– Working capital differences	**34 980**	45 711
Current movements recognised in other comprehensive income/directly in equity	**(2 939)**	(1 641)
– Provision for post-employment medical aid benefits	**(924)**	(3 368)
– Share incentive scheme	**(329)**	(1 781)
– Revaluations	**(1 686)**	3 508
Balance at the end of the year	**165 745**	157 879
– Asset	**170 437**	162 814
– Liability	**(4 692)**	(4 935)
Deferred tax assets and liabilities are attributable to the following:		
– Provision for post-employment medical aid benefits	**23 893**	24 457
– Working capital allowances	**180 871**	145 891
– Share incentive scheme	**1 805**	1 680
– Tax losses	**257 825**	257 301
– Capital allowances	**(143 213)**	(127 207)
– Capital allowances on intangible asset	**(2 737)**	(2 997)
– Revaluations	**(152 699)**	(141 246)
Net deferred tax at the end of the year	**165 745**	157 879

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

Unrecognised tax losses in the Group, reflected at 28% of the underlying tax loss, aggregated to R13,8 million (2020: R46,8 million).

9. DISCONTINUED OPERATIONS

Discontinued operations consist of Frame Knitting Manufacturers and the Brand ID division in the current year. In the prior year, the discontinued operations also included Winelands Textiles and First Factory Stores. All of these businesses have been disposed of, other than Frame Knitting Manufacturers, which is on track to be concluded by half year.

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

9.1 Results of discontinued operations

	2021 R000's	2020 R000's
Revenue	**37 922**	344 540
Cost of sales	**(48 731)**	(347 922)
Gross loss	**(10 809)**	(3 382)
Other income	**17 587**	11 293
Distribution costs	**(381)**	(46 469)
Administrative and other expenses	**(2 874)**	(22 106)
Operating profit/(loss) before finance costs, impairments and restructuring expenditure	**3 523**	(60 664)
Impairment of assets	**(8 858)**	(43 542)
Restructuring and retrenchment costs	**–**	(12 790)
Loss on sale of subsidiary	**–**	(6 015)
Profit on sale of subsidiary	**–**	9 407
Operating loss before finance costs	**(5 335)**	(113 604)
Finance income	**–**	5
Finance expenses	**(157)**	(9 134)
Loss before taxation	**(5 492)**	(122 733)
Income tax expense	**–**	(8 487)
Loss for the period from discontinued operations	**(5 492)**	(131 220)

9.2 Cash flows from/(used in) discontinued operations

	2021 R000's	2020 R000's
Cash flows from/(used in) discontinued operations		
Net cash from operating activities	**1 970**	40 895
Net cash from/(used in) investing activities	**3 080**	(5 889)
Net cash used in financing activities	**(2 944)**	(2 138)
Net cash used in discontinued operations	**2 106**	32 868

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

9. DISCONTINUED OPERATIONS (continued)

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

The following assets and liabilities are classified as held for sale in relation to the discontinued operations as at 31 March 2021:

	2021 R000's	2020 R000's
Assets classified as held for sale		
Property, plant and equipment	**16 450**	30 424
Right-of-use-assets	**–**	64
Inventories	**249**	34 726
Trade and other receivables	**11 270**	41 476
Total assets of disposal group held for sale	**27 969**	106 690
Other non-current assets held for sale (refer to note below)	**57 335**	510
Total assets of disposal group held for sale	**85 304**	107 200
Liabilities directly associated with assets classified as held for sale		
Lease liability	**(88)**	(3 560)
Deferred income	**(8 155)**	(24 638)
Trade and other payables	**(1 559)**	(40 054)
Provisions	**–**	(11 101)
Total liabilities of disposal group held for sale	**(9 802)**	(79 353)

The categories of other non-current assets held for sale are as follows:

	Group	
	2021 R000's	2020 R000's
Land and buildings	**55 235**	510
Plant and machinery	**2 100**	–
	57 335	510

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

	Branded Product Distribution R000's	**Automotive Parts Manufacturing R000's**	**Industrial Product Manufacturing R000's**	**Property R000's**	**Total R000's**
2021					
Land and buildings	**–**	**–**	**–**	**55 235**	**55 235**
Plant and machinery	**–**	**–**	**2 100**	**–**	**2 100**
	–	**–**	**2 100**	**55 235**	**57 335**
2020					
Land and buildings	–	–	–	510	510
	–	–	–	510	510

Reconciliation of carrying amount

	Land and buildings at valuation R000's	Plant and machinery at cost R000's	Equipment and fittings at cost R000's	Motor vehicles at cost R000's	Total R000's
Carrying value at 31 March 2020	**510**	**–**	**–**	**–**	**510**
Reclassification from property, plant and equipment	**54 950**	**2 100**	**–**	**–**	**57 050**
Impairment (refer to note 6)	**(225)**	**–**	**–**	**–**	**(225)**
Carrying value at 31 March 2021	**55 235**	**2 100**	**–**	**–**	**57 335**
Carrying value at 31 March 2019	510	–	–	–	510
Disposal	–	–	–	–	–
Carrying value at 31 March 2020	510	–	–	–	510

Land and buildings

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

Plant and machinery

It was decided by the directors of Romatex Home Textiles Proprietary Limited to consolidate all operations in Cape Town. The effect of this decision means that the Durban operations will close down and vacate by the end of July 2021. Certain assets were identified and classified as held for sale as these assets will not be relocated to Cape Town. An agreement has been concluded and the sale is expected to be completed within the next financial year.

10. PROFIT OR (LOSS) PER SHARE

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2021				
Number of shares in issue				
Net number of shares			**435 181**	
Number of shares in issue – 31 March 2021			435 181	
Weighted average number of shares				
Weighted average number of shares at 31 March 2021			**435 073**	
Shares as at 1 April 2020			434 683	
Effect of share options exercised			390	
Diluted average number of shares				
Diluted weighted average number of shares			**435 157**	
Weighted average number of shares			435 073	
Dilution effect of share options granted			84	
Earnings/(loss) per share				
Basic earnings/(loss)				
Profit attributable to equity holders of the parent		124 623	435 073	28,64
Continuing operations		130 115		29,90
Discontinuing operations		(5 492)		(1,26)
Diluted earnings/(loss)				
Profit attributable to equity holders of the parent		124 623	435 157	28,64
Continuing operations		130 115		29,90
Discontinuing operations		(5 492)		(1,26)
Headline earnings				
Reconciliation between profit and headline earnings				
Profit attributable to equity holders of the parent		124 623		
Impairment of assets	15 788	13 808		
Remeasurement of investment property	(49 829)	(38 667)		
Surplus on disposal of property, plant and equipment	(459)	(356)		
Loss on disposal of property, plant and equipment	1 839	1 403		
Headline earnings		**100 811**	**435 073**	**23,17**
Continuing operations		97 485		22,41
Discontinuing operations		3 326		0,76
Diluted headline earnings		**100 811**	**435 157**	**23,17**
Continuing operations		97 485		22,41
Discontinuing operations		3 326		0,76

Issued shares

During the period, 498 439 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
2020				
Number of shares				
Net number of shares in issue			434 683	
Number of shares – 31 March 2020			434 683	
Weighted average number of shares				
Weighted average number of shares			434 473	
Shares as at 1 April 2019			433 927	
Effect of share options exercised			546	
Diluted average number of shares				
Diluted weighted average number of shares			434 497	
Weighted average number of shares			434 473	
Dilution effect of share options granted			24	
Earnings/loss per share				
Basic (loss)/profit				
Loss attributable to equity holders of the parent		(127 034)	434 473	(29,24)
Earnings from continuing operations		4 186		0,96
Loss from discontinuing operations		(131 220)		(30,20)
Diluted (loss)/profit				
Loss attributable to equity holders of the parent		(127 034)	434 497	(29,24)
Earnings from continuing operations		4 186		0,96
Loss from discontinuing operations		(131 220)		(30,20)
Headline loss				
Reconciliation between loss and headline loss				
Loss attributable to equity holders of the parent		(127 034)		
Impairment of assets	72 469	62 072		
Remeasurement of investment property	28 315	21 972		
Surplus on disposal of property, plant and equipment	(1 346)	(1 116)		
Loss on disposal of property, plant and equipment	979	705		
Impairment of goodwill	8 018	8 018		
Profit on sale of subsidiary	(9 407)	(9 407)		
Loss on sale of subsidiary	6 015	6 015		
Headline earnings/(loss)		(38 775)	434 473	(8,92)
Earnings from continuing operations		55 117		12,69
Loss from discontinuing operations		(93 892)		(21,61)
Diluted headline earnings/(loss)		(38 775)	434 497	(8,92)
Earnings from continuing operations		55 117		12,69
Loss from discontinuing operations		(93 892)		(21,61)

