Deneb Investments Limited

Registration number: 2013/091290/06

Separate Annual Financial Statements
for the year ended 31 March 2022

Deneb Investments Limited

Annual financial statements
for the year ended 31 March 2022

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Directors’ responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Deneb Investments Limited, comprising the statement of financial position at 31 March 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors’ report.

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

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

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

The examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the audit of the financial statements.

Approval of the annual financial statements

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

S Queen	**G Wege**
(Authorised Director)	(Authorised Director)
20 July 2022	20 July 2022

Directors' report

for the year ended 31 March 2022

The directors' have pleasure in presenting their report for the year ended 31 March 2022.

Business activities
The company is an investment holding company.

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

Share capital
During the period 1 199 776 (2021: 498 439) shares were issued in terms of the Deneb share incentive scheme. 738 640 (2021: Nil) shares were acquired and cancelled.

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

Distribution
The directors declared a 7-cent distribution to shareholders during the year ended 31 March 2022. (2021: 4-cent).

Directorate
The directors in office during the year and up to the date of this report are:

J Copelyn (Chairman)
M Ahmed
T Govender
Y Shaik
N Jappie
D Duncan
S Queen
G Wege
K Mahloma

Directors' emoluments
Directors' emoluments for the year ended 31 March 2022 are set out in note 14.

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

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

Events after the reporting period

Events after the reporting period is disclosed in note 20.

Company Secretary

The company secretary at the date of this report is:

Ms C Philip
Suite 801
76 Regent Road
Sea Point
8005

Business address
5th Floor Deneb House
Cnr Browning and Main Rds
Observatory
7925

Postal address
PO Box 1585
Cape Town
8000

Registered address
5th Floor Deneb House
Cnr Browning and Main Rds
Observatory
7925

Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 13 October 2021:

- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the period 1 September 2021 until the next annual general meeting of the company;
- granting the company general authority to issue shares, options and convertible securities for cash, subject to such issue, in the aggregate, not exceeding 5% of the company's relevant number of ordinary shares at the date of the notice;
- granting the company and the subsidiaries of the company a general authority contemplated in terms of the JSE Listings Requirement paragraph 5.72, for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company; and
- granting the company authorisation to provide financial assistance to subsidiaries in accordance with sections 44 and 45 of the Companies Act.

Declaration by the company secretary

I certify that Deneb Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2022, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

Cheryl Philip
Company secretary

20 July 2022

Audit Committee Report

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

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

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

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

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

	25 May 2021	**23 November 2021**
M H Ahmed	√	√
K F Mahloma	√	√
N B Jappie	√	√

√ *In attendance*

Audit committee fees
Fees paid to the committee members are disclosed in note 14.

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

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

Reporting function

- Reviewed the interim results announcement, annual financial statements and integrated annual report, culminating in a recommendation to the board to adopt them.
- Reviewed and approved the appropriateness of the accounting policies and practices.
- Ensured compliance with International Financial Reporting Standards, including consistent application to all periods as presented in the consolidated financial statements.
- Evaluated and determined the effectiveness of the Company's internal control systems.
- Reviewed legal matters that could have a significant impact on the Company's financial statements.
- Reviewed the requirements of King IV and instances where the King IV requirements have not been applied, have been explained in the Corporate Governance Report.
- Considered the JSE's most recent report on the proactive monitoring of financial statements, and where necessary, those of previous periods. The committee has taken appropriate action to respond to the findings

as highlighted in the JSE's report when preparing the annual financial statements for the year ended 31 March 2022.

- In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee further confirms that the company has established appropriate financial reporting procedures and that those procedures are operating effectively.

External audit function

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

Finance function

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

Internal audit function

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

Independent external audit

The audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the expertise and objectivity of PwC as the external auditor and noted Mr A Hugo as the designated auditor for the year under review. Richard Jacobs will rotate on as audit partner for the 2023 financial year. The external auditor has unrestricted access to the Company's records and management and furnishes a written report to the committee on significant findings arising from the annual audit. The committee is satisfied that the external auditor is independent of Deneb as set out in Section 94(8) of the Companies Act and suitable for reappointment at the annual general meeting by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements.

Internal audit and internal control

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

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

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

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

Audit Committee Report

Expertise and financial experience of financial director and finance function

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

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

Approval of the audit committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2022 financial year and complied with all statutory and regulatory responsibilities.

Mohamed Ahmed
Chairperson

20 July 2022

Independent auditor's report

To the Shareholders of Deneb Investments Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Deneb Investments Limited (the Company) as at 31 March 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Deneb Investments Limited's separate financial statements set out on pages 14 to 37 comprise:

