DENEB

INVESTMENTS LIMITED

Integrated annual report 2023

About this report

Deneb Investments Limited ("Deneb" or "the Group") is proud to present its ninth Integrated Annual Report.

This report aims to provide a balanced and concise understanding of Deneb's underlying investments, how we manage the Group from a corporate governance perspective, its social and environmental impact and our financial performance for the year under review. The Group strives to be an exemplary corporate citizen and commits itself to the highest standards of corporate governance.

SCOPE AND BOUNDARY

The 2023 Integrated Annual Report covers the activities and performance of the Group for the financial year 1 April 2022 to 31 March 2023. The Group operates principally in South Africa and generates the majority of its revenue from South Africa. In addition, the Group has subsidiaries based in Switzerland, Hong Kong and the United Kingdom.

In preparing the Integrated Annual Report, we were guided by International Financial Reporting Standards ("IFRS"), the IFRS Interpretations Committee interpretations and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act.

The Group implemented the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 ("King IV™") and has further applied the principle of materiality in determining the content and levels of disclosure throughout the Integrated Annual Report.

EXTERNAL ASSURANCE

The board, assisted by the audit and risk committees, is ultimately responsible for overseeing the integrity of the Integrated Annual Report. The Group's external auditors have assured the financial statements and accredited specialist agencies have verified the disclosure on broad-based black economic empowerment, property valuations and carbon emissions. The Group has implemented a combined assurance framework which considers the assurance provided by all independent assurance providers.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

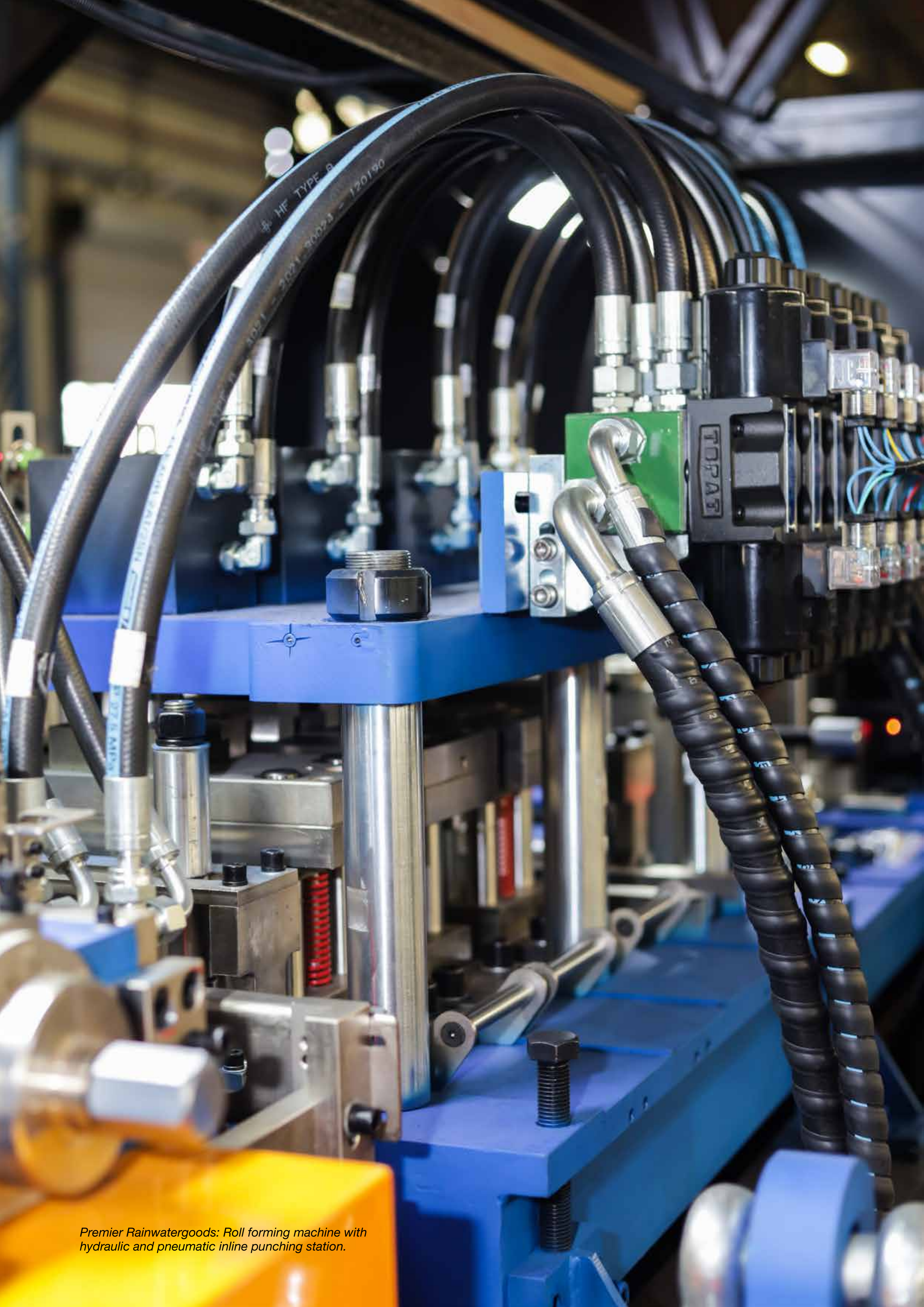
The integrity of the report is the responsibility of the board of directors. The directors confirm that the report is a fair representation of the integrated performance of the Group.

ADDITIONAL INFORMATION

Our 2023 Integrated Annual Report is available online at **www.deneb.co.za**

A printed copy of the financial statements is available on request from **info@deneb.co.za**

Contents



Premier Rainwatergoods: Roll forming machine with hydraulic and pneumatic inline punching station.

Company profile

Deneb Investments Limited is a diverse investment company operating predominantly in southern Africa and is listed on the JSE under the Financial Services – Diversified Financial Services.

BRANDED PRODUCT DISTRIBUTION

This segment is responsible for the sourcing and distribution of branded products. The businesses operating in this segment include Butterfly Products, Prima Interactive, Prima Toys, HTIC, Sirius Sales, Seartec and Oops. These enterprises supply and distribute an extensive selection of prestigious brands predominantly to the South African consumer. See pages 4 to 11.

Executive management:
Paul Cook, Ian Hepplewhite, Johan Jordaan, Juan Laubscher, Steven Ho, Farrel Nussbaum

PROPERTY

Vega Properties owns and manages a portfolio of predominately industrial properties situated in KwaZulu-Natal, Western Cape, Limpopo and the Eastern Cape, with a market value in excess of R1,4 billion. See pages 12 and 13.

Executive management:
Keith Robson

MANUFACTURING

Manufacturers of a wide variety of mainly industrial products for the automotive, construction, agricultural, mining, retail and hospitality industries. The businesses operating in this segment include Formex Industries, Premier Rainwatergoods, Custom Extrusion, Integrated Polypropylene Products, Romatex, Brits Nonwoven, Gold Reef Speciality Chemicals, Blue Reef Water Solutions and Explorius. See pages 14 to 25.

Executive management:
Frederick Coetzee, Riaan Coetzee, Sarah Doyle, Claude du Plessis, Piet van Wyk, Hennie Venter

Business segments

Branded Product Distribution

Butterfly Products: Timeline.

BUTTERFLY PRODUCTS

Butterfly Products has the singular goal to simplify life through products that are creative, practical and easily accessible through the mass and independent retail sectors.

Butterfly has established itself as a valued contributor of over 2 000 products in local supply chains. It sources finished goods or outsources the manufacture for its range of school, office stationery and children's publishing categories for supply within South Africa. More recently, Butterfly has expanded its offering to international markets in a collaboration with a fellow subsidiary, Oops Global.

The most significant success to date is the local manufacture by a fellow subsidiary of the Butterfly Pocket File. Majority market share has been achieved as a result of its innovative and high quality products.

Butterfly's agility allows it to serve the latest designs and product innovations in short cycles. This ability to pivot and quickly adapt to consumer demand has allowed it to expand into new categories such as lunchware, hydration bottles and accessories in record time.

www.butterflysa.co.za

OOPS GLOBAL

Oops Global is a Swiss-registered company with its headquarters based in Chiasso.

Oops, in a recent collaboration with fellow subsidiary company Butterfly Products, now expanded its product range to distribute baby, lifestyle and scholastic products under the Butterfly brand to markets worldwide.

The collaboration of these two companies allows them to leverage each other's core competencies while further developing their existing strengths, infrastructure and supply chains.

What this means for everyday consumers is that they can trust that the products supplied are the latest in designs and product composition.

Some innovative and exciting products are in the pipeline, notably the recycled and eco-friendly scholastic products which are entirely made in South Africa, by another fellow subsidiary, from recycled plastic bottles!

www.oops-global.com

Branded Product Distribution

PRIMA INTERACTIVE

Prima Interactive was established in 2009 as a distributor for Disney Interactive video games. Since then Prima acquired distribution for the majority of the publishers and titles in the video game industry, as well as the exclusive distribution of Xbox Hardware and Thrustmaster and Next Level Racing gaming peripherals, making Prima Interactive the market leader.

The management team has extensive experience working in brand distributors and multinationals, and has built a distribution solution that meets the needs of companies that require valued-added services to support their brands in South Africa. As a full-service distributor, we offer brand marketing and key account sales services, backed up in retail with our own team of field marketing and retail sales staff.

Cognisant of the decline in sales of physical video game software and the shift to digital distribution, Prima Interactive partnered with Epay Worldwide, which is the leader in digital distribution. We integrate a digital sales solution with retailers to offer a range of digital software including Microsoft 365, Xbox and Playstation gift cards.

To ensure long-term sustainability, Prima Interactive expanded the categories we operate in. This included securing distribution for Epson Consumer Printers and Projectors. The Epson range of Ecotank printers is the market leader and is driving the transition from expensive cartridge and laser printing to ink tank systems, which are more economical and environmentally friendly.

Prima Interactive also expanded its partnership with Microsoft to include distribution of Microsoft's range of consumer products. Microsoft PC Accessories include keyboards, mice, webcams and its new range of modern devices are "Teams Certified" and enhance your online productivity. Surface Laptops provide a unique form factor and are designed to give you the optimal Windows experience. Microsoft 365 has evolved to offer a full suite of productivity, creativity and security software.

Prima Interactive is now the sole distribution partner for Microsoft consumer products in South Africa.

www.primainteractive.co.za

Prima Interactive: Distributors of Microsoft Surface.

Prima Interactive: Distributors of Xbox hardware and software.

Prima Toys: Distributors of branded products.

Branded Product Distribution

PRIMA TOYS

Prima Toys is a specialist distribution business that imports, warehouses and sells toy, baby and leisure branded products to South African retailers and neighbouring southern African countries.

Prima Toys represents some of the world's top-performing brands in each product category:

- **Toys**

  PAW Patrol is the world's largest and most recognisable toddler brand.

  Gabby's Dollhouse and CoComelon are two exciting toy brands launched into the market this year.

- **Baby**

  Chicco is a premium italian baby gear, nursing and feeding goods brand.

  VTech and LeapFrog are well-known tech-based early learning and educational brands.

- **Leisure**

  Intex is the largest outdoor, swim, pool and leisure goods producer in the world.

Over the many years in business Prima Toys has established a local distribution footprint that covers over 2 000 retail doors across the country. This includes all of the major supermarket retailers, wholesalers and specialist toy, baby, pool and outdoor, and online retailers.

Prima Toys has a dedicated sourcing, sales and administration agent, based in Hong Kong.

This operation facilitates all China-based product sourcing, and handles all "Direct to Retail" business trade with domestic retailers.

While toys are core to the Prima distribution offer, the baby and leisure markets produced good growth. The business intends to leverage its vast distribution footprint to expand further into these market categories.

Prima Toys has been the largest toy distributor in South Africa for more than 40 years. The business represents in excess of 130 different international branded toy and leisure suppliers, and a further 95 direct to retail factories.

The team has extensive experience in toy and leisure distribution which, together with a high-performance ethos and cost-efficient warehousing facilities, is able to provide a superior distribution and key account service to their customer base.

www.primatoys.co.za

Business segments
(continued)

Branded Product Distribution

HTIC – HONG KONG

HTIC is a China sourcing and logistics operation, based in Kowloon, Hong Kong. Its primary focus is on toy sourcing, but also assists companies within the Deneb Group to establish commercial relationships in China.

HTIC has developed a strong network of manufacturers operating out of various regions in China, including Shanghai, Ningbo and Shantou. Its product showroom in Hong Kong is a "one-stop shop" for most local toy retail buyers, where they select from a wide range of purposely sourced generic and licensed products.

The management of HTIC has specialised in trading with South Africa for more than 20 years. As such, they have an intimate knowledge of regional market economics and pricing mechanics. This local market experience means they can source more efficiently and accurately than other competitor agents.

HTIC has recently acquired a number of international reps and retail accounts, and will be looking to use the expertise they have gained trading with South Africa to expand their sourcing and logistics services into international markets.

Sirius Sales: Paw Patrol display stand in a retail outlet.

SIRIUS SALES

Sirius Sales is a specialist sales and merchandising company. The business offers a full service solution ranging from merchandising and rep sales, to key accounts management. Its basket of services include a complete "turnkey" distribution solution. The business specialises in non-foods, specifically toys and pet accessories, but is actively pursuing other sales and distribution opportunities. The company's distribution centre currently delivers to multiple national retailers throughout South Africa, including mass retail, convenience and specialist retail sectors. Bringing non-foods products to market, is our specialty.

With in-depth knowledge of the South African retail landscape, the company prides itself on its longstanding relationships with South African retailers. The merchandising service is provided on a roving basis, supported by centre-based permanent merchandisers and covers all provinces in South Africa.

In line with international trends, the company recently secured the rights to develop a range of licensed/branded pet accessories. The new licensed pet accessories range will be manufactured in South Africa, supporting local industry and job creation, with a long-term view to export internationally. The new range, which includes own-brand development as well as various Warner DC and Nickelodeon properties, is planned for launch mid-2023 in the South African market.

SEARTEC TRADING

Seartec hosts two divisions, with the main activities focused on the leasing of electronic equipment and the other on the distribution of aftermarket consumables and spares supporting various international brands.

The asset leasing division has been growing consistently and serves thousands of customers nationally. The asset leasing division rents copiers and other electronic equipment to all business sectors and supports these devices by means of service contracts. The service delivery is executed by our own in-house qualified and trained technical resources in all major metro areas, whilst additional service coverage to areas with lower demand is supported by accredited service dealers. Seartec is looking to revolutionise the traditional copier market by providing customers with a flexible 30-day notice, copier solution as opposed to the traditional 60-month contractual obligations. What's more, the 30-day notice period contracts are more competitively priced giving customers a cheaper, more flexible solution.

The distribution division is focused on reliability delivering high-quality aftermarket products supporting various top-tier brands for our office automation customers and corporate users.

www.seartec.co.za

Seartec Trading: Distributors of electronic equipment.

Business segments
(continued)

Property

VEGA PROPERTIES

Vega Properties' primary investment strategy remains the acquisition and development of second-tier industrial properties into multi-tenanted industrial parks. However, this strategy has been adjusted to include the acquisition of suitable properties for occupation by Deneb subsidiaries, two of which have been acquired in the past year in Gqeberha and Polokwane. This provides improved sustainability through security of tenure for the Group companies and allows the Group to invest in off-grid energy and water solutions.

The acquisition in Parow Industria, Cape Town which came on stream in September 2022 has been successful and at year-end was fully let with medium and long-term leases.

Although Vega Properties continues with its strategy of disposing of non-core property assets, this has proven to be slow where prospective buyers have either been unable to perform or are looking for bargains. Three legacy properties are therefore held for sale at year-end with negotiations ongoing for their successful disposal. Vega is not under any pressure to sell these properties and is content to wait until its target price can be achieved.

www.vegaproperties.co.za

Vega Properties: Newly developed Radnor Industrial Park.

Formex: New 1600 ton auto transfer press.

Manufacturing

FORMEX INDUSTRIES

Formex is a leading manufacturer of automotive components in South Africa. Formex plays a core role in this industry, supplying automotive parts, completed assemblies and tubular products to various global automotive brands. The last year has seen many milestones surpassed for the company and our longstanding relationships with direct and indirect customers are a testament to the company's growth strategy and leadership.

Formex's recent investments in facilities

Formex has invested over R140 million towards technology and manufacturing expansion projects, largely through financial support provided by Deneb. These upgrades have put Formex in a key position to respond to emerging export markets. This brings the total investment in the past seven years to approximately R340 million.

As part of these investments Formex installed a new 1 600 ton auto transfer press at the Struandale plant. This is the largest press in the Eastern Cape and will allow Formex to become internationally competitive for body shop stampings, which is important in the shift away from traditional internal combustion engine components. A second 1 000 ton press will be installed in mid-2023, with both presses scheduled to start production in the last quarter of 2023.

Formex continues to lead the sector through updated technology, financial backing and world-class skills. The compounded offerings lead to increased volumes of vehicle production for our customers. During the year Formex exhibited in both the Frankfurt and Dubai Automechanika Expos. These events highlighted the new technologies and innovations that will revolutionise the manufacturing sector and automotive trade.

Formex awarded a VDA 6.3 A-rating

Formex was awarded an A-rating in the Verband der Automobilindustrie ("VDA") 6.3 process audit, which sets the standard for evaluating and improving controls in a manufacturing facility's new product introduction and manufacturing processes.

VDA 6.3 looks at the entire product life cycle of the components produced by Formex. As with all standards and regulations, there is a growing emphasis on identifying, assessing and managing risks. The audit examines change management and customer satisfaction too.

Volkswagen South Africa ("VWSA") awarded Formex with the A-rating – making the company one of the few press component facilities to be given this top rating. This serves as evidence that Formex is truly an industry leader in automotive component manufacturing in South Africa.

Over the past year Formex has expanded its long-term partnership with VWSA, which was first established in the early 2000s. Currently, Formex manufactures large assemblies and stamped components for VWSA. The expanded partnership entails 33 new parts created with 42 different tools. The expansion will see Formex become a key supplier for around 30 000 cars per year for the next six years.

Recent localisation initiatives

Formex is able to meet this high capacity primarily due to its recent investment in new machinery, including the metal presses. This has opened up new opportunities for the company as it grows its output and manufacturing capabilities.

Formex usually sources 70% of its raw materials and services from the localised region. However, for the VWSA project, more than 80% of these materials and services have come from Nelson Mandela Bay.

Over the last year various customers of Formex have invested heavily in the local economy too. Ford, Volkswagen and Mercedes-Benz are some of the car manufacturers that have directed money towards the expansion of their manufacturing facilities in South Africa.

Formex also launched the first Toyota project in over 10 years and further localisation projects have been launched for Mercedes-Benz, Ford and VWSA. This not only improves local job creation but establishes a long-term commitment to the country and local component suppliers, like Formex.

www.formex.co.za

Business segments
(continued)

Manufacturing

PREMIER RAINWATERGOODS

Premier Rainwatergoods is a proudly South African company with more than 30 years' experience in the industry. The business specialises in the manufacturing and nationwide supply of a broad range of products to the building and plumbing industries.

The company has a well-equipped, highly efficient 9 500 m^2 manufacturing plant with state-of-the-art automated and semi-automated roll forming machines. Stringent quality systems ensure that consistent high standard finished products are continuously supplied. Its product range includes:

- Rainwater goods
- Galvanised guttering
- Ceiling accessories
- Roofing accessories
- Drywall products
- Specialised custom-made products
- Flooring and building accessories

Our newly acquired state-of-the-art machines include:

- Laser and pipe cutting machine
- Laser welding machine
- Light steel frame machine
- Foam fascia and cladding machine (Chromadek and polyurethane)

Acquiring these machines means that Premier Rainwatergoods can now expand its product range to the building industry with more efficient and cost-effective building materials and building solutions.

Premier prides itself on service delivery. Its footprint consists of the whole of South Africa and most of the direct neighbouring countries.

www.rainwatergoods.co.za

Premier Rainwatergoods: Fibre laser machine cutting light steel.

Business segments
(continued)

Manufacturing

INTEGRATED POLYPROPYLENE PRODUCTS

Integrated Polypropylene Products ("IPP") is a leading company in South Africa's polypropylene extrusion and bulk bag manufacturing sector. During the last year the business has continued to grow and expand its capabilities – manufacturing and supplying world-class polypropylene fabric and supplying bulk bags to the local market and exporting to the rest of Africa.

IPP has a total extrusion and weaving capacity of over 8 000 tons per annum, but not all of this is converted to bulk bags. The remainder of the fabric is sold to the mining industry and to other smaller bulk bag manufacturers. The company's bag-making division has the capacity to produce up to 3,5 million bulk bags per year. IPP continues to supply three major sectors: mining, chemicals and agriculture.

Customer service, quality, safety and sustainability are the four core pillars of the business model.

It has been a notable year in terms of commissioning new equipment. In April 2023, IPP commissioned a brand new extruder which enabled the company to increase its tape production capacity. It also installed new weaving equipment and a site compressor, which further adds to the output of polypropylene fabric. In addition to the solar installation, we have also commissioned a number of diesel generators to mitigate load-shedding.

Similarly, the bag-making business has commissioned its new rainwater harvesting and recycling plant to improve its environmental impact and reduce waste. New automatic cutting machines, a printing machine and a full sewing plant (capable of running five sewing lines simultaneously) have been installed at the new facility in Bloemfontein.

This new facility will bring the company closer to some key customers and minimise lead times, as well as mitigate production interruptions at existing production facilities. IPP has also installed new polymer silos. All of these investments have enabled the company to boost its production capacity and improve the overall quality and standard of its products.

IPP products meet stringent testing requirements and have a minimum 5:1 safety factor rating. Using precision manufacturing and rigorous quality control processes, our bulk bags are safe to use for various applications. IPP holds ISO 9001 certification for quality management and has a number of UN-certified bulk bag designs, accredited through Ten E.

The business continually benchmarks itself against international competitors and ensures that it attains quality certifications using globally recognised testing houses like Labordata from Braunschweig, Germany.

The business constantly strives to improve sustainability. The use of solar energy, rainwater harvesting and recycled materials makes IPP one of the most environmentally friendly bulk bag manufacturers in South Africa.

www.poly-prop.co.za

Polypropylene Products: Birds eye view of circular weaving shed.

Business segments
(continued)

Manufacturing

Romatex: Maliwatt stitchbond machine.

ROMATEX

Romatex is a leading manufacturer of household textiles and stitchbonded fabric, situated at a highly mechanised manufacturing facility in Cape Town.

One of the company's key strengths is its product diversification. Romatex supplies a variety of both natural and synthetic duvets and pillows, mattress protectors and bed linen into the South African retail and hospitality markets. The business sources its raw materials globally and locally, ensuring that its products meet international standards whilst remaining competitively priced.

Romatex manufactures a non-woven 100% polyester stitchbonded fabric, made from rPET fibre with multiple end uses. Traditional markets include waterproofing, footwear, mattresses, geotextiles, etc. Product innovation is key, and of particular significance for stitchbond is its more recent use as a base fabric for plastic replacement shopper bags. It is versatile, durable, cost-effective and, best of all, made from recycled fibre, thereby reducing single-use plastic.

Annually Romatex consumes circa 60 million plastic bottles worth of rPET fibre, making a significant impact in the reduction of plastic waste to landfill.

Romatex has invested in three new stitchbonding production lines in the past six years, the latest being as recent as the first quarter of 2023. This will go toward meeting the continuing growth in demand. Allied investments have also been made in printing capabilities and automated bag-making, to add value by further converting the base product.

Romatex sees significant growth ahead in the stitchbond sector and is looking to further expand capacity over the next three years.

www.romatex.co.za

Business segments
(continued)

Manufacturing

BRITS NONWOVEN

Brits Nonwoven is a specialist non-woven manufacturer with production facilities in Durban, Cape Town and Johannesburg. Brits sells innovative non-woven products into a diverse range of local, regional and international markets.

The key focus is on recycling and circularity in the textile market and as a result more than 75% of our input raw materials are from a recycled base and 100% of our finished products can be fully repurposed into new non-woven end products again.

The engineered solutions are specifically designed to service the following market sectors:

- **Building materials:** Sound absorption/thermal insulation products and waterproofing membranes – Isotherm and Granric brands
- **Automotive products:** Seat interlayer, bonnet liner, interior trims, trunk liners, parcel shelves and wheel house liners
- **Apparel:** Lofted linings for jackets, shoulder padding and jacket fronts
- **Blankets:** Transport protection, pet care and utility blankets
- **Filtration:** Pocket-filter media and filter mats
- **Flooring:** Underlay felt and non-slip products
- **Mattress components:** Foam replacement pads, mid and spring protector pads
- **Quilting:** General quilt backers for home textiles
- **Upholstery:** Various wadding grades for all applications
- General industrial applications

Brits is registered with the Department of Environment, Forestry and Fisheries Affairs as an approved textile waste processing facility. It currently converts 100 – 150 tons of discarded textile products and second-hand clothing, per month, back into shoddy flock for conversion into new recycled products. Every year this prevents these large volumes of products ending up as landfill. New recycling initiatives include agreements with mines and petrochemical companies to recycle their workwear into flame-retardant non-woven products which find new applications in thermal barriers and fire-retardant insulation.

Brits Nonwoven: Mattresses manufactured from recycled textiles and recycled automotive foams.

New developments for launch in 2023 include non-combustible insulation and acoustic products, high-density pads and felts for the bedding industry and shoddy products for automotive interior trim.

www.brits.co.za

Brits Nonwoven: Airlay line production of recycled mattresses.

Manufacturing

BLUE REEF WATER SOLUTIONS

Blue Reef satisfies the water needs of its customers by working collaboratively to identify the most efficient and effective means to achieve world-class, environmentally sound solutions to their problems.

During the past year Blue Reef continued to make significant inroads into a variety of markets, most notably the potable sector with growth achieved in both the local and export markets. This sector is seen as an important foundational building block for the future as it provides us with the opportunity to supply reliable potable water to the sub-Saharan region.

Research and development continue to make strides in the development of novel products. The innovative powdered products continue to find favour in especially remote locations and demand continues to grow. The new financial year will see the introduction of further technologies to enable the reuse of water in traditionally single-use applications.

With strengthened and broadened strategic partnerships, our customer base is expanding across the whole of South Africa, sub-Saharan Africa and the Indian Ocean islands in all areas of expertise including:

- water treatment chemicals, additives, engineering and plant, dosing, consulting, laboratory and on-site services.