Issued shares

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

11. PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Notes	Plant and machinery at cost R000's	Equipment and fittings at cost R000's	Motor vehicles at cost R000's	Total R000's
2021					
Cost/valuation at 31 March 2021		**616 414**	**84 363**	**18 471**	**719 248**
Opening balance		**584 576**	**88 344**	**18 342**	**691 262**
Additions		**56 068**	**5 693**	**1 391**	**63 152**
Disposals and assets reclassified as held for sale		**(24 230)**	**(9 674)**	**(1 262)**	**(35 166)**
Accumulated depreciation and impairment at 31 March 2021		**258 767**	**54 240**	**9 066**	**322 073**
Opening balance		**238 618**	**49 566**	**8 076**	**296 260**
Current period depreciation		**30 615**	**8 773**	**2 174**	**41 562**
Impairment	6	**6 088**	**615**	**2**	**6 705**
Disposals and assets reclassified as held for sale		**(16 554)**	**(4 714)**	**(1 186)**	**(22 454)**
Carrying value at 31 March 2021		**357 647**	**30 123**	**9 405**	**397 175**
Rate of (straight-line) depreciation	(%)	**4 – 7**	**10 – 20**	**20**	**–**
Residual values	(%)	**0**	**0**	**20**	**–**
2020					
Cost/valuation at 31 March 2020		584 576	88 344	18 342	691 262
Opening balance		514 659	81 823	28 117	624 599
Adjustment for change in accounting policy		–	–	(9 181)	(9 181)
Additions		74 228	10 014	4 068	88 318
Disposals and assets reclassified as held for sale		(4 311)	(3 493)	(4 662)	(12 466)
Accumulated depreciation and impairment at 31 March 2020		238 618	49 566	8 076	296 260
Opening balance		210 315	42 933	12 511	265 759
Adjustment for change in accounting policy		–	–	(3 096)	(3 096)
Current period depreciation		30 537	9 749	2 218	42 504
Disposals and assets reclassified as held for sale		(2 234)	(3 116)	(3 557)	(8 907)
Carrying value at 31 March 2020		345 958	38 778	10 266	395 002

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

12. LEASES

The Group leases various offices, warehouses, retail stores, machinery and motor vehicles. Rental contracts are typically made for fixed periods of one to eight years but may have extension options, which are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

	2021 R000's	2020 R000's
Right-of-use assets		
Property leases	**73 127**	89 105
Plant and machinery leases	**1 325**	1 841
Motor vehicle leases	**4 810**	4 328
	79 262	95 274
Included in assets held for sale	**–**	(64)
	79 262	95 210
Lease liabilities		
Current	**16 500**	14 606
Non-current	**98 932**	111 983
	115 432	126 589

Additions to the right-of-use assets during the 2021 financial year were R2,8 million (2020: R23,2 million).

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

	Less than 1 year R000's	**Between 1 and 5 years R000's**	**Over 5 years R000's**	**Total R000's**
31 March 2021				
Lease liabilities	**29 375**	**84 647**	**85 669**	**199 691**
31 March 2020				
Lease liabilities	26 171	79 175	103 767	209 113

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

12. LEASES (continued)

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

	2021 R000's	2020 R000's
Depreciation charge of right-of-use assets		
Property leases	**16 127**	15 807
– Continued	**16 127**	15 807
– Discontinued	**–**	–
Plant and machinery leases	**832**	856
– Continued	**832**	856
– Discontinued	**–**	–
Motor vehicle leases	**2 036**	2 207
	18 995	18 870
Interest expense (included in finance cost)	**15 359**	16 708
– Continued	**15 202**	16 064
– Discontinued	**157**	644
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**11 074**	15 627
– Continued	**11 074**	13 333
– Discontinued	**–**	2 294
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	**715**	754
– Continued	**703**	659
– Discontinued	**12**	95
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise equipment and small items of office furniture. The Group applies a threshold of R75 000 for capitalising right-of-use assets.		
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**9 053**	9 149
– Continued	**9 053**	9 089
– Discontinued		60

The total cash outflow for leases in 2021 was R53,2 million (2020: R 30,2 million).

Leasing arrangements

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

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

	Nominal amount	
	2021 R000's	2020 R000's
Non-cancellable operating lease rentals are receivable as follows:		
Less than one year	**124 142**	148 593
Between one and five years	**168 165**	194 411
More than five years	**4 847**	12 535
	297 154	355 539

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

No contingent rentals were recognised as income in the period.

13. OWNER-OCCUPIED PROPERTY

13.1 Reconciliation of carrying amount

	2021 R000's	2020 R000's
2021		
Cost/valuation at 31 March 2021	**210 125**	293 503
Opening balance	**293 503**	350 770
Additions	**1 192**	410
Revaluations	**5 520**	(14 968)
Reclassification to investment property (refer to note 14)	**(35 100)**	(42 709)
Disposals and assets reclassified as held for sale	**(54 990)**	–
Accumulated depreciation and impairment at 31 March 2021	**–**	(1)
Opening balance	**(1)**	(1)
Current period depreciation	**2 047**	2 440
Revaluations	**(2 006)**	(2 440)
Disposals and assets reclassified as held for sale	**(40)**	–
Carrying value at 31 March 2021	**210 125**	293 504

13.2 Owner-occupied properties – cost less accumulated depreciation

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

	2021 R000's	2020 R000's
Cost	**85 342**	154 352
Accumulated depreciation	**(149)**	(2 017)
Carrying value	**85 193**	152 335
Reconciliation of cost of land and buildings:		
Opening cost at the beginning of the year	**154 352**	164 686
Additions	**1 192**	410
Disposals, transfers to investment property and assets reclassified as held for sale	**(70 202)**	(10 744)
Closing cost at the end of the year	**85 342**	154 352

13.3 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.

In the prior year, the valuation as determined by the independent property valuer was completed shortly before year-end and would have resulted in a R40 million upward revaluation. However, the valuation did not consider the potential effect of Covid-19. Management analysed the portfolio on a property-by-property basis and adjusted the valuation to reflect the best estimate of the impact of the economic fallout as a result of the pandemic. On this basis, the Group valued its properties down by R41 million.

The current year valuation includes the potential effect of Covid-19.

The fair value measurement of owner-occupied property of R210 million (2020: R294 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

13. OWNER-OCCUPIED PROPERTY (continued)

13.3 Measurement of fair value – land and buildings *(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 2020	**293 504**
Additions	**1 192**
Reclassification to investment property	**(35 100)**
Disposals and depreciation	**(56 997)**
Revaluation straight through equity	
– Changes in fair value	**7 526**
Carrying value at 31 March 2021	**210 125**

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

	R000's
Carrying value at 31 March 2019	350 771
Additions	410
Reclassification to investment property	(42 709)
Disposals and depreciation	(2 440)
Revaluation straight through equity	
– Changes in fair value	(12 528)
Carrying value at 31 March 2020	293 504

13.4 Valuation technique and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Range of inputs (weighted average)** **2021**	2020	**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 dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the property's location, structure and rental-producing capacity of similar buildings in similar locations.	• Capitalisation rate	**9,75% – 12,50%**	10% – 15,15%	The estimated fair value would increase/(decrease) if: • The capitalisation rate were higher (lower) (see sensitivity analysis below)
	• Occupation rate	**95% – 98%**	95% – 100%	• Decrease in the occupancy rate of 1% would decrease FV by R2,8 million
	• Projected income	**R19 – R28/m² Based on 85 751m² lettable area**	R16 – R36/m² Based on 136 385m² lettable area	• If annual expected income was 1% higher or lower, the FV would increase/decrease with R2,1 million. When practicable, external evidence was used such as current market rents for properties with a similar nature, conditions and locations.

Sensitivity analysis on the fair value of owner-occupied buildings

The capitalisation rates for the fair value of the properties were between 9,75% and 12,50%. 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	
	2021 R000's	2020 R000's
Increase of 1% in the capitalisation rate	**192 016**	269 955
Decrease of 1% in the capitalisation rate	**232 035**	321 681

13.5 Securitisation of assets

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

14. INVESTMENT PROPERTIES

Reconciliation of carrying amount

	2021 R000's	2020 R000's
Opening carrying value	**1 086 964**	1 056 095
Additions – Transfer from owner-occupied property (refer to note 13)	**35 100**	42 709
Additions	**–**	–
Development cost	**6 574**	19 975
Capitalised borrowing costs	**–**	–
Fair value adjustments	**49 829**	(28 315)
Disposals	**–**	(3 500)
Closing carrying value	**1 178 467**	1 086 964

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

	2021 %	2020 %
Property type		
Retail/commercial	**10**	10
Industrial	**90**	90

	2021	2020
Included in profit or loss:		
Rental income from investment property	**148 801**	138 760
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	**35 802**	35 285
Rates relating to rental-generating properties	**19 745**	18 788

Capital commitments

See note 30 for details on commitments.

14. INVESTMENT PROPERTIES (continued)

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.