- the separate statements of financial position as at 31 March 2022;
- the separate statements of comprehensive income for the year then ended;
- the separate statements of changes in equity for the year then ended;
- the separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of investments in subsidiaries The Company has material investments in subsidiaries to the value of R1.29 billion. Investment in subsidiaries represents a significant portion of the Company's total assets. The Company recognized an impairment of R 15.7 million in relation to its investments in subsidiaries for the year ended 31 March 2022. Management has performed impairment tests on all cash-generating units ("CGUs") where there is an indication that they may be impaired. Further details of the CGUs identified by management are disclosed in Note 4 to the separate financial statements. The recoverable amounts of each CGU where there is an indication that it may be impaired has been determined based on value-in-use estimations. We considered the impairment of investments in subsidiaries to be a matter of most significance to our current year audit due to the following: ● the significant judgements and key assumptions applied by management in performing the impairment assessments, which includes determination of an appropriate pre-tax risk adjusted discount rate, long-term growth rate, gross profit margin and future cash flows; and ● the magnitude of the Company's investment in subsidiaries balances in relation to total assets. *Disclosure is provided in the separate financial statements in notes 4, 6 and 17 respectively.*	Our audit procedures included testing of the principles, integrity and mathematical accuracy of the Company's discounted cash flow model. The details of these audit procedures have been listed below. • We tested the principles of management's calculation for their model. We challenged key inputs in the calculations, which included the long-term growth rate, working capital requirements and gross profit margin and future cash flow assumptions by comparing them to approved budgets and business plans. • In assessing management's forecasts, we considered the historical accuracy of the underlying businesses' forecasts by comparing the actual results for the year with the original forecasts. In cases where forecasts were not met management adjusted their forecast cash flows to take account of these. • We compared the discount rate used by management in their calculations to our internal benchmarks developed making use of our valuation expertise. • We performed independent sensitivity calculations on the impairment assessments where no impairments were recognized, to assess the degree by which the key assumptions needed to change to trigger an impairment. No significant variances were noted. • In the absence of management forecasts, we checked the carrying value of investments against the Net Asset Value of the company to determine if an impairment is required.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Deneb Investments Limited Separate Annual Financial Statements for the year ended 31 March 2022", which includes the Directors' Report, the Audit Committee's Report and the Declaration by Company Secretary as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JA Hugo
Registered Auditor
Cape Town
20 July 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH

	Notes	2022 R000's	2021 R000's
Revenue		**128 551**	160 000
Gross profit		**128 551**	160 000
Administrative and other expenses		**(2 492)**	(2 752)
Operating profit before impairment	**3**	**126 059**	157 248
(Impairment) / Impairment Reversal	**4**	**(15 674)**	27 086
Operating profit before finance costs		**110 385**	184 334
Finance Income		**10**	-
Profit before taxation		**110 395**	184 334
Taxation	**5**	**-**	-
Profit for the year		**110 395**	184 334
Other comprehensive income for the year, net of related tax		**-**	-
Total comprehensive income for the year		**110 395**	184 334
Earnings per share from operations - cents	19	**25,35**	42,36
Diluted earnings per share from operations - cents	19	**24,79**	42,36

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH

	Notes	2022 R000's	2021 R000's
Assets			
Non-current assets		**1 566 446**	1 184 114
Investment in subsidiary companies	**6, 18**	**1 287 462**	1 173 383
Loan to subsidiary company	**7**	**262 154**	-
Financial asset at fair value through other comprehensive income	**8**	**4 237**	4 237
Share incentive receivable	**9, 17**	**12 593**	6 494
Current assets		**42 854**	342 681
Trade and other receivables	**10**	**253**	239
Loan to subsidiary company	**7**	**42 000**	342 436
Cash and cash equivalents		**601**	6
Total assets		**1 609 300**	1 526 795
Equity and liabilities			
Total equity		**1 608 877**	1 526 395
Stated capital	**11**	**1 462 144**	1 459 387
Reserves		**146 733**	67 008
Current liabilities		**423**	400
Trade and other payables	**13**	**423**	400
Total equity and liabilities		**1 609 300**	1 526 795

STATEMENT OF CHANGES IN EQUITY

AT 31 MARCH

Rand thousands	Notes	Stated Capital	Retained Income	Total
Balance 31 March 2020		1 457 584	(100 893)	1 356 691
Total comprehensive profit		-	184 334	184 334
Profit for the year		-	184 334	184 334
Other comprehensive income for the year		-	-	-
Transactions recognised directly in equity				
Share scheme - reduction in investment in underlying subsidiaries	**17**	-	2 777	2 777
- options exercised	**17**	1 803	(1 803)	-
Distribution to shareholders		-	(17 407)	(17 407)
Balance 31 March 2021		**1 459 387**	**67 008**	**1 526 395**
Total comprehensive profit		**-**	**110 395**	**110 395**
Profit for the year		**-**	**110 395**	**110 395**
Other comprehensive income for the year		**-**	**-**	**-**
Transactions with owners recognised directly in equity				
Share buy back		**(1 410)**	**-**	**(1 410)**
Share scheme - increase in investment in underlying subsidiaries	**17**	**-**	**3 960**	**3 960**
- options exercised	**17**	**4 167**	**(4 167)**	**-**
Distribution to shareholders		**-**	**(30 463)**	**(30 463)**
Balance 31 March 2022		**1 462 144**	**146 733**	**1 608 877**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH

	Note	2022 R000's	2021 R000's
Net cash flow from operating activities		**9 860**	157 253
(Loss) / Profit before dividends received		**(18 156)**	24 334
Dividend received		**128 551**	160 000
Adjustments for:			
- Impairments / (Impairment reversals)	4	**15 674**	(27 086)
- Dividend in specie		**(118 551)**	-
Changes in:			
- Trade and other receivables		**2 319**	(25)
- Trade and other payables		**23**	30
Net cash flow from investing activities		**22 608**	(142 832)
Investment in subsidiary companies	6	**(15 674)**	(1 909)
Repayment of subsidiary loan		**38 282**	51 163
Loan advance to subsidiary		**-**	(191 735)
Share incentive receivable		**-**	(351)
Net cash flow from financing activities		**(31 873)**	(14 630)
Issue of shares		**-**	2 777
Share buy back	11	**(1 410)**	-
Distribution paid		**(30 463)**	(17 407)
Net change in cash and cash equivalents		**595**	(209)
Cash and cash equivalents at beginning of the year		**6**	215
Cash and cash equivalents at end of the year		**601**	6

1. Accounting policies

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

1.1 Statement of compliance

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

1.2 Basis of preparation

The financial statements are presented in South African Rand, which is the company's functional currency, rounded to the nearest thousand. They have been prepared on the going concern and historical cost bases under IFRS.

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

1.3 Financial instruments

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

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

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

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

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

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

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial asset/liability, any difference between carrying amount extinguished and the consideration paid is recognised in profit or loss.

1.4 Investments

Listed investments classified as financial asset at fair value through profit or loss, which is calculated by reference to stock exchange quoted selling prices at the close of business at the reporting date. Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses. Investment in subsidiaries comprise investments in subsidiaries and intra group loans and are accounted for at cost less any identified impairment loss.

1.5 Impairments

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

Trade, long-term and other receivables
Trade and other receivables classified as financial assets in accordance with the provisions of IFRS9 and continued to be stated at amortised cost less impairment losses. For receivables and or contract assets that do not contain a significant financing component, the loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime expected credit losses (ECL).
Loans to group companies are classified as financial assets subsequently measured at amortised cost. Amortised cost is the amount recognised on the loan initially, minus principal repayments, adjusted for any loss allowance. The company applies the general impairment approach to measure ECL for loans receivable. The company assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition. In the event of a significant increase in credit risk since initial recognition, the company recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'. The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the company. The probability-weighted outcome incorporates the probability of default, exposure at default, timing of when default is likely to occur and loss given default.

The Company applies the simplified approach permitted by IFRS 9 in determining provision on impairment allowances for receivables. This approach requires expected losses to be recognised from initial recognition of all receivables based on the lifetime expected credit losses and therefore the Company doesn't track whether there has been an increase in significant credit risk associated with these balances.

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

The Company considers a financial asset in default when payment terms are exceeded. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company 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.

1.6 Revenue

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

1.7 Employee benefits

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

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

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

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

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

1.8 Dividends to shareholders

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

1.9 Income tax

Dividend tax

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividends tax on behalf of its shareholders at an appropriate rate on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather as part of the dividend paid recognised directly in equity.
Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

2. Use of judgements and estimates

Judgements and estimates

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

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

Measurement of fair values

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

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

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

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

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

Note 8 - Other investments

Note 17 - Share-base payment arrangements

3. Operating profit/(loss) before impairments

	2022	2021
	R000's	R000's
The following items have been taken into account in determining		
Income		
Dividends received	**128 551**	160 000
• Prima Toy and Leisure Group Pty Ltd	118 551 *	160 000
• Premier Rainwatergoods Pty Ltd	10 000	-
Administrative and other expenses		
Audit fees	**(452)**	(882)

* Dividend in specie

4. Impairment of assets

	2022 R000's	2021 R000's
The following impairments were reversed / (recognised) during the year:		
Total Impairment Reversal / (Impairment)	**(15 674)**	27 086
• Impairment of investment in subsidiary companies	(15 674)	(4 649)
• Loan impairment reversal	-	31 735

Impairment testing

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

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

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

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

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

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

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

In determining value-in-use, projected cash flows are discounted using the entity-specific pre-tax discount rate. Projected cash flows were adjusted for each CGUs specific risks. The pre-tax discount rate was calculated as 16.40% (2021: 17.23%) for the current period with a terminal value growth rate of 4.5% (2021: 4.5%).

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

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

2022

Impairments recognised during the current year are attributed to the following operations:

	Carrying value	Less: Impairment	Recoverable amount R000's	Valuation method	Description of CGU
Oops Global SA	15 674	(15 674)	-	Value-in-use	Business operation comprising assets and liabilities

Impairment losses recognised due to the investment written down to its recoverable amount resulting in impairment losses of R15,7m. The losses in Oops Global SA were driven by challenging trading and economic conditions, compounded by the Covid-19 pandemic crisis and the effects it has on the economic outlook. Management has reassessed the value of this investment based on anticipated projected cash flows. Given that the entity incurred significant losses in the last two financial years, the fair value approximates R0 and the investment had been fully impaired.

2021

Impairments recognised / (reversed) during the prior year are attributed to the following operations:

	Carrying value	Less: Impairment	Recoverable amount R000's	Valuation method	Description of CGU
Officebox	4 649	(4 649)	-	Value-in-use	Business operation comprising assets and liabilities
New Just Fun	(31 735)	31 735	-	Value-in-use	Business operation comprising assets and liabilities

Officebox

Impairment losses recognised due to the investment written down to its recoverable amount resulting in impairment losses of R4.6 million.