The chemical products which Blue Reef has developed based on its “HEXAMER” technology continue to prove itself in the field with pleasing growth in these markets.

www.bluereef.co.za

GOLD REEF SPECIALITY CHEMICALS

Gold Reef has evolved through the years from an adhesive market focus, into a diversified product range spanning coatings, adhesives, food coatings, mineral binders, industrial dust suppressants, road compaction and floor care solutions.

Gold Reef’s main technology base is the polymerisation of acrylic and vinyl acetate co-polymers, homo-polymers and surfactants. Traditional coatings and adhesive markets performed well through the year while construction and industrial markets are seeing some exciting developments that present growth opportunities for the new year.

Industry-focused modern laboratory facilities continue to be the backbone for technology development at Gold Reef. We will seek to further strengthen this area in the new year with expanded laboratory capabilities.

By virtue of the broad range of industries that it serves, Gold Reef maintains an extensive range of accreditations:

- ISO 9001:2015
- IS0 14001:2015
- BS EN 204:2001Class D3 Adhesives – FIRA evaluated
- NSF-certified water treatment products
- Responsible Care signatory
- Ecovadis Sustainability – Silver Status
- Halaal Certification
- Kosher Certification
- Executive member of the Durban Chemical Cluster

www.gold-reef.co.za

Blue Reef Water Solutions: High-pressure boiler mud drum free of scale after treatment with Blue Reef products.

EXPLORIUS

Explorius is an exciting start-up business with the provision of environmental solutions to convert mining and industrial waste into fuel energy. This imperative came into clear perspective during the past year of intensified load-shedding. Good progress has been made in the current year and the first of our mobile plants has recently been commissioned. It should be noted that although we are excited about its potential, the business is still in start-up mode.

In addition to the application of tried and tested agglomeration technologies to convert coal fines and other wastes into fuel, research into the adaptation of allied processes to yield industrial fuels is well under way.

Research is carried out at our chemical and agglomeration laboratories to marry the best customised binder solutions to the optimum blend of fuel constituents. This yields the best mechanical properties while delivering superior calorific value or energy content in our fuels.

Our mobile plants can be customised and operated by Explorius on a turnkey basis at a conversion fee, or plants can be customised for outright sale.

The main market differentiator remains our pilot facility which allows for large-scale trials to be conducted at a client's site to prove concepts prior to scale-up. In addition, scale-up can be accomplished in modular fashion utilising our packaged plant systems, thus minimising risk and allowing capital investment to track real demand.

Explorius's prospective customers are typically waste operators, mines, farms and industrial manufacturing plants in the agricultural space.

www.explorius.co.za

Gold Reef Speciality Chemicals: Laboratory reactor used for polymerising products in the lab.

Financial highlights

for the year ended 31 March

Rand thousands, unless otherwise indicated		2023	2022	2021	2020	2019
Revenue from continuing operations*		**3 289 787**	2 879 541	2 603 554	2 871 599	2 955 836
Profit from continuing operations*		**140 809**	127 691	129 581	1 880	31 247
Profit/(Loss)		**135 101**	124 393	124 089	(129 340)	(46 937)
Comprehensive income/(loss) attributable to shareholders		**142 813**	127 612	128 788	(122 361)	(14 703)
Equity attributable to equity holders		**1 781 557**	1 678 902	1 577 794	1 464 010	1 622 762
Total tangible assets (excluding cash and deferred tax)		**3 271 685**	3 004 834	2 797 200	2 957 526	3 409 697
Net interest-bearing borrowings		**978 842**	790 177	852 587	1 065 428	1 211 782
Net interest-bearing borrowings (excluding lease liabilities)		**855 317**	688 881	737 155	938 839	1 211 782
Ratio of net interest-bearing borrowings to total equity	(%)	**55**	47	54	73	75
Ratio of net interest-bearing borrowings (excluding lease liabilities)	(%)	**48**	41	47	64	75
RATIOS						
Profitability						
Operating profit as percentage of revenue – continuing operations*	(%)	**8,6**	8,3	8,1	3,8	5,5
Profit for the period as percentage of revenue – continuing operations*	(%)	**4,3**	4,4	5,0	0,1	1,1
Return on assets (comprehensive income attributable to shareholders)**	(%)	**4,4**	4,2	4,6	(4,1)	(0,4)
Return on shareholders' interest***	(%)	**8,0**	7,6	8,2	(8,4)	(0,9)
Leverage						
Ratio of borrowings to capital and reserves	(%)	**48**	41	47	64	75
Liquidity						
Current ratio		**1,8**	1,4	1,5	1,0	1,5
Solvency ratio	(%)	**22,3**	22,4	20,1	11,3	9,0
Finance charges cover		**3,2**	3,8	2,8	0,9	1,5
Productivity						
Total assets turnover ratio		**1,0**	1,0	0,9	1,0	0,9
Number of employees (continuing operations)		**2 394**	2 271	2 305	2 581	2 751
Revenue per employee (continuing operations)	(Rand)	**1 374 180**	1 267 962	1 129 525	1 112 592	1 074 459
Operating profit per employee	(Rand)	**117 518**	105 573	91 959	41 761	59 010
Assets per employee	(Rand)	**1 366 619**	1 323 133	1 213 536	1 145 884	1 253 158
Operating cash generated per employee	(Rand)	**55 338**	55 650	90 495	154 595	(21 342)

Revenue and total tangible assets (excluding cash and deferred tax)

	Revenue				Total tangible assets (excluding cash)			
	2023		2022*		2023		2022	
Segment	Rm	%	Rm	%	Rm	%	Rm	%
Branded Product Distribution	**1 327**	**40**	1 187	40	**592**	**18**	566	19
Properties	**141**	**4**	132	5	**1 509**	**46**	1 437	48
Industrial Product Manufacturing	**1 168**	**35**	1 069	37	**669**	**20**	600	20
Automotive Parts Manufacturing	**654**	**20**	491	17	**497**	**16**	396	13
Discontinued operations	**22**	**1**	25	1	**–**	**–**	–	–
Head office	**–**	**–**	–	–	**5**	**–**	6	–
	3 312	**100**	2 904	100	**3 272**	**100**	3 005	100

* *Restated, refer to note 33.*
** *Comprehensive income/(loss) attributable to shareholders/total tangible assets (excluding cash).*
*** *Comprehensive income/(loss) attributable to shareholders/total equity.*

	2023 R000's	2022 R000's	2021 R000's	2020 R000's	2019 R000's
OPERATIONS					
Revenue*	**3 289 787**	2 879 541	2 603 554	2 871 599	2 955 836
Operating profit before finance costs*	**281 337**	239 757	211 965	107 786	162 336
Net finance costs	**(88 416)**	(63 896)	(75 365)	(125 496)	(110 807)
Profit/(Loss) before taxation	**192 921**	175 861	136 600	(17 710)	51 529
Taxation (expense)/income	**(52 112)**	(48 170)	(7 019)	19 590	(20 282)
Profit from continuing operations for the year*	**140 809**	127 691	129 581	1 880	31 247
Loss from discontinued operations for the year*	**(5 708)**	(3 298)	(5 492)	(131 220)	(78 184)
Profit/(Loss)	**135 101**	124 393	124 089	(129 340)	(46 937)
Comprehensive profit/(loss) attributable to shareholders	**142 813**	127 612	128 788	(122 361)	(14 703)
CASH FLOW					
Cash generated from operations	**132 478**	126 382	208 590	399 009	(58 713)
Net cash flow from investing activities	**(232 359)**	(28 584)	(52 035)	(99 519)	(179 415)
Net cash from financing activities	**71 334**	(80 696)	(45 421)	(58 597)	30 202
FINANCIAL POSITION					
Capital and reserves	**1 781 557**	1 678 902	1 577 794	1 464 010	1 622 762
Net interest-bearing borrowings – continuing operations	**855 317**	688 881	737 155	938 839	1 211 782
Other non-interest-bearing debt (excluding deferred liabilities)	**557 936**	600 587	453 159	466 663	472 167
Net working capital excluding cash	**559 513**	310 149	468 594	586 182	791 525
Total tangible assets (excluding cash and deferred tax)	**3 271 685**	3 004 834	2 797 200	2 957 526	3 409 697
Value of property portfolio	**1 476 359**	1 415 941	1 443 827	1 380 978	1 407 376

Profit before finance cost and return on total tangible assets (excluding cash and deferred tax)

	Profit before finance cost				Return on tangible assets (excluding cash and deferred tax)	
	2023		2022		2023	2022
	Rm	%	Rm	%	%	%
Branded Product Distribution	**71**	**26**	70	30	**12**	12
Properties	**116**	**42**	93	39	**8**	6
Industrial Product Manufacturing	**87**	**32**	74	31	**13**	12
Automotive Parts Manufacturing	**45**	**16**	51	22	**9**	13
Discontinued operations	**(6)**	**(2)**	(4)	(2)	**N/A**	N/A
Head office	**(38)**	**(14)**	(47)	(20)	**N/A**	N/A
	275	**100**	237	100		

* *Restated, refer to note 33.*

Financial highlights
for the year ended 31 March (continued)

Statistics per share in cents, where applicable		2023	2022	2021	2020	2019
Headline earnings/(loss)		**28,02**	32,54	23,17	(8,92)	(4,47)
Headline earnings – continuing operations**		**29,33**	31,27	22,41	12,69	5,58
Headline (loss)/earnings – discontinued operations**		**(1,31)**	1,27	0,76	(21,61)	(10,05)
Basic earnings/(loss)		**31,01**	28,56	28,64	(29,24)	(10,53)
Basic earnings – continuing operations**		**32,32**	29,32	29,90	0,96	7,58
Basic loss – discontinued operations**		**(1,31)**	(0,76)	(1,26)	(30,20)	(18,11)
Comprehensive income/(loss)		**32,68**	29,30	29,60	(28,16)	(3,41)
Cash flow from operating activities		**30,32**	29,02	47,94	91,84	(13,60)
Cash flow from operating activities before working capital changes		**78,86**	71,90	59,87	38,63	38,75
SHARE STATISTICS*						
Weighted average number of shares issued	(000's)	**436 994**	435 552	435 073	434 473	431 766
Distribution	(cents)	**9,0**	7,0	4,0	3,0	3,0
Headline earnings/(loss) yield at period-end	(%)	**12,9**	16,4	16,6	(6,4)	(2,0)
Dividend yield at period-end	(%)	**4,1**	3,5	5,0	2,1	1,3
Net asset value per share	(cents)	**406**	385	363	337	374
Total number of shares traded	(000's)	**6 043**	2 233	15 423	16 976	1 303
Total value of shares traded	(R000's)	**13 033**	3 981	26 305	34 957	2 942
Percentage of issued shares traded	(%)	**1,4**	0,5	3,5	3,9	0,3
Market price – Highest – ordinary	(cents)	**233**	245	200	250	300
– Lowest – ordinary	(cents)	**198**	125	70	140	200
– Period-end – ordinary	(cents)	**217**	198	140	140	226

* *Refer to Analysis of Shareholders on page 138.*
** *Restated, refer to note 33.*

Value-added statement

for the year ended 31 March

	2023 R000's	2022 R000's
Cash derived from revenue	**3 298 059**	2 923 616
Paid to suppliers for materials and services	**2 229 942**	2 021 378
Cash value added	**1 068 117**	902 238
Interest received	**1 624**	1 698
Total wealth created	**1 069 741**	903 936
Distributed as follows:		
Employees		
Administration	**228 340**	172 994
Production	**263 360**	226 781
Sales	**99 209**	102 933
	590 909	502 708
Providers of capital		
Interest paid on borrowings	**90 040**	65 470
Distribution to shareholders	**39 210**	30 463
	129 250	95 933
Monetary exchanges with government		
Taxation (including customs and excise duty)	**52 132**	27 780
PAYE	**123 054**	87 182
VAT	**64 427**	71 465
Incentives	**(22 509)**	(7 514)
	217 104	178 913
Retained to develop future growth	**132 478**	126 382
Total wealth distributed	**1 069 741**	903 936

Value added is a measure of the wealth that the Group has created in its letting, manufacturing and distribution operations by adding value to the cost of its raw materials and services purchased.

The statement above shows how that wealth was created, and also how it was shared between employees and the providers of funds to the Group.

The statement takes into account the amounts retained and reinvested in the Group for the replacement of assets and the development of future operations.

Distribution of wealth	2023 %	2022 %
Employees	**55,2**	55,6
Government	**20,3**	19,8
Retained	**12,4**	14,0
Lenders	**8,4**	7,2
Shareholders	**3,7**	3,4
	100,0	100,0

Directors' profiles

EXECUTIVE DIRECTORS

Stuart Queen (50)

CHIEF EXECUTIVE OFFICER

BCompt (Hons), CA (SA)

Stuart was appointed to the board on 21 June 2013. Prior to that he was chief executive officer of Seardel Investment Corporation Limited and chief financial officer of Johnnic Holdings Limited. He is a member of the executive and risk committees.

Gys Wege (48)

CHIEF FINANCIAL OFFICER

BCompt (Hons), CA (SA)

Gys was appointed to the board as financial director on 21 June 2013. Prior to joining the board he served in various senior financial roles within the automotive logistics industry and was financial director of Seardel Investment Corporation Limited. He is a member of the executive, risk, and social and ethics committees.

NON-EXECUTIVE DIRECTORS

John Copelyn (72)

CHAIRPERSON

BA (Hons), BProc

Johnny was appointed to the board on 10 October 2014. He joined Hosken Consolidated Investments Limited ("HCI") as chief executive officer in 1997. Prior to this he was a member of Parliament and general secretary of the Southern African Clothing and Textile Workers' Union ("SACTWU"). He is chairperson of Tsogo Sun Gaming, Southern Sun and eMedia Holdings Limited. He is a member of the Deneb remuneration committee.

Dave Duncan (68)

BCom

Dave was appointed to the board on 10 October 2014 as chief operating officer ("COO"). Dave retired as COO in December 2020 and now sits on the board as a non-executive director. His career includes more than 30 years' experience in the manufacturing sector.

Kevin Govender (52)

BCompt (Hons)

Kevin was appointed to the board on 10 October 2014. He joined HCI in 1997 and holds various directorships within the HCI Group of companies, including eMedia Holdings Limited and Frontier Transport Holdings Limited. He is a trustee of the HCI Foundation.

Yunis Shaik (65)

BProc

Yunis was appointed to the board on 10 October 2014. He is an executive director of HCI. Prior to his appointment at HCI Yunis was an attorney of the High Court and served as an acting judge in the Labour Court. He is a former deputy general secretary of SACTWU and served as a senior commissioner to the Commission for Conciliation, Mediation and Arbitration in KwaZulu-Natal. He is also a director of Tsogo Sun Gaming and chairperson of Frontier Transport Holdings Limited.

Directors' profiles
(continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Naziema Jappie (62)

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

Naziema was appointed to the board on 10 October 2014 and brings with her a distinguished and varied background in fields including higher education, research, labour law, conflict resolution and project management. She is a member of the audit, risk, social and ethics, and remuneration committees. Dr Jappie has served as SACTWU's National Education Officer, Executive Director at the Durban University of Technology and Dean of Students at the University of the Witwatersrand. She is currently employed as director at the Centre for Educational Assessments and is Deputy Dean in the Faculty of CHED at the University of Cape Town. She is also a non-executive director of Frontier Transport Holdings and was a board member of the Cape Chamber of Commerce and Industry.

Koktsi Faith Mahloma (Faith) (70)

Faith was appointed to the board on 20 May 2019. She served as a senior shop steward for 20 years until 2001; as an executive member of COSATU and vice president of SACTWU from 1987 to 2001; and as an executive member of the National Economic Development and Labour Council from 1997 to 2001. She has served as a director of Zenzeleni Clothing Proprietary Limited and Frontier Transport Holdings, a member of the Municipal Public Accounts Committee and the Germiston Pension Fund Committee. She resigned as a ward councillor in 2016 after serving for 10 years. She is a member of the audit, risk, and social and ethics committees.

Mohamed Ahmed (58)

BCompt

Mohamed is a businessman and was appointed to the board as lead non-executive director on 10 October 2014. He is a non-executive director of HCI, Southern Sun Limited and Montauk Renewables Inc. He was the chief financial officer of HCI. He is the chairperson of the audit, risk, social and ethics, and remuneration committees.

Butterfly Products: Warehouse.

Chief executive officer's report

The year to March 2023 has been interesting and challenging in equal measure. On the face of it, the Group grew profit after tax by R13 million (10%) to R141 million. However, it should be noted that the results are significantly influenced by the finalisation of a Covid-19 business interruption insurance settlement, relating to the March 2021 financial year. This settlement was finalised and the benefits brought to book in the period under review. The net benefit included in this period, after adjusting for associated costs and net of taxation, is R44 million. If one excludes this insurance benefit, then profit after tax is down R31 million (24%) to R97 million. The Group was only down R7 million on the prior period in the interim results, so most of the underperformance, compared to last year, happened in the second half which has been a challenging period.

On a positive note, revenue grew by R410 million (14%) to just under R3,3 billion. The revenue growth largely came from an expansion in product ranges and growing market share. In most areas of our business the market is not growing and thus we need to continually find new opportunities for growth through new products, new distribution channels or growth in market share. Our management teams do a good job of finding these opportunities and this year was no different.

Although revenue grew nicely, gross profit only grew by R10 million (1%). This reflects the quite severe contraction in gross margins from 27% in the prior year to 24% in the current year. The current year's margins were under pressure for the following reasons:

1. Raw material price reductions. Certain of our larger manufacturing businesses have an automatic price adjustment mechanism, in terms of which monthly selling prices are adjusted for movements in the base raw material prices. As prices rise, our margins benefit as the supply chain is filled with cheaper raw materials but when prices drop, it has the opposite effect. Raw material prices (steel and various polymers) have been very volatile over the past 24 months. In the prior year, raw material prices rose significantly, doubling in some instances. In the current period, these raw materials have given up their previous gains, which has seen price reductions of up to 30% in a short space of time. This benefited margins in the prior year but weighed on margins in the current year. It is normal for prices to fluctuate from month to month and normally these fluctuations have little overall effect, but the severe volatility over the past 24 months has impacted the gross margins. Raw material pricing has been more stable in the last few months, Rand volatility excepted, which has seen margins return to normal levels.
2. This year was also an expansionary year, with the Group investing R250 million on property plant and equipment with a further R47 million to be spent shortly after year-end. All direct expenditure is capitalised, but there are also indirect expenses being incurred. For example, extra space would have been let in anticipation of the machinery arriving and while it is being commissioned, likewise there are people employed and being trained in anticipation of the increased demand. Until the assets are brought into production in the new financial year, these costs are "unproductive" and weigh on the margin.
3. Most of the revenue growth came from supplying new products. There are certain inefficiencies that come with the introduction of new products. As volumes grow, and production is bedded down, these inefficiencies will be worked out of the system.
4. Load-shedding has also weighed on margins through the extra costs of running diesel generators as well as quite significantly higher repairs and maintenance costs due to power surges and interruptions.

What is important to note, is that the Group has not chased volume at the expense of margin. Other than the last point on load-shedding, which will continue to affect results in the new year, the other points should resolve themselves and all things being equal, margins should improve. Admittedly, "all things being equal" is a big assumption in the current environment.

Administration and selling costs were up R48 million (8%). The cost increases were the result of increased sales activity, inflationary adjustments and rising fuel costs.

Finance expenses were up by R25 million (47%) due to rising interest rates and increased debt levels as we invested in expansion capex.

After a few years of strong cash generation and debt reductions, in the two years prior to this year we managed to reduce interest-bearing debt by R250 million; this year has been an investment year with R250 million being invested in property, plant and equipment. As a result, interest-bearing debt climbed by R123 million. There is another R47 million to be spent in the new financial year to finish off these projects. There will be some benefit from these capital projects in the first half of the new financial year, but the full benefits are only likely to flow in the second half and into the financial years thereafter.

PROPERTY

The property portfolio had a solid, if unspectacular year. Revenue grew by 5,5% with revenue from external tenants growing by 6,5%. At face value, operating profit grew by 25,3% to R116 million but this does include annual property revaluations. Investment properties were revalued upwards by R8 million in the current year as opposed to a R17 million downwards revaluation in the prior year. If revaluations are excluded, operating profit dropped by 2% to R108 million. The drop in profits is as a result of two main factors. Firstly, increases in insurance and administered costs which are rising faster than rental escalations and secondly, in the current year we raised a R3 million provision for bad debts. Although we are hopeful that the bad debt is recoverable, we took a conservative view of it at year-end.

BRANDED PRODUCT DISTRIBUTION

The Branded Product Distribution businesses were impacted by the general economic pressures being felt by South African consumers. We largely distribute discretionary products: toys, electronic equipment and software, and stationery.

This segment had quite a strong first half of the year with revenue up 25% on the comparative period. The economic pressure on consumers and overstocked situations at retail bit quite hard in the second half of the year. The second half is traditionally the busier half, with Christmas and back-to-school. In the current year though, revenue for the second half was up just 1%. Overall, revenue was up 12% for the full year. If one excludes the insurance settlement, operating profit was down 21% to R55 million. The reduced profit is due to lower gross margins partly as a result of exchange rate movements and partly due to increases in provisions for slow-moving inventory.

MANUFACTURING

The manufacturing businesses delivered good revenue growth of 17%. Gross margins were under pressure for all the reasons mentioned previously, i.e. raw material price reductions, unproductive costs related to investments for the next financial year, new product inefficiencies and costs of the rolling blackouts. The margin pressure was enough to see operating profits, excluding the insurance settlement, drop by 24% to R95 million.

Stuart Queen
Chief executive officer

23 June 2023

Formex: Projection welding machine used to attached a nut to a Mercedes Benz C Class structure.

Corporate governance report

This report provides our stakeholders with insight as to how the board and its underlying committees are overseeing and guiding the Group's performance and strategy. It further outlines our corporate structure which is responsible for ensuring compliance with internal policies and external regulation.

BOARD OF DIRECTORS

Deneb's board of directors is tasked with both leading and controlling the Group's strategy and operations. The basis for good governance at Deneb is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The collective experience and diversity of the directors bring a broad perspective and insight. Their knowledge comes from a diverse array of backgrounds and specialist skills across a range of sectors including law, accounting, manufacturing, logistics, education and industrial relations.

BOARD COMPOSITION

As at 31 March 2023, the board of directors comprised nine members: seven non-executive directors and two executive directors. Three of the seven non-executive directors are independent.

The composition of the board is regularly reviewed to ensure a balance of power and authority, negate individual dominance in the decision-making processes and promote race and gender diversity as per the adopted Gender and Race Diversity and Broader Diversity Policies of the Group. The board believes that diversity at board level assists the company to achieve its goals. The board will strive to include members of various age, gender, race, culture, skills, field of knowledge and industry experience.

BOARD APPOINTMENT

The appointment to the board of directors is governed by a formal board-approved mandate regulating the terms of reference and incorporates the provisions of the Companies Act of South Africa and the mandatory provisions as stipulated in paragraph 3.84 of the JSE Listings Requirements, including the Group's Gender and Race Diversity and Broader Diversity Policies and the memorandum of incorporation of the company. There is a distinct division of responsibilities at board level so that no single individual has unfettered powers of decision-making. The board as a whole, within its powers and in a formal and transparent manner, is responsible for the selection and appointment of directors. Directors do not have a fixed term of appointment and there is no mandatory retirement age for non-executive directors.

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

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

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

INDEPENDENCE OF DIRECTORS

Deneb's non-executive directors acknowledge the need for their independence, while recognising the importance of good communication and close co-operation with executive management. The directors are entitled to seek independent professional advice at the company's expense concerning the company's affairs and have access to any information they may require in discharging their duties as directors. Deneb has appointed Mr M H Ahmed as the company's lead independent non-executive director and is responsible for verifying, on an annual basis, the independence and objectivity of the independent non-executive directors. This is done by assessing any circumstance or relationships that could affect such independence.

Corporate governance report
(continued)

BOARD ATTENDANCE

The board meets at least four times a year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. Directors are provided with substantive board papers to enable them to consider the issues on which they are requested to make decisions.

The following table details each director's board meeting attendance during the year under review:

	24 May 2022	22 Aug 2022	22 Nov 2022	14 Mar 2023
M H Ahmed	√	√	√	√
J A Copelyn	√	√	√	√
D Duncan	√	√	√	√
T G Govender	√	√	√	√
N B Jappie	√	√	√	√
K F Mahloma	√	√	√	√
S A Queen	√	√	√	√
Y Shaik	√	√	√	√
G D T Wege	√	√	√	√

√ *In attendance*

COMPANY SECRETARY

The company secretary is Ms C L Philip who provides support and guidance to the board in matters relating to governance, ethical conduct and their fiduciary duties. Where required, the company secretary facilitates induction and training for directors tailored to their individual needs and co-ordinates the annual board and committee evaluation process. Directors have unrestricted access to the advice and services of the company secretary. The company secretary does not fulfil any executive management function and maintains an arm's length relationship with the board and its directors. The company secretary is responsible for the functions as set out in section 88 of the Companies Act of South Africa (as amended). The board has assessed the company secretary and is satisfied that she has the competence, qualifications, independence and experience to fulfil the role of company secretary. All board, committee and shareholders' meetings are properly recorded as per the requirements of the Companies Act.

APPLICATION OF KING IV™

King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

Deneb has reviewed the practices underpinning the principles promoted in King IV™. Many of these principles are entrenched in the Group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that Deneb, in all material aspects, complies with the major recommendations of King IV™ to ensure that sound corporate governance and structures are applied within the Group.

In terms of part 5.4, principle 14 of King IV™, the company's remuneration policy and implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. These votes enable shareholders to express their views on the remuneration policy and implementation report adopted. Furthermore, King IV™ recommends that the remuneration policy should record the measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% (twenty-five percent) or more of the voting rights exercised by the shareholders. As the non-binding advisory votes taken at the annual general meeting held on 29 August 2022 were passed by the requisite majority, there was no further engagement with shareholders in this regard.

For the detailed King IV™ application register, please visit the company's website at www.deneb.co.za

DEALINGS IN THE COMPANY'S SECURITIES

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

WHISTLE-BLOWER HOTLINE

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

GOVERNANCE OF INFORMATION TECHNOLOGY

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

BOARD COMMITTEES

Deneb's board has established committees to assist it to discharge its duties. The committees play a pivotal role in guiding and overseeing strategy, enhancing high standards of governance and achieving increased effectiveness within the Group. The committees comprise members of the board and executive officers of the Group. Board committees are free to take independent, outside professional advice within the scope of their terms of reference and as deemed necessary to carry out their duties. The Group's chief executive officer and other members of the executive management whose presence is required for such committees' effective performance of their responsibilities are invited to be in attendance at committee meetings. The board has established five committees to assist it in discharging its responsibilities:

Executive committee

Chairperson: Mr S A Queen

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

The Deneb executive committee comprises Messrs S A Queen (chairperson), G D T Wege, K Robson and I Morris (retired subsequent to year-end).