In the prior year, the valuation as determined by the independent property valuer was completed shortly before year-end and would have resulted in a R40 million upward revaluation. However, the valuation did not consider the potential effect of Covid-19. Management analysed the portfolio on a property-by-property basis and adjusted the valuation to reflect the best estimate of the impact of the economic fallout as a result of the pandemic. On this basis, the Group valued its properties down by R41 million.

The current year valuation includes the potential effect of Covid-19.

The fair value measurement of investment property of R1,12 billion has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

Level 3 fair value

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

	R000's
Opening value at 31 March 2020	**1 086 964**
Development cost and capitalised borrowing cost	**6 574**
Additions	**–**
Reclassification from owner-occupied property	**35 100**
Disposals	**–**
Gain included in profit or loss	
– Changes in fair value	**49 829**
Closing value at 31 March 2021	**1 178 467**
Opening value at 31 March 2019	1 056 095
Development cost and capitalised borrowing cost	19 975
Additions	–
Reclassification from owner-occupied property	42 709
Disposals	(3 500)
Gain included in profit or loss	
– Changes in fair value	(28 315)
Closing value at 31 March 2020	1 086 964

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Range of inputs (weighted average) 2021	2020	Inter-relationship between key unobservable inputs and fair value measurements
Capitalisation of income: The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the property's location, structure and the rental-producing capacity of similar buildings in similar locations.	• Capitalisation rate	**8% – 12.50%**	10% – 12.25%	The estimated fair value would increase/(decrease) if: • The capitalisation rate was higher (lower) (see sensitivity analysis below)
	• Occupation rate	**95% – 98%**	95% – 100%	• Decrease in the occupancy rate of 1% would decrease FV by R17,4 million.
	• Projected income	**R10 – R85/m² Based on 282 905m² lettable area**	R10 – R85/m² Based on 274 581m² lettable area	• If annual expected income was 1% higher or lower, the FV would increase/decrease with R10,8 million and R12,7 million respectively. When practicable, external evidence was used such as current market rents for properties with a similar nature, conditions and locations.

Sensitivity analysis on the fair value of investment buildings

The capitalisation rates for the fair value of the properties were between 8% and 12,50%. 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 2021 R000's	2020 R000's
Increase of 1% in the capitalisation rate	**1 065 943**	989 353
Decrease of 1% in the capitalisation rate	**1 315 364**	1 205 958

Securitisation of assets

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

15. INTANGIBLE ASSETS AND GOODWILL

	Notes	Brand names/ Trade-marks R000's	Customer-related intangible assets R000's	Software R000's	Licences R000's	Goodwill R000's	Total intangibles R000's
Cost at 31 March 2021		**11 998**	**33 488**	**7 575**	**23 856**	**34 029**	**110 946**
Opening balance		**10 626**	**33 488**	**2 211**	**23 856**	**34 029**	**104 210**
Assets acquired separately		**1 372**	**–**	**5 009**	**–**	**–**	**6 381**
Disposals and assets reclassified as held for sale		**–**	**–**	**(90)**	**–**	**–**	**(90)**
Additions through internal development		**–**	**–**	**445**	**–**	**–**	**445**
Accumulated amortisation and impairment at 31 March 2021		**7 917**	**11 974**	**3 159**	**23 856**	**10 599**	**57 505**
Opening balance		**7 473**	**10 484**	**1 579**	**23 856**	**10 599**	**53 991**
Current period amortisation		**444**	**1 490**	**1 669**	**–**	**–**	**3 603**
Disposals and assets reclassified as held for sale		**–**	**–**	**(89)**	**–**	**–**	**(89)**
Carrying value at 31 March 2021		**4 081**	**21 514**	**4 416**	**–**	**23 430**	**53 441**
Nature of useful lives		Finite	Finite	Finite	Finite		
Amortisation method		Straight-line	Straight-line	Straight-line	Straight-line		
Rate of amortisation		Period of contract	5%	20%	Period of licence		
Residual values		0%	0%	0%	0%		
Cost at 31 March 2020		10 626	33 488	2 211	23 856	34 029	104 210
Opening balance		10 348	33 360	1 973	23 855	34 030	103 566
Assets acquired separately		273	–	376	–	–	649
Disposals and assets reclassified as held for sale		–	–	(138)	–	–	(138)
Additions through internal development		5	128	–	–	–	133
Transfer between categories		–	–	–	1	(1)	–
Accumulated amortisation and impairment at 31 March 2020		7 473	10 484	1 579	23 856	10 599	53 991
Opening balance		607	5 171	1 444	2 437	2 581	12 240
Disposals and assets reclassified as held for sale		–	–	(133)	–	–	(133)
Impairment losses recognised in profit and loss	6	6 263	3 625	–	19 039	8 018	36 945
Current period amortisation		603	1 688	268	2 380	–	4 939
Carrying value at 31 March 2020		3 153	23 004	632	–	23 430	50 219

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

Impairment testing for CGUs containing goodwill

There were four CGUs containing goodwill in the current period.

Refer to note 6 for details on impairment reviews and impairment losses recognised on goodwill during the current period.

CGU in the Branded Product Distribution segment

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

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

	2021 %	2020 %
Average discount rate	**17,2**	17,3
Terminal value growth rate	**4,5**	4,5

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

CGU in the Industrial Product Manufacturing segment

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

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

	2021 %	2020 %
Average discount rate	**17,7**	15,9
Terminal value growth rate	**4,5**	4,5

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

16. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 R000's	2020 R000's
Business Partners Limited (unlisted)	**4 237**	4 237
	4 237	4 237

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

Investments are classified as available for sale and are reconciled as follows:		
Opening balance	**4 237**	4 237
Revaluations	**–**	–
Closing balance	**4 237**	4 237

17. LONG-TERM RECEIVABLES

17.1 Reconciliation of carrying amount

	2021 R000's	2020 R000's
Net investment in finance leases	**14 145**	23 408
	14 145	23 408

17.2 Fair value of long-term receivables

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

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

	Gross investment in leases R000's	**Unearned finance income R000's**	**Net investment in leases R000's**
2021			
Lease payments receivable			
– Not later than one year	**16 377**	**4 635**	**11 742***
– Later than one year but not later than five years	**18 728**	**4 583**	**14 145**
– Later than five years	**–**	**–**	**–**
	35 105	**9 218**	**25 887**
2020			
Lease payments receivable			
– Not later than one year	23 782	6 968	16 814*
– Later than one year but not later than five years	32 347	8 939	23 408
– Later than five years	–	–	–
	56 129	15 907	40 222

**Included in trade and other receivables.*

Interest is charged up to 25%.

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

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

18. INVENTORIES

	2021 R000's	2020 R000's
Raw materials and consumables	**140 082**	158 303
Work-in-progress	**26 180**	19 130
Finished goods	**265 198**	346 437
	431 460	523 870
Inventories stated at net realisable value	**188 447**	264 546
Write-down of inventory to net realisable value during the year	**3 291**	7 647

19. TRADE AND OTHER RECEIVABLES

19.1 Reconciliation of carrying value

	2021 R000's	2020 R000's
Trade receivables	**357 316**	326 966
Lease receivables	**11 742**	16 814
Other receivables	**74 300**	123 373
Fair value of outstanding foreign exchange contracts	**2 334**	10 724
Prepayments	**28 413**	42 459
Trade and other receivables	**474 105**	520 336

Carrying values approximate fair values for all classes.

	2021 R000's	2020 R000's
Other receivables		
Included under other receivables are:		
Income receivable from the Production Incentive Programme (refer to note 24)	**10 023**	–
Lease smoothing asset	**19 433**	19 053
VAT	**16 572**	4 179
Insurance claim receivable	**92**	1 201
Deposits	**12 930**	14 894
Consideration receivable*	**–**	66 074
Sundry debtors	**15 250**	17 972
	74 300	123 373

**Refer to notes 26 and 31 for more information.*

19.2 Securitisation of assets

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

20. STATED CAPITAL AND RESERVES

20.1 Stated capital

	2021 R000's	2020 R000's
Authorised		
10 000 000 000 (2020: 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		
435 181 373 (2020: 434 682 934) ordinary shares of no par value	**1 459 386**	1 457 583
Balance at the beginning of the year – 434 682 934 (2020: 433 926 735)	**1457 583**	1456 237
Issued during the year – 498 439 (2020: 756 199)	**1 803**	1 346
	1 459 386	1 457 583

Issue of shares

Current period

During the period, 498 439 shares were issued in terms of the Group's share incentive scheme.

Prior period

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

Reserved under options (see note 34)

42 862 171 ordinary shares of no par value each have been placed under the control of the directors, who are authorised to allot and issue all or any 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.

20.2 Reserves

	2021 R000's	2020 R000's
Composition of other reserves		
Foreign currency translation differences	**933**	4 985
Common control reserve	**(20 219)**	(20 219)
Surplus on revaluation	**307 072**	301 232
	287 786	285 998

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.