New Just Fun

Impairment losses reversed due to the recovery of loan previously assessed as irrecoverable resulting in impairment reversal of R31.7 million.

The losses in Officebox were driven by challenging trading and economic conditions, compounded by the Covid-19 pandemic crisis and the effects it has on the economic outlook. Management has reassessed the value of this investment based on anticipated projected cash flows. The impairment reversal in New Just Fun relates to the recovery of loan funding previously assessed as irrecoverable.

5. Taxation

	2022 R000's	2021 R000's
South African Normal Taxation		
Current	**-**	-
	-	-
Reconciliation between actual and normal taxation		
Profit for the year	**110 395**	184 334
Non-deductible expenses – impairment / impairment reversal	**15 674**	(27 086)
Non-deductible expenses - non taxable dividend	**(128 551)**	(160 000)
Non-deductible expenses - other	**2 482**	2 752
	-	-

6. Investment in subsidiaries

Investments at cost, less impairment	**1 287 462**	1 173 383
Investments cost opening balance	**1 254 381**	1 252 472
- Acquisitions during the year		
o Oops Global	**15 764**	-
o Butterfly Products	**118 551**	-
- Effect of share scheme	**(4 562)**	1 909
Investments cost closing balance	**1 384 134**	1 254 381
Less:		
Impairment opening balance	**(80 998)**	(108 084)
- (Impairments) / Reversal during the year	**(15 674)**	27 086
Impairment closing balance	**(96 672**	(80 998)

7. Loan to subsidiary company

Loan to subsidiary company	**304 154**	342 436
Current portion	**42 000**	342 436
Non-current portion	**262 154**	-

The company has a loan to Sargas Proprietary Limited (a 100% held subsidiary). The loan is interest-free and there are no fixed terms of repayment. An assessment was performed on the ECL considerations on the loan and the risk/outcome was immaterial. This is due to the fact that subsidiary company has sufficient liquid credit facilities available and on hand to settle the loan.

8. Financial asset at fair value through other comprehensive income

	2022	2021
	R'000	R'000
Business Partners Limited (unlisted)	**4 237**	4 237

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

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

The shares were valued using the last available over-the-counter price per share.

9. Long-term receivables

Share incentive scheme receivable.	**12 593**	6 494
	12 593	6 494

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

Refer to note 17 for further details.

10. Trade and other receivables

Prepaid Expenditure	**253**	239
	253	239

11. Stated capital

(a) Authorised

10 000 000 000 (2021: 10 000 000 000) ordinary shares at no par value	-	-
Each ordinary share has the right to 1 vote at general meetings		

(b) Issued stated capital

435 642 509 (2021: 435 181 373) ordinary shares of no par value	**1 462 144**	1 459 387
Balance at beginning of year 435 181 373 (2021: 434 682 934)	**1 459 387**	1 457 584
Shares cancelled – 738 640 (2021: NIL)	**(1 410)**	-
Issued during the year 1 199 776 (2021: 498 439)	**4 167**	1 803

All shares are fully paid.

Issue of shares

Current period
During the period 1 199 776 (2021: 498 439) shares were issued in terms of the share incentive scheme.

Share buy back

During the year, the company repurchased and cancelled shares from the open market on the JSE. The shares were acquired at an average price of R1.90 with prices ranging from R1.80 to R1.90. The total cost, including related after-tax transaction costs, were deducted from Stated Capital.

Reserved under options – see note 17

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.

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

12. Financial instruments

Financial risk management

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

Risk management framework

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

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 total equity R1 490 million (2021: R1 526 million).

Credit risk on loans to subsidiary companies: The Company is exposed to credit risk to subsidiary companies totalling R304m (2021: R342m). The risk is managed by reviewing the solvency and liquidity of the subsidiaries on a bi-annual basis.

	2022	2021
	R'000	R'000
Categories of financial assets		
The carrying amount of financial assets, which also represent the maximum credit exposure and reasonably approximate their fair values, are as follows:		
Financial asset at fair value through other comprehensive income	**4 237**	4 237
Financial assets at fair value through profit or loss	**12 593**	6 494
Financial assets at amortised cost	**304 154**	342 436
	320 984	353 167

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

	Notes	**Financial assets at amortised cost**	**Financial assets at fair value through profit or loss**	**Financial asset at fair value through other comprehensive income**	**Non financial assets**	**Total**
		R000's	**R000's**	**R000's**	**R000's**	**R000's**
2022						
Financial asset at fair value through other comprehensive income	**8**	**-**	**-**	**4 237**	**-**	**4 237**
Share scheme receivable	**9**	**-**	**12 593**	**-**	**-**	**12 593**
Trade and other receivables	**10**	**-**	**-**	**-**	**239**	**239**
Loans receivable from subsidiaries	**7**	**304 154**	**-**	**-**	**-**	**304 154**
Cash and cash equivalents		**601**	**-**	**-**	**-**	**601**
		304 755	**12 593**	**4 237**	**239**	**321 824**
2021						
Financial asset at fair value through other comprehensive income	8	-	-	4 237	-	4 237
Share scheme receivable	9	-	6 494	-	-	6 494
Trade and other receivables	10	-	-	-	239	239
Loans receivable from subsidiaries	7	342 436	-	-	-	342 436
Cash and cash equivalents		6	-	-	-	6
		342 442	6 494	4 237	239	353 412