The executive committee meets formally once a week and executive committee members attend the monthly operational meetings of each operating entity within the Group. Such formal weekly and monthly meetings include the review of strategic, operational and financial results. The board is apprised of progress through reporting at board meetings and regular communication with management.

Audit committee

Chairperson: Mr M H Ahmed

Role: The audit committee oversees the Group's financial statements and reporting processes, including the system of internal financial controls. The committee's report is presented on pages 57 and 58.

Risk committee

Chairperson: Mr M H Ahmed

Chief risk officer: Mr D Levin

Role: The risk committee is primarily responsible for the governance of risk in accordance with the framework of the Group's risk management policy. The committee's report is presented on pages 46 to 48.

Remuneration committee

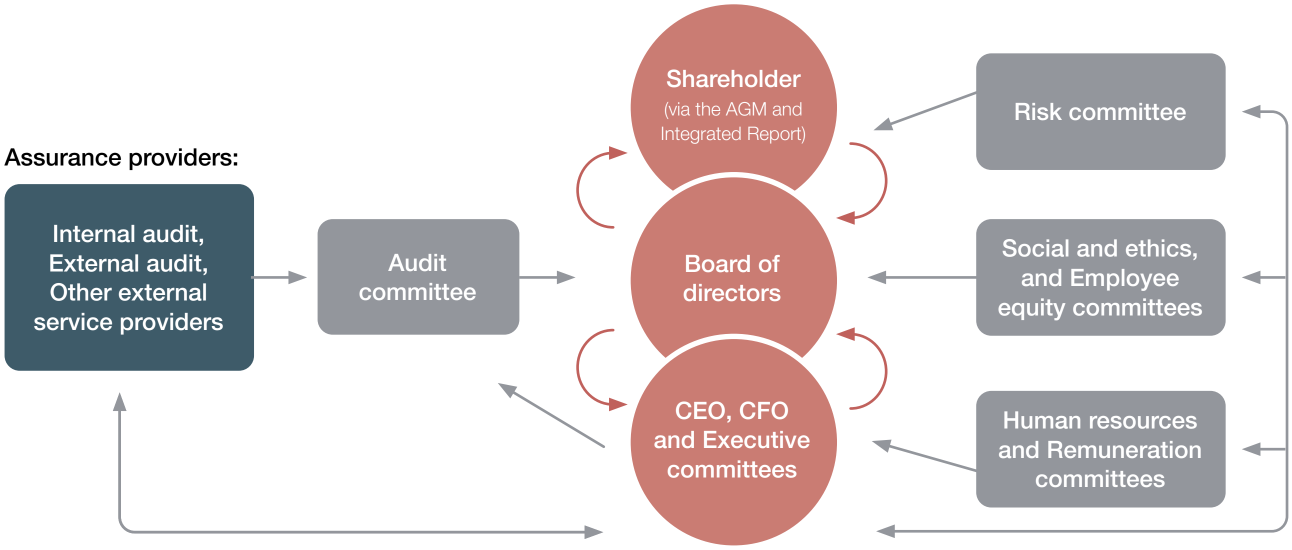
Chairperson: Mr M H Ahmed

Role: The remuneration committee ensures that the Group's directors and senior management are fairly rewarded for their individual contribution to overall performance and aligned with the Group's strategy and performance goals. The committee's remuneration report and remuneration implementation report are presented on pages 49 to 54.

Social and ethics committee

Chairperson: Mr M H Ahmed

Role: The social and ethics committee monitors activities relating to ethics, stakeholder engagement and the social impact of the company on communities within which it operates. The committee also monitors progress across all areas of strategic empowerment as well as compliance with transformation codes. The committee's report is presented on pages 41 to 45.



Butterfly Products staff.

Social and ethics committee report

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

MEMBERS

The members of the committee consisted of Mr M H Ahmed (independent non-executive director), Ms N B Jappie (independent non-executive director), Ms K F Mahloma (independent non-executive director), Mr S Rubidge (Group IR executive) and Mr G D T Wege (executive director). The members are appointed by the board and the committee elected Mr M H Ahmed as chairperson.

MEETINGS

The committee holds a minimum of one meeting per annum. Additional meetings are convened on request of any of the members. The table below records the attendance of committee members at meetings:

	24 May 2022	22 Nov 2022
M H Ahmed	√	√
K F Mahloma	√	√
N B Jappie	√	√
S Rubidge	√	√
G D T Wege	√	√

√ *In attendance*

FUNCTIONS

The committee fulfilled the following functions:

- monitored the Group's progress on transformation of human capital, including:
  - broad-based black economic empowerment ("B-BBEE") and employment equity;
  - prevention of corruption;
  - adherence to the Group's code of ethics;
  - prevention of discrimination;
  - promotion of equality;
  - consumer relations; and
  - labour and skills development;
- monitored the Group's activities in relation to social activities and the socio-economic development of communities in which it operates and adherence to the principles of the United Nations Global Compact;
- monitored the company's practices pertaining to health and safety, the environmental impacts of its operations and preservation of natural resources; and
- highlighting key matters arising from the above to the board.

TRANSFORMATION OF HUMAN CAPITAL

Deneb embraces the objectives of creating a representative workforce within a work environment free from discrimination and prejudice. Transformation continues to be monitored and managed within a governance framework, which includes the social and ethics committee, an internal transformation committee in which the chief executive participates, and the subsidiary transformation forums.

As a member of the HCI Group of companies, Deneb adopted the Group's B-BBEE accreditation methodology. The Group's B-BBEE status was accredited on 26 July 2022 and is valid for a 12-month period. The Group obtained a Level 2 Contributor Status with a total score of 97,96 (2022: 90,39) out of a potential 111 points.

The measurement criteria consist of five elements and we accordingly provide stakeholders with further information on each of these elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development, and Socio-economic Development.

Our B-BBEE profile is summarised below:

Element	Maximum score	Current year score	Previous year score
Ownership	**25,00**	**25,00**	**25,00**
Management control	**19,00**	**14,73**	**13,98**
Skills development	**20,00**	**11,77**	**8,97**
Enterprise and supplier development	**42,00**	**41,46**	**37,44**
Socio-economic development	**5,00**	**5,00**	**5,00**
Overall score	**111,00**	**97,96**	**90,39**

OWNERSHIP AND MANAGEMENT CONTROL

Applying the B-BBEE methodology, Deneb's black ownership percentage is 81% (2022: 69,23%). In addition, of the total shareholding, 46,06% (2022: 37,46%) is owned by black women. Further, 89,7% (2022: 87,8%) of Deneb's employees are black.

Deneb implemented programmes across all entities to achieve the Group's transformation objectives. These programmes include, among other things, the implementation of an in-house learning and development plan and a management trainee programme where graduates are employed and given the opportunity to work within several of the Group's businesses. The programme is structured to ensure the trainee gains exposure across various industries and business functions, which will equip the participants with sufficient experience to excel in future employment.

SKILLS DEVELOPMENT

Coaching, mentoring, training and development of our employees is critical to ensure that our employees have the required skills and knowledge to perform their work.

Advances in technology has enabled training to be more readily available via virtual training methods, webinars, e-learning virtual meetings, group discussions and "think tanks". While traditional training methods have their place, these developments have created new opportunities for employees to be exposed to new developments and upskill themselves.

A number of training interactions have been undertaken in the Group. Together with the HCI Foundation Programme, the Group Mentorship Programme of mentoring postgraduate bursary holders has continued. A number of our Senior Management and leaders give of their time and participate in the Mentorship Programme. The aim of the programme is for mentors to steer and guide our young graduates on their chosen career path and to provide them with the opportunity and exposure to skills and knowledge of senior leaders. While the mentees have found this programme to be invaluable to them, many of the mentors have found the programme to be an enriching experience to be able to give and impart knowledge to their mentees, and to make a difference in the lives of our future leaders has been self-fulfilling.

Health and safety training continues to be a focus area. Training is done both formally and informally. Each business ensures that the required statutory and legal training is conducted by accredited and certified training providers.

The Group has continued the apprenticeship programme with a number of electrical, fitter and turner apprentices participating in the programme. It is important that we continue to ensure that we train artisans, electricians and people with a trade to ensure that we do not have a shortage of these important skills and trades.

An extensive product knowledge exposure and training programme has been implemented in the Branded Products divisions. This has had a positive impact in the market and facilitated improved relationships with both customers and suppliers.

A number of generic/general training initiatives have been conducted which include computer skills, Excel, quality programmes, ISO and other quality standards, disciplinary hearings, production management, employment equity training for employment equity committees, team leaders and supervisory training amongst other training interventions.

The Code of Good Practice on the Prevention and Elimination of Harassment in the Workplace has been publicised and employees have been exposed to the Act and related policies.

The Fibre Processing and Manufacturing Sector Education and Training Authority's ("FP&M SETA") Textile Learnership Programme has continued with previously unemployed learners on the programme. We have also continued with the Internship Programme. This programme focuses on providing graduates with work exposure and practical work experience. When suitable vacancies arise, suitably qualified interns have been offered permanent employment. It is our intention to continue to enhance this Internship Programme in the future.

In partnership with Effective Interactions, disabled learners participated in a general administration learnership. This programme has created the opportunity for these learners to gain skills and knowledge which would otherwise be difficult to access. The learnership programme was for a year and 95% of the original learners completed the programme.

Many of our training initiatives focus on B-BBEE and Employment Equity Standards. We are encouraged by our managements' commitment to the training and development of our employees. This provides a solid foundation for our future leaders.

ENTERPRISE AND SUPPLIER DEVELOPMENT

The Group's enterprise and supplier development plan continued to assist black-owned entities to build and distribute their products. The Group procured in excess of 92% (2022: 89%) of its discretionary merchandise and services from empowered local suppliers.

Deneb continued to participate as a member of the HCI Group's Supplier Club. The Supplier Club aims to develop small, medium and micro enterprises as a solution to support and develop emerging businesses through financial and non-financial benefits.

SOCIO-ECONOMIC DEVELOPMENT

We recognise the importance of social support for the communities in which our businesses operate. Over the recent years the focus has been on supporting a number of smaller projects and focused initiatives. We trust that the support for these initiatives have made a difference in the lives of beneficiaries.

Our divisions have continued to support and contribute to a number of worthwhile causes and organisations. As always, we have numerous requests for assistance and are always presented with challenges of how to allocate finite resources. During the reporting period the Group supported a number of causes, including the Santa Shoe Box Project, HCI's Elderly Learning Programme, Black Angels Motorcycle Club Fundraising Project, the Western Cape Peninsula School Feeding Programme and the Western Cape Fire Fighters amongst other organisations.

One of our divisions have supported and been involved in the activities of THINK TB & HIV Investigative Network ("THINK"). THINK is a non-profit organisation ("NPO"), formed in 2013, which focuses on improvement in the quality of life for people affected by Tuberculosis ("TB") and HIV/Aids in South Africa.

As part of the Group's involvement in education and youth, vouchers for tertiary textbooks were provided to top Matric students in the Gauteng East District.

Aaron Gqadu School in Motherwell, Gqeberha, was in a state of disrepair due to vandalisation, theft and limited resources for maintenance. Many of the Formex employees lives in Motherwell and their dependants and/or families are dependent and rely on the Aaron Gqadu School for education. Formex CEO Hennie Venter met with the headmaster and agreed on an action plan to assist the school. Formex, with the assistance of their supplier base, collected funds and fixed the electricity supply in the classrooms, involved the parents to help with painting of all the classrooms, replaced broken windows and bought equipment to rebuild the canteen which was destroyed in a fire.

We are humbled by the individual employees who give freely to charitable organisations. The contribution to corporate social investment ("CSI") by the Group and individual employees has hopefully made a difference to the lives of those who have benefited from these initiatives.

Formex CSI project: Aaron Gqadu School.

ENVIRONMENTAL MANAGEMENT

Carbon footprint

Consistent with prior years, the carbon footprint was calculated according to the World Resources Institute ("WRI")/World Business Council for Sustainable Development ("WBCSD") Greenhouse Gas ("GHG") Protocol, a widely used corporate GHG accounting and reporting standard. The conversion factors were sourced from the Intergovernmental Panel on Climate Change ("IPCC") 2006 Guidelines and the South African Department of Environment, Forestry and Fisheries' Technical Guidelines for Monitoring, Reporting and Verification of GHG Emissions by Industry. These conversion factors do not change on an annual basis, making the carbon footprint process easier. Some emission factors, such as those for business travel captured under Scope 3 emissions, were still sourced from the United Kingdom's Department for Environment, Food and Rural Affairs ("DEFRA").

The organisational boundary was set according to the operational control approach, whereby Deneb companies report on all GHG emissions from facilities and activities over which they have operational control.

In keeping with last year's methodology, emissions from waste, refrigerants, and oils and lubricants were excluded because of inaccuracies in the data. GHG emissions from these sources are immaterial in comparison to emissions from sources such as fuel combustion and electricity use.

In aggregate, Deneb's Scopes 1 and 2 emissions in the current financial year were 23 373 tCO_2e (2022: 24 474 tCO_2e). This represents a 4% decrease relative to the Scopes 1 and 2 emissions reported in the prior financial year. The decrease originates from a 5% reduction in throughput, largely attributable to the effect of load-shedding on the manufacturing businesses. The biggest contributors to Deneb's Scopes 1 and 2 emissions are:

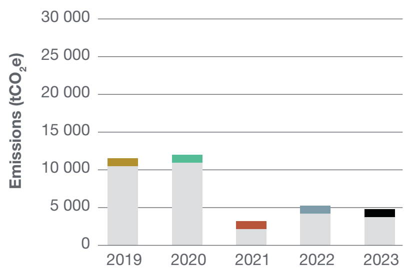
- Formex 26% (2022: 28%);
- Brits Nonwoven 25% (2022: 23%); and
- Integrated Polypropylene Products 20% (2022: 18%).

Current year Scope 1 emissions totalled 4 807 tCO_2e (2022: 5 243 tCO_2e), an 8% decrease year on year. The three main sources of Scope 1 emissions were:

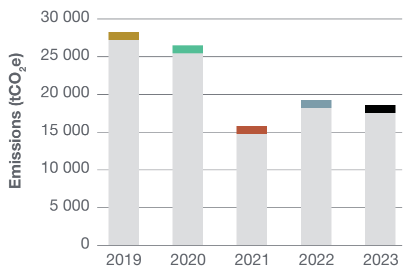
- natural gas (47%) – mostly as a result of the liquefied petroleum gas ("LPG") consumed in burners by Brits Nonwoven. LPG is also consumed in other equipment and forklifts by other businesses;
- diesel (29%) – consumed by most operations in both generators and vehicles; and
- heavy fuel oil ("HFO") (16%) – consumed largely by Romatex in its manufacturing facility in Cape Town.

Scope 2 emissions totalled 18 567 tCO_2e, down 3% on the prior year's emissions of 19 231 tCO_2e. The biggest contributors to Deneb's Scope 2 emissions are Formex

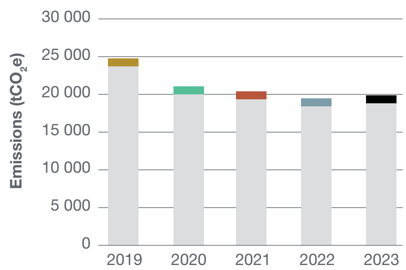
Deneb's Scope 1 emissions



Deneb's Scope 2 emissions



Deneb's Scope 3 emissions



(32% (2022: 33%)), Integrated Polypropylene Products (25% (2022: 23%)) and Brits Nonwoven (16% (2022: 15%)). The companies use significant amounts of electricity in their respective production processes.

Scope 3 emissions are attributable to emissions from business travel and emissions from electricity consumed by tenants at the properties owned by Vega Properties. Scope 3 emissions totalled 19 951 tCO_2e (2022: 19 436 tCO_2e), a 3% increase relative to emissions in the prior financial year. Vega Properties is the largest contributor to Scope 3 emissions, mainly due to the electricity consumed by all non-Deneb tenants in its properties.

DENEB'S WATER FOOTPRINT

Water withdrawals

Deneb's water withdrawals for the year totalled 61 523 kℓ (2022: 52 062 kℓ), an 18% increase compared to the prior year.

Formex is the largest water user (42%), followed by Custom Extrusion (15%). Both Formex and Custom use water in their production processes for washing, cooling and cleaning. The increase is attributable to Formex, relating to increased activity at its pressing plant.

Water discharges

The Carbon Disclosure Project ("CDP") definition of water discharges excludes the discharge of collected rainwater and domestic sewage. Deneb's discharges during the year were 29 626 kℓ (2022: 26 544 kℓ), a 12% increase from the water discharged in the prior year. Discharges are mainly attributable to Formex (82%) and Romatex (17%). All the discharges are to municipal treatment plants.

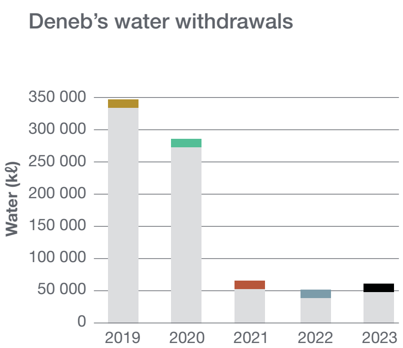
Water consumption

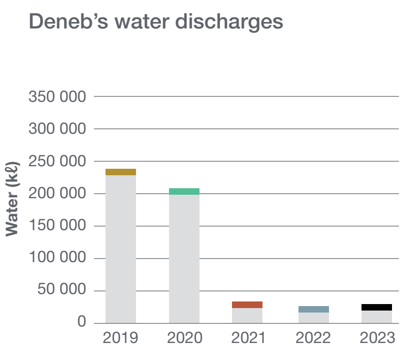
The CDP defines water consumption as "an amount of water that is used, but not returned to its original source". This includes water that has evaporated, transpired, has been incorporated into products, crops or waste, consumed by man or livestock or otherwise removed from the local source.

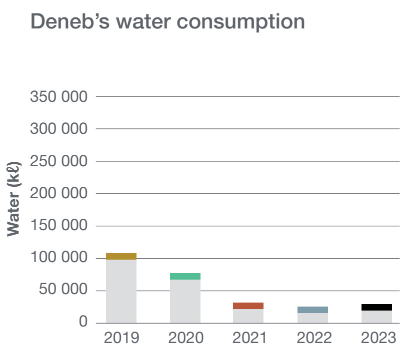
Deneb's water consumption was estimated by subtracting discharges from withdrawals. Using the same method, this year's water consumption was calculated to be 31 898 kℓ (2022: 25 518 kℓ). This is a 25% increase from the prior year. This is evidently a high-level estimate, since it excludes water discharged as sewerage or storm water. Reasons for changes in water consumption can be traced back to reasons for changes in withdrawals and discharges.

TERMS OF REFERENCE

The Deneb social and ethics committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The committee has fulfilled its mandate as prescribed by the Companies Act and confirms there are no instances of material non-compliance.







Risk committee report

The Group strives to maintain an appropriate balance between risk and reward, recognising that certain risks need to be taken to achieve sustainable growth and returns while at the same time protecting the Group and its stakeholders against avoidable risks.

RESPONSIBILITY

The board is responsible for the governance of risk and has appointed a risk committee to review the risk management progress of the company, the effectiveness of risk management activities, the key risks facing the company and the responses to the risk.

This process is managed in accordance with the Group's risk management charter.

MEMBERS OF THE RISK COMMITTEE

The risk committee formally convenes twice a year and consists of the members of the audit committee, the chief executive officer, chief financial officer and the chief risk officer. The composition of the committee ensures a good balance of executive and independent input.

Members of the committee consisted of Mr M H Ahmed (chairperson), Ms N B Jappie, Ms K F Mahloma, Mr S A Queen, Mr G D T Wege and Mr D Levin (chief risk officer). Despite not consisting of a majority of non-executive directors as envisaged by King IV, the board is of the opinion that the current composition of the committee is satisfactory to discharge the committee's roles and responsibilities.

MEETINGS

The committee holds a minimum of two meetings per annum. Additional meetings are convened on request of any members. The table below records the attendance of committee members at meetings:

	24 May 2022	22 Nov 2022
M H Ahmed	√	√
K F Mahloma	√	√
N B Jappie	√	√
S A Queen	√	√
G D T Wege	√	√
D Levin	√	√

√ *In attendance*

RISK MANAGEMENT APPLICATION

In fulfilling its duties, the committee reviewed:

- risks related to new acquisitions and disposals;
- the treasury function covering liquidity, banking covenants, credit risk and foreign exchange risks;
- the Group's facilities, which are provided by its commercial bankers;
- the Group's main credit exposures;
- the Group's foreign exchange mandate, which requires that at least 50% of forex exposure is covered;
- the Group's safety, health and environmental ("SH&E") and security risk control programme, which entails the continual auditing of all sites on an annual basis by the Group's operational compliance officer, and in terms of which selected sites are reviewed by independent risk consultants on a rotational basis;
- the insurance programme, in terms of which Group assets are insured subject to specific policy conditions, limits and deductibles;
- any fraud matters identified either by internal audit and/or via the independently managed ethics whistle-blower hotline;
- information technology risks as identified by the Group head of IT through continual assessment and monitoring; and
- material legal disputes.

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

INTERNAL CONTROLS AND COMBINED ASSURANCE FRAMEWORK

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

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

The assurance obtained informs executive management about the effectiveness of the Group's internal controls in respect of significant risks. The risk committee, which is responsible for the oversight of risk management at Deneb, considers the risks and the assurance provided through the combined assurance framework and advises the board on the state of risks in Deneb's operating environment.

This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the Integrated Annual Report, on risk management and the effectiveness of internal controls within Deneb by the audit committee. Deneb's combined assurance framework is based on Enterprise Risk Management best practice, as set out below.

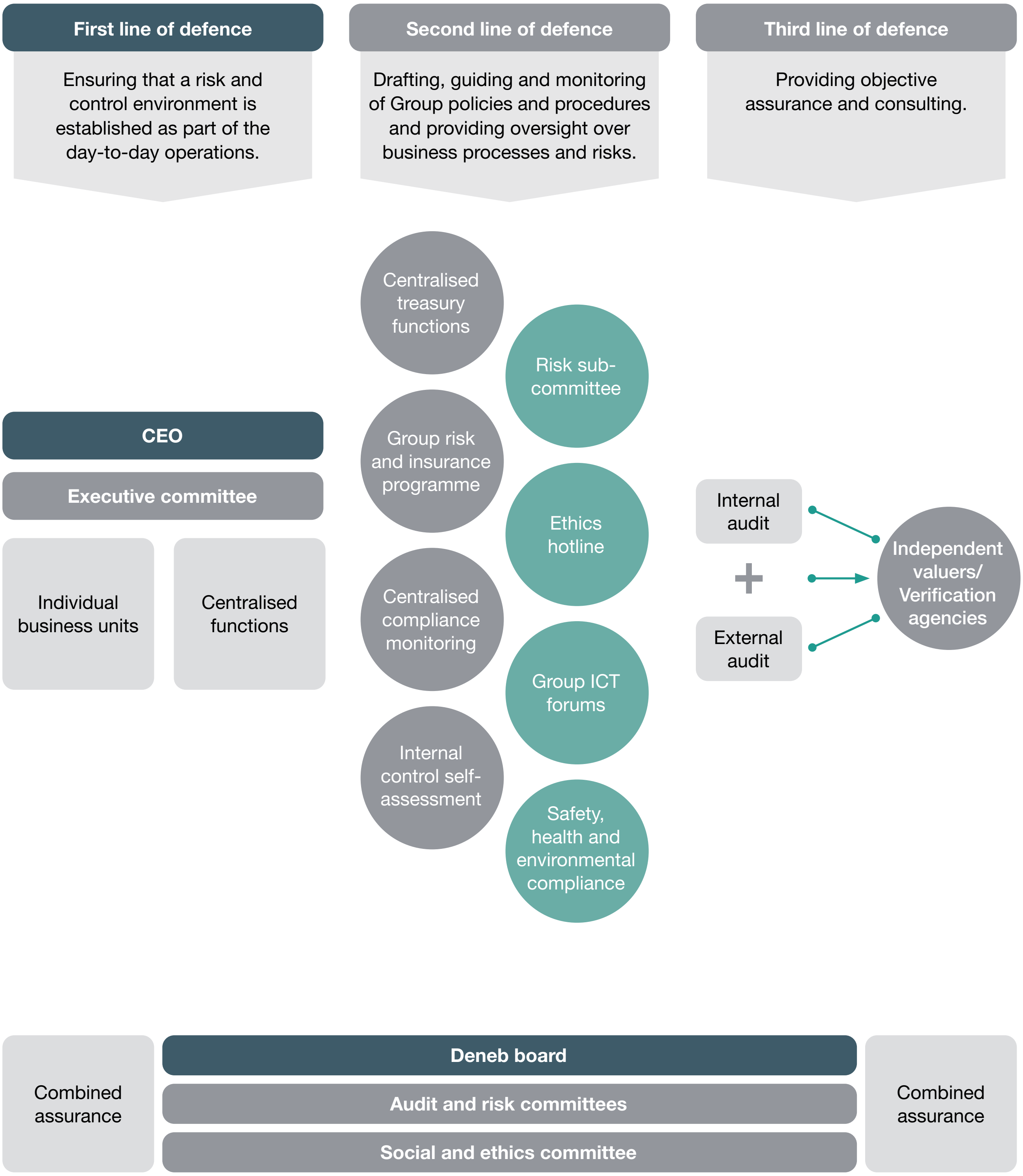
MATERIAL RISKS

A description of all immediately identifiable material risks specific to the company, its industry and/or its issued ordinary shares are available at **www.deneb.co.za**

The Deneb risk committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Polypropylene Products: Recycling machine that recycles the polymer waste, off cuts and rejects.

Risk committee report
(continued)



Remuneration committee report

The Group's remuneration policies strive to reward employees in a fair and responsible way, which ensures a culture of high performance to deliver returns to shareholders through employees who are motivated, engaged and committed. The Group's remuneration policies and philosophies are contained in this report and their intended consequences are to attract, retain and develop employees with scarce and critical skills that contribute to building sustainable businesses.

MEMBERS

The members of the committee consisted of Mr M H Ahmed (chairperson, independent non-executive director), Ms N B Jappie (independent non-executive director) and Mr J A Copelyn (non-executive director). On request of the committee members the chief executive officer attends the meetings, but recuses himself from the meetings before any decisions are made in which he is affected.