21. 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.

	2021 R000's	2020 R000's
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Current service cost	**165**	284
Interest on the obligation	**9 437**	9 552
Total included in staff costs	**9 602**	9 836
Reconciliations in the net liability recognised in the balance sheet are as follows:		
Liability at the beginning of the year	**87 457**	98 019
Net expense recognised in profit or loss	**9 602**	9 836
Contributions from employer	**(8 300)**	(8 368)
Actuarial gains recognised in other comprehensive income	**(3 301)**	(12 030)
Liability in the balance sheet	**85 458**	87 457
Represented by:		
Liability due within 12 months	**7 944**	7 885
Liability due after 12 months	**77 514**	79 572
	85 458	87 457
Present value of unfunded obligations	**85 458**	87 457
Fair value of plan assets	**–**	–
Recognised liability for defined benefit obligations	**85 458**	87 457

The net cumulative actuarial gain recognised in other comprehensive income is R3,3 million.

Forecast reconciliation of the plan to 31 March 2022 is as follows:	2022 R000's
Liability at 31 March 2021	85 458
Net expense in the statement of comprehensive income	7 817
Contributions	(7 492)
Forecast liability at 31 March 2022	85 783

Risk exposure

Through its post-employment medical plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in bond yields – The plan liabilities are calculated using a discount rate set with reference to South African government zero coupon bond yields. A decrease in bond yields will increase plan liabilities.
- Inflation risks – Medical scheme contributions have in the past increased at a significantly higher rate than general consumer price inflation. The Group's plan liabilities are linked to the healthcare cost inflation. Higher inflation will lead to higher liabilities.

21. POST-EMPLOYMENT MEDICAL AID BENEFITS (continued)

Sensitivity analysis

		2021	2020
The principal actuarial assumptions at the reporting date:			
Discount rate	(%)	**9,40**	10,79
Medical inflation	(%)	**7,72**	8,38
Sensitivity of results			
• A 1% increase in medical aid inflation would result in:			
– An increase in the accrued liability of	(R000's)	**6 967**	7 793
	(%)	**8,15**	8,90
– An increase in the service and interest cost of	(R000's)	**855**	621
	(%)	**8,90**	6,30
• A 1% decrease in medical aid inflation would result in:			
– A decrease in the accrued liability of	(R000's)	**(6 154)**	(6 770)
	(%)	**(7,20)**	(7,70)
– A decrease in the service and interest cost of	(R000's)	**(768)**	(1 002)
	(%)	**(8,00)**	(10,20)
• A 1% decrease in the discount rate would result in:			
– An increase in the accrued liability of	(R000's)	**6 709**	7 668
	(%)	**7,85**	8,80
• A 1% increase in the discount rate would result in:			
– A decrease in the accrued liability of	(R000's)	**(5 832)**	(6 562)
	(%)	**(6,82)**	(7,50)

22. FINANCIAL INSTRUMENTS

Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

Interest-bearing liabilities

	Final repayment dates	Average rate of interest p.a.	2021 R000's	2020 R000's
Secured				
Instalment sale agreements	*	Prime	**8 365**	11 243
Loans from financial institutions	**	**	**770 682**	785 416
			779 047	796 659
Unsecured				
HCI Treasury Proprietary Limited***		Prime	**–**	72 938
			–	72 938
Total interest-bearing liabilities			**779 047**	869 597
Current portion of interest-bearing liabilities			**(121 922)**	(457 151)
Non-current portion of interest-bearing liabilities			**657 125**	412 446

* *Repayment dates vary between 2022 and 2032.*

** *Refer to note 27 for further information.*

*** *Refer to notes 19, 26, and 31 for more information.*

Instalment sales are payable as follows:

	Principal R000's	Interest R000's	Gross instalments R000's
2021			
Less than one year	**3 567**	**557**	**4 124**
Between one and three years	**4 798**	**3 080**	**7 878**
	8 365	**3 637**	**12 002**
2020			
Less than one year	4 271	794	5 065
Between one and three years	6 972	797	7 769
	11 243	1 591	12 834

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

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.

22. FINANCIAL INSTRUMENTS (continued)

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 Faurecia Emissions (R31,9 million) (2020: R34,8 million), BT Games (R24,3 million) (2020: R7,3 million), Volkswagen of SA (R23,4 million) (2020: R19,2 million) and Takealot (R15,5 million).

Total debt in respect of sales to government and various municipalities was R2,8 million (2020: R7,5 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 R364 million (99,2%) (2020: R340 million (99,9%)) being denominated in South African Rands.

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

Capital management: The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base of the business is viewed as being the shareholder equity and non-current interest-bearing liabilities amounting to R2 234,92 million (2020: R1 876,5 million).

Collateral

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

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

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

Expected credit losses

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

- trade receivables;
- lease receivables; and
- other receivables.

Other receivables

Refer to note 19.1 for a breakdown of other receivables.

The Group has applied the general impairment model to other receivables. The Group has considered past experience and future macroeconomic factors and, consequently, the probability of default relating to these balances are low.

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

Trade and lease receivables

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 to 72 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the CPI and interest rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On the above basis the expected credit loss for trade and lease receivables for continuing and discontinuing operations as at 31 March 2021:

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
2021			
Large private equity	224 045	11 213	5,0
Lease receivables	20 518	556	2,7
Trade receivables:			
Current	70 421	294	0,4
30+ days	89 934	153	0,2
60+ days	19 772	178	0,9
90+ days	3 882	440	11,3
120+ days	19 518	9 592	49,1
Large public equity	102 216	2 277	2,2
Lease receivables	81	1	1,2
Trade receivables:			
Current	51 191	248	0,5
30+ days	34 152	15	0,0
60+ days	5 421	6	0,1
90+ days	1 933	20	1,0
120+ days	9 438	1 987	21,1
Medium and small equity	93 019	4 929	5,3
Lease receivables	2 744	24	0,9
Trade receivables:			
Current	51 521	620	1,2
30+ days	14 791	169	1,1
60+ days	6 375	1 040	16,3
90+ days	4 092	75	1,8
120+ days	13 496	3 001	22,2
Government	2 807	140	5,0
Lease receivables	2 544	17	0,7
Trade receivables:			
Current	5	–	0,0
30+ days	10	–	0,0
60+ days	9	–	0,0
90+ days	9	–	0,0
120+ days	230	123	53,5

22. FINANCIAL INSTRUMENTS (continued)

Expected credit losses *(continued)*

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
2020			
Large private equity	136 837	12 049	8,8
Lease receivables	31 923	2 529	7,9
Trade receivables:			
Current	37 561	1 253	3,3
30+ days	17 253	699	4,1
60+ days	5 463	809	14,8
90+ days	4 894	252	5,1
120+ days	39 743	6 507	16,4
Large public equity	173 503	1 288	0,7
Lease receivables	194	5	2,6
Trade receivables:			
Current	88 685	104	0,1
30+ days	36 656	91	0,2
60+ days	25 552	69	0,3
90+ days	7 425	21	0,3
120+ days	14 991	998	6,7
Medium and small equity	141 140	7 832	5,5
Lease receivables	3 664	78	2,1
Trade receivables:			
Current	75 036	812	1,1
30+ days	30 982	938	3,0
60+ days	11 896	354	3,0
90+ days	3 697	694	18,8
120+ days	15 865	4 956	31,2
Government	7 533	310	4,1
Lease receivables	4 441	90	2,0
Trade receivables:			
Current	777	35	4,5
30+ days	195	14	7,2
60+ days	78	3	3,8
90+ days	65	11	16,9
120+ days	1 977	157	7,9

Allowances for expected credit losses	**2021 R000's**	2020 R000's
The movement in the allowance for impairment in respect of trade receivables for continuing and discontinued operations during the period was as follows:		
Opening balance	**21 479**	50 316
Written off as irrecoverable	**(6 459)**	(22 578)
Disposal of operations	**–**	(9 379)
Impairments recognised on new instruments	**7 313**	9 032
Reversal of impairment	**(3 775)**	(5 912)
Closing balance	**18 558**	21 479

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

Despite the Covid-19 pandemic and lockdown imposed during the first quarter, the Group has not noted any significant deterioration in the creditworthiness of customers.

The reduction of the ECL allowance due to write-offs is predominantly attributed to discontinued operations.

The increase in the ECL allowance is due to debtors that have passed their payment terms, however, management believes that these debtors are still collectible in full based on historical payment behaviour and extensive analysis of customer credit risk.

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

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

Cash flow and funding risk management

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

Refer to note 27 for borrowing facilities.