	2022	2021
	R'000	R'000
Categories of financial liabilities		
The carrying amount of financial liabilities, which also reasonably approximate their fair values are as follows:		
Measured at amortised cost	**423**	400
	423	400

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

	Measured at amortised cost R'000	Non financial liability R'000	Total R'000
2022			
Trade and other payables	**423**	**-**	**423**
	423	**-**	**423**
2021			
Trade and other payables	400	-	400
	400	-	400

Maturity profile of financial instruments
Maturity profile of financial assets and liabilities is summarised as follows:

R000's	**0 – 12 months**	**1 – 2 years**	**3 – 5 years**	**Over 5 years**	**Total**
2022					
Assets					
Share scheme receivable	**-**	**12 593**	**-**	**-**	**12 593**
Loans receivable from subsidiaries	**42 000**	**262 154**	**-**	**-**	**304 154**
Cash and cash equivalents	**601**	**-**	**-**	**-**	**601**
Total financial assets	**42 601**	**274 747**	**-**	**-**	**317 348**
Liabilities					
Trade and other payables	**(423)**	**-**	**-**	**-**	**(423)**
Total financial liabilities	**(423)**	**-**	**-**	**-**	**(423)**
Net financial assets	**42 178**	**274 747**	**-**	**-**	**316 925**

R000's	0 – 12 months	1 – 2 years	3 – 5 years	Over 5 years	Total
2021					
Assets					
Financial asset at fair value through other comprehensive income	-	4 237	-	-	4 237
Share scheme receivable	-	6 494	-	-	6 494
Loans receivable from subsidiaries	342 436	-	-	-	342 436
Cash and cash equivalents	6	-	-	-	6
Total financial assets	342 442	10 731	-	-	353 412
Liabilities					
Trade and other payables	(400)	-	-	-	(400)
Total financial liabilities	(400)	-	-	-	(400)
Net financial (liabilities)/assets	1 606	351 406	-	-	353 012

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

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

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

Accounting classifications and fair values

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

		Carrying value					Fair value			
		Financial assets at amortised costs	Financial assets at fair value through profit or loss	Financial asset at fair value through other compre-hensive income	Financial liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
	Notes	R000's	R000's	R000's	R000's	R000's	R000's	R000's	R000's	R000's
2022										
Financial assets measured at fair value										
Equity securities	**7**	**-**	**-**	**4 237**	**-**	**4 237**	**-**	**4 237**	**-**	**4 237**
Share scheme receivable	**8**	**-**	**12 593**	**-**		**12 593**	**-**	**12 593**	**-**	**12 593**
Financial assets not measured at fair value										
Loans receivable from subsidiaries	**6**	**304 154**	**-**	**-**	-	**304 154**	**-**	**-**	**304 154**	**304 154**
Financial liabilities not measured at fair value										
Trade and other payables		-	**-**	-	**(423)**	**(423)**	**-**	**(423)**	**-**	**(423)**
		304 154	**12 593**	**4 237**	**(423)**	**320 561**	**-**	**16 407**	**304 154**	**320 561**
2021										
Financial assets measured at fair value										
Equity securities	7	-	-	4 237	-	4 237	-	4 237	-	4 237
Share scheme receivable	8	-	6 494	-	-	6 494	-	6 494	-	6 494
Financial assets not measured at fair value										
Loans receivable from subsidiaries	6	342 436	-	-	-	342 436	-	-	342 436	342 436
Financial liabilities not measured at fair value										
Trade and other payables		-	-	-	(400)	(400)	-	(400)	-	(400)
		342 436	6 494	4 237	(400)	352 767	-	10 331	342 436	352 767

Reclassification of financial assets

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

Pledges of financial assets

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

Determination of fair value for financial assets and liabilities

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

Liquidity risk

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

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

13. Trade and other payables

	2022 R'000	2021 R'000
Accruals and other current liabilities	**423**	400
	423	400

14. Directors' emoluments

Name	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Share option expense R'000	Directors' fees R'000	Other benefits R'000	Total R'000
2022							
Executive Directors * **							
S. A. Queen - (Chief Executive Officer)	4 950	4 727	-	3 041	-	-	12 718
G. D. T. Wege	2 429	2 522	355	445	-	-	5 751
D. Duncan^^	820	727	-	-	-	-	1 547
Non-executive Directors							
J.A. Copelyn (Chairman)**	-	-	-	-	203	-	**203**
M. H. Ahmed	-	-	-	-	263	-	**263**
D. Duncan^^	-	-	-	-	144	-	**144**
T. G. Govender**	-	-	-	-	144	-	**144**
N. B. Jappie	-	-	-	-	263	-	**263**
K. F. Mahloma	-	-	-	-	203	-	**203**
Y. Shaik**	-	-	-	-	144	-	**144**
2021							
Executive Directors * **							
S. A. Queen* - (Chief Executive Officer)	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.A. Copelyn (Chairman)**	-	-	-	-	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
Y. Shaik**	-	-	-	-	140	-	140
A. M. Ntuli^	-	-	-	-	57	-	57

* The salary of Mr SA Queen is included in the managerial services provided by HCI until 30 September 2020.