GOVERNANCE

The board delegates responsibility for the oversight of the Group's remuneration practices to the remuneration committee. The committee ensures that the Group has a competitive remuneration structure which is aligned with the Group's strategy and performance goals. The key duties of the committee include:

- ensuring the Group upholds its entrenched remuneration philosophy that promotes the achievement of its strategic objectives;
- determining on an annual basis:
  - the remuneration of non-executive directors;
  - the total remuneration package of executive directors including, where appropriate, annual increases, short-term performance bonuses and long-term incentives; and
  - the remuneration packages of senior management and employees who report directly to the chief executive officer;
- ensuring the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
- reviewing and recommending to the board all proposals for executive share-based incentives and other short-term and long-term incentive schemes;
- determining targets for any performance-related pay schemes and requesting the board, when required, to seek shareholder approval for any share-based and other long-term incentive schemes; and
- compiling a report for inclusion in the company's Integrated Annual Report.

The committee meets at least annually and seeks advice and guidance from external experts, as deemed appropriate.

Attendance of the meeting was as follows:

	29 Jun 2022	24 May 2023
M H Ahmed	√	√
J A Copelyn	√	√
N B Jappie	√	√

√ *In attendance*

SHAREHOLDER ENGAGEMENT

The remuneration policy and the remuneration implementation report, which provide insight into the Group's remuneration practices, will be tabled for non-binding advisory votes of shareholders at the annual general meeting.

In the event that either the remuneration policy or the remuneration implementation report, or both, have been voted against by 25% (twenty-five percent) or more of the voting rights exercised by shareholders at the annual general meeting, the company will formally engage with such dissenting shareholders to understand the reasons for the dissenting votes, and in respect of objections which are legitimate and reasonable to consider amending the remuneration policies or governance processes.

Remuneration committee report
(continued)

COMPOSITION OF REMUNERATION

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise that they provide to the Group. Non-executive directors do not participate in the Group's short-term or long-term incentive schemes.

Messrs J A Copelyn, T G Govender, Y Shaik and M H Ahmed are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI") and Ms N B Jappie is a director of a fellow HCI subsidiary company.

Executive directors

The remuneration packages of executive directors comprise:

- a guaranteed remuneration package (structured on a cost-to-company basis);
- access to retirement fund and medical aid benefits funded from the guaranteed remuneration package;
- a short-term discretionary cash-based incentive bonus based on business and individual performance; and
- participation in the Deneb Share Incentive Scheme.

The remuneration structure of executive directors is linked to the Group's medium- to long-term business objectives and is therefore aligned to shareholder interests. The performance of the chief executive officer is evaluated by the chairperson, while the performance of the other executive directors is evaluated by the chief executive officer. The annual pay increases of the executive directors are aligned to the annual increase parameters as determined by the remuneration committee.

Executive directors participate in the annual short-term cash-based incentive scheme. To qualify for the incentive, minimum financial targets, based on the Group's return on equity ("ROE") hurdle or budgets, are set by the remuneration committee. The financial targets to qualify for the incentive were achieved and executive directors qualified for short-term cash-based incentives as set out below.

The sustainability of the Group's business is critical in determining remuneration and the board is satisfied that the performance targets do not encourage excessive risk-taking by the executives. The Deneb Share Incentive Scheme in which executive directors may participate consists of a share option scheme, the details of which are disclosed in this report.

Management and non-bargaining unit employees

Senior management receives an annual guaranteed salary and participate in the short-term incentive bonus scheme. Guaranteed remuneration for senior executives is set at levels to retain and recruit management talent. Each senior executive position is graded, based on the business's turnover, number of employees, assets under management, locations and the degree of complexity involved in the business. The associated package is benchmarked against an external market survey for a similar job rating.

As the Group's philosophy is to reward performance, the salary benchmark is set at the 50th percentile median, which allows a lower fixed cost, but higher incentive structure.

The annual review of the performance of senior management is undertaken by the chief executive officer who provides a recommendation to the committee on any adjustments or incentive payments. Key senior managers participate in the Deneb Share Incentive Scheme, with selection based on their strategic contribution. Under the guidance of the remuneration committee the Group has introduced a uniform appraisal and evaluation process for all non-bargaining council employees. This process has been applied to all employees of the Group and is used as a guideline to determine remuneration adjustments.

The average salary increase parameter set by the remuneration committee for the year under review was 6% (2022: 6%) and the annual increase date is 1 July.

Bargaining unit employees

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

INCENTIVE SCHEMES

Discretionary short-term incentive scheme

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

In line with international trends, the Deneb Board has agreed that participation in the company incentive scheme will be subject to participants acknowledging and agreeing to abide by the following "clawback" condition:

- The company may implement measures to recover any incentive bonus that has been unjustly/incorrectly paid to an individual.
- Should it be established that an incentive bonus has been incorrectly paid due to material misstatements of financial statements, errors in calculations or for any other reason that has resulted in the overpayment of an incentive bonus, the company reserves the right to implement measures to recover such amounts.

The Deneb Share Incentive Scheme

The scheme was implemented to align executive directors' and senior management's objectives with those of the shareholders so as to ensure that those employees are encouraged and motivated to pursue sustainable growth and profitability. The aggregate number of shares which any one participant may acquire in terms of the scheme may not exceed 8 572 234 ordinary shares. The aggregate number of shares which may be utilised for the scheme may not exceed 42 862 171.

Participants are entitled to exercise options on a net equity-settled formulation, based on a minimum service period criteria, and are subject to the participant's continued employment on the date on which the option is exercised.

The required period of service is as follows:

- 10% from the first anniversary date;
- 20% from the second anniversary date;
- 30% from the third anniversary date; and
- 40% from the fourth anniversary date.

EMPLOYEE BENEFITS

Retirement funds

The majority of the Group's subsidiaries have defined contribution pension and provident fund arrangements in place. The assets of such retirement funds are managed separately from the Group's assets and are administered by independent trustees and administrators within an umbrella fund. In addition to the independent administrators, a management committee with employee and employer representation has been appointed.

Medical aid

The majority of the Group's subsidiaries offer membership of approved medical aid funds to employees.

The Group carries a liability totalling R77 million (2022: R83 million) for post-employment medical aid benefits. Certain employees who joined the Group before 1 July 1996 are eligible for a 50% retirement subsidy of their total medical scheme contributions. The notes to the financial statements provide further detail of the post-employment medical aid benefits.

The Deneb remuneration committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Remuneration implementation report

NON-EXECUTIVE DIRECTORS

The fees to be paid to the non-executive directors of the company for services as directors are tabled below and are to be approved by shareholders at the annual general meeting:

Category of fee	2023 Proposed fee excluding VAT R	2022 Approved fee excluding VAT R
Board member	**164 000**	155 000
Member of the audit committee	**68 000**	64 500
Member of the remuneration committee	**68 000**	64 500

Messrs J A Copelyn, T G Govender, Y Shaik and M H Ahmed are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited ("HCI"). Ms N B Jappie is a director of a fellow HCI subsidiary company.

The following table reflects the remuneration received by these directors from HCI and its subsidiaries for the year ended 31 March 2023:

	Board fees R000's	Salary R000's	Other benefits R000's	Share option expense R000's	Bonus R000's	Total for the year ended 31 March 2023 R000's	Total for the year ended 31 March 2022 R000's
Director							
J A Copelyn	–	8 623	–	7 045	6 467	**22 135**	19 822
T G Govender	–	2 244	–	3 192	1 459	**6 895**	6 415
Y Shaik	–	4 455	–	3 019	2 896	**10 370**	9 297
M H Ahmed	808					**808**	765
N B Jappie	458					**458**	434

EXECUTIVE DIRECTORS

Details of the executive directors' remuneration for the year ended 31 March 2023 are:

	Salary R000's	Short-term bonus R000's	Retirement and medical aid contributions R000's	Share option expense R000's	Total for the year ended 31 March 2023 R000's	Total for the year ended 31 March 2022 R000's
Executive director						
S A Queen (CEO)	5 213	9 327	–	2 921	**17 461**	12 718
G D T Wege	2 577	4 962	359	463	**8 361**	5 751
D Duncan	–	–	–	–	**–**	1 547

SHARE OPTIONS

During the year under review 12 184 116 (2022: 9 559 945) share options were granted to employees; 6 969 291 (2022: 1 199 776) shares were issued during the financial year.

Options in issue are as follows:

Option holder	Grant date	Unexercised options	Strike price (cents)	Vesting conditions	Remaining life of option (years)
S A Queen	30 June 2016	2 343 944	121	Continued employment	2
	18 June 2018	1 489 586	178	Continued employment	1
	4 July 2019	2 290 642	161	Continued employment	2
	30 June 2020	2 443 035	119	Continued employment	3
	28 June 2021	1 846 187	154	Continued employment	4
	29 June 2022	2 116 260	211	Continued employment	5
Total for S A Queen		**12 529 654**			
G D T Wege	30 June 2016	738 491	121	Continued employment	2
	26 June 2017	672 598	116	Continued employment	3
	4 July 2019	1 088 366	161	Continued employment	2
	30 June 2020	953 353	119	Continued employment	3
	28 June 2021	991 868	154	Continued employment	4
	29 June 2022	966 126	211	Continued employment	5
Total for G D T Wege		**5 410 802**			
Other, not being directors	29 June 2015	333 683	146	Continued employment	1
	30 June 2016	2 147 454	121	Continued employment	2
	26 June 2017	1 585 375	116	Continued employment	3
	18 June 2018	1 392 638	178	Continued employment	1
	4 July 2019	5 997 770	161	Continued employment	2
	30 June 2020	7 701 020	119	Continued employment	3
	28 June 2021	6 419 386	154	Continued employment	4
	29 June 2022	8 996 585	211	Continued employment	5
Total other		**34 573 911**			
Total options in issue		**52 514 367**			

Reconciliation of movements in options:

Number of options	**2023**	2022
Opening balance	**60 287 289**	57 456 438
Awarded during the period	**12 184 116**	9 559 945
Exercised during the period	**(6 969 291)**	(1 199 776)
Options used for strike price	**(12 847 595)**	(5 129 175)
Lapsed/forfeited during the period	**(140 152)**	(400 143)
Closing balance	**52 514 367**	60 287 289

		2023	2022
Number of options exercisable at year-end		**14 932 694**	29 884 003
Expense/(income) during the year (included in employment costs)	(Rand)	**5 282 152**	3 959 078
Value of shares issued during the year	(Rand)	**12 149 871**	4 167 489
Weighted average share price of share options exercised during the year	(Rand)	**2,39**	1,94

Top three executive management earners

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

Top three earners for 2023	**R000's**
Executive 1	**9 750**
Executive 2	**8 352**
Executive 3	**7 993**

The names of the three most highly paid employees who are not directors have not been disclosed. The committee is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

Vega Properties: Deneb House.

Consolidated annual financial statements

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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Audit committee report

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

PRIMARY ROLE AND RESPONSIBILITY OF THE COMMITTEE

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

COMPOSITION AND MEETINGS OF THE AUDIT COMMITTEE

The committee comprises three independent, non-executive directors: Mr M H Ahmed (chairperson), Ms K 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 for 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:

	24 May 2022	22 Nov 2022
M H Ahmed	√	√
K F Mahloma	√	√
N B Jappie	√	√

√ *In attendance*

AUDIT COMMITTEE FEES

Fees paid to the committee members are disclosed in note 28.

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 under review.
- 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 Richard Jacobs as the designated auditor for the year under review. The external auditor has unrestricted access to the company's records and management and furnishes a written report to the committee on significant findings arising from the annual audit. The committee is satisfied that the external auditor is independent of Deneb as set out in section 94(8) of the Companies Act and suitable for re-appointment at the annual general meeting by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Limited Listings Requirements.

INTERNAL AUDIT AND INTERNAL CONTROL

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

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

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

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

EXPERTISE AND FINANCIAL EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

The audit committee is satisfied that in terms of paragraph 3.84(g)(i) of the JSE Limited 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 2023 financial year and complied with all statutory and regulatory responsibilities.

Mohamed Ahmed
Chairperson

23 June 2023

Directors' responsibility statement and CEO and CFO's responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Deneb Investments Limited, which comprise the consolidated statement of financial position as at 31 March 2023 and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 136. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards, the Listings Requirements of the JSE and the requirements of the Companies Act of South Africa and Companies Regulations, 2011. In addition, the directors are also responsible for preparing the Directors' Report.

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

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

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

The directors of the Group are responsible for the control over and security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders, and to the Companies and Intellectual Property Commission.

CEO AND CFO'S RESPONSIBILITY STATEMENT

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 66 to 136, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls; and
- we are not aware of any fraud involving directors.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Deneb Investments Limited, as identified in the first paragraph, were approved by the board of directors on 23 June 2023 and signed on its behalf by:

Stuart Queen
Chief executive officer

Gys Wege
Group financial director

Declaration by the company secretary

We certify that Deneb Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2023, 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

23 June 2023

Directors' report

The directors have pleasure in submitting their report on the activities of the business together with the consolidated financial statements for the year ended 31 March 2023.

NATURE OF BUSINESS

Deneb Investments Limited is a diverse investment company operating in southern Africa and listed on the JSE Limited under the Financial Services – Diversified Financial Services sector.

GENERAL REVIEW OF OPERATIONS

The results of the Group are set out in the Integrated Annual Report and consolidated financial statements of which this report forms part.

STATED CAPITAL

During the year under review, 6 969 291 (2022: 1 199 776) shares were issued in terms of the Group's share incentive scheme and 4 288 127 shares were bought back. Refer to note 20.

HOLDING COMPANY

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

DISTRIBUTION

The directors resolved to declare a 10 cents distribution to shareholders for the year ended 31 March 2023 (2022: 9 cents).

POST YEAR-END EVENTS

Refer to note 37.

GOING CONCERN

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

DIRECTORATE

The directors of the company appear on pages 30 to 32. During the year under review there were no changes to the directorate.

COMPLIANCE WITH THE COMPANIES ACT AND MOI

The directors confirm compliance with the provisions of the Companies Act and that the company operated in conformity with its memorandum of incorporation during the year under review.

DIRECTORS' EMOLUMENTS

Directors' emoluments for the year ended 31 March 2023 are set out in the Remuneration Report and in note 28 of the consolidated financial statements.

SECRETARY'S AND ADMINISTRATIVE DETAILS

The company secretary is Ms C L Philip. Her business address is located at Suite 801, 76 Regent Road, Sea Point, 8005.

MATERIAL CHANGE

There has been no material change in the financial or trading position of the company since the publication of its provisional results for the year ended 31 March 2023.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 29 August 2022:

- 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 2022 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 paragraph 5.72 of the JSE Listings Requirements, 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.

SPECIAL RESOLUTIONS OF SUBSIDIARIES

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

Independent auditor's report
to the Shareholders of Deneb Investments Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Deneb Investments Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Deneb Investments Limited's consolidated financial statements set out on page 66 to 136 comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

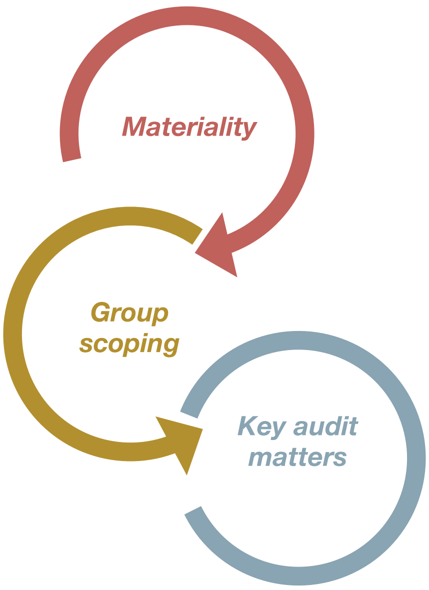
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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)*.

Our audit approach



Overview

Overall Group materiality

- R26 300 000, which represents 0.80% of consolidated revenue.

Group audit scope

- Seven of the components were subject to a full scope audit and five components were subject to the audit of specific balances and transactions. A combination of review and analytical procedures were performed over the remaining components.

Key audit matters

- Valuation of investment properties and owner-occupied properties.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R26 300 000.
How we determined it	0.80% of consolidated revenue.
Rationale for the materiality benchmark applied	We chose consolidated revenue as our materiality benchmark because, in our view, it reflects the activity levels of the Group, and it is a benchmark against which the performance of the Group is most commonly measured by users. We chose 0.80% based on our professional judgement, after consideration of the range of qualitative materiality thresholds that we would typically apply when using revenue to compute materiality, and taking into account the level of debt in relation to the ratio of funding through equity.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the Company and its 23 operational subsidiaries (referred to as "components"), excluding dormant companies. Our scoping assessment included consideration of the financial significance of the Group's components as well as the sufficiency of work planned over material line items in the consolidated financial statements. Seven of the components were subject to a full scope audit and five components were subject to an audit of specified balances and transactions. The remainder of the components were considered to be insignificant to the Group individually and in aggregate.

This, together with additional procedures performed at the Group level, including review and analytical procedures in respect of other components and testing of consolidation journals and intercompany eliminations, gave us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team, and by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We had various interactions with our component teams in which we discussed audit risks, materiality and audit approaches. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties and owner-occupied properties The Group's property portfolio comprises industrial, office and retail investment properties with these being accounted for and disclosed as either owner-occupied or investment properties in the consolidated financial statements. The Group measures owner-occupied properties and investment properties at fair value with changes in the underlying fair values being reflected in other comprehensive income and in profit and loss respectively. As at 31 March 2023, the fair values attributed to owner-occupied properties and investment properties were R280.3 million and R1.06 billion, respectively. Included in consolidated other comprehensive income is a pre-tax amount of R1.5 million relating to the revaluation loss on land and buildings and included in consolidated profit or loss a pre-tax gain amount of R8.4 million. We considered the valuation of investment properties and owner-occupied properties to be a matter of most significance to our current-year audit due to the: • Magnitude of the investment property and owner-occupied property balances in the consolidated statement of financial position; • Quantum of revaluation gains that directly impact the consolidated statement of profit or loss and other comprehensive income; and • Key judgements involved in respect of the unobservable inputs utilised in the valuation. Disclosure is provided in the consolidated financial statements in notes 6, 13 and 14, respectively.	We evaluated the competency of the external experts engaged by the Group to perform the property valuations. This evaluation included but was not limited to assessing the professional qualifications and experience and independence of these experts. Significant judgement is applied in determining the capitalisation rates and other assumptions which will be disclosed in the financial statements. We obtained an understanding of the prevailing market conditions in which the Group invests by inspecting the latest Rodes and The South African Property Owners Association ("SAPOA") Cap and Discount Rate Reports. Making use of our valuations expertise, we compared historical valuations against current year valuations, and noted that the movements appear to be in line with overall shifts in the market as evidenced in the property market reports. We met with management and discussed the details of selected individual properties, any new leases entered into during the year, lease expiries, capital expenditure and vacancy rates. We assessed the reasonableness of the unobservable inputs used in the valuation by performing the following procedures: • For a sample of leases, we compared the projected income used in the valuation to the tenancy schedule which was vouched to actual lease contracts. We found that the data used in the samples tested were accurate and consistent with tenant leases. • We compared market capitalisation rates by location and asset grade to an independent range determined based on benchmark market data for these assumptions. Where capitalisation rates fell outside of our anticipated ranges, we challenged the rationale supporting the rates applied in the valuation by discussing with management their reasons for supporting the adopted metric. Typically, the variances related to the relative age, or size/location of the property. In the context of the specific properties identified, the reasons provided by management for the variances were accepted. For a sample of properties, we compared the occupancy rates used in the external valuation to the "SAPOA" Cap and Discount Rate Report, based on the location of each property. We found that the occupancy rates fell within an acceptable range. Using our valuation expertise, we assessed the impact of the current economic climate on the forward rentals and capitalisation rates, adjusted for risk factors present, such as the occupancy rates and associated reletting prospects in the property portfolio.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled “Deneb Investments Limited Integrated annual report 2023” and “Deneb Investments Limited Separate Annual Financial Statements for the year ended 31 March 2023”, which includes the Directors’ report, the Audit committee report and the Declaration by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor’s reports thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: R Jacobs
Registered Auditor

Cape Town
23 June 2023

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

Continuing operations	Notes	2023 R000's	2022* R000's
Revenue	4, 5	**3 289 787**	2 879 541
Cost of sales	5	**(2 502 994)**	(2 101 844)
Gross profit		**786 793**	777 697
Other income	5	**112 187**	50 817
Selling and distribution expenses		**(303 998)**	(275 361)
Administrative and other expenses		**(315 897)**	(296 263)
Operating profit before finance costs, impairments and revaluation of properties	5	**279 085**	256 890
Revaluation of properties	9, 13, 14	**8 395**	(17 133)
Impairments	6	**(6 143)**	–
Profit before finance costs		**281 337**	239 757
Finance income	7	**1 624**	1 574
Lease finance expenses	7, 12	**(12 894)**	(12 987)
Finance expenses	7	**(77 146)**	(52 483)
Profit before taxation		**192 921**	175 861
Income tax expense	8	**(52 112)**	(48 170)
Profit after tax		**140 809**	127 691
Discontinued operations			
Loss from discontinued operations, net of tax	9	**(5 708)**	(3 298)
Profit		**135 101**	124 393
Other comprehensive income, net of related tax			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings		**(1 138)**	634
Revaluation	13	**(1 451)**	(232)
Related tax	8	**313**	866
Post-employment medical benefit – actuarial gain		**3 848**	2 337
Actuarial gain	21	**5 271**	3 208
Related tax	8	**(1 423)**	(871)
Items that may be reclassified to profit or loss			
Fair value adjustment on financial asset at fair value through other comprehensive income		**(280)**	–
Foreign operations – foreign currency translation differences		**4 877**	248
Other comprehensive income, net of tax		**7 307**	3 219
Total comprehensive income for the year		**142 408**	127 612
Profit attributable to:			
Owners of the company		**135 506**	124 393
Non-controlling interest	36	**(405)**	–
		135 101	124 393
Total comprehensive income attributable to:			
Owners of the company		**142 813**	127 612
Non-controlling interest	36	**(405)**	–
		142 408	127 612
Basic earnings per share	cents	**31,01**	28,56
Basic earnings per share from continuing operations		**32,32**	29,32
Basic loss per share from discontinued operations		**(1,31)**	(0,76)
Diluted earnings per share	cents	**30,26**	27,93
Diluted earnings per share from continuing operations		**31,53**	28,67
Diluted loss per share from discontinued operations		**(1,27)**	(0,74)

* *Restated, refer to note 33.*

Consolidated statement of financial position

as at 31 March

	Notes	2023 R000's	2022 R000's
ASSETS			
Non-current assets		**2 164 232**	2 049 272
Property, plant and equipment		**931 346**	721 992
Plant and equipment	11	**563 246**	410 535
Right-of-use assets	12	**87 754**	63 912
Owner-occupied properties	13	**280 346**	247 545
Investment properties	14	**1 063 513**	1 125 386
Intangible assets and goodwill	15	**42 447**	49 318
Intangible assets		**20 536**	26 558
Goodwill		**21 911**	22 760
Financial assets at fair value through other comprehensive income	16	**6 236**	4 237
Long-term receivables	17	**5 072**	7 955
Deferred tax assets	8	**115 618**	140 384
Current assets		**1 318 570**	1 239 658
Inventories	18	**644 970**	596 406
Trade and other receivables	19	**564 400**	563 270
Current tax assets		**11 402**	6 490
Cash and cash equivalents		**97 798**	73 492
Non-current assets held for sale	9.3	**132 500**	43 010
Total current assets		**1 451 070**	1 282 668
Total assets		**3 615 302**	3 331 940
EQUITY AND LIABILITIES			
Total equity		**1 781 152**	1 678 902
Stated capital	20	**1 465 203**	1 462 143
Reserves		**316 354**	216 759
Equity attributable to owners of the company		**1 781 557**	1 678 902
Non-controlling interest	36	**(405)**	–
Non-current liabilities		**1 105 541**	782 523
Deferred tax liabilities	8	**17 415**	11 201
Post-employment medical aid benefits	21	**69 437**	74 974
Deferred income	24	**94 949**	81 033
Interest-bearing liabilities	22	**818 999**	528 757
Lease liabilities	12	**104 741**	86 558
Current liabilities		**728 609**	870 515
Current tax liabilities		**2 093**	13 382
Post-employment medical aid benefits	21	**7 670**	7 600
Deferred income	24	**10 103**	13 974
Interest-bearing liabilities	22	**66 766**	219 118
Lease liabilities	12	**18 784**	14 738
Trade and other payables	23	**555 843**	587 205
Bank overdraft		**67 350**	14 498
Total liabilities		**1 834 150**	1 653 038
Total equity and liabilities		**3 615 302**	3 331 940

Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Stated capital total R000's	Other reserves R000's	Retained income R000's	Total R000's	Non-controlling interest R000's	Total R000's
Balance at 31 March 2021		1 459 386	287 786	(169 378)	118 408	(1 237)	1 576 557
Total comprehensive income		–	882	126 730	127 612	–	127 612
Profit		–	–	124 393	124 393	–	124 393
Other comprehensive income, net of tax		–	882	2 337	3 219	–	3 219
Foreign operations – foreign currency translation differences		–	248	–	248	–	248
Revaluation of land and buildings, net of tax		–	634	–	634	–	634
Post-employment medical benefits – actuarial gain, net of tax	21	–	–	2 337	2 337	–	2 337
Transactions with owners of the company		2 757	–	(29 261)	(29 261)	1 237	(25 267)
Share buy-back		(1 410)	–	–	–	–	(1 410)
Share scheme – expense		–	–	5 369	5 369	–	5 369
– options exercised		4 167	–	(4 167)	(4 167)	–	–
Effects of change in holdings	36	–	–	–	–	1 237	1 237
Distribution to shareholders		–	–	(30 463)	(30 463)	–	(30 463)
Balance at 31 March 2022		**1 462 143**	**288 668**	**(71 909)**	**216 759**	**–**	**1 678 902**
Total comprehensive income		**–**	**3 459**	**139 354**	**142 813**	**(405)**	**142 408**
Profit		**–**	**–**	**135 506**	**135 506**	**(405)**	**135 101**
Other comprehensive income, net of tax		**–**	**3 459**	**3 848**	**7 307**	**–**	**7 307**
Fair value adjustment on financial asset at fair value through other comprehensive income		**–**	**(280)**	**–**	**(280)**	**–**	**(280)**
Foreign operations – foreign currency translation differences		**–**	**4 877**	**–**	**4 877**	**–**	**4 877**
Revaluation of land and buildings, net of tax		**–**	**(1 138)**	**–**	**(1 138)**	**–**	**(1 138)**
Post-employment medical benefits – actuarial gain, net of tax	21	**–**	**–**	**3 848**	**3 848**	**–**	**3 848**
Transactions with owners of the company		**3 060**	**–**	**(43 218)**	**(43 218)**	**–**	**(40 158)**
Share buy-back		**(9 090)**	**–**	**–**	**–**	**–**	**(9 090)**
Share scheme – expense		**–**	**–**	**8 142**	**8 142**	**–**	**8 142**
– options exercised		**12 150**	**–**	**(12 150)**	**(12 150)**	**–**	**–**
Effects of change in holdings	36	**–**	**–**	**–**	**–**	**–**	**–**
Distribution to shareholders		**–**	**–**	**(39 210)**	**(39 210)**	**–**	**(39 210)**
Balance at 31 March 2023		**1 465 203**	**292 127**	**24 227**	**316 354**	**(405)**	**1 781 152**