Categories of financial assets

The carrying amount of financial assets, which also represents the maximum credit exposure and reasonably approximates their fair values, is as follows:

	2021 R000's	2020 R000's
Financial assets at amortised cost	**512 627**	526 174
Financial assets at fair value through profit or loss	**2 334**	10 724
Financial asset at fair value through other comprehensive income	**4 237**	4 237
	519 198	541 135

22. FINANCIAL INSTRUMENTS (continued)

Categories of financial assets *(continued)*

Reconciliation with line items presented in the balance sheet:

	Financial assets at amortised cost R000's	Financial assets at fair value through profit or loss R000's	Financial asset at fair value through other comprehensive income R000's	Non-financial asset* R000's	Total R000's
2021					
Financial asset at fair value through other comprehensive income	**–**	**–**	**4 237**	**–**	**4 237**
Long-term receivables	**14 145**	**–**	**–**	**–**	**14 145**
Trade and other receivables	**426 786**	**2 334**	**–**	**44 985**	**474 105**
Cash and cash equivalents	**71 696**	**–**	**–**	**–**	**71 696**
	512 627	**2 334**	**4 237**	**44 985**	**564 183**
2020					
Financial asset at fair value through other comprehensive income	–	–	4 237	–	4 237
Long-term receivables	23 408	–	–	–	23 408
Trade and other receivables	462 974	10 724	–	46 638	520 336
Cash and cash equivalents	39 792	–	–	–	39 792
	526 174	10 724	4 237	46 638	587 773

* *Comprises of VAT and prepayments (refer to note 19).*

Categories of financial liabilities

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

	2021 R000's	2020 R000's
Fair value through profit or loss (forward exchange contracts)	**6 003**	3 653
Measured at amortised cost	**1 232 315**	1 425 853
	1 238 318	1 429 506

Reconciliation with line items presented in the balance sheet:

	Financial liabilities at fair value through profit or loss R000's	Financial liabilities at amortised cost R000's	Non-financial liability R000's	Total R000's
2021				
Interest-bearing liabilities – non-current	**–**	**657 125**	**–**	**657 125**
Interest-bearing liabilities – current	**–**	**121 922**	**–**	**121 922**
Trade and other payables	**6 003**	**423 464**	**7 504**	**436 971**
Bank overdrafts	**–**	**29 804**	**–**	**29 804**
	6 003	**1 232 315**	**7 504**	**1 245 822**
2020				
Interest-bearing liabilities – non-current	–	412 446	–	412 446
Interest-bearing liabilities – current	–	457 151	–	457 151
Trade and other payables	3 653	447 222	7 149	458 024
Bank overdrafts	–	109 034	–	109 034
	3 653	1 425 853	7 149	1 436 655

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
2021					
Assets					
Financial asset at fair value through other comprehensive income	**–**	**4 237**	**–**	**–**	**4 237**
Long-term receivables	**–**	**18 728**	**–**	**–**	**18 728**
Trade and other receivables	**429 120**	**–**	**–**	**–**	**429 120**
Cash and cash equivalents	**71 696**	**–**	**–**	**–**	**71 696**
Total financial assets	**500 816**	**22 965**	**–**	**–**	**523 781**
Liabilities					
Interest-bearing borrowings	**121 922**	**207 125**	**450 000**	**–**	**779 047**
Trade and other payables	**423 464**	**–**	**–**	**–**	**423 464**
Bank overdrafts	**29 804**	**–**	**–**	**–**	**29 804**
Total financial liabilities – non-derivatives	**575 190**	**207 125**	**450 000**	**–**	**1 232 315**
Trade and other payables	**6 003**	**–**	**–**	**–**	**6 003**
Total financial liabilities – derivatives	**6 003**	**–**	**–**	**–**	**6 003**
Net financial (liabilities)/assets	**(80 377)**	**(184 160)**	**(450 000)**	**–**	**(714 537)**
2020					
Assets					
Financial asset at fair value through other comprehensive income	–	4 237	–	–	4 237
Long-term receivables	–	32 347	–	–	32 347
Trade and other receivables	473 698	–	–	–	473 698
Cash and cash equivalents	39 792	–	–	–	39 792
Total financial assets	513 490	36 584	–	–	550 074
Liabilities					
Interest-bearing borrowings	457 151	412 446	–	–	869 597
Trade and other payables	447 222	–	–	–	447 222
Bank overdrafts	109 034	–	–	–	109 034
Total financial liabilities – non-derivatives	1 013 407	412 446	–	–	1 425 853
Trade and other payables	3 653	–	–	–	3 653
Total financial liabilities – derivatives	3 653	–	–	–	3 653
Net financial (liabilities)/assets	(503 570)	(375 862)	–	–	(879 432)

22. FINANCIAL INSTRUMENTS (continued)

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
2021					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	**130 335**	**297 808**	**450 000**	**–**	**878 143**
Trade and other payables	**423 464**	**–**	**–**	**–**	**423 464**
Bank overdrafts	**31 890**	**–**	**–**	**–**	**31 890**
Total financial liabilities – non-derivatives	**585 689**	**297 808**	**450 000**	**–**	**1 333 497**
Trade and other payables	**6 003**	**–**	**–**	**–**	**6 003**
Total financial liabilities – derivatives	**6 003**	**–**	**–**	**–**	**6 003**
2020					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	490 889	473 323	–	–	964 212
Trade and other payables	447 222	–	–	–	447 222
Bank overdrafts	117 081	–	–	–	117 081
Total financial liabilities – non-derivatives	1 055 192	473 323	–	–	1 528 515
Trade and other payables	3 653	–	–	–	3 653
Total financial liabilities – derivatives	3 653	–	–	–	3 653

Reconciliation of liabilities arising from finance activities	Notes	**Opening carrying value R000's**	**Financing cash flows per statement of cash flows** Proceeds R000's	Repayments R000's	**Other* R000's**	**Closing carrying value R000's**
2021						
Unsecured loans	31	**72 938**	**5 475**	**–**	**(78 413)**	**–**
Secured loans – leases**	12	**126 590**	**–**	**(17 063)**	**5 905**	**115 432**
Secured loans – other	27	**796 659**	**1 726**	**(18 152)**	**(1 186)**	**779 047**
		996 187	**7 201**	**(35 215)**	**(73 694)**	**894 479**
Bank overdraft		**109 034**				**29 804**
Total interest-bearing liabilities		**1 105 221**				**924 283**

* *This includes new instalment sales agreements of R1,7 million entered into during the year and interest accrued of R2,9 million. For leases, the non-cash movement relates to new leases entered into during the year.*

** *Refer to note 12 for more information regarding leases.*

Reconciliation of liabilities arising from finance activities	Notes	Opening carrying value R000's	Financing cash flows per statement of cash flows Recognised on adoption of IFRS 16 R000's	Proceeds R000's	Repayments R000's	Other R000's	Closing carrying value R000's
2020							
Unsecured loans	31	88 724	–	–	(15 786)	–	72 938
Secured loans – leases	12	–	114 688	–	(11 357)	23 258	126 589
Secured loans – other	27	812 923	(6 492)	2 030	(18 328)	6 526	796 659
		901 647	108 196	2 030	(45 471)	29 784	996 186
Bank overdraft		323 908					109 034
Total interest-bearing liabilities		1 225 555					1 105 220

Fair value of financial instruments

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

Fair value hierarchy

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

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

Measurement of fair values

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

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

Accounting classifications and fair values

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

22. FINANCIAL INSTRUMENTS (continued)

Measurement of fair values *(continued)*

	Notes	Carrying value: Financial assets at amortised cost R000's	Financial assets/(liabilities) at fair value through profit or loss R000's	Financial asset at fair value through other comprehensive income R000's	Financial liabilities at amortised cost R000's	Total R000's
2021						
Financial assets measured at fair value						
Equity securities	16	**–**	**–**	**4 237**	**–**	**4 237**
Forward exchange contracts	19	**–**	**2 334**	**–**	**–**	**2 334**
Financial assets not measured at fair value						
Long-term receivables	17	**14 145**	**–**	**–**	**–**	**14 145**
Trade and other receivables	19	**426 786**	**–**	**–**	**–**	**426 786**
Cash and cash equivalents		**71 696**	**–**	**–**		**71 696**
		512 627	**2 334**	**4 237**	**–**	**519 198**
Financial liabilities measured at fair value						
Forward exchange contracts		**–**	**(6 003)**	**–**	**–**	**(6 003)**
Financial liabilities not measured at fair value						
Instalment sale and lease agreements		**–**	**–**	**–**	**(8 365)**	**(8 365)**
Secured bank loans		**–**	**–**	**–**	**(770 682)**	**(770 682)**
Unsecured loans		**–**	**–**	**–**	**–**	**–**
Trade and other payables	23	**–**	**–**	**–**	**(423 464)**	**(423 464)**
Bank overdrafts	27	**–**	**–**	**–**	**(29 804)**	**(29 804)**
		–	**(6 003)**	**–**	**(1 232 315)**	**(1 238 318)**
2020						
Financial assets measured at fair value						
Equity securities	16	–	–	4 237	–	4 237
Forward exchange contracts	19	–	10 724	–	–	10 724
Financial assets not measured at fair value						
Long-term receivables	17	23 408	–	–	–	23 408
Trade and other receivables	19	462 974	–	–	–	462 974
Cash and cash equivalents		39 792	–	–	–	39 792
		526 174	10 724	4 237	–	541 135
Financial liabilities measured at fair value						
Forward exchange contracts		–	(3 653)	–	–	(3 653)
Financial liabilities not measured at fair value						
Instalment sale and finance lease agreements		–	–	–	(11 243)	(11 243)
Secured bank loans		–	–	–	(785 416)	(785 416)
Unsecured loans		–	–	–	(72 938)	(72 938)
Trade and other payables	23	–	–	–	(447 222)	(447 222)
Bank overdrafts	27	–	–	–	(109 034)	(109 034)
		–	(3 653)	–	(1 425 853)	(1 429 506)