** Ceded to HCI

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

^ On 6 August 2020 Mr A.M. Ntuli assumed the role as non-executive director and he passed away on 8 January 2021.

^^ On 31 December 2020, Mr D. Duncan retired as an executive director and assumed the role as a non-executive director. Remuneration disclosed under executive remuneration relates to amounts awarded subsequent to retirement, but related to services agreed and performed before retirement.

Directors' interest in contracts is disclosed in note 15 (Related parties).

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

2022

Deneb Investments Limited options	**Opening balance of share options 000's**	**Number of share options awarded during the year 000's**	**Number of shares exercised /forfeited 000's**	**Closing balance of share options 000's**	**Strike price of share options awarded during the year R**	**Exercised price of shares exercised R**
Executive Directors						
S. A. Queen	12 692	1 846	-	14 538	1.63	-
G. D. T. Wege	4 843	992	-	5 835	1.63	-
D. Duncan	4 461	-	(4 461)	0	-	1.42 - 1.84
Non-executive Directors						
J. Copelyn (Chairman)	-	-	-	-	-	-
M. H. Ahmed	-	-	-	-	-	-
T. G. Govender	-	-	-	-	-	-
N. B. Jappie	-	-	-	-	-	-
K. F. Mahloma	-	-	-	-	-	-
Y. Shaik	-	-	-	-	-	-
D. Duncan	-	-	-	-	-	-

2021

Executive Directors						
S. A. Queen	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	(4 616)	4 461	1.39	1.39
Non-executive Directors						
J. Copelyn (Chairman)	-	-	-	-	-	-
M. H. Ahmed	-	-	-	-	-	-
T. G. Govender	-	-	-	-	-	-
N. B. Jappie	-	-	-	-	-	-
K. F. Mahloma	-	-	-	-	-	-
Y. Shaik	-	-	-	-	-	-
D. Duncan	-	-	-	-	-	-

The following table reflects the remuneration received by directors who also serve on the board of HCI and its subsidiaries for the year ended 31 March 2022:

Director	**Board fees R000's**	**Salary R000's**	**Other benefits R000's**	**Share option expense R000's**	**Bonus R000's**	**Total 31 March 2022 R000's**	**Total 31 March 2021 R000's**
J Copelyn	-	8 158	-	7 075	4 589	19 822	13 777
T Govender	-	2 123	-	3 257	1 035	6 415	4 632
Y Shaik	-	4 215	-	3 027	2 055	9 297	6 595
MH Ahmed	765	-	-	-	-	765	715
N Jappie	434	-	-	-	-	434	363

15. Related parties

Transaction with Directors

Remuneration of directors

A share incentive scheme has been implemented for key management personnel. See note 17 for further details.

Remuneration of directors are disclosed in note 14.

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

	2022		2021	
Direct	**6 781 092**	**1.6%**	6 200 197	1.4%
Indirect	**35 515 719**	**8.2%**	35 496 431	8.2%

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

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

	2022		2021	
	Direct	**Indirect**	**Direct**	**Indirect**
S Queen	**4 129 534**	**327 645**	4 042 518	327 052
G Wege	**1 440 496**	**13 387**	1 440 496	6 450
D Duncan	**1 211 062**	**-**	717 183	-
Y Shaik	**-**	**406 579**	-	405 684
N Jappie	**-**	**-**	-	-
K F Mahloma	**-**	**-**	-	-
T Govender	**-**	**4 931 926**	-	4 921 062
J Copelyn	**-**	**29 836 182**	-	29 836 182
	6 781 092	**35 515 719**	6 200 197	35 496 430

Subsequent to year end, 1 063 881 shares were issued to S Queen and 471 285 to G Wege in terms of the Group's Share incentive scheme.

Transactions with subsidiary companies

There are no related party transactions during the year. Intra group loans are disclosed in note 7.

16. Contingencies

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

17. Share incentive scheme

Basis of accounting

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

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

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

Equity-settled

During the financial year, 9 559 945 ordinary options (2021: 13 158 970) were allotted.

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

2014 Deneb Share Incentive Scheme

10 563 004 options issued on 27 January 2015 of which 4 239 255 are unexercised and the vesting criteria have been met.

8 135 448 options issued on 29 June 2015 of which 4 507 655 are unexercised and the vesting criteria have been met.

11 552 529 options issued on 30 June 2016 of which 6 312 801 are unexercised and the vesting criteria have been met.

9 204 132 options issued on 26 June 2017 of which 5 372 040 are unexercised and thevesting criteria have been met.

2017 Deneb Share Incentive Scheme

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 10 091 024 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 11 565 817 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.

9 559 945 options issued on 28 June 2021 of which 9 418 092 are unexercised and vest as follows from the grant date:
- up to 10% of the option shares from the first anniversary of the option date
- up to a further 20% of the option shares from the second anniversary date
- up to a further 30% of the option shares from the third anniversary date; and
- the balance namely, 40% of the option shares, from the fourth anniversary date.