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2023 R000's	2022 R000's
Net cash flows from operating activities		**132 478**	126 382
Profit		**135 101**	124 393
Adjustments for:			
– Depreciation	5	**74 785**	67 851
– Amortisation of intangible asset	5, 15	**4 104**	3 820
– Revaluation of properties	9, 13, 14	**(8 395)**	17 133
– Net foreign exchange losses – unrealised		**64**	3 235
– Government grants relating to interest-free loans		**(9 980)**	–
– Loss on disposal of intangible assets		**–**	9
– Net profit on disposal of property, plant and equipment		**(1 227)**	(768)
– Net profit on non-current assets held for sale		**(199)**	–
– Loss on disposal of subsidiary		**–**	1 467
– Net (profit)/loss on lease termination		**(154)**	71
– Impairment of assets	6	**6 143**	7 352
– Investment income		**(145)**	–
– Post-employment medical benefit	21	**7 770**	7 816
– Share incentive scheme	35	**5 282**	3 959
– Inventory write-down		**3 014**	(3 872)
– Finance costs	7	**88 416**	63 772
– Deferred income		**(12 065)**	(31 233)
– Tax expense	8	**52 112**	48 170
Cash generated from operating activities before working capital changes		**344 625**	313 175
Changes in:			
– Inventories		**(70 853)**	(164 677)
– Trade and other receivables		**8 510**	(90 865)
– Post-employment medical benefit		**(7 966)**	(7 492)
– Trade and other payables		**(30 738)**	151 139
– Long-term receivables		**2 883**	6 190
– Provisions		**–**	(6 818)
Cash outflow from working capital changes		**(98 164)**	(112 523)
Finance costs	7	**(88 416)**	(63 772)
Taxes paid		**(35 567)**	(10 498)
Government grants		**10 000**	–
Net cash flow from investing activities		**(232 359)**	(28 584)
Acquisition of property, plant and equipment		**(229 695)**	(143 214)
Proceeds from sale of assets held for sale	9.3	**709**	56 992
Proceeds from sale of intangible assets		**368**	36
Proceeds from sale of property, plant and equipment		**4 245**	46 722
Development cost of investment property	14	**(17 325)**	(27 352)
Proceeds on sale of investment property		**–**	20 800
Acquisition of investments	16	**(2 279)**	–
Acquisition of intangible assets		**(1 866)**	(1 298)
Investment income		**145**	–
Disposal of interest in subsidiary companies	26	**1 229**	18 730
Government grants		**12 110**	–
Net cash flow from financing activities		**71 334**	(80 696)
Proceeds from borrowings		**217 966**	30 221
Repayment of borrowings		**(79 570)**	(60 857)
Principal elements of lease payments		**(18 762)**	(18 187)
Share buy-back	20.1	**(9 090)**	(1 410)
Distribution to shareholders		**(39 210)**	(30 463)
Net (decrease)/increase in cash and cash equivalents		**(28 546)**	17 102
Cash and cash equivalents at the beginning of the year		**58 994**	41 892
Cash and cash equivalents at the end of the year		**30 448**	58 994
Cash and cash equivalents comprise the following:			
Cash and cash equivalents		**97 798**	73 492
Bank overdrafts		**(67 350)**	(14 498)
		30 448	58 994

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 2023 and comparative figures for the year ended 31 March 2022 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 Investment Limited ("HCI") is the ultimate controlling entity before and after the transaction. Common control transactions fall outside the scope of IFRS 3 and IFRIC 17, and are not specifically addressed in IFRS.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving information about significant areas of estimation, uncertainty and critical judgements are given in note 2, Use of judgements and estimates.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Significant accounting policies (continued)

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.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Significant accounting policies (continued)

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 owner-occupied property if the investment portion can be sold or leased out separately under a finance lease. If a portion cannot be sold or leased out separately under a finance lease, then the entire property is classified as investment property only if the property held for own use is insignificant. As an internal guide, where more than 25% of a property is internally tenanted, the property is classified as owner-occupied property.

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 resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Non-current assets held for sale

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

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.

Impairments

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 ("EIR").

The Group applies a simplified approach for measuring impairment on trade and lease receivables at an amount equal to lifetime ECLs. To measure lifetime ECLs, trade and lease 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Significant accounting policies (continued)

The Group applies a general approach for measuring impairment on other receivables, at an amount equal to ECLs, 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-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

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

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

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

Finance income and expenses

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

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Significant accounting policies (continued)

Inventory

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

Provisions

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

Financial instruments

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 or loss.

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.

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 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 EIR 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 borrowings and trade and other payables.

1.1 Significant accounting policies (continued)

Financial liabilities, trade and other payables

Non-derivative financial liabilities are recognised at amortised cost using the EIR 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 off-set and the net amounts reported in the statement of financial position.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the 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 and 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.

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 are 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.

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 EIR 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 the 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Significant accounting policies (continued)

Other long-term employee benefits

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

Termination benefits

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

Short-term employee benefits

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

Share-based payment transactions

The Deneb Investments Long Term Incentive Plan was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014. 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.

Share capital

Where any Group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners.

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.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Significant accounting policies (continued)

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:

	Effective date (periods beginning on or after)
Amendment to IAS 1 Presentation of Financial Statements on classification of liabilities as current or non-current	1 January 2023
Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IFRS 7 Insurance Contracts	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:

- 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 board of directors evaluated the going concern assumption as at 31 March 2023 by considering the current financial position of the Group and their best estimate of cash flow forecasts for the Group. The directors are of the view that the Group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year.

- Taxation and deferred taxation
  Management has applied judgement in determining the estimated future taxable income used to assess the recoverability of deferred tax assets. Refer to note 8 for more information.

- Leases
  Determining lease terms
  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.

  Determining the discount rates
  In calculating lease liabilities, lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, 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.

  Refer to note 12 for more information.

- Properties
  The Group fair values its investment properties and owner-occupied property, categorised as Level 3.

  Properties owned by the Group represent a significant proportion of the Group's asset base. Judgements made in determining the fair values of these properties in particular, affect the Group's financial position and performance.

  The fair value of properties 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 review the fair value of the Group's property portfolio on a bi-annual basis.

  Details regarding the estimates and judgements involved in the valuation of these properties are presented in notes 13 and 14.

  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 owner-occupied property if the investment portion can be sold or leased out separately under a finance lease. If a portion cannot be sold or leased out separately under a finance lease, then the entire property is classified as investment property only if the property held for own use is insignificant. As an internal guide, where more than 25% of a property is internally tenanted, the property is classified as owner-occupied property.

- Estimated impairment of goodwill
  The Group performs impairments testing for CGUs which contain goodwill on an annual basis. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in note 6.

2. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

2.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2023 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
- Note 22 – Measurement of expected credit losses: Key assumptions and economic inputs

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 35 – 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, Western Cape, Limpopo and the Eastern Cape.
Industrial Product Manufacturing	Manufacturers of specialised industrial products and high-quality textiles. The businesses operating in this segment are Gold Reef Speciality Chemicals, Blue Reef Water Solutions, Explorius, The Polymer Group, Brits Nonwoven, Romatex, Custom Extrusion, Integrated Polypropylene Products and Premier Rainwatergoods.
Automotive Parts Manufacturing	Formex Industries, consisting of Formex Pressings, Formex Tubing and African Tooling Innovations are manufacturers 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, Butterfly Products, Oops Global SA, HTIC, Seartec and Sirius Sales.

The CODM uses a measure of earnings before interest and tax 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	Profit/(loss) before taxation R000's	Interest revenue R000's	Interest expense R000's	Profit/(loss) before finance costs R000's	Depreciation and amortisation R000's	Depreciation R000's
Year ended 31 March 2023									
CONTINUING OPERATIONS									
Property	**175 015**	**(34 191)**	**140 824**	**116 305**	**–**	**–**	**116 305**	**(2 032)**	**–**
Branded Product Distribution	**1 342 417**	**(15 026)**	**1 327 391**	**70 802**	**–**	**–**	**70 802**	**(11 773)**	**–**
Automotive Parts Manufacturing	**653 823**	**–**	**653 823**	**44 798**	**–**	**–**	**44 798**	**(19 808)**	**–**
Industrial Product Manufacturing	**1 222 370**	**(54 621)**	**1 167 749**	**87 444**	**–**	**–**	**87 444**	**(22 428)**	**–**
Centralised Services	**–**	**–**	**–**	**(126 428)**	**1 624**	**(90 040)**	**(38 012)**	**(1 440)**	**–**
Total continuing operations	**3 393 625**	**(103 838)**	**3 289 787**	**192 921**	**1 624**	**(90 040)**	**281 337**	**(57 481)**	**–**
DISCONTINUED OPERATIONS									
Branded Product Distribution	**21 548**	**–**	**21 548**	**(5 708)**	**–**	**–**	**(5 708)**	**(77)**	**–**
Industrial Product Manufacturing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total discontinued operations	**21 548**	**–**	**21 548**	**(5 708)**	**–**	**–**	**(5 708)**	**(77)**	**–**
Total	**3 415 173**	**(103 838)**	**3 311 335**	**187 213**	**1 624**	**(90 040)**	**275 629**	**(57 558)**	**–**
Year ended 31 March 2022*									
CONTINUING OPERATIONS									
Property	165 962	(33 695)	132 267	92 862	–	–	92 862	(2 129)	(2 130)
Branded Product Distribution	1 211 901	(24 733)	1 187 168	69 172	–	–	69 296	(8 177)	(5 859)
Automotive Parts Manufacturing	490 988	–	490 988	50 706	–	–	50 706	(16 713)	(13 233)
Industrial Product Manufacturing*	1 141 333	(72 215)	1 069 118	73 514	–	–	73 514	(20 668)	(21 595)
Centralised Services	–	–	–	(110 393)	1 698	(65 470)	(46 621)	(834)	(792)
Total continuing operations	3 010 184	(130 643)	2 879 541	175 861	1 698	(65 470)	239 757	(48 521)	(43 609)
DISCONTINUED OPERATIONS									
Branded Product Distribution	24 413	–	24 413	(879)	124	–	(1 003)	–	–
Industrial Product Manufacturing	529	–	529	(2 419)	–	–	(2 419)	–	–
Total discontinued operations	24 942	–	24 942	(3 298)	124	–	(3 422)	–	–
Total	3 035 126	(130 643)	2 904 483	172 563	1 822	(65 470)	236 335	(47 212)	(43 609)

** Restated, refer to note 33.*

								Geographical segments based on customer location		
								Holdings of property, plant and equipment, investment property and intangible assets		
Amortisation R000's	Depreciation of right-of-use asset R000's	Earnings before interest, tax, depreciation and amortisation R000's	Impairments R000's	Revaluation of properties R000's	Segment assets R000's	Segment liabilities R000's	Capital expenditure R000's	Within South Africa R000's	Outside South Africa R000's	Total R000's
–	**(131)**	**118 468**	**–**	**8 395**	**1 509 276**	**32 477**	**57 296**	**1 346 067**	**–**	**1 346 067**
–	**(4 423)**	**86 998**	**(2 743)**	**–**	**625 088**	**228 096**	**10 039**	**63 508**	**18**	**63 526**
–	**(2 993)**	**67 599**	**–**	**–**	**575 689**	**425 387**	**79 779**	**269 188**	**–**	**269 188**
–	**(9 757)**	**119 629**	**(3 400)**	**–**	**749 499**	**305 742**	**97 111**	**330 606**	**–**	**330 606**
–	**–**	**(36 572)**	**–**	**–**	**155 750**	**842 448**	**4 661**	**6 008**	**–**	**6 008**
–	**(17 304)**	**356 122**	**(6 143)**	**8 395**	**3 615 302**	**1 834 150**	**248 886**	**2 015 377**	**18**	**2 015 395**
(77)	**–**	**(5 631)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(77)	**–**	**(5 631)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(77)	**(17 304)**	**350 491**	**(6 143)**	**8 395**	**3 615 302**	**1 834 150**	**248 886**	**2 015 377**	**18**	**2 015 395**
–	(102)	95 093	–	(17 133)	1 437 374	25 439	66 819	1 373 425	–	1 373 425
(859)	(5 489)	82 962	–	–	594 075	234 665	21 034	35 944	3 814	39 758
–	(3 570)	70 989	–	–	475 560	277 724	57 660	212 545	–	212 545
(2 709)	(10 170)	104 352	–	–	675 128	296 869	28 479	244 827	–	244 827
(35)	–	(45 787)	–	–	149 803	818 341	732	3 381	–	3 381
(3 603)	(19 331)	307 609	–	(17 133)	3 331 940	1 653 038	174 724	1 870 122	3 814	1 873 936
–	–	(1 003)	–	–	–	–	–	–	–	–
–	–	(2 419)	(7 352)	–	–	–	–	–	–	–
–	–	(3 422)	(7 352)	–	–	–	–	–	–	–
(3 603)	(19 331)	302 878	(7 352)	(17 133)	3 331 940	1 653 038	174 724	1 870 122	3 814	1 873 936

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
2023						
Segment revenue						
Gross revenue	175 015	1 363 965	653 823	1 222 370	–	3 415 173
Less: Inter-segment sales*	(34 191)	(15 026)	–	(54 621)	–	(103 838)
	140 824	1 348 939	653 823	1 167 749	–	3 311 335
Less: Revenue attributable to discontinued operations*	–	(21 548)	–	–	–	(21 548)
Revenue as per statement of comprehensive income	140 824	1 327 391	653 823	1 167 749	–	3 289 787
Primary geographical market						
South Africa	175 015	1 311 958	648 457	1 183 791	–	3 319 221
Other African countries	–	23 371	–	38 579	–	61 950
Asia	–	7 215	–	–	–	7 215
Europe	–	12 776	1 281	–	–	14 057
South America	–	786	4 085	–	–	4 871
North America	–	7 859	–	–	–	7 859
	175 015	1 363 965	653 823	1 222 370	–	3 415 173
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	903 588	–	903 588
Pressed, roll-formed steel products	–	–	653 823	153 324	–	807 147
Speciality chemicals	–	–	–	165 458	–	165 458
Rentals	175 015	–	–	–	–	175 015
Toys, electronic games and sports goods	–	985 065	–	–	–	985 065
Stationery, publishing and office supplies	–	378 900	–	–	–	378 900
	175 015	1 363 965	653 823	1 222 370	–	3 415 173
Timing of revenue recognition						
At a point in time	175 015	1 363 965	573 897	1 222 370	–	3 335 247
Over time	–	–	79 926	–	–	79 926
	175 015	1 363 965	653 823	1 222 370	–	3 415 173

* *Inter-segment sales and revenue attributable to discontinued operations relate to South Africa.*

4. REVENUE (CONTINUED)

	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
2022*						
Segment revenue						
Gross revenue	165 962	1 236 314	490 988	1 141 862	–	3 035 126
Less: Inter-segment sales**	(33 695)	(24 733)	–	(72 215)	–	(130 643)
	132 267	1 211 581	490 988	1 069 647	–	2 904 483
Less: Revenue attributable to discontinued operations**	–	(24 413)	–	(529)	–	(24 942)
Revenue as per statement of comprehensive income	132 267	1 187 168	490 988	1 069 118	–	2 879 541
Primary geographical market						
South Africa	165 962	1 187 279	482 085	1 115 894	–	2 951 220
Other African countries	–	20 795	–	25 968	–	46 763
Asia	–	–	–	–	–	–
Europe	–	28 240	842	–	–	29 082
South America	–	–	8 061	–	–	8 061
North America	–	–	–	–	–	–
	165 962	1 236 314	490 988	1 141 862	–	3 035 126
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	838 072	–	838 072
Pressed, roll-formed steel products	–	–	490 988	163 253	–	654 241
Speciality chemicals	–	–	–	140 537	–	140 537
Rentals	165 962	–	–	–	–	165 962
Toys, electronic games and sports goods	–	943 149	–	–	–	943 149
Stationery, publishing and office supplies	–	293 165	–	–	–	293 165
	165 962	1 236 314	490 988	1 141 862	–	3 035 126
Timing of revenue recognition						
At a point in time	165 962	1 236 314	425 572	1 141 862	–	2 969 710
Over time	–	–	65 416	–	–	65 416
	165 962	1 236 314	490 988	1 141 862	–	3 035 126

* *Restated, refer to note 33.*

** *Inter-segment sales and revenue attributable to discontinued operations relate to South Africa.*

5. OPERATING PROFIT BEFORE FINANCE COSTS, IMPAIRMENTS AND REVALUATION OF PROPERTIES

The following items have been taken into account in determining operating profit for continuing and discontinued operations before finance costs, impairments and revaluation of properties:

	Continuing operations		Discontinued operations		Total	
	2023 R000's	2022* R000's	2023 R000's	2022* R000's	2023 R000's	2022* R000's
Income						
Revenue from contracts with customers						
Sale of goods	**3 218 610**	2 844 222	**21 548**	24 942	**3 240 158**	2 869 164
Less: Inter-segment sales	**(69 647)**	(96 948)	**–**	–	**(69 647)**	(96 948)
Other revenue						
Rental income from investment property	**175 015**	165 962	**–**	–	**175 015**	165 962
Less: Inter-segment sales	**(34 191)**	(33 695)	**–**	–	**(34 191)**	(33 695)
Total revenue	**3 289 787**	2 879 541	**21 548**	24 942	**3 311 335**	2 904 483
Other income						
Government grants – production incentive	**9 127**	8 525	**–**	8 155	**9 127**	16 680
– other	**3 845**	15 753	**–**	–	**3 845**	15 753
– interest-free loans**	**9 980**	–	**–**	–	**9 980**	–
Settlement refund	**–**	10 036	**–**	–	**–**	10 036
Foreign exchange gains – realised	**32 010**	35 053	**–**	–	**32 010**	35 053
– unrealised	**18 417**	8 672	**–**	–	**18 417**	8 672
Gain on lease termination	**249**	–	**–**	–	**249**	–
Loss on lease termination	**(95)**	(71)	**–**	–	**(95)**	(71)
Surplus on disposal of property, plant and equipment	**1 333**	2 092	**–**	–	**1 333**	2 092
Surplus on disposal of non-current assets held for sale	**199**	–	**–**		**199**	–
Loss on disposal of property, plant and equipment	**(105)**	(1 324)	**–**	–	**(105)**	(1 324)
Loss on disposal of intangible assets	**–**	(9)	**–**	–	**–**	(9)
Insurance claim – loss of profits***	**59 875**	–	**–**	–	**59 875**	–
– capital asset	**13 522**	–	**–**	–	**13 522**	–
Foreign exchange losses – realised	**(23 867)**	(29 770)	**(15)**	–	**(23 882)**	(29 770)
– unrealised	**(18 481)**	(11 907)	**–**	–	**(18 481)**	(11 907)
Other sundry income	**6 178**	13 767	**–**	1 119	**6 178**	14 886
Other income	**112 187**	50 817	**(15)**	9 274	**112 172**	60 091
Expenditure						
Cost of sales						
Material cost	**2 024 723**	1 681 818	**–**	12 358	**2 024 723**	1 694 176
Production labour	**196 787**	162 037	**–**	–	**196 787**	162 037
Production overheads	**226 870**	208 352	**14 531**	4 394	**241 401**	212 746
Direct costs associated with rental income	**54 614**	49 637	**–**	–	**54 614**	49 637
Cost of sales	**2 502 994**	2 101 844	**14 531**	16 752	**2 517 525**	2 118 596

* *Restated, refer to note 33.*

** *Government grants include amounts relating to the difference between the capital amount and fair value of interest-free loans granted by the Industrial Development Corporation of South Africa Limited ("IDC").*

*** *Other income includes an amount of R74,1 million which relates to the insurance claims for business interruption. After deducting associated costs, the net benefit of the insurance claim included in other income, totals R59,9 million.*

5. OPERATING PROFIT BEFORE FINANCE COSTS, IMPAIRMENTS AND REVALUATION OF PROPERTIES (CONTINUED)

	Continuing operations		Discontinued operations		Total	
	2023 R000's	2022* R000's	**2023 R000's**	2022* R000's	**2023 R000's**	2022* R000's
Expenses by nature						
Amortisation	**4 027**	3 712	**77**	108	**4 104**	3 820
Write-offs – net of recoveries and reversals of allowance account	**6 445**	865	**–**	–	**6 445**	865
Bank charges	**3 482**	3 200	**150**	–	**3 632**	3 200
Depreciation – owned buildings	**2 007**	1 796	**–**	–	**2 007**	1 796
– leased buildings	**13 621**	15 985	**–**	282	**13 621**	16 267
– owned plant and machinery	**42 853**	36 340	**–**	–	**42 853**	36 340
– leased plant and machinery	**722**	771	**–**	–	**722**	771
– owned equipment and fittings	**10 408**	8 615	**–**	47	**10 408**	8 662
– leased equipment and fittings	**309**	–	**–**	–	**309**	–
– owned motor vehicles	**2 214**	1 723	**–**	–	**2 214**	1 723
– leased motor vehicles	**2 651**	2 292	**–**	–	**2 651**	2 292
Total depreciation***	**74 785**	67 522	**–**	329	**74 785**	67 851
Employment costs**	**590 909**	498 797	**–**	3 911	**590 909**	502 708
Production***	**263 360**	226 781	**–**	–	**263 360**	226 781
Sales	**99 209**	102 637	**–**	296	**99 209**	102 933
Administration	**228 340**	169 379	**–**	3 615	**228 340**	172 994
Technical and consulting fees	**6 357**	6 731	**–**	–	**6 357**	6 731
Write-down of inventory to net realisable value***	**3 468**	1 324	**–**	–	**3 468**	1 324
Reversal of write-down of inventory to net realisable value***	**(453)**	(5 196)	**–**	–	**(453)**	(5 196)

* *Restated, refer to note 33.*

** *Includes contributions of R29,5 million (2022: R28,3 million) to medical, pension, provident and benefit funds.*

These contributions are after a R7,8 million charge (2022: R7,8 million) in respect of post-employment medical benefits relating to a defined benefit obligation and an IFRS 2 charge in respect of the share option scheme of R5,3 million (2022: R4,0 million).

*** *These items are included in cost of sales above.*

6. IMPAIRMENTS

	Notes	2023 R000's	2022 R000's
The following impairments were recognised during the year:			
Category of asset			
Assets held for sale – property, plant and equipment		**–**	7 352
Property, plant and equipment	11	**3 400**	–
Intangible assets	15	**2 743**	–
Total		**6 143**	7 352
Included in discontinued operations	9.1	**–**	(7 352)
Impairments included in continuing operations		**6 143**	–
Segment classification			
Industrial Product Manufacturing		**3 400**	7 352
Property, plant and equipment	11	**3 400**	–
Assets held for sale – property, plant and equipment		**–**	7 352
Branded products		**2 743**	–
Intangible assets	15	**2 743**	–
Total		**6 143**	7 352

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 ("CGUs")).

The Group has performed impairment testing on:

- all 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 makes 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 reversed

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 discontinued 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 to the following:

Industrial Product Manufacturing
Impairments recognised in the Industrial Product Manufacturing segment are attributed to Gold Reef Speciality Chemicals Proprietary Limited ("Gold Reef") and relate to property, plant and equipment damaged during the floods in Durban.

Branded Product Distribution
Impairments recognised in the Branded Product Distribution segment are attributed to Oops Global SA ("Oops Global") and relate to trade name intangible assets.

The impairment loss recognised was driven by historical losses and existing challenging trading conditions, compounded by the current economic climate.

6. IMPAIRMENTS (CONTINUED)

6.3 Impairment testing for CGUs containing goodwill

Goodwill is reconciled as follows on a segmental basis:

	Note	Branded Product Distribution R000's	Industrial Product Manufacturing R000's	Total R000's
Opening balance		**849**	**21 911**	**22 760**
Disposal	26	**(849)**	**–**	**(849)**
		–	**21 911**	**21 911**

CGUs in the Industrial Product Manufacturing segment

The recoverable amount of CGUs in this segment 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.

	2023 %	2022 %
Average discount rate	**16,4**	16,0
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.

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

		Custom Extrusion
2023		
Gross profit margin	(%)	**16,78**
Long-term growth rate	(%)	**4,5**
Pre-tax risk-adjusted discount rate	(%)	**16,4**
Working capital	(days)	**98,4**
2022		
Gross profit margin	(%)	13,9
Long-term growth rate	(%)	4,5
Pre-tax risk-adjusted discount rate	(%)	16,0
Working capital	(days)	96,4

The above tables show average rates over the forecast period. The increase in the gross profit margin is attributed to a reduction in production costs.