	Notes	Fair value			
		Level 1 R000's	Level 2 R000's	Level 3 R000's	Total R000's
2021					
Financial assets measured at fair value					
Equity securities	16	**–**	**4 237**	**–**	**4 237**
Forward exchange contracts	19	**–**	**2 334**	**–**	**2 334**
Financial assets not measured at fair value					
Long-term receivables	17	**–**	**–**	**–**	**–**
Trade and other receivables	19	**–**	**–**	**–**	**–**
Cash and cash equivalents		**–**	**–**	**–**	**–**
		–	**6 571**	**–**	**6 571**
Financial liabilities measured at fair value					
Forward exchange contracts		**–**	**(6 003)**	**–**	**(6 003)**
Financial liabilities not measured at fair value					
Instalment sale and lease agreements		**–**	**–**	**–**	**–**
Secured bank loans		**–**	**–**	**–**	**–**
Unsecured loans		**–**	**–**	**–**	**–**
Trade and other payables	23	**–**	**–**	**–**	**–**
Bank overdrafts	27	**–**	**–**	**–**	**–**
		–	**(6 003)**	**–**	**(6 003)**
2020					
Financial assets measured at fair value					
Equity securities	16	–	4 237	–	4 237
Forward exchange contracts	19	–	10 724	–	10 724
Financial assets not measured at fair value					
Long-term receivables	17	–	–	–	–
Trade and other receivables	19	–	–	–	–
Cash and cash equivalents		–	–	–	–
		–	14 961	–	14 961
Financial liabilities measured at fair value					
Forward exchange contracts		–	(3 653)	–	(3 653)
Financial liabilities not measured at fair value					
Instalment sale and finance lease agreements		–	–	–	–
Secured bank loans		–	–	–	–
Unsecured loans		–	–	–	–
Trade and other payables	23	–	–	–	–
Bank overdrafts	27	–	–	–	–
		–	(3 653)	–	(3 653)

Reclassification of financial assets

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

Pledges of financial assets

Refer to note 33, Securitisation of assets.

22. FINANCIAL INSTRUMENTS (continued)

Measurement of fair values *(continued)*

Determination of fair value for financial assets and liabilities

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

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

Derecognition of financial assets

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

Defaults and breaches on loans

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

Market risk

Market risk is the risk that changes in the market prices such as foreign exchange rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the import of electronic equipment, toys, finished goods and raw materials.

	2021 R000's	2020 R000's
The fair value of the derivatives at year-end, determined by marking-to-market of contracts, amounted to:	**(3 669)**	7 071

The Group's exposure to market risk from foreign exchange contracts during the period was as follows:

	2021 R000's	2020 R000's
Amount of risk:		
Highest	**11 650**	16 297
Lowest	**218**	283
Average	**3 674**	4 694

Liquidity risk

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

Adequate liquidity is managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities (refer to note 27).

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

Sensitivity analysis

Equity price sensitivity analysis

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

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk in the form of trade receivables and trade payables denominated in foreign currencies as well as related forward exchange contracts and customer foreign currency accounts. Details of the Group's exposure in this regard is contained in note 29 of these financial statements.

Interest rate sensitivity analysis

At year-end the Group's net interest-bearing borrowings amounted to R737 million (2020: R939 million). In the main the interest rates applicable to these loans are variable. Consequently, in the event of a 10% change in interest rates, (i.e. an increase of 1%), there will be an additional interest charge of R7,37 million (2020 R9,39 million) before tax.

23. TRADE AND OTHER PAYABLES

	2021 R000's	2020 R000's
Trade payables and accrued expenses	**354 588**	385 350
Fair value of outstanding foreign exchange contracts	**6 003**	3 653
VAT	**7 504**	7 149
Other current liabilities	**68 876**	61 872
	436 971	458 024

24. GOVERNMENT GRANTS

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

Deferred income	**R000's 2021**	R000's 2020
Deferred amounts, to be recognised in more than 12 months' time	**110 550**	84 155
Deferred amounts, to be recognised in the next 12 months, included in trade and other payables	**7 535**	14 714
Deferred income	**118 085**	98 869
Reconciliation of deferred income:		
Opening carrying value	**98 869**	99 829
Government receivable recognised during the period	**37 004**	18 929
Deferred income released during the period	**(17 788)**	(19 889)
Closing carrying value	**118 085**	98 869
Reconciliation of receivable:		
Receivable balance for government grants brought forward	**–**	13 302
Government receivable recognised during the period	**37 004**	18 929
Transferred from held for sale	**–**	–
Total cash received during the year from government grants amounted to	**(26 981)**	(32 231)
Amount outstanding as at year-end	**10 023**	–

Amounts outstanding at year-end are included under other receivables (refer to note 19).

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

25. PROVISIONS

Restructuring and retrenchment costs	**2021 R000's**	2020 R000's
Carrying amount at the beginning of the year	**–**	–
Additional provisions made in the year, including increases to existing provisions	**6 818**	–
Carrying amount at the end of the year	**6 818**	–

The provisions relate to the restructuring of divisions in the Industrial Product Manufacturing segment.

26. BUSINESS COMBINATIONS

2021

No subsidiaries were acquired or sold during the current year.

2020

Subsidiaries sold during the prior year

Sale of Winelands Textiles

The Group has sold its interest in Winelands Textiles effective on 4 February 2020 for a total consideration of R65 million. In terms of the agreement R25 million was due at year-end with the remainder repayable in bi-monthly instalments commencing on 1 July 2020 (interest accruing at the prime rate plus 1%). As at 31 March 2020, the purchaser was in breach of the contract having defaulted on payments due by that date. Accordingly, the Group has claimed immediate payment of the full consideration from the purchaser and the guarantor. The full consideration has been included in other receivables under current assets, reflecting management's expectation that this will be received in the next financial year (refer to note 19).

Judgements applied on the sale of Winelands Textiles

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

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

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

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

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

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

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

27. BORROWING FACILITIES

Overdraft facility

	2021 R000's	2020 R000's
Available facility	**600 000**	581 000
Net utilised	**(50 008)**	(139 727)
Bank overdraft	**(29 804)**	(109 034)
Letter of credits	**(20 204)**	(30 693)
Unutilised balance	**549 992**	441 273

These facilities have been secured in terms of note 33.

Loan facilities

The loan facilities are used to fund the company's properties, plant and equipment.

	2021 R000's	2020 R000's
Available facility	**768 955**	816 900
Utilised	**(768 955)**	(785 416)
Non-current portion	**(649 997)**	(330 901)
Current portion	**(118 958)**	(454 515)

Details of the loan facilities

	2021 R000's	2020 R000's
Loan facility A		
Available facility	**50 000**	50 000
Utilised	**50 000**	50 000
Date of repayment	**March 2023**	March 2023
Interest rates	**Prime less 1,62%**	Prime less 1,62%
Loan facility B	**150 000**	150 000
Utilised	**150 000**	150 000
Date of repayment	**September 2022**	September 2022
Interest rates	**Prime less 1,35%**	Prime less 1,35%
*Loan facility C**	**450 000**	450 000
Utilised	**450 000**	450 000
Date of repayment	**February 2026**	March 2021
Interest rates	**JIBAR plus 2,39%**	Prime less 1,25%
Loan facility D	**14 900**	14 900
Utilised	**14 900**	14 900
Date of repayment	**March 2022**	March 2022
Interest rates	**Prime less 2%**	Prime less 2%
Loan facility E	**28 000**	28 000
Utilised	**28 000**	28 000
Date of repayment	**March 2022**	March 2022
Interest rates	**Prime less 2%**	Prime less 2%
Loan facility F	**29 000**	29 000
Utilised	**29 000**	29 000
Date of repayment	**March 2022**	March 2022
Interest rates	**Prime less 2%**	Prime less 2%

27. BORROWING FACILITIES (continued)

	2021 R000's	2020 R000's
Loan facility G	**36 000**	60 000
Utilised	**36 000**	42 000
Date of repayment	**March 2022**	March 2022
Interest rates	**JIBAR plus 2,45%**	JIBAR plus 2,45%
Loan facility H	**11 055**	35 000
Utilised	**11 055**	18 529
Date of repayment	**March 2022**	March 2022
Interest rates	**JIBAR plus 2,45%**	JIBAR plus 2,45%

* *A property-backed loan of R450 million was repayable in March 2021. The Group has refinanced the loan on similar terms, with a repayment date of February 2026. The refinancing constituted a qualitatively substantial modification on the basis of the lease term being extended by 5 years. This has resulted in the old loan being derecognised and the new loan recognised at fair value.*

Compliance with loan covenants

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

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

Deneb Investments Limited has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods and based on the latest forecast it appears that this will continue to be the case. There are no covenants applicable to the working capital facilities.