(i) Options in issue are as follows:

Option holder	**Grant date**	**Unexercised Options**	**Strike price** Cents	**Vesting conditions**	**Remaining life of option**
S.A. Queen					
	27 January 2015	1 091 401	161	Continued employment	1 years
	29 June 2015	1 591 233	155	Continued employment	2 years
	30 June 2016	2 343 944	130	Continued employment	3 years
	26 June 2017	1 441 713	125	Continued employment	4 years
	18 June 2018	1 489 586	187	Continued employment	2 years
	4 July 2019	2 290 642	170	Continued employment	3 years
	30 June 2020	2 443 035	128	Continued employment	4 years
	28 June 2021	1 846 187	163	Continued employment	5 years
Total for SA Queen		14 537 741			
G.D.T. Wege					
	29 June 2015	668 258	155	Continued employment	2 years
	30 June 2016	738 491	130	Continued employment	3 years
	26 June 2017	672 598	125	Continued employment	4 years
	18 June 2018	722 214	187	Continued employment	2 years
	4 July 2019	1 088 366	170	Continued employment	3 years
	30 June 2020	953 333	128	Continued employment	4 years
	28 June 2021	991 868	163	Continued employment	5 years
Total for GDT Wege		5 835 148			
Other, not being directors	27 January 2015	3 147 854	161	Continued employment	2 years
	29 June 2015	2 248 164	155	Continued employment	2 years
	30 June 2016	3 230 366	130	Continued employment	3 years
	26 June 2017	3 257 729	125	Continued employment	4 years
	18 June 2018	6 568 805	187	Continued employment	2 years
	4 July 2019	6 712 016	170	Continued employment	3 years
	30 June 2020	8 169 429	128	Continued employment	4 years
	28 June 2021	6 580 037	163	Continued employment	5 years
Total other		39 914 400			
Total options in issue		**60 287 289**			

Reconciliation of movements in options:

Number of options	2022	2021
Opening balance	57 456 438	54 838 085
Awarded during the period	9 559 945	13 158 970
Exercised during the period	(1 199 776)	(498 439)
Options used for strike price	(5 129 175)	(2 344 509)
Lapsed/forfeited during the period	(400 143)	(7 697 669)
Closing balance	60 287 289	57 456 438

	2022	2021
Number of options exercisable at year end	29 884 003	27 450 886
Expense/ (income) during the year (included in employment costs)	3 959 078	2 777 320
Value of shares issued during the year	4 167 489	1 802 837
Weighted average share price of share options exercised during the year	1,94	1,54

(iii) Valuation methodology

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

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

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

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

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

- can only be exercised on a single date
- has no performance conditions or vesting period
- has a constant volatility and dividend yield throughout its life
- may not be forfeited

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

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

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

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

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

Valuation assumptions

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

A detailed description of the derivation of each of these assumptions have been set out below.

Share Price

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

Risk-free interest rate

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

Expected Option Lifetime

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

Volatility of share price

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

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

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

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

Dividend yield

IFRS 2 requires an expected dividend or dividend yield to be taken into account in the valuation of share options in those arrangements where employees are not entitled to the dividend declared during the vesting period or the period before exercise. The dividend yield used should be the best estimate of the forward-looking dividend yield over the expected life of the option, determined at the grant date. A dividend yield assumption of 2.6% has been used.

Employee turnover

The main effect of allowing for employee turnover is that, in respect of the proportion of employees who are assumed to leave before the option (or part of the option) vests, the cost of that option (or part of the option) would be zero.
A forfeiture rate of 5% per annum compound during the vesting period has been assumed. Our valuers' experience has been that employee turnover for staff included in share option schemes is generally between 5% and 15% although acknowledging that this varies between industries and sectors.

It follows then that of 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 through its life
- may not be forfeited

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

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

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

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

Exercise behaviour

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

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

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

- 1/3rd of Scheme participants will exercise their options when they are 20% "in-the-money" (i.e. the share price is equal to 120% of the offer price);
- 1/3rd of Scheme participants will exercise their options when they are 50% "in-the-money" (i.e. the share price is equal to 150% of the offer price); and
- the remaining 1/3rd of Scheme participants will exercise their options at the theoretically "optimal" time.

Share based receivable

Deneb granted rights (equity instruments) to the employees of its subsidiaries. Deneb requires the subsidiaries to make payment for the granting of these rights as the obligation falls due. This type of intragroup payment arrangement is commonly referred to as a "recharge arrangement".

Deneb adopted an accounting policy for the recharge arrangement by making use of the guidance in IFRS 2 relating to cash-settled share-based payments (by analogy). This meant the company determined the fair value of the recharge asset at the date that the recharge arrangement is entered into and will recognise the value over the vesting period. At each reporting date the recharge liability is remeasured.

The liability of this recharge arrangement is in the financial statements of the subsidiary companies and the corresponding receivable with the holding company, the liability and receivable will be eliminated on consolidation.