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
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 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 R109 million (2022: R231 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

	2023 R000's	2022* R000's
Recognised in profit or loss		
Finance income		
Interest received from financial institutions	**266**	127
Other interest received	**1 358**	1 571
Included in discontinued operations	**–**	(124)
	1 624	1 574
Finance expenses		
Interest paid on instalment sale agreements	**702**	456
Interest paid on leases	**12 894**	12 987
Interest paid to financial institutions	**75 590**	51 173
Interest paid to related parties	**23**	–
Other interest paid	**831**	854
	90 040	65 470

* *Restated, refer to note 33.*

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

8. TAXATION AND DEFERRED TAXATION

	2023 R000's	2022 R000's
Income tax		
South African normal taxation		
Current	**(19 366)**	(10 202)
Deferred taxation		
Normal tax	**(32 746)**	(32 196)
Change in corporate tax rate	**–**	(5 772)
	(52 112)	(48 170)

	%	%
Reconciliation between actual and normal taxation rates*		
Taxation as a percentage of profit/(loss) before taxation	**27,0**	27,3
Rate change	**–**	(3,3)
Non-deductible items expenses*	**(2,9)**	(1,1)
Specific tax deductible expenses**	**1,4**	0,6
Exempt income	**–**	0,2
Capital gains tax on revaluation of investment property	**0,2**	(0,6)
Foreign entities with different tax rate	**–**	0,3
Unrecognised tax losses	**(3,5)**	–
Utilisation of previously unrecognised tax losses	**–**	1,1
Capital losses	**3,5**	3,5
Government grants***	**1,3**	–
Normal taxation rate	**27,0**	28,0

* *In calculating the tax expense for the current period, the Group has treated R12,1 million (2022: R4,2 million) as being non-deductible expenses for tax purposes. Non-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 R16,7 million (2022: R2,3 million) as being specific tax-deductible expenses for tax purposes. Specific tax-deductible expenses relate to options exercised under the Group's share incentive scheme.*

*** *During the year various companies received interest-free loans from the IDC. The difference between the present value of the loan and the capital amount constitutes a deemed government grant. The interest accrued on the loans and the deemed grant are not taxable.*

8. TAXATION AND DEFERRED TAXATION (CONTINUED)

	2023 R000's	2022 R000's
Deferred taxation		
Balance at the beginning of the year	**129 183**	165 745
Asset	**140 384**	170 437
Liability	**(11 201)**	(4 692)
Current movements recognised in profit and loss	**(32 746)**	(37 968)
Rate changes	**–**	(5 772)
Capital allowances	**(10 803)**	782
Provision for post-employment medical benefits	**680**	94
Tax losses utilised	**(21 700)**	(42 379)
Capital allowances on intangible asset	**522**	428
Revaluations	**(1 372)**	2 786
Revaluation surplus reversed	**123**	10 829
Share incentive scheme	**(1 709)**	293
Working capital differences	**1 513**	(5 029)
Current movements recognised in other comprehensive income/(directly in equity)	**1 766**	1 406
Rate change	**–**	841
Provision for post-employment medical benefits	**(1 423)**	(898)
Share incentive scheme	**2 876**	1 411
Revaluations	**313**	52
Balance at the end of the year	**98 203**	129 183
Asset	**115 618**	140 384
Liability	**(17 415)**	(11 201)
Deferred tax assets and liabilities are attributable to the following:		
Provision for post-employment medical benefits	**21 521**	22 264
Working capital allowances	**171 170**	169 657
Share incentive scheme	**4 557**	3 390
Tax losses	**185 941**	207 641
Capital allowances	**(148 125)**	(137 322)
Capital allowances on intangible asset	**(1 795)**	(2 317)
Revaluations	**(135 066)**	(134 130)
Net deferred tax at the end of the year	**98 203**	129 183

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 27% (2022: 27%) of the underlying tax loss, aggregated to R53,1 million (2022: R48,1 million).

9. DISCONTINUED OPERATIONS

Discontinued operations comprise our online furniture business which was sold on 1 March 2023 (refer to note 26) and operated under the Branded Product Distribution reportable segment. In the prior year, the discontinued operations consisted of Frame Knitting Manufacturers operating under the Industrial Product Manufacturing reportable segment and have been restated to include our sold online furniture business. Their results have been disclosed separately on the face of the statement of profit or loss and other comprehensive income.

9.1 Results of discontinued operations

	2023 R000's	2022* R000's
Revenue	**21 548**	24 942
Cost of sales	**(14 531)**	(16 752)
Gross profit	**7 017**	8 190
Other income	**(15)**	9 274
Distribution costs	**(11 109)**	(10 081)
Administrative and other expenses	**(1 601)**	(1 986)
Operating (loss)/profit before finance costs and impairments	**(5 708)**	5 397
Impairment of assets	**–**	(7 352)
Loss on sale of subsidiary	**–**	(1 467)
Operating loss before finance costs	**(5 708)**	(3 422)
Finance income	**–**	124
Loss before taxation	**(5 708)**	(3 298)
Income tax expense	**–**	–
Loss for the period from discontinued operations	**(5 708)**	(3 298)

* *Restated, refer to note 33.*

9.2 Cash flows from discontinued operations

	2023 R000's	2022 R000's
Cash flows from discontinued operations		
Net cash from operating activities	**15 464**	6 570
Net cash from investing activities	**815**	9 598
Net cash from financing activities	**–**	88
Net cash used in discontinued operations	**16 279**	16 256

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

9. DISCONTINUED OPERATIONS (CONTINUED)

9.3 Assets classified as held for sale

Reconciliation of carrying amount

	Note	2023 R000's	2022 R000's
Carrying value at the beginning of the year		**43 010**	57 335
Reclassification from investment property	14	**90 500**	42 500
Additions		**120**	–
Disposals		**(510)**	(56 825)
Revaluation adjustment		**(620)**	–
Carrying value at the end of the year		**132 500**	43 010

Current year

Land and buildings

The directors of Vega Properties, a division of Sargas Proprietary Limited have decided to dispose of a Cape Town and Durban property. The Worcester property that was classified as held for sale in the prior year is still on the market due to a protracted negotiation process between those party to the sales transaction. These sales are expected to be completed within the next six months.

Proceeds from the sale of assets classified as held for sale in the prior year amounted to R0,7 million.

The segmental classification of non-current assets held for sale is Properties.

Prior year

Land and buildings

The directors of Vega Properties, a division of Sargas Proprietary Limited, decided to dispose of their Worcester property. The sale was expected to be completed within the next six months.

10. PROFIT PER SHARE

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2023				
NUMBER OF SHARES IN ISSUE				
Net number of shares				
Number of shares in issue – 31 March 2023			438 324	
Weighted average number of shares				
Weighted average number of shares at 31 March 2023			436 994	
Shares as at 1 April 2022			435 643	
Effect of share options exercised			3 966	
Share buy-back			(2 615)	
Diluted average number of shares				
Diluted weighted average number of shares			447 848	
Weighted average number of shares			436 994	
Dilution effect of share options granted			10 854	
EARNINGS PER SHARE				
Basic earnings				
Profit attributable to equity holders of the parent		135 506	436 994	31,01
Continuing operations		141 214		32,32
Discontinued operations		(5 708)		(1,31)
Diluted earnings				
Profit attributable to equity holders of the parent		135 506	447 848	30,26
Continuing operations		141 214		31,53
Discontinued operations		(5 708)		(1,27)
HEADLINE EARNINGS				
Reconciliation between profit and headline earnings				
Profit attributable to equity holders of the parent		135 506		
Impairment of assets	6 143	5 225		
Revaluation of properties	(8 395)	(6 582)		
Surplus on disposal of property, plant and equipment	(1 333)	(1 027)		
Loss on disposal of property, plant and equipment	105	77		
Insurance claim for capital asset	(13 522)	(10 601)		
Surplus on disposal of non-current assets held for sale	(199)	(145)		
Headline earnings		122 453	436 994	28,02
Continuing operations		128 161		29,33
Discontinued operations		(5 708)		(1,31)
Diluted headline earnings		122 453	447 848	27,34
Continuing operations		128 161		28,61
Discontinued operations		(5 708)		(1,27)
Adjustment for insurance claims				
Profit attributable to equity holders of the parent		135 506		
Insurance claim for capital asset		(10 601)		
Impairment of assets		2 482		
Business interruption insurance claim		(43 709)		
Adjusted profit attributable to equity holders of the parent		83 678		
Adjusted basic earnings*		83 678	436 994	19,15
Continuing operations		89 386		20,46
Discontinued operations		(5 708)		(1,31)
Adjusted headline earnings*		78 744	436 994	18,02
Continuing operations		84 452		19,33
Discontinued operations		(5 708)		(1,31)

* *Basic and headline earnings on the adjusted basis excludes the net proceeds received from insurance claims for business interruption and flood damage. As these proceeds are non-recurring, we are of the opinion that providing earnings on an adjusted basis is meaningful disclosure to shareholders.*

Issued shares

During the period 6 969 291 shares were issued in terms of the Group's share incentive scheme.

Notes to the financial statements

for the year ended 31 March (continued)

10. PROFIT PER SHARE (CONTINUED)

	Gross R000's	Net R000's	Number of shares 000's	Per share Cents
2022*				
NUMBER OF SHARES				
Net number of shares in issue				
Number of shares – 31 March 2022			435 643	
Weighted average number of shares				
Weighted average number of shares			435 552	
Shares as at 1 April 2021			435 181	
Effect on share buy-back			411	
Effect of share options exercised			(40)	
Diluted average number of shares				
Diluted weighted average number of shares			445 403	
Weighted average number of shares			435 552	
Dilution effect of share options granted			9 851	
EARNINGS PER SHARE				
Basic earnings				
Profit attributable to equity holders of the parent		124 393	435 552	28,56
Continuing operations		127 691		29,32
Discontinued operations		(3 298)		(0,76)
Diluted earnings				
Profit attributable to equity holders of the parent		124 393	445 403	27,93
Continuing operations		127 691		28,67
Discontinued operations		(3 298)		(0,74)
HEADLINE EARNINGS				
Reconciliation between profit and headline earnings				
Profit attributable to equity holders of the parent		124 393		
Impairment of assets	7 352	7 352		
Revaluation of properties	17 133	13 295		
Changes in the deferred tax balance resulting from the change in the capital gains tax rate that relates to previous remeasurement of investment property	(4 088)	(4 088)		
Surplus on disposal of property, plant and equipment	(2 092)	(1 506)		
Loss on disposal of property, plant and equipment	1 324	954		
Insurance claim for capital asset	(193)	(150)		
Loss on disposal of intangible assets	9	9		
Loss on sale of subsidiary	1 467	1 467		
Headline earnings		141 726	435 552	32,54
Continuing operations		136 205		31,27
Discontinued operations		5 521		1,27
Diluted headline earnings		141 726	445 403	31,82
Continuing operations		136 205		30,58
Discontinued operations		5 521		1,24
Adjusted basic earnings**		124 393	435 552	28,56
Continuing operations		127 691		29,32
Discontinued operations		(3 298)		(0,76)
Adjusted headline earnings**		141 726	435 552	32,54
Continuing operations		136 205		31,27
Discontinued operations		5 521		1,27

* *Restated, refer to note 33.*

** *Basic and headline earnings on the adjusted basis excludes the net proceeds received from insurance claims for business interruption and flood damage. As these proceeds are non-recurring, we are of the opinion that providing earnings on an adjusted basis is meaningful disclosure to shareholders.*

Issued shares

During the period 1 199 776 shares were issued in terms of the Group's share incentive scheme.

11. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

		Plant and machinery at cost R000's	Equipment and fittings at cost R000's	Motor vehicles at cost R000's	Total R000's
2023					
Cost/valuation at 31 March 2023		**805 180**	**98 503**	**21 195**	**924 878**
Opening balance		**629 337**	**84 312**	**17 426**	**731 075**
Additions		**185 632**	**22 638**	**6 476**	**214 746**
Disposals and assets reclassified as held for sale		**(9 789)**	**(8 447)**	**(2 707)**	**(20 943)**
Accumulated depreciation and impairment at 31 March 2023		**290 030**	**62 529**	**9 073**	**361 632**
Opening balance		**253 117**	**58 087**	**9 336**	**320 540**
Current period depreciation		**42 853**	**10 408**	**2 214**	**55 475**
Impairment		**3 400**	**–**	**–**	**3 400**
Disposals and assets reclassified as held for sale		**(9 340)**	**(5 966)**	**(2 477)**	**(17 783)**
Carrying value at 31 March 2023		**515 150**	**35 974**	**12 122**	**563 246**
Rate of (straight-line) depreciation	(%)	**10 – 15**	**10 – 20**	**20**	
Residual values	(%)	**0**	**0**	**20**	
2022					
Cost/valuation at 31 March 2022		629 337	84 312	17 426	731 075
Opening balance		616 414	84 363	18 471	719 248
Additions		100 702	5 118	806	106 626
Disposals and assets reclassified as held for sale		(87 779)	(5 169)	(1 851)	(94 799)
Accumulated depreciation and impairment at 31 March 2022		253 117	58 087	9 336	320 540
Opening balance		258 767	54 240	9 066	322 073
Current period depreciation		36 340	8 662	1 723	46 725
Impairment		–	–	–	–
Disposals and assets reclassified as held for sale		(41 990)	(4 815)	(1 453)	(48 258)
Carrying value at 31 March 2022		376 220	26 225	8 090	410 535

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

	2023 R000's	2022 R000's
Right-of-use assets		
Property leases	**75 596**	56 694
Plant and machinery leases	**2 993**	2 064
Equipment and fittings leases	**1 999**	–
Motor vehicle leases	**7 166**	5 154
	87 754	63 912
Lease liabilities		
Current	**18 784**	14 738
Non-current	**104 741**	86 558
	123 525	101 296

Additions to the right-of-use assets during the 2023 financial year were R38,7 million (2022: R5,1 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 2023				
Lease liabilities	**31 021**	**147 966**	**3 492**	**182 479**
31 March 2022				
Lease liabilities	28 093	177 489	61 099	266 681

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

	2023 R000's	2022 R000's
Depreciation charge of right-of-use assets		
Property leases	**13 621**	16 267
Plant and machinery leases	**722**	771
Equipment and fittings	**309**	–
Motor vehicle leases	**2 651**	2 292
	17 303	19 330
Interest expense	**12 894**	12 987
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**9 819**	9 618
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of sales and administrative expenses)	**421**	388
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)	**189**	129

The total cash outflow for leases in 2023 was R18,8 million (2022: R31,2 million).

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include consumer price inflation 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 hold cash deposits or 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	
	2023 R000's	2022 R000's
Non-cancellable operating lease rentals are receivable as follows:		
Less than one year	**121 588**	103 839
Between one and five years	**197 887**	113 954
More than five years	**2 736**	2 127
	322 211	219 920

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 PROPERTIES

13.1 Reconciliation of carrying amount

	2023 R000's	2022 R000's
Cost/valuation at 31 March 2023	**280 346**	247 545
Opening balance	**247 545**	210 125
Additions	**38 546**	39 448
Revaluations	**(5 745)**	(2 028)
Accumulated depreciation and impairment at 31 March 2023	**–**	–
Opening balance	**–**	–
Current period depreciation	**2 007**	1 796
Revaluations	**(2 007)**	(1 796)
Carrying value at 31 March 2023	**280 346**	247 545

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.

	2023 R000's	2022 R000's
Cost	**163 336**	124 790
Accumulated depreciation	**(907)**	(359)
Carrying value	**162 429**	124 431
Reconciliation of cost of land and buildings:		
Opening cost at the beginning of the year	**124 790**	85 342
Additions	**38 546**	39 448
Closing cost at the end of the year	**163 336**	124 790

13.3 Measurement of fair value – land and buildings

Fair value hierarchy

The fair value of owner-occupied properties 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 review the fair value of the Group's owner-occupied property portfolio on a bi-annual basis.

The directors confirm that there have been no material changes to the information used and assumptions applied by the registered valuer in the prior year.

The fair value measurement of owner-occupied property of R280 million (2022: R248 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

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 2022	**247 545**
Additions	**38 546**
Depreciation	**(2 007)**
Changes in fair value through equity	**(1 451)**
Changes in fair value through profit or loss	**(2 287)**
Carrying value at 31 March 2023	**280 346**
Carrying value at 31 March 2021	210 125
Additions	39 448
Depreciation	(1 796)
Changes in fair value through equity	(232)
Changes in fair value through profit or loss	–
Carrying value at 31 March 2022	247 545

13.4 Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Range of inputs (weighted average) 2023	Range of inputs (weighted average) 2022	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 rental-producing capacity of similar buildings in similar locations.	Capitalisation rate	**9,50% – 12,25%**	9,50% – 12,50%	The estimated fair value would increase or decrease if: • The capitalisation rate were higher or lower (see sensitivity analysis below).
	Occupation rate	**100%**	95% – 100%	• Decrease in the occupancy rate of 1% would decrease fair value by R3,9 million.
	Projected income	**R17,51 – R43,82/m^2 Based on 103 042 m^2 lettable area**	R19,07 – R28,04/m^2 Based on 97 250 m^2 lettable area	• If annual expected income was 1% higher or lower, the fair value would increase or decrease with R2,8 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 9,50% and 12,25%. 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 2023 R000's	Carrying value 2022 R000's
Increase of 1% in the capitalisation rate	**255 951**	225 989
Decrease of 1% in the capitalisation rate	**309 823**	273 351

13.5 Securitisation of assets

Refer to note 34, which relates to the security provided for the benefit of the Group's bankers.

14. INVESTMENT PROPERTIES

Reconciliation of carrying amount

	2023 R000's	2022 R000's
Opening carrying value	**1 125 386**	1 178 467
Development cost	**17 325**	27 352
Fair value adjustments	**11 302**	(17 133)
Transfer to held for sale	**(90 500)**	(42 500)
Disposals	**–**	(20 800)
Closing carrying value	**1 063 513**	1 125 386

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.

	2023 %	2022 %
Property type		
Retail/Commercial	**9,7**	8,3
Industrial	**90,3**	91,7

	2023 R000's	2022 R000's
Included in profit or loss:		
Rental income from investment property	**140 824**	132 267
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	**38 603**	40 271
Rates relating to rental-generating properties	**19 597**	20 653

Capital commitments

See note 30 for details on commitments.

Measurement of fair value – investment properties

Fair value hierarchy

The fair value of investment properties 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 review the fair value of the Group's investment property portfolio on a bi-annual basis.

The directors confirm that there have been no material changes to the information used and assumptions applied by the registered valuer in the prior year.

The fair value measurement of investment property of R1,06 billion (2022: R1,13 billion) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

14. INVESTMENT PROPERTIES (CONTINUED)

Measurement of fair value – investment properties (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
Opening value at 31 March 2022	**1 125 386**
Development cost	**17 325**
Reclassification to held for sale	**(90 500)**
Disposals	**–**
Gain included in profit or loss	
Changes in fair value	**11 302**
Closing value at 31 March 2023	**1 063 513**
Opening value at 31 March 2021	1 178 467
Development cost	27 352
Reclassification to held for sale	(42 500)
Disposals	(20 800)
Gain included in profit or loss	
Changes in fair value	(17 133)
Closing value at 31 March 2022	1 125 386

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Range of inputs (weighted average) 2023	Range of inputs (weighted average) 2022	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	**8,0% – 9,75%**	8,0% – 9,75%	The estimated fair value would increase or decrease if: • The capitalisation rate was higher or lower (see sensitivity analysis below).
	Occupation rate	**97% – 100%**	94% – 100%	• Decrease in the occupancy rate of 1% would decrease fair value by R15,6 million.
	Projected income	**R30,23 – R80,88/m² Based on 204 998 m² lettable area"**	R28,13 – R84,49/m² Based on 274 581 m² lettable area	• If annual expected income was 1% higher or lower, the fair value would increase or decrease with R10,5 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 investment buildings

The capitalisation rates for the fair value of the properties were between 8,00% and 9,75%. 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 2023 R000's	Carrying value 2022 R000's
Increase of 1% in the capitalisation rate	**963 092**	1 016 284
Decrease of 1% in the capitalisation rate	**1 187 748**	1 260 758

Securitisation of assets

Refer to note 34, which relates to the security provided for the benefit of the Group's bankers.

15. INTANGIBLE ASSETS AND GOODWILL

	Brand names/ Trademarks 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 2023	**12 719**	**33 488**	**5 937**	**23 856**	**32 510**	**108 510**
Opening balance	**12 619**	**33 488**	**5 413**	**23 856**	**33 359**	**108 735**
Assets acquired separately	**100**	**–**	**719**	**–**	**–**	**819**
Disposals and assets reclassified as held for sale	**–**	**–**	**(1 242)**	**–**	**(849)**	**(2 091)**
Additions through internal development	**–**	**–**	**1 047**	**–**	**–**	**1 047**
Accumulated amortisation and impairment at 31 March 2023	**12 691**	**14 953**	**3 964**	**23 856**	**10 599**	**66 063**
Opening balance	**8 825**	**13 464**	**2 673**	**23 856**	**10 599**	**59 417**
Current period amortisation	**1 123**	**1 489**	**1 492**	**–**	**–**	**4 104**
Disposals and assets reclassified as held for sale	**–**	**–**	**(201)**	**–**	**–**	**(201)**
Impairment losses recognised in profit and loss (refer to note 6)	**2 743**	**–**	**–**	**–**	**–**	**2 743**
Carrying value at 31 March 2023	**28**	**18 535**	**1 973**	**–**	**21 911**	**42 447**
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 2022	12 619	33 488	5 413	23 856	33 359	108 735
Opening balance	11 998	33 488	7 575	23 856	34 029	110 946
Assets acquired separately	621	–	–	–	–	621
Disposals and assets reclassified as held for sale	–	–	(2 839)	–	(670)	(3 509)
Additions through internal development	–	–	677	–	–	677
Accumulated amortisation and impairment at 31 March 2022	8 825	13 464	2 673	23 856	10 599	59 417
Opening balance	7 917	11 974	3 159	23 856	10 599	57 505
Current period amortisation	908	1 490	1 422	–	–	3 820
Disposals and assets reclassified as held for sale	–	–	(1 908)	–	–	(1 908)
Carrying value at 31 March 2022	3 794	20 024	2 740	–	22 760	49 318

The amortisation of intangible assets is included in the line item administration and other expenses in the statement of profit or loss and other comprehensive income.

Refer to note 6.3 for impairment testing on cash-generating units containing goodwill.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 R000's	2022 R000's
Business Partners Limited (unlisted)	**3 957**	4 237
JSE-listed investments	**2 279**	–
	6 236	4 237

	Number of shares	Number of shares
Business Partners Limited (unlisted)	**605 220**	605 220
Investments are classified as available for sale and are reconciled as follows:		
Opening balance	**4 237**	4 237
Acquisition	**2 279**	–
Revaluations	**(280)**	–
Closing balance	**6 236**	4 237

17. LONG-TERM RECEIVABLES

17.1 Reconciliation of carrying amount

	2023 R000's	2022 R000's
Net investment in finance leases	**5 072**	7 955

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. Refer to note 22 for information regarding the expected credit loss allowances on lease receivables.

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
2023			
Lease payments receivable			
– Not later than one year	**6 758**	**(1 873)**	**4 885***
– Later than one year but not later than five years	**7 003**	**(1 931)**	**5 072**
	13 761	**(3 804)**	**9 957**
2022			
Lease payments receivable			
– Not later than one year	11 490	(3 082)	8 408*
– Later than one year but not later than five years	10 121	(2 166)	7 955
	21 611	(5 248)	16 363

* *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

	2023 R000's	2022 R000's
Raw materials and consumables	**190 354**	220 956
Work-in-progress	**35 698**	43 561
Finished goods	**418 918**	331 889
	644 970	596 406
Inventories stated at net realisable value	**357 654**	153 882
Write-down of inventory to net realisable value during the year	**(3 468)**	(1 324)
Reversals of previous write-down of inventory to net realisable value during the year*	**453**	5 196

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

19. TRADE AND OTHER RECEIVABLES

19.1 Reconciliation of carrying value

	2023 R000's	2022 R000's
Trade receivables	**449 773**	436 497
Lease receivables	**4 885**	8 408
Other receivables	**80 453**	71 686
Fair value of outstanding foreign exchange contracts	**35**	469
Prepayments	**29 254**	46 210
Trade and other receivables	**564 400**	563 270
Carrying values approximate fair values for all classes.		
Other receivables		
Included under other receivables are:		
Income receivable from Production Incentive Programme (refer to note 24)	**2 110**	2 509
Lease smoothing asset	**12 187**	15 031
VAT	**12 957**	8 244
Insurance claim receivable	**2 038**	1 914
Deposits	**11 042**	12 429
Contract assets*	**22 780**	19 503
Sundry debtors	**17 339**	12 056
	80 453	71 686

* *The contract assets primarily relate to our tooling supply arrangements and represent the Group's rights to consideration for work completed but not yet billed at the reporting date, mainly on automotive component products. The contract assets were not impacted by any impairment charges and are transferred to receivables when the rights become unconditional, which usually occurs upon the issuance of an invoice to the customer upon delivery.*

19.2 Securitisation of assets

Refer to note 34, which relates to the security provided to the Group's bankers.

20. STATED CAPITAL AND RESERVES

20.1 Stated capital

	2023 R000's	2022 R000's
Authorised		
10 000 000 000 (2022: 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		
438 323 673 (2022: 435 642 509) ordinary shares of no par value	**1 465 203**	1 462 143
Balance at the beginning of the year – 435 642 509 (2022: 435 181 373)	**1 462 143**	1 459 386
Share buy-back during the year – 4 288 127 (2022: 738 640)	**(9 090)**	(1 410)
Issued during the year – 6 969 291 (2022: 1 199 776)	**12 150**	4 167
	1 465 203	1 462 143

Share buy-back

Current period

During the year the Group repurchased and cancelled shares from the open market on the JSE. The shares were acquired at an average price of R2,12 with prices ranging from R2,10 to R2,15. The total cost, including related after-tax transaction costs, were deducted from stated capital.

Issue of shares

Current period

During the period 6 969 291 shares were issued in terms of the Group's share incentive scheme.

Prior period

During the period 1 199 776 shares were issued in terms of the Group's share incentive scheme.

Reserved under options (see note 35)

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

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

20.2 Reserves

	2023 R000's	2022 R000's
Composition of other reserves		
Foreign currency translation differences	**6 058**	1 181
Common control reserve	**(20 219)**	(20 219)
Surplus on revaluation	**306 288**	307 706
	292 127	288 668

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

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.

	2023 R000's	2022 R000's
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Current service cost	**29**	136
Interest on the obligation	**7 741**	7 680
Total included in staff costs	**7 770**	7 816
Reconciliations in the net liability recognised in the balance sheet are as follows:		
Liability at the beginning of the year	**82 574**	85 458
Net expense recognised in profit or loss	**7 770**	7 816
Contributions from employer	**(7 966)**	(7 492)
Actuarial gains recognised in other comprehensive income – changes from financial assumptions	**(5 271)**	(3 208)
Liability in the balance sheet	**77 107**	82 574
Amounts recognised in the statement of financial position:		
Liability due within 12 months	**7 670**	7 600
Liability due after 12 months	**69 437**	74 974
	77 107	82 574
Present value of unfunded obligations	**77 107**	82 574
Fair value of plan assets	**–**	–
Recognised liability for defined benefit obligations	**77 107**	82 574

The net cumulative actuarial gain recognised in other comprehensive income is R5,3 million.