28. DIRECTORS' EMOLUMENTS

Paid by a subsidiary company Name	Salary R000's	Bonus R000's	Medical contributions R000's	Retirement contributions R000's	Share option expense R000's	Directors' fees R000's	Other benefits R000's	Total R000's
2021								
Executive directors* **								
S A Queen* (CEO)	**4 725**	**1 242**	**–**	**–**	**2 904**	**–**	**–**	**8 871**
A M Ntuli^	**–**	**–**	**69**	**–**	**–**	**–**	**–**	**69**
G D T Wege	**2 253**	**667**	**–**	**328**	**421**	**–**	**–**	**3 669**
D Duncan^^	**3 206**	**200**	**–**	**–**	**–**	**–**	**–**	**3 406**
Non-executive directors								
J Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**–**	**198**	**–**	**198**
M H Ahmed	**–**	**–**	**–**	**–**	**–**	**256**	**–**	**256**
D Duncan	**–**	**–**	**–**	**–**	**–**	**35**	**–**	**35**
T G Govender**	**–**	**–**	**–**	**–**	**–**	**140**	**–**	**140**
N B Jappie	**–**	**–**	**–**	**–**	**–**	**198**	**–**	**198**
K F Mahloma	**–**	**–**	**–**	**–**	**–**	**198**	**–**	**198**
A M Ntuli^	**–**	**–**	**–**	**–**	**–**	**57**	**–**	**57**
Y Shaik**	**–**	**–**	**–**	**–**	**–**	**140**	**–**	**140**
Executive committee members								
K Robson	**1 985**	**806**	**142**	**–**	**–**	**–**	**–**	**2 933**
I Morris	**2 326**	**–**	**139**	**342**	**108**	**–**	**–**	**2 915**
2020								
Executive directors* **								
S A Queen* (CEO)	4 669	1 198	–	–	1 719	–	–	7 586
A M Ntuli	966	98	241	–	–	–	–	1 305
G D T Wege	2 207	619	–	322	–	–	–	3 148
D Duncan	3 532	180	–	240	491	–	–	4 443
Non-executive directors								
J A Copelyn (Chairperson)**	–	–	–	–	–	193	–	193
M H Ahmed	–	–	–	–	–	250	–	250
T G Govender**	–	–	–	–	–	137	–	137
N B Jappie	–	–	–	–	–	193	–	193
K F Mahloma	–	–	–	–	–	146	–	146
Y Shaik**	–	–	–	–	–	137	–	137
R D Watson	–	–	–	–	–	33	–	33
Executive committee members								
K Robson	1 939	729	131	–	91	–	–	2 890
I Morris	2 104	–	130	305	485	–	–	3 024

28. DIRECTORS' EMOLUMENTS (continued)

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

Deneb Investments Limited options	Opening balance of share options 000's	Number of share options awarded during the year 000's	Number of shares exercised 000's	Number of shares cancelled 000's	Closing balance of share options 000's	Strike price of share options awarded R	Exercised price of shares exercised R
2021							
Executive directors* **							
S A Queen* (CEO)	**11 963**	**2 443**	**(1 714)**	**–**	**12 692**	**1,39**	**1,39**
A M Ntuli	**–**		**–**	**–**	**–**	**–**	**–**
G D T Wege	**3 890**	**953**	**–**	**–**	**4 843**	**1,39**	**–**
D Duncan	**7 672**	**1 405**	**(500)**	**(4 116)**	**4 461**	**1,39**	**1,39**
Non-executive directors							
J A Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
M H Ahmed	**–**	**–**	**–**	**–**	**–**	**–**	**–**
D Duncan	**–**	**–**	**–**	**–**	**–**	**–**	**–**
T G Govender**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
K F Mahloma	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Y Shaik	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Executive committee members							
K Robson	**2 713**	**600**	**–**	**–**	**3 313**	**1,39**	**–**
I Morris	**3 962**	**812**	**(300)**	**–**	**4 474**	**1,39**	**1,39**
2020							
Executive directors* **							
S A Queen* (CEO)	9 672	2 291	–	–	11 963	1,81	–
A M Ntuli	316	100	–	(416)	–	1,81	–
G D T Wege	2 802	1 088	–	–	3 890	1,81	–
D Duncan	6 034	1 638	–	–	7 672	1,81	–
Non-executive directors							
J A Copelyn (Chairperson)**	–	–	–	–	–	–	–
N B Jappie	–	–	–	–	–	–	–
M H Ahmed	–	–	–	–	–	–	–
D Duncan	–	–	–	–	–	–	–
T G Govender**	–	–	–	–	–	–	–
R D Watson	–	–	–	–	–	–	–
Y Shaik	–	–	–	–	–	–	–
Executive committee members							
K Robson	2 528	627	(442)	–	2 713	1,81	1,10
I Morris	3 261	839	(138)	–	3 962	1,81	0,96

* *The remuneration of Mr S A Queen is included in the managerial services provided by HCI until 30 September 2020 referred to in note 31, 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.*

^ *On 6 August 2020, Mr A M Ntuli stepped down as an executive director and assumed the role as non-executive director.*

^^ *On 31 December 2020, Mr D Duncan retired as an executive director and assumed the role as a non-executive director.*

For the interest of directors in the company's share capital, please refer to the Analysis of Shareholders report on page 121.

Directors' interest in contracts is disclosed in note 31, Related parties.

The following table reflects the remuneration received by directors who also serve of the board of HCI and its subsidiaries for the year ended 31 March 2021:

Director	Board fees R000's	Salary R000's	Share options expense R000's	Bonus R000's	**Total for the year ended 31 March 2021 R000's**	Total for the year ended 31 March 2020 R000's
J A Copelyn	–	7 696	6 081	–	**13 777**	13 093
T G Govender	–	2 003	2 629	–	**4 632**	4 338
Y Shaik	–	3 976	2 619	–	**6 595**	5 993
M H Ahmed	715	–	–	–	**715**	1 195
N B Jappie	363	–	–	–	**363**	353
R D Watson	–	–	–	–	**–**	1 318

29. FOREIGN CURRENCY COMMITMENTS

	Currency	**Uncovered R000's**	**Covered R000's**	**Total R000's**
2021				
Foreign currency monetary items are as follows:				
Foreign receivables	**EUR**	**3 542**	**–**	**3 542**
	USD	**11 906**	**–**	**11 906**
	GBP	**363**	**–**	**363**
	CHF	**1 174**	**–**	**1 174**
		16 985	**–**	**16 985**
Foreign payables	**EUR**	**636**	**1 726**	**2 362**
	USD	**2 336**	**22 607**	**24 943**
	CHF	**4 660**	**–**	**4 660**
		7 632	**24 333**	**31 965**

Sensitivity analysis

A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R1 698 500 while the uncovered payables balance would decrease by R763 200, resulting in a net loss of R935 300. A weakening of the Rand by 10% would have an equal, but opposite effect.