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

	2022 **R'000**	2021 R'000
Share-based receivable	**12 593**	6 494
Reconciliation of share-based receivable		
Opening balance	**6 494**	6 143
Options exercised	**(1 141)**	(1 803)
Recharge	**7 240**	2 154
Closing balance	**12 593**	6 494

Principle assumptions

The table below summarises the principle assumptions used in the valuation of the 28 June 2021 grants:

Grant date	Vesting dated	Share price (R)	Expected option lifetime (years)	Volatility %	Dividend yield %	Risk-free %
28/06/2021	28/06/2022	1.90	2.00	30.63	3.68	5.33
28/06/2021	28/06/2023	1.90	3.00	26.54	3.68	5.98
28/06/2021	28/06/2024	1.90	3.00	26.54	3.68	5.98
28/06/2021	28/06/2025	1.90	4.00	24.18	3.68	6.63

18. Investment in subsidiary companies

Name of subsidiary companies

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

	Issued capital		**% Interest**		**Shares at carrying value**	
	2022	2021	**2022**	2021	**2022**	2021
Direct holdings			**%**	%	**R**	R
Brits Nonwoven Proprietary Limited	196	196	100.0	100.0	-	-
Prima Interactive Proprietary Limited	-	-	100.0	100.0	-	-
Brand ID International Proprietary Limited*	-	-	100.0	100.0	-	-
HTIC Limited – Hong Kong	5 700 100	5 700 100	100.0	100.0	29 252 309	29 252 309
Nyenye Clothing Manufacturers Proprietary Limited – Lesotho*	1 000	1 000	100.0	100.0	1 000	1 000
Prima Toy and Leisure Group Proprietary Limited	823 290	823 290	100.0	100.0	153 968 312	153 968 312
Sargas Proprietary Limited	2 500 050	2 500 050	100.0	100.0	596 461 962	596 461 962
Seardel Number 17 Proprietary Limited*	-	100	-	100.0	-	100
Seartec Proprietary Limited	669 106	669 106	100.0	100.0	193 289 069	193 289 069
Seartec Trading Proprietary Limited	1 000	1 000	100.0	100.0	-	-
CLM Home Proprietary Limited	-	-	100.0	100.0	-	-
Officebox Proprietary Limited**	-	17 300 000	-	89.3	-	-
eMonti Precision Assembly Proprietary Limited***	-	-	100.0	100.0	-	-
Ulko Active Wear Proprietary Limited**	-	-	-	100.0	-	-
Blue Reef Water Solutions Proprietary Limited	-	-	100.0	100.0	-	-
Frame Knitting Manufacturers Proprietary Limited*	-	-	100.0	100.0	-	-
Integrated Polypropylene Products Proprietary Limited	-	-	100.0	100.0	-	-
Romatex Proprietary Limited	-	-	100.0	100.0	-	-
Custom Extrusion Proprietary Limited	100	100	100.0	100.0	26 108 372	26 108 372
Sirius Sales Proprietary Limited	120	120	100.0	100.0	120	120
Premier Rainwatergoods Proprietary Limited	-	-	100.0	100.0	40 134 440	40 134 440
New Just Fun Group Proprietary Limited*	98	98	100.0	100.0	-	-
Formex Industries Proprietary Limited	100 001	100 001	100.0	100.0	105 058 000	105 058 000
Oops Global SA (Switzerland)	-	-	100.0	100.0	-	15
Butterfly Products Proprietary Limited	1000	-	100.0	-	118 551 720	-
Adjust for share incentive scheme					24 637 062	29 109 093
Ordinary shares at carrying value					**1 287 462 366**	1 173 382 793

	% Interest		
Indirect holdings	**2022**	2021	**Holding Company**
Gold Reef Speciality Chemicals Proprietary Limited	**100.0**	100.0	Sargas Proprietary Limited
Prima Toy and Leisure Trading Proprietary Limited	**100.0**	100.0	Prima Toy and Leisure Group Proprietary Limited
Seartec Industries Proprietary Limited*	**100.0**	100.0	Seartec Proprietary Limited
Formex Tubing Proprietary Limited	**100.0**	100.0	Formex Industries Proprietary Limited
Autotube Manufacturing Proprietary Limited*	**100.0**	100.0	Formex Industries Proprietary Limited
Philmec Proprietary Limited*	**100.0**	100.0	Autotube Manufacturing Proprietary Limited
Tubeworx Proprietary Limited*	**100.0**	100.0	Formex Industries Proprietary Limited

* Dormant

** Sold during the year. The shares in Office Box was sold for R1 and the shares in Ulko Active Wear was sold for R51.

*** Subsequent to year end the company changed its name to African Tooling Innovations Proprietary Limited

19. Profit per share

		2022	2021
Number of shares			
Number of shares in issue at year end	000's	435 643	435 181
Weighted number of shares in issue	000's	435 552	435 073
Diluted average number of shares in issue	000's	445 403	435 157
Earnings			
Profit for the year	R'000's	110 395	184 334
Earning per share			
Basic earning per share from operations	cents	25,35	42,36
Diluted earnings per share from operations	cents	24,79	42,36

20. Events after the reporting period

Subsequent to year-end, KwaZulu-Natal was ravaged by a storm, resulting in large-scale flooding. The company was fortunate and very little damage to any of its subsidiaries operating in the area.

The war in Ukraine had no significant impact on the results of the company, neither do we expect a significant impact in the year ahead.

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

21. Consolidated annual financial statements

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