Forecast reconciliation of the plan to 31 March 2024 is as follows:	2024 R000's
Liability at 31 March 2023	77 107
Net expense in the statement of comprehensive income	8 047
Contributions	(8 081)
Forecast liability at 31 March 2024	77 073

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

		2023	2022
The principal actuarial assumptions at the reporting date:			
Discount rate	(%)	**10,99**	9,85
Medical inflation	(%)	**8,06**	8,09
Sensitivity of results			
• A 1% increase in medical aid inflation would result in:			
– An increase in the accrued liability of	(R000's)	**6 150**	7 048
	(%)	**7,98**	8,54
– An increase in the service and interest cost of	(R000's)	**680**	674
	(%)	**8,75**	8,62
• A 1% decrease in medical aid inflation would result in:			
– A decrease in the accrued liability of	(R000's)	**(5 445)**	(6 398)
	(%)	**(7,06)**	(7,75)
– A decrease in the service and interest cost of	(R000's)	**(601)**	(596)
	(%)	**(7,74)**	(7,62)
• A 1% decrease in the discount rate would result in:			
– An increase in the accrued liability of	(R000's)	**6 020**	6 948
	(%)	**7,81**	8,41
• A 1% increase in the discount rate would result in:			
– A decrease in the accrued liability of	(R000's)	**(5 253)**	(6 041)
	(%)	**(6,81)**	(7,32)

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Interest-bearing liabilities

	Final repayment dates	Average rate of interest p.a.	2023 R000's	2022 R000's
Secured				
Instalment sale agreements	*	Prime	**9 544**	4 556
Loans from financial institutions	**	**	**876 221**	743 319
Total interest-bearing liabilities			**885 765**	747 875
Current portion of interest-bearing liabilities			**(66 766)**	(219 118)
Non-current portion of interest-bearing liabilities			**818 999**	528 757

* *Repayment dates vary between 2022 and 2032.*

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

Instalment sales are payable as follows:

	Principal R000's	Interest R000's	Gross instalments R000's
2023			
Less than one year	**4 261**	**581**	**4 842**
Between one and five years	**5 283**	**97**	**5 380**
	9 544	**678**	**10 222**
2022			
Less than one year	3 172	226	3 398
Between one and five years	1 384	57	1 441
	4 556	283	4 839

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. Refer to note 29.

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 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 Massmart (R56,6 million) (2022: R69,7 million), Volkswagen SA (R50,0 million) (2022: R48,3 million), Incredible Connection (R33,7 million) (2022: R21,0 million) Faurecia Emissions (R25,6 million) (2022: R25,3 million), and Ford Motors (R12,0 million) (2022: R3,9 million).

Total debt in respect of sales to government and various municipalities was R1,4 million (2022: R1,9 million).

The risk on cash and cash equivalents is managed through dealing with established financial institutions with high credit standing.

Cash and cash equivalents comprise the following:

	2023 R000's	2022 R000's
Bank balances and deposits	**97 798**	73 492
Bank overdrafts	**(67 350)**	(14 498)
	30 448	58 994

The vast majority of trade debtors relate to sales made in the local market, with R446 million (97,4%) (2022: R430 million (99,4%)) 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 Group is jointly and severally liable in respect of third-party liabilities incurred by subsidiary companies.

Capital management: The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure. The capital base of the business is viewed as being the shareholder equity and non-current interest-bearing liabilities amounting to R2 600,6 million (2022: R2 207,7 million).

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 board of directors monitors the cost of capital, which the Group defines as the weighted average cost of capital, taking into account the Group's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit losses (continued)

Trade and lease receivables

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

To measure the ECLs, 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 receivables.

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 ECL for trade and lease receivables for continuing and discontinued operations as at 31 March 2023 were determined as follows:

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
2023			
Large private equity	**219 854**	**11 450**	**5,2**
Lease receivables	8 330	1 300	15,6
Trade receivables:			
Current	121 744	576	0,5
30+ days	59 536	379	0,6
60+ days	15 530	219	1,4
90+ days	2 779	161	5,8
120+ days	11 935	8 815	73,9
Large public equity	**177 120**	**7 675**	**4,3**
Lease receivables	155	4	2,6
Trade receivables:			
Current	113 174	53	–
30+ days	41 930	(23)	(0,1)
60+ days	6 158	105	1,7
90+ days	4 920	103	2,1
120+ days	10 783	7 433	68,9
Medium and small equity	**99 422**	**4 305**	**4,3**
Lease receivables	691	6	0,9
Trade receivables:			
Current	65 239	454	0,7
30+ days	20 301	704	3,5
60+ days	7 682	1 509	19,6
90+ days	3 081	927	30,1
120+ days	2 428	705	29,0
Government	**1 390**	**21**	**1,5**
Lease receivables	782	10	1,3
Trade receivables:			
Current	488	7	1,4
30+ days	6	–	–
60+ days	6	–	–
90+ days	96	2	2,1
120+ days	12	2	16,7

22. FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit losses (continued)

	Gross carrying amount R000's	Impairment R000's	Average ECL/ impairment ratio %
2022			
Large private equity	148 500	11 015	7,4
Lease receivables	12 853	1 196	9,3
Trade receivables:			
Current	96 562	521	0,5
30+ days	18 878	257	1,4
60+ days	6 787	128	1,9
90+ days	941	120	12,8
120+ days	12 479	8 793	70,5
Large public equity	254 312	1 103	0,4
Lease receivables	244	4	1,6
Trade receivables:			
Current	146 636	303	0,2
30+ days	62 502	141	0,2
60+ days	35 760	83	0,2
90+ days	4 976	55	1,1
120+ days	4 194	517	12,3
Medium and small equity	78 467	1 285	1,6
Lease receivables	1 636	11	0,7
Trade receivables:			
Current	53 503	286	0,5
30+ days	14 768	66	0,4
60+ days	3 609	28	0,8
90+ days	1 865	84	4,5
120+ days	3 086	810	26,2
Government	1 984	39	2,0
Lease receivables	1 630	32	2,0
Trade receivables:			
Current	214	2	0,9
30+ days	1	–	–
60+ days	32	1	3,1
90+ days	–	–	–
120+ days	107	4	3,7

22. FINANCIAL INSTRUMENTS (CONTINUED)

Allowances for expected credit losses	2023 R000's	2022 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	**13 442**	18 558
Written off as irrecoverable	**(1 799)**	(2 658)
Disposal of operations	**–**	(110)
Impairments recognised	**17 920**	2 743
Reversal of impairment	**(6 112)**	(5 091)
Closing balance	**23 451**	13 442

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 current economic climate the Group has not noted any significant deterioration in the creditworthiness of customers.

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:

	2023 R000's	2022 R000's
Financial assets at amortised cost	**625 024**	589 794
Financial assets at fair value through profit or loss	**35**	469
Financial assets at fair value through other comprehensive income	**6 236**	4 237
	631 295	594 500

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
2023					
Financial asset at fair value through other comprehensive income	**–**	**–**	**6 236**	**–**	**6 236**
Long-term receivables	**5 072**	**–**	**–**	**–**	**5 072**
Trade and other receivables	**522 154**	**35**	**–**	**42 211***	**564 400**
Cash and cash equivalents	**97 798**	**–**	**–**	**–**	**97 798**
	625 024	**35**	**6 236**	**42 211**	**673 506**
2022					
Financial asset at fair value through other comprehensive income	–	–	4 237	–	4 237
Long-term receivables	7 955	–	–	–	7 955
Trade and other receivables	508 347	469	–	54 454	563 270
Cash and cash equivalents	73 492	–	–	–	73 492
	589 794	469	4 237	54 454	648 954

* *Comprises 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:

	2023 R000's	2022 R000's
Fair value through profit or loss (forward exchange contracts)	**996**	4 780
Measured at amortised cost	**1 501 992**	1 342 050
	1 502 988	1 346 830

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
2023				
Interest-bearing liabilities – non-current	**–**	**818 999**	**–**	**818 999**
Interest-bearing liabilities – current	**–**	**66 766**	**–**	**66 766**
Trade and other payables	**996**	**548 877**	**5 970**	**555 843**
Bank overdrafts	**–**	**67 350**	**–**	**67 350**
	996	**1 501 992**	**5 970**	**1 508 958**
2022				
Interest-bearing liabilities – non-current	–	528 757	–	528 757
Interest-bearing liabilities – current	–	219 118	–	219 118
Trade and other payables	4 780	579 677	2 748	587 205
Bank overdrafts	–	14 498	–	14 498
	4 780	1 342 050	2 748	1 349 578

22. FINANCIAL INSTRUMENTS (CONTINUED)

Maturity profile of financial instruments

The maturity profile of financial 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
2023					
Liabilities					
Interest-bearing borrowings	**66 766**	**697 636**	**121 363**	**–**	**885 765**
Trade and other payables	**548 877**	**–**	**–**	**–**	**548 877**
Bank overdrafts	**67 350**	**–**	**–**	**–**	**67 350**
Total financial liabilities – non-derivatives	**682 993**	**697 636**	**121 363**	**–**	**1 501 992**
Trade and other payables	**996**	**–**	**–**	**–**	**996**
Total financial liabilities – derivatives	**996**	**–**	**–**	**–**	**996**
Total liabilities	**683 989**	**697 636**	**121 363**	**–**	**1 502 988**
2022					
Liabilities					
Interest-bearing borrowings	219 118	62 744	466 013	–	747 875
Trade and other payables	579 677	–	–	–	579 677
Bank overdrafts	14 498	–	–	–	14 498
Total financial liabilities – non-derivatives	813 293	62 744	466 013	–	1 342 050
Trade and other payables	4 780	–	–	–	4 780
Total financial liabilities – derivatives	4 780	–	–	–	4 780
Total liabilities	818 073	62 744	466 013	–	1 346 830

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
2023					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	**73 476**	**837 861**	**170 151**	**–**	**1 081 488**
Trade and other payables	**548 877**	**–**	**–**	**–**	**548 877**
Bank overdrafts	**74 119**	**–**	**–**	**–**	**74 119**
Total financial liabilities – non-derivatives	**696 472**	**837 861**	**170 151**	**–**	**1 704 484**
Trade and other payables	**996**	**–**	**–**	**–**	**996**
Total financial liabilities – derivatives	**996**	**–**	**–**	**–**	**996**
2022					
Liabilities – contractual undiscounted cash flows					
Interest-bearing borrowings	234 391	71 491	595 937	–	901 819
Trade and other payables	579 677	–	–	–	579 677
Bank overdrafts	15 509	–	–	–	15 509
Total financial liabilities – non-derivatives	829 577	71 491	595 937	–	1 497 005
Trade and other payables	4 780	–	–	–	4 780
Total financial liabilities – derivatives	4 780	–	–	–	4 780

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	Instalment sales agreements R000's	Other* R000's	Closing carrying value R000's
2023							
Secured loans – leases**	12	**101 296**	**–**	**(18 762)**	**–**	**40 991**	**123 525**
Secured loans – other	27	**747 875**	**217 966**	**(79 570)**	**9 474**	**(9 980)**	**885 765**
		849 171	**217 966**	**(98 332)**	**9 474**	**31 011**	**1 009 290**
Bank overdraft		**14 498**					**67 350**
Total interest-bearing liabilities		**863 669**					**1 076 640**

* *The movement in lease liabilities relate to new leases entered into during the year. For unsecured loans, the movement relates to deemed government grants on interest-free loans from the IDC.*

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

22. FINANCIAL INSTRUMENTS (CONTINUED)

Contractual undiscounted cash flows (continued)

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
2022						
Secured loans – leases	12	115 432	–	(18 187)	4 051	101 296
Secured loans – other	27	779 047	30 221	(60 857)	(536)	747 875
		894 479	30 221	(79 044)	3 515	849 171
Bank overdraft		29 804				14 498
Total interest-bearing liabilities		924 283				863 669

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)

		Carrying value				
	Notes	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
2023						
Financial assets measured at fair value						
Equity securities	16	**–**	**–**	**6 236**	**–**	**6 236**
Forward exchange contracts	19	**–**	**35**	**–**	**–**	**35**
Financial assets not measured at fair value						
Long-term receivables	17	**5 072**	**–**	**–**	**–**	**5 072**
Trade and other receivables	19	**522 154**	**–**	**–**	**–**	**522 154**
Cash and cash equivalents		**97 798**	**–**	**–**	**–**	**97 798**
		625 024	**35**	**6 236**	**–**	**631 295**
Financial liabilities measured at fair value						
Forward exchange contracts		**–**	**(996)**	**–**	**–**	**(996)**
Financial liabilities not measured at fair value						
Instalment sale agreements		**–**	**–**	**–**	**(9 544)**	**(9 544)**
Secured bank loans		**–**	**–**	**–**	**(876 220)**	**(876 220)**
Trade and other payables	23	**–**	**–**	**–**	**(548 877)**	**(548 877)**
Bank overdrafts	27	**–**	**–**	**–**	**(67 350)**	**(67 350)**
		–	**(996)**	**–**	**(1 501 991)**	**(1 502 987)**
2022						
Financial assets measured at fair value						
Equity securities	16	–	–	4 237	–	4 237
Forward exchange contracts	19	–	469	–	–	469
Financial assets not measured at fair value						
Long-term receivables	17	7 955	–	–	–	7 955
Trade and other receivables	19	508 347	–	–	–	508 347
Cash and cash equivalents		73 492	–	–	–	73 492
		589 794	469	4 237	–	594 500
Financial liabilities measured at fair value						
Forward exchange contracts		–	(4 780)	–	–	(4 780)
Financial liabilities not measured at fair value						
Instalment sale agreements		–	–	–	(4 556)	(4 556)
Secured bank loans		–	–	–	(743 319)	(743 319)
Trade and other payables	23	–	–	–	(579 676)	(579 676)
Bank overdrafts	27	–	–	–	(14 498)	(14 498)
		–	(4 780)	–	(1 342 049)	(1 346 829)

22. FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (continued)

	Notes	Fair value Level 1 R000's	Level 2 R000's	Level 3 R000's	Total R000's
2023					
Financial assets measured at fair value					
Equity securities	16	**2 279**	**3 957**	**–**	**6 236**
Forward exchange contracts	19	**–**	**35**	**–**	**35**
Financial assets not measured at fair value					
Long-term receivables	17	**–**	**–**	**–**	**–**
Trade and other receivables	19	**–**	**–**	**–**	**–**
Cash and cash equivalents		**–**	**–**	**–**	**–**
		2 279	**3 992**	**–**	**6 271**
Financial liabilities measured at fair value					
Forward exchange contracts		**–**	**(996)**	**–**	**(996)**
Financial liabilities not measured at fair value					
Instalment sale and lease agreements		**–**	**–**	**–**	**–**
Secured bank loans		**–**	**–**	**–**	**–**
Trade and other payables	23	**–**	**–**	**–**	**–**
Bank overdrafts	27	**–**	**–**	**–**	**–**
		–	**(996)**	**–**	**(996)**
2022					
Financial assets measured at fair value					
Equity securities	16	–	4 237	–	4 237
Forward exchange contracts	19	–	469	–	469
Financial assets not measured at fair value					
Long-term receivables	17	–	–	–	–
Trade and other receivables	19	–	–	–	–
Cash and cash equivalents		–	–	–	–
		–	4 706	–	4 706
Financial liabilities measured at fair value					
Forward exchange contracts		–	(4 780)	–	(4 780)
Financial liabilities not measured at fair value					
Instalment sale and finance lease agreements		–	–	–	–
Secured bank loans		–	–	–	–
Trade and other payables	23	–	–	–	–
Bank overdrafts	27	–	–	–	–
		–	(4 780)	–	(4 780)

22. FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (continued)

Reclassification of financial assets

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

Pledges of financial assets

Refer to note 34, Securitisation of assets.

Determination of fair value for financial assets and liabilities

The fair value of derivatives was based upon market valuations. The net market value of all foreign exchange contracts at year-end was calculated by comparing the foreign exchange contracted rates to the equivalent year-end market foreign exchange rates.

The carrying value of bank overdrafts and cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

Publicly traded investments are revalued using the latest traded price on an annual basis.

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.

	2023 R000's	2022 R000's
The fair value of the derivatives at year-end determined by marking-to-market of contracts, amounted to:	**(961)**	(4 311)

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

	2023 R000's	2022 R000's
Amount of risk:		
Highest	**26 984**	7 745
Lowest	**3 182**	92
Average	**4 477**	1 820

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).

In sourcing funding, the Group only deals with reputable financial institutions that have strong credit ratings.

The Group is exposed to liquidity concentration risk because the vast majority of its borrowing facilities are held with Standard Bank. Management manages this risk by financing facilities over a longer period (refer to note 27). Standard Bank's credit rating (Moody's) is Baa3 (2021: Baa3).

Sensitivity analysis

Equity price sensitivity analysis

The Group faces an equity risk in that it holds investments in Business Partner shares and JSE Listed Investments as disclosed under the investments note. Net profit 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 R855 million (2022: R689 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 R8,55 million (2022: R6,89 million) before tax.

23. TRADE AND OTHER PAYABLES

	2023 R000's	2022 R000's
Trade payables	**352 629**	340 472
Accrued expenses	**89 324**	122 550
Fair value of outstanding foreign exchange contracts	**996**	4 780
VAT	**5 970**	2 748
Other current liabilities*	**106 924**	116 655
	555 843	587 205

* *Comprises predominantly payroll-related payables.*

Carrying values approximate fair values for all classes.

24. GOVERNMENT GRANTS

Government grants in the Group relate to funding arrangements and programmes such as the Production Incentive Programme ("PIP"), the Manufacturing Competitiveness Enhancement Programme ("MCEP") and the Automotive Investment Scheme ("AIS") established by the Department of Trade, Industry and Competition as an incentive offered to qualifying companies operating within the industrial manufacturing industry.

Deferred income	2023 R000's	2022 R000's
Deferred amounts, to be recognised in more than 12 months' time	**94 949**	81 033
Deferred amounts, to be recognised in the next 12 months	**10 103**	13 974
Deferred income	**105 052**	95 007
Reconciliation of deferred income:		
Opening carrying value	**95 007**	118 085
Government grants recognised during the period	**22 110**	–
Deferred income released during the period	**(12 065)**	(23 078)
Closing carrying value	**105 052**	95 007
Reconciliation of receivable:		
Receivable balance for government grants brought forward	**2 509**	10 023
Government receivable recognised during the period	**22 110**	–
Total cash received during the year from government grants amounted to	**(22 509)**	(7 514)
Amount outstanding as at year-end	**2 110**	2 509

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	2023 R000's	2022 R000's
Carrying amount at the beginning of the year	**–**	6 818
Unused amounts reversed during the year	**–**	(195)
Amounts utilised during the year	**–**	(6 623)
Carrying amount at the end of the year	**–**	–

In the prior year the provisions relate to the restructuring of divisions in the Industrial Product Manufacturing segment.

26. BUSINESS COMBINATIONS

2023

Disposal of CLM Home Limited ("CLM Home")

The Group disposed of its interest in its online furniture business, CLM Home, on 1 March 2023 for a consideration equal to net asset value.

The following table summarises proceeds on disposal, including an analysis of assets and liabilities disposed of.

	Branded Product Distribution R000's
Non-current assets	
Property, plant and equipment	**142**
Goodwill	**849**
Intangible asset	**673**
Current assets	
Inventories	**5 152**
Trade and other receivables	**974**
Cash and cash equivalents	**771**
Current liabilities	
Trade and other payables	**(688)**
Net asset value disposed of	**7 873**
Deferred disposal proceeds	**(5 873)**
Cash and cash equivalents disposed of	**(771)**
Net cash inflow on disposal	**1 229**

2022

Disposal of Frame Knitting Manufacturers Proprietary Limited ("Frame Knitting")

The Group disposed of its assets in Frame Knitting by December 2021.

Disposal of OfficeBox Proprietary Limited ("OfficeBox")

The Group disposed of its interest in OfficeBox on 30 April 2021 for a consideration of R500 000.

The following table summarises proceeds on disposal, including an analysis of assets and liabilities disposed of.

	Industrial Product Manufacturing R000's	Branded Product Distribution R000's	Total R000's
Non-current assets			
Property, plant and equipment	9 098	587	9 685
Goodwill	–	670	670
Intangible asset	–	886	886
Current assets			
Inventories	249	743	992
Trade and other receivables	11 102	1 948	13 050
Cash and cash equivalents	–	573	573
Non-current liabilities			
Lease liability	(88)	–	(88)
Interest-bearing liabilities	–	(377)	(377)
Current liabilities			
Interest-bearing liabilities	–	(159)	(159)
Trade and other payables	(1 559)	(4 140)	(5 699)
Net asset value disposed of	18 802	731	19 533
Non-controlling interest	–	1 237	1 237
Loss on disposal of subsidiary	–	(1 467)	(1 467)
Cash and cash equivalents disposed of	–	(573)	(573)
Net cash inflow on disposal	18 802	(72)	18 730

27. BORROWING FACILITIES

Overdraft facility

	2023 R000's	2022 R000's
Available facility	**573 000**	573 000
Net utilised	**(78 220)**	(28 989)
Bank overdraft	**(67 350)**	(14 498)
Letter of credits	**(10 870)**	(14 491)
Unutilised balance	**494 780**	544 011

These facilities have been secured in terms of note 34.

Loan facilities

	2023 R000's	2022 R000's
Available facility	**928 345**	750 032
Utilised	**(869 317)**	(741 540)
Non-current portion	**(806 314)**	(525 594)
Current portion	**(63 003)**	(215 946)

27. BORROWING FACILITIES (CONTINUED)

Details of the loan facilities

	2023 R000's	2022 R000's
Loan facility A		
Available facility	**50 000**	50 000
Utilised	**50 000**	50 000
Date of repayment of capital towards the loan facility	**January 2026**	March 2023
Interest rates	**Jibar plus 1,95%**	Prime less 1%
Loan facility B	**150 000**	150 000
Utilised	**150 000**	150 000
Date of repayment of capital towards the loan facility	**January 2026**	September 2022
Interest rates	**Jibar plus 1,95%**	Prime less 1,35%
Loan facility C	**450 000**	450 000
Utilised	**450 000**	450 000
Date of repayment of capital towards the loan facility	**February 2026**	February 2026
Interest rates	**Jibar plus 2,39%**	Jibar plus 2,39%
Loan facility F	**29 000**	29 000
Utilised	**29 000**	29 000
Date of repayment of capital towards the loan facility	**May 2025**	May 2022
Interest rates	**Prime less 1%**	Prime less 1%
Loan facility G	**128 700**	35 387
Utilised	**121 363**	35 387
Date of repayment of capital towards the loan facility	**November 2027**	February 2027
Interest rates	**Jibar plus 2,75%**	Jibar plus 2,75%
Loan facility J	**69 000**	27 000
Utilised	**33 731**	25 503
Date of repayment of capital towards the loan facility	**On demand**	On demand
Interest rates	**Prime less 0,5%**	Prime less 0,5%
Loan facility K	**8 645**	8 645
Utilised	**3 032**	1 650
Date of repayment of capital towards the loan facility	**December 2026**	December 2026
Interest rates	**Prime less 0,5%**	Prime less 0,5%
Loan facility L	**40 400**	–
Utilised	**29 862**	–
Date of repayment of capital towards the loan facility	**March 2028**	–
Interest rates	**Interest free**	–
Loan facility M	**2 600**	–
Utilised	**2 329**	–
Date of repayment of capital towards the loan facility	**October 2026**	–
Interest rates	**Prime less 2,87%**	–

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
- if rentals from owner-occupied properties exceed 30% of total rentals received, the excess will be disregarded in calculating the interest cover ratio.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 March 2023 and is not close to breach. Based on the latest forecast there appears to be no risk of not adhering to the loan covenants for the year ending 31 March 2024.

Notes to the financial statements
for the year ended 31 March (continued)

28. DIRECTORS' EMOLUMENTS

Paid by a subsidiary company Name	Salary R000's	Bonus R000's	Retirement and medical contributions R000's	Share option expense R000's	Directors' fees R000's	Other benefits R000's	Total R000's
2023							
Executive directors* **							
S A Queen (CEO)	**5 213**	**9 327**	**–**	**2 921**	**–**	**–**	**17 461**
G D T Wege	**2 577**	**4 962**	**359**	**463**	**–**	**–**	**8 361**
D Duncan	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-executive directors							
J Copelyn (Chairperson)**	**–**	**–**	**–**	**–**	**214**	**–**	**214**
M H Ahmed	**–**	**–**	**–**	**–**	**277**	**–**	**277**
D Duncan	**–**	**–**	**–**	**–**	**151**	**–**	**151**
T G Govender**	**–**	**–**	**–**	**–**	**151**	**–**	**151**
N B Jappie	**–**	**–**	**–**	**–**	**277**	**–**	**277**
K F Mahloma	**–**	**–**	**–**	**–**	**214**	**–**	**214**
Y Shaik**	**–**	**–**	**–**	**–**	**151**	**–**	**151**
Executive committee members							
K Robson	**2 241**	**828**	**156**	**143**	**–**	**–**	**3 368**
I Morris	**2 062**	**5 600**	**511**	**186**	**–**	**–**	**8 359**
2022							
Executive directors* **							
S A Queen* (CEO)	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 (Chairperson)**	–	–	–	–	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
Executive committee members							
K Robson	2 128	794	148	260	–	–	3 330
I Morris	2 401	4 200	490	338	–	–	7 429

* *The salary of Mr SA Queen is included in the managerial services provided by HCI until 30 September 2021.*

** *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.*

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
2023							
Executive directors*							
S A Queen (CEO)	**14 538**	**2 116**	**(4 124)**	**–**	**12 530**	**2,11**	**2,32**
G D T Wege	**5 836**	**966**	**(1 390)**	**–**	**5 412**	**2,11**	**2,32**
D Duncan	–	–	–	–	–	–	–
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	**3 890**	**548**	**(515)**	**–**	**3 923**	**2,11**	**2,32**
I Morris	**5 131**	**720**	**(2 823)**	**–**	**3 028**	**2,11**	**2,32**
2022							
Executive directors*							
S A Queen (CEO)	12 692	1 846	–	–	14 538	1,63	–
G D T Wege	4 844	992	–	–	5 836	1,63	–
D Duncan	4 461	–	(4 461)	–	–	–	1,42 – 1,84
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	3 313	576	–	–	3 889	1,63	–
I Morris	4 474	657	–	–	5 131	1,63	–

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

For the interest of directors in the company's share capital, please refer to the Analysis of Shareholders report on page 138.

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

28. DIRECTORS' EMOLUMENTS (CONTINUED)

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 2023:

Director	Board fees R000's	Salary R000's	Share options expense R000's	Bonus R000's	Total for the year ended 2023 R000's	Total for the year ended 2022 R000's
J A Copelyn	–	8 623	7 045	6 467	**22 135**	19 822
T G Govender	–	2 244	3 192	1 459	**6 895**	6 415
Y Shaik	–	4 455	3 019	2 896	**10 370**	9 297
M H Ahmed	808	–	–	–	**808**	765
N B Jappie	458	–	–	–	**458**	434

29. FOREIGN CURRENCY COMMITMENTS

	Currency	Uncovered R000's	Covered R000's	Total R000's
2023				
Foreign currency monetary items are as follows:				
Foreign receivables	EUR	**–**	**–**	**–**
	USD	**12 180**	**–**	**12 180**
	GBP	**–**	**–**	**–**
		12 180	**–**	**12 180**
Foreign payables	EUR	**–**	**4 619**	**4 619**
	USD	**26 795**	**69 069**	**95 864**
	GBP	**193**	**–**	**193**
		26 988	**73 688**	**100 676**

Sensitivity analysis

A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by R1,2 million while the uncovered payables balance would decrease by R2,7 million resulting in a net gain of R1,5 million. A weakening of the Rand by 10% would have an equal, but opposite effect.

	Currency	Uncovered R000's	Covered R000's	Total R000's
2022				
Foreign currency monetary items are as follows:				
	EUR	1 014	–	1 014
	USD	18 403	–	18 403
	GBP	476	–	476
		19 893	–	19 893
Foreign payables	EUR	18	1 326	1 344
	USD	4 237	96 614	100 851
		4 255	98 542	102 797

The exchange rates were as follows:

	Spot rate	
Currency	2023	2022
CHF	**19,41**	15,87
EUR	**19,27**	16,25
GBP	**21,91**	19,23
USD	**17,71**	14,61

30. COMMITMENTS

	Capital expenditure		Contractual commitments	
	2023 R000's	2022 R000's	**2023 R000's**	2022 R000's
Investment property	**17 325**	27 352	**–**	–
Land and buildings	**38 546**	39 448	**–**	10 200
Plant and equipment	**191 149**	103 766	**46 962**	160 894
Intangible assets	**1 866**	1 298	**–**	–
	248 886	171 864	**46 962**	171 094

The capital commitments are expected to be incurred during the next 12 months.

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)	
	2023 R000's	2022 R000's	**2023 R000's**	2022 R000's
Management fees paid				
HCI – managerial and secretarial services	**(397)**	–	**–**	–
Internal audit fees to HCI	**(2 048)**	(2 408)	**(234)**	(448)
Management fees received				
Risk management to HCI	**531**	504	**51**	–

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:

	2023 R000's	2022 R000's
Basic	**79 956**	56 621
Benefits	**4 965**	7 270
	84 921	63 891

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

The percentage of shares held by directors of the company and their related entities at the reporting date are disclosed in the Analysis of Shareholders report on page 138.

32. CONTINGENCIES

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

33 CHANGE IN COMPARATIVES

33.1 Discontinued operations

The results of discontinued operations have been separately disclosed on the face of the statement of profit or loss and other comprehensive income. Where practical these results for the prior year have been restated.

Refer to note 9 for further information.

33.2 Correction of prior period error relating to recognition of revenue

During the prior year Gold Reef Speciality Chemicals discontinued its manufacturing arm and changed its business model to outsourced toll manufacturing. In accordance with IFRS 15, revenue is recognised when the performance obligations are satisfied and control of goods transfers to the customers.

In the prior period, raw materials sold to toll manufacturers were incorrectly reported as revenue and it was concluded, as prescribed by IFRS 15, that control did not transfer with the sale of raw materials to the toll manufacturers and that revenue should only be recognised when finished goods are sold to the end customer. Therefore, revenue and cost of sales is restated as set out below.

The effect of the above restatements on the prior period results for the year ended 31 March 2022 is as follows:

	Previously reported R000's	IFRS 5 restatement R000's	Prior period error R000's	Restated R000's
Revenue	2 992 568	(24 413)	(88 614)	2 879 541
Cost of sales	(2 202 510)	12 052	88 614	(2 101 844)
Gross profit	790 058	(12 361)	–	777 697
Other income	50 817	–	–	50 817
Selling and distribution expenses	(285 421)	10 060	–	(275 361)
Administrative and other expenses	(298 100)	1 837	–	(296 263)
Operating profit before finance costs, impairments and revaluation of properties	257 354	(464)	–	256 890
Revaluation of properties	(17 133)	–	–	(17 133)
Operating profit before finance costs	240 221	(464)	–	239 757
Finance income	1 698	(124)	–	1 574
Lease finance expenses	(12 987)	–	–	(12 987)
Finance expenses	(52 483)	–	–	(52 483)
Profit before taxation	176 449	(588)	–	175 861
Income tax expense	(48 170)	–	–	(48 170)
Profit after tax	128 279	(588)	–	127 691
Loss from discontinued operations, net of tax	(3 886)	588		(3 298)
Profit	124 393	–	–	124 393

There is no impact on profit, total comprehensive income and cash flows for the 12-month period ended 31 March 2022.

The restatement impacts revenue for the Industrial Product Manufacturing segment for the 12-month period ended 31 March 2022, as disclosed on pages 82 and 85.

34. 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 selected 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" includes Deneb and its operating subsidiaries, excluding Formex Industries Proprietary Limited, Formex Tubing Proprietary Limited, Premier Rainwatergoods Proprietary Limited, HTIC Limited and Oops Global SA).

Formex Industries has provided security to Investec in respect of plant and equipment and ABSA in respect of its trade debtors.

Deneb Investments has issued guarantees in favour of the IDC for interest-free funding.

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
2023			
Property, plant and equipment	**931 346**	**225 296**	**706 050**
Investment property	**1 063 513**	**1 063 513**	**–**
Intangible assets	**20 536**	**–**	**20 536**
Financial asset at fair value through other comprehensive income	**6 236**	**–**	**6 236**
Long-term receivables	**5 072**	**–**	**5 072**
Inventories	**644 970**	**–**	**644 970**
Trade and other receivables	**564 399**	**158 567**	**405 832**
Non-current assets held for sale	**132 500**	**–**	**132 500**
2022			
Property, plant and equipment	721 992	213 045	508 947
Investment property	1 125 386	1 125 386	–
Intangible assets	26 558	–	26 558
Financial asset at fair value through other comprehensive income	4 237	–	4 237
Long-term receivables	7 955	–	7 955
Inventories	596 406	–	596 406
Trade and other receivables	563 270	147 159	416 111
Non-current assets held for sale	43 010	–	43 010

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 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.

35. 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 12 184 116 ordinary options (2022: 9 559 945) were allotted.

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

2014 Deneb Share Incentive Scheme

- 8 135 448 options issued on 29 June 2015 of which 333 683 are unexercised and the vesting criteria have been met.
- 11 552 529 options issued on 30 June 2016 of which 5 229 889 are unexercised and the vesting criteria have been met.
- 9 204 132 options issued on 26 June 2017 of which 2 257 973 are unexercised and the vesting criteria have been met.

2017 Deneb Share Incentive Scheme

- 10 781 733 options issued on 18 June 2018 of which 2 882 224 are unexercised and the vesting criteria have been met.
- 13 096 530 options issued on 4 July 2019 of which 9 376 778 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 11 097 408 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 9 257 441 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.
- 12 184 116 options issued on 29 June 2022 of which 12 078 971 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.

35. 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	30 June 2016	2 343 944	121	Continued employment	2 years
	18 June 2018	1 489 586	178	Continued employment	1 year
	4 July 2019	2 290 642	161	Continued employment	2 years
	30 June 2020	2 443 035	119	Continued employment	3 years
	28 June 2021	1 846 187	154	Continued employment	4 years
	29 June 2022	2 116 260	211	Continued employment	5 years
Total for S A Queen		**12 529 654**			
G D T Wege	30 June 2016	738 491	121	Continued employment	2 years
	26 June 2017	672 598	116	Continued employment	3 years
	4 July 2019	1 088 366	161	Continued employment	2 years
	30 June 2020	953 353	119	Continued employment	3 years
	28 June 2021	991 868	154	Continued employment	4 years
	29 June 2022	966 126	211	Continued employment	5 years
Total for G D T Wege		**5 410 802**			
Other, not being directors	29 June 2015	333 683	146	Continued employment	1 year
	30 June 2016	2 147 454	121	Continued employment	2 years
	26 June 2017	1 585 375	116	Continued employment	3 years
	18 June 2018	1 392 638	178	Continued employment	1 year
	4 July 2019	5 997 770	161	Continued employment	2 years
	30 June 2020	7 701 020	119	Continued employment	3 years
	28 June 2021	6 419 386	154	Continued employment	4 years
	29 June 2022	8 996 585	211	Continued employment	5 years
Total other		**34 573 911**			
Total options in issue		**52 514 367**			

Reconciliation of movements in options:

Number of options	**2023**	2022
Opening balance	**60 287 289**	57 456 438
Awarded during the period	**12 184 116**	9 559 945
Exercised during the period	**(6 969 291)**	(1 199 776)
Options used for strike price	**(12 847 595)**	(5 129 175)
Lapsed/forfeited during the period	**(140 152)**	(400 143)
Closing balance	**52 514 367**	60 287 289
Number of options exercisable at year-end	**14 932 694**	29 884 003
Expense during the year (included in employment costs)	**5 282 152**	3 959 078
Value of shares issued during the year	**12 149 871**	4 167 489
Weighted average share price of share options exercised during the year	**2,39**	1,94

35. SHARE INCENTIVE SCHEME (CONTINUED)

Valuation methodology

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

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

The key principles of the Black-Schöles-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 table below summarises the principal assumptions used in the valuation of the 29 June 2022 grants:

Grant date	Vesting date	Share price (R)	Expected option lifetime (years)	Volatility %	Dividend yield %	Risk-free rate %
29/06/2022	29/06/2023	**2,47**	**2**	**25,77**	**3,64**	**7,46**
29/06/2022	29/06/2024	**2,47**	**3**	**27,76**	**3,64**	**7,94**
29/06/2022	29/06/2025	**2,47**	**4**	**25,24**	**3,64**	**8,45**
29/06/2022	29/06/2026	**2,47**	**5**	**25,24**	**3,64**	**8,45**

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.

35. 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 9 cents (2022: 7 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.

36. NON-CONTROLLING INTEREST

Transactions with non-controlling interest

Current period

During the year the Group started trading with two of its dormant subsidiaries.

Non-controlling interest comprises the allocation of losses generated from these subsidiaries during the period.

Prior period

On 30 April 2022 the Group disposed of its interest in OfficeBox. Refer to note 26 for more information regarding the sale.

The Group's non-controlling interest was reduced to nil as a results of the sale.

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

	African Tooling Proprietary Limited		Explorius Proprietary Limited		Total	
	2023 R000's	2022 R000's	2023 R000's	2022 R000's	2023 R000's	2022 R000's
Non-controlling interests (%)	**40,0**	40,0	**49,75**	49,75		
Non-current assets	**130**	–	**6 195**	–	**6 325**	–
Current assets	**1 196**	–	**1 015**	–	**2 211**	–
Non-current liabilities	**(160)**	–	**(3 837)**	–	**(3 997)**	–
Current liabilities	**(1 343)**	–	**–**	–	**(1 343)**	–
Net assets attributable to the shareholders	**(177)**	–	**3 373**	–	**3 196**	–
Total carrying amount of non-controlling interests	**167**	–	**238**	–	**405**	–
Net assets attributable to the shareholders	**(344)**	–	**3 135**	–	**2 791**	–
Revenue	**4 388**	–	**–**	–	**4 388**	–
Loss for the year	**(418)**	–	**(478)**	–	**(896)**	–
Total comprehensive income	**(418)**	–	**(478)**	–	**(896)**	–
Loss allocated to non-controlling interests	**(167)**	–	**(238)**	–	**(405)**	–

37. POST YEAR-END EVENTS

A distribution of 10 cents per share was declared subsequent to the financial year.

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.

Property portfolio analysis

Property name	Classification	Location	GLA m²
Western Cape			
Brits Nonwoven	Group-occupied	John van Niekerk Street, Atlantis	10 214
Romatex	Group-occupied	Epping Avenue, Elsies River	15 305
Prima	Group-occupied	36 Gunners Circle, Epping 1	12 332
		Subtotal	**37 851**
Deneb House	Investment with minority of GLA internally let	368 Main Road, Observatory	10 578
Nourse*	Investment property	Nourse Ave, Epping 2	8 215
Hextex*	Investment property	Raymond Pollet Drive, Worcester	40 221
Winelands Industrial Park	Investment property	Driebergen Street, Paarl	15 054
14 Jig Road	Investment property	Jig Road, Montague Gardens	2 369
Kinghall Park	Investment property	34 Kinghall Avenue, Epping 2	8 586
Radnor Industrial Park	Investment property	Radnor Street, Parow Industria	13 534
		Subtotal	**98 557**
		Total Western Cape	**136 408**
KwaZulu-Natal			
Mobeni – 195 Leicester Road*	Investment property	195 Leicester Road, Mobeni	14 216
Mobeni – 40 Leicester Road	Investment property	40 Leicester Road, Mobeni	11 705
Mobeni Industrial Park	Investment property	Warrington Road, Mobeni	31 691
New Germany Industrial Park	Investment property with minority of GLA internally let	124 Escom Road, New Germany	161 801
		Total KwaZulu-Natal	**219 413**
Eastern Cape			
Libertas Road	Group-occupied	25 Libertas Road, Gqeberha	13 331
		Total Eastern Cape	**13 331**
Polokwane			
Antimoon Street	Group-occupied	52 Antimoon Street, Polokwane	3 527
		Total Polokwane	**3 527**
Total portfolio			**372 679**

* *Held for sale.*

Analysis of shareholders

SHAREHOLDER SPREAD

Pursuant to the Listings Requirements of the JSE and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at the reporting date was as follows:

	2023				2022			
	Number of shareholders*	%	Number of shares*	%	Number of shareholders*	%	Number of shares*	%
Ordinary shares								
Non-public	**17**	**0,9**	**386 676 020**	**88,3**	18	1,1	381 843 792	87,7
Directors of the company and subsidiaries	**3**	**0,2**	**9 131 608**	**2,1**	3	0,2	6 781 092	1,6
Shareholders with more than 10% holding*	**2**	**0,1**	**371 776 214**	**84,8**	2	0,1	371 776 214	85,3
Non-director share scheme participants	**12**	**0,6**	**5 768 198**	**1,4**	13	0,8	3 286 486	0,8
Public	**1 771**	**99,1**	**51 647 653**	**11,7**	1 591	98,9	53 798 717	12,3
	1 788	**100,0**	**438 323 673**	**100,0**	1 609	100,0	435 642 509	100,0

* *Includes indirect holdings held by directors via Fulela Trade and Invest 81 Proprietary Limited, and Hosken Consolidated Investments Limited.*

DIRECTORS' INTEREST IN SHARES

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

	2023		2022	
	Ordinary	%	Ordinary	%
Direct	**9 131 608**	**2,1**	6 781 092	1,6
Indirect	**71 839 188**	**16,4**	35 515 719	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:

	Direct		Indirect	
	2023 Ordinary	2022 Ordinary	2023 Ordinary	2022 Ordinary
S A Queen	**6 008 765**	4 129 534	**329 303**	327 645
G D T Wege	**1 911 781**	1 440 496	**–**	13 387
D Duncan	**1 211 062**	1 211 062	**–**	–
Y Shaik	**–**	–	**361 818**	406 579
N B Jappie	**–**	–	**–**	–
L Govender	**–**	–	**–**	–
R D Watson	**–**	–	**–**	–
T G Govender	**–**	–	**4 962 279**	4 931 926
J A Copelyn	**–**	–	**66 185 788**	29 836 182
	9 131 608	6 781 092	**71 839 188**	35 515 719

SHAREHOLDERS' INTEREST IN SHARES

The following are shareholders, other than directors, who own more than 5% of the company's issued share capital per class of share:

	2023		2022	
	Ordinary	**%**	Ordinary	%
Hosken Consolidated Investments Limited	**303 622 468**	**69,3**	303 622 468	69,7
Fulela Trade and Invest 81 Proprietary Limited*	**68 153 746**	**15,5**	68 153 746	15,6

* *Wholly owned subsidiary of Hosken Consolidated Investments Limited.*

Executives and staff members of the Group, other than directors, held 5 768 198 (2022: 3 286 486) ordinary shares at year-end.

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

ANALYSIS OF SHAREHOLDERS

Deneb ordinary shares	**Number of shareholders**		**% of total shareholders**		**Number of shares**		**% of total shares**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
1 – 1 000	**1 395**	1 232	**78**	77	**109 640**	107 532	**–**	–
1 001 – 5 000	**86**	98	**5**	6	**221 801**	248 292	**–**	–
5 001 – 50 000	**234**	208	**13**	12	**4 292 641**	3 414 157	**1**	1
50 001 – 100 000	**26**	27	**1**	2	**1 815 812**	1 872 673	**–**	–
Over 100 000	**47**	44	**3**	3	**431 883 779**	429 999 855	**99**	99
	1 788	1 609	**100**	100	**438 323 673**	435 642 509	**100**	100

	2023 %	2022 %
Banks, investment, finance and nominee companies and trusts	**94**	96
Directors and staff	**4**	2
Individuals	**2**	2

SHARE TRADING STATISTICS

			2023	2022
Total number of shares traded	(000's)	Ordinary	**6 043**	2 233
Total value of shares traded	(R000's)	Ordinary	**13 033**	3 981
Weighted average number of shares in issue	(000's)	Ordinary	**436 994**	435 552
% of shares traded to weighted average number of issued shares	(%)	Ordinary	**1,4**	0,5

Salient terms and scheme amendments

SALIENT TERMS OF THE DENEB INVESTMENTS EMPLOYEE SHARE SCHEME (2023) ("2023 SCHEME")

1. DEFINITIONS

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

Act	the Companies Act No. 71 of 2008, as amended from time to time;
Auditors	the auditors for the time being of the Company;
Board	the Board of directors for the time being of the Company or, should the Board of directors delegate its authority to a committee of the Board, such committee (unless the context indicates the contrary), provided always that if any director has any personal financial interest in any decision being taken by the Board (or committee) in terms of the Scheme, such director shall disclose such interest in accordance with the requirements of the Act and recuse himself/herself from such decision-taking;
Business Day	any day other than a Saturday, Sunday or public holiday officially recognised as such in the Republic of South Africa;
Closing Period	a closed period as defined in the JSE Listings Requirements;
Company or **Deneb**	Deneb Investments Limited (Registration Number: 2013/091290/06) of 5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory, Cape Town;
Company Secretary	the Company Secretary of the Company, from time to time, and any person authorised by the Company Secretary of the Company, from time to time, to administer the Scheme for such Company Secretary;
Employee	any full-time employee, including a director holding salaried employment or office, of the Group (but excluding non-executive directors);
Employer Company	the company in the Group which employs or employed the Participants or in respect of which the Participant holds or held office, and which has adopted the terms of the Scheme;
Exercise Date	the date on which an Option is exercised by a Participant in accordance with the Scheme;
Exercise Date Price	the Middle Market Price as at the relevant date on which the Participant exercises an Option;
Exercise Date Market Price	the market price per Share at the closing of trade on the JSE on the relevant Exercise Date;
Expiry Date	in respect of any particular Option, the 5th (fifth) anniversary of the date of the Option Notice in terms of which such Option was granted;
Group	the Company and its subsidiaries from time to time;
Income Tax Act	the Income Tax Act No. 58 of 1962, as amended from time to time;
JSE	the JSE Limited (Registration Number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act No. 19 of 2012;
JSE Listings Requirements	the Listings Requirements published by the JSE;
Middle Market Price	in relation to any particular Business Day, the volume weighted average price of the Shares as traded on the JSE during the 20 (twenty) Business Days preceding the Business Day in question, as notified to the Company by the JSE;
Net-equity Settlement	the manner in which payment for and delivery of the Shares in respect of which an Option is exercised may take place, as described in paragraph 4.6 below;
Net-equity Settlement Shares	the number of Shares delivered to the Participant pursuant to the Net-equity Settlement of an Option, as defined in in paragraph 4.6.1 below;

Net-Tax Settlement	the manner in which payment for and delivery of the Shares in respect of which an Option is exercised may take place, as described in paragraph 4.7 below;
Net-Tax Settlement Shares	the number of Shares delivered to the Participant pursuant to the Net-equity Settlement of an Option, as defined in paragraph 4.7.1.4 below;
Option	an option to acquire Shares, granted to an Employee in terms of the Scheme which has not yet been exercised and which has not lapsed;
Option Date	the date of the Option Notice in terms of which an Option was granted;
Option Notice	the written notice in terms of which the Employer Company grants an Option to an Employee to acquire Shares;
Option Price	the Middle Market Price as at the Option Date, less a discount of 10% (ten percent), as recorded in the Option Notice;
Participant	an Employee who has been granted an Option (and who has accepted such Option in accordance with the Option Notice), or his/her executor, heir, administrator, trustee or permitted assignee, as the case may be;
Participant's Tax Liability	the income tax due and payable by a Participant on the Participant's Taxable Gain, based on the applicable income tax rate which applies to the Participant as per the Income Tax Act and a tax directive obtained by the relevant Employer Company from SARS;
Participant's Taxable Gain	bears the meaning ascribed thereto, and will be calculated in accordance with paragraph 4.7.1.1 below;
Prohibited Period	a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
Performance Target	such performance target as may be determined, waived or amended by the Board;
SARS	means the South African Revenue Service;
Scheme or **2023 Scheme**	The Deneb Investments Employee Share Scheme (2023);
Settlement Shares	means the number of Shares delivered to the Participant pursuant to the Net-equity Settlement of the Option, as defined in paragraph 4.6.2;
Shares	ordinary shares of no par value in the capital of the Company;
Termination of Employment	the date on which an Employee's contract of employment terminates, including a termination of the contract of employment as a result of death, provided that if a notice of termination was given by either the Employee or the Employer Company, such termination shall only occur upon the expiry of the notice period, provided further that there shall be deemed to be no Termination of Employment for purposes of the Scheme, if the Participant ceases to be employed by one Employer Company but remains within the continuous employment of the Group by being employed by another Employer Company; and
Tranche	that number of Shares in respect of which the Participant becomes entitled to exercise the Option on the relevant anniversary date of the Option Notice, subject to meeting the relevant Performance Targets (if any).

2. INTRODUCTION

The purpose of this Statement is to set out the salient features of the 2023 Scheme, in order for Deneb shareholders to consider and vote in respect of ordinary resolution 5, set out in the notice of annual general meeting, which forms part of the integrated annual report.

3. RATIONALE OF THE SCHEME

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

4. SALIENT FEATURES OF THE SCHEME

4.1 Shares available for the Scheme

4.1.1 Subject to any further limitations in terms of the Act or the memorandum of incorporation of the Company, the aggregate number of Shares which may be utilised for the Scheme shall not exceed 43 500 000 (forty-three million five hundred thousand). Shares which have been "utilised for the Scheme" refers to Shares which have been delivered to Participants pursuant to the exercise of Options.

4.1.2 The aggregate number of Shares which any one Participant may acquire, pursuant to the exercise of an Option in terms of the Scheme shall not exceed 8 700 000 (eight million seven hundred thousand).

4.1.3 Subject to the further limitations in terms of the Act or the memorandum of incorporation of the Company and the maximum aggregate number of Shares recorded in 4.1.1, the Company in general meeting may reserve such limited number of unissued Shares and place those unissued Shares under the control of the Board for the purpose of the Scheme.

4.1.4 Newly issued Shares, market-purchased Shares or Shares held in treasury may be used for purposes of the Scheme. Any Shares purchased through the market will not be taken into account when calculating the number of Shares utilised by the Scheme for purposes of paragraphs 4.1.1 and 4.1.2 above. Shares may only be issued or purchased for purposes of the Scheme once a Participant or group of Participants to whom they will be allocated, has been formally identified.

4.1.5 No Shares may be purchased by the Company during a Prohibited Period unless the Company has in place a purchase programme where the dates and quantities of Shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the Prohibited Period.

4.1.6 Where all of the Shares in respect of which an Option has been granted to a Participant are not subsequently issued or transferred to such Participant (for example, as a result of the Option lapsing or as a result of Net-equity Settlement or Net-Tax Settlement), such number of Shares shall revert back to the Scheme and may form the subject of further Options to be allocated to Participants under the Scheme.

4.2 Offer to Employees

4.2.1 The relevant Employer Company, on the instructions of the Board from time to time, shall grant an Option in terms of a written Option Notice to Employees (selected in the sole discretion of the Board and notified in writing, from time to time, to the Employer Company) to acquire Shares.

4.2.2 When selecting which Employees will be granted Options (and the number of Options to be granted to each such Employee), the Board shall take into account the contribution to be made by the relevant Employee to the Group in light of the Employee's skills, experience, qualifications and/or attributes and the Group's strategic objectives at the relevant time.

4.2.3 The Option Notice shall, inter alia, stipulate:

4.2.3.1 whether any Performance Target applies to the Option and, if so, the applicable Performance Target that must be achieved in respect of each Tranche or any part thereof and the date by when such Performance Target must be met;

4.2.3.2 that all Options shall be Net-equity Settled or Net-Tax Settled, and therefore shall only be exercisable if the Exercise Date Price exceeds the Option Price;

4.2.3.3 that the Employer Company shall bear all other costs, duties, taxes, fees, commission and the like pertaining to the transfer of the Shares in respect of which the Option has been exercised; and

4.2.3.4 all risk and benefit of the Shares, including but not limited to all dividend rights and all voting rights appertaining to such Shares, shall pass to the Participant on the date of settlement of the Option, either in terms of the Net-equity Settlement mechanism or the Net-Tax Settlement mechanism.

4.3 Exercise of Options

4.3.1 Each Participant shall become entitled to exercise an Option in respect of:

4.3.1.1 up to a further 30% (thirty percent) of the number of Shares to which the Option relates from the second anniversary of the Option Date;

4.3.1.2 up to a further 30% (thirty percent) of the number of Shares to which the Option relates from the third anniversary of the Option Date; and

4.3.1.3 the balance, namely 40% (forty percent) of the number of Shares to which the Option relates, from the fourth anniversary of the Option Date,

provided, in respect of each Tranche, that on the date on which the Participant exercises the Option, each of the conditions required to be met in order for the Option to be exercised have been met, including the conditions that the Participant is still an Employee, the Exercise Date Price exceeds the Option Price, and the Performance Target for that Tranche, if applicable, has been met.

4.3.2 The Participant shall be entitled to exercise the Option in respect of the Shares comprising a particular Tranche from the relevant anniversary of the Option Date ("**Trigger Date**") and the date on which the Performance Target (if applicable) is met, until the Expiry Date. If the Participant does not exercise the Option by the Expiry Date, such Option shall lapse, provided that in such circumstances, the Board may direct, within its sole discretion, that such Option shall be deemed not to have lapsed.

4.3.3 If the Performance Target, if applicable, in respect of any Tranche is not met on the relevant date on which such Performance Target was required to have been met (as set out in the Option Notice), then the Participant shall not be entitled to exercise the Option in respect of the Shares comprising such Tranche, and the Option shall lapse in respect of such Shares which are the subject matter of that Tranche.

4.3.4 Where the Expiry Date of an Option falls within a Prohibited Period or Closed Period, the Participant shall be entitled to