	Currency	Uncovered R000's	Covered R000's	Total R000's
2020				
Foreign currency monetary items are as follows:				
	EUR	2 991	–	2 991
	USD	14 817	–	14 817
	GBP	–	–	–
	CHF	13 260	–	13 260
		31 068	–	31 068
Foreign payables	AUD	–	–	–
	EUR	1 572	262	1 834
	GBP	348	–	348
	USD	59 449	8 937	68 386
	CHF	5 411	–	5 411
		66 780	9 199	75 979

29. FOREIGN CURRENCY COMMITMENTS (continued)

The exchange rates were as follows:

Currency	Spot rate 31 March 2021	Spot rate 31 March 2020
CHF	**15,69**	18,46
EUR	**17,35**	19,59
GBP	**20,37**	22,15
USD	**14,77**	17,86

30. COMMITMENTS

	Capital expenditure		Contractual commitments	
	2021 R000's	2020 R000's	**2021 R000's**	2020 R000's
Investment property	**6 574**	19 975	**–**	–
Land and buildings	**1 192**	410	**–**	645
Plant and equipment	**63 152**	88 310	**10 262**	35 156
Intangible assets	**6 381**	649	**–**	–
	77 299	109 344	**10 262**	35 801

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

31. RELATED PARTIES

Transactions between Group companies

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

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

	Transaction values for the year ended 31 March Income/(Expense)		Balance outstanding as at 31 March Balance receivable/(owing)	
	2021 R000's	2020 R000's	**2021 R000's**	2020 R000's
HCI – loan from HCI	**(2 905)**	(8 214)	**–**	(72 938)
Management fees paid				
HCI – managerial and secretarial services	**(2 057)**	(4 715)	**–**	–
Internal audit fees to HCI	**(2 333)**	(1 154)	**(448)**	(471)
Management fees received				
Risk management to HCI	**487**	461	**–**	44

During the prior year the Group disposed of its shareholding in Winelands Textiles as published on SENS on 31 January 2020. The disposal consideration payable was guaranteed by the Southern African Clothing and Textile Workers' Union ("SACTWU"), which in turn is a material shareholder of Deneb's majority shareholder, HCI. All amounts owing to Deneb arising from the sale of Winelands Textiles, and which amounted to R65 million plus interest, were settled on 18 October 2020. The proceeds were utilised to settle the loan from HCI Treasury Proprietary Limited.

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:

	2021 R000's	2020 R000's
Basic	**47 068**	55 501
Benefits	**8 906**	10 131
	55 974	65 632

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 121.

32. CONTINGENCIES

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

33. SECURITISATION OF ASSETS

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

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

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

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

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

	Per balance sheet R000's	**Securitised R000's**	**Unsecuritised R000's**
2021			
Property, plant and equipment	**686 562**	**385 276**	**301 286**
Investment property	**1 178 467**	**1 178 467**	**–**
Intangible assets	**30 011**	**–**	**30 011**
Financial asset at fair value through other comprehensive income	**4 237**	**–**	**4 237**
Long-term receivables	**14 145**	**–**	**14 145**
Inventories	**431 460**	**–**	**431 460**
Trade and other receivables	**474 105**	**82 394**	**391 711**
Non-current assets held for sale	**85 304**	**–**	**85 304**

33. SECURITISATION OF ASSETS (continued)

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

	Per balance sheet R000's	Securitised R000's	Unsecuritised R000's
2020			
Property, plant and equipment	783 716	462 760	320 956
Investment property	1 086 964	1 086 964	–
Intangible assets	26 789	–	26 789
Financial asset at fair value through other comprehensive income	4 237	–	4 237
Long-term receivables	23 408	–	23 408
Inventories	523 870	–	523 870
Trade and other receivables	520 336	77 022	443 314
Non-current assets held for sale	107 200	–	107 200

Note:

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

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

34. SHARE INCENTIVE SCHEME

Basis of accounting

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

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

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

Equity-settled

During the financial year, 13 158 970 ordinary options (2020: 13 096 530) were allotted.

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

- 10 563 004 options issued on 27 January 2015 of which 5 803 500 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 5 339 043 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 8 194 740 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 7 333 957 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.
- 10 781 733 options issued on 18 June 2018 of which 8 780 605 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.
- 13 096 530 options issued on 4 July 2019 of which 10 190 472 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.
- 13 158 970 options issued on 30 June 2020 of which 11 754 121 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.

34. SHARE INCENTIVE SCHEME (continued)

Options in issue are as follows:

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Remaining life of option
S A Queen	27 January 2015	1 091 401	168	Continued employment	3 years
	29 June 2015	1 591 233	162	Continued employment	3 years
	30 June 2016	2 343 944	137	Continued employment	4 years
	26 June 2017	1 441 713	132	Continued employment	5 years
	18 June 2018	1 489 586	194	Continued employment	3 years
	4 July 2019	2 290 642	177	Continued employment	4 years
	30 June 2020	2 443 035	135	Continued employment	5 years
Total for SA Queen		**12 691 554**			
G D T Wege	29 June 2015	668 258	162	Continued employment	3 years
	30 June 2016	738 491	137	Continued employment	4 years
	26 June 2017	672 598	132	Continued employment	5 years
	18 June 2018	722 214	194	Continued employment	3 years
	4 July 2019	1 088 366	177	Continued employment	4 years
	30 June 2020	953 353	135	Continued employment	5 years
Total for G D T Wege		**4 843 280**			
D Duncan	27 January 2015	1 564 245	168	Continued employment	3 years
	29 June 2015	891 388	162	Continued employment	3 years
	30 June 2016	981 939	137	Continued employment	4 years
	26 June 2017	1 023 672	132	Continued employment	5 years
Total for D Duncan		**4 461 244**			
Other, not being directors	27 January 2015	3 147 854	168	Continued employment	3 years
	29 June 2015	2 248 164	162	Continued employment	3 years
	30 June 2016	4 130 366	137	Continued employment	4 years
	26 June 2017	4 195 974	132	Continued employment	5 years
	18 June 2018	6 568 805	194	Continued employment	3 years
	4 July 2019	6 811 464	177	Continued employment	4 years
	30 June 2020	8 357 733	135	Continued employment	5 years
Total other		35 460 360			
Total options in issue		**57 456 438**			

Reconciliation of movements in options:

Number of options	**2021**	2020
Opening balance	**54 838 085**	44 628 668
Awarded during the period	**13 158 970**	13 096 530
Exercised during the period	**(498 439)**	(756 199)
Options used for strike price	**(2 344 509)**	(714 304)
Lapsed/forfeited during the period	**(7 697 669)**	(1 416 610)
Closing balance	**57 456 438**	54 838 085

	2021	2020
Number of options exercisable at year-end	**27 450 886**	33 386 602
Expense/(income) during the year (included in employment costs)	**2 777 320**	(3 748 764)
Value of shares issued during the year	**1 802 837**	1 345 865
Weighted average share price of share options exercised during the year	**1,54**	1,94

Valuation methodology

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

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

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

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

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

- can only be exercised on a single date;
- has no performance conditions or vesting period;
- has a constant volatility and dividend yield throughout its life; and
- may not be forfeited, then the value produced by the Actuarial Binomial model will be exactly equal to that produced by the Black-Schöles formula.

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

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

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

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

Valuation assumptions

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

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

Share price

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

Risk-free interest rate

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

Expected option lifetime

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

34. SHARE INCENTIVE SCHEME (continued)

Volatility of share price

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

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

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

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

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

Dividend yield

IFRS 2 requires an expected dividend or dividend yield to be taken into account in the valuation of share options in those arrangements where employees are not entitled to the dividend declared during the vesting period or the period before exercise. The dividend yield used should be the best estimate of the forward-looking dividend yield over the expected life of the option, determined at the grant date. A dividend of 3 cents per share was assumed.

Employee turnover

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

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

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

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

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

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

Exercise behaviour

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

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

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

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

35. NON-CONTROLLING INTEREST

Transactions with non-controlling interest

Current period

In November 2020, the Group acquired the remaining interest of Oops Global SA, increasing its shareholding from 96,44% to 100%.

The Group recognised a change in non-controlling interest of R0,2 million and an equal but opposite change in retained earnings attributable to owners of the Group.

Prior period

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

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

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

	OfficeBox Proprietary Limited		Oops Global SA		Total	
	2021 R000's	2020 R000's	**2021 R000's**	2020 R000's	**2021 R000's**	2020 R000's
Non-controlling interests (%)	**10,7**	10,7	**3,6**	3,6		
Non-current assets	**1 472**	1 424	**–**	3 839	**1 472**	5 263
Current assets	**3 264**	4 379	**–**	17 295	**3 264**	21 674
Non-current liabilities	**(377)**	(539)	**–**	(2 418)	**(377)**	(2 957)
Current liabilities	**(4 295)**	(5 358)	**–**	(3 153)	**(4 295)**	(8 511)
Net assets attributable to the shareholders	**64**	(94)	**–**	15 563	**64**	15 469
Total carrying amount of non-controlling interests	**1 237**	729	**–**	153	**1 237**	882
Revenue	**13 843**	18 863	**13 492**	9 564	**27 335**	28 427
Loss for the year	**(4 723)**	(4 578)	**(10 444)**	(13 338)	**(15 167)**	(17 916)
Total comprehensive income	**(4 723)**	(4 578)	**(10 444)**	(13 338)	**(15 167)**	(17 916)
Loss allocated to non-controlling interests	**(508)**	(492)	**(26)**	(1 814)	**(534)**	(2 306)

36. POST YEAR-END EVENTS

Subsequent to the year-end, the Group sold its shareholding in OfficeBox Proprietary Limited to management, sold two of its Durban properties for an aggregate price of R77 million, and approved the acquisition of a property in Gqeberha for a purchase price of R32 million.

The unrest during the month of July 2021 meant that our Durban-based operations were closed for a full week to protect staff and assets. We managed to get through it largely unscathed, but some of our customers and suppliers were not so fortunate.

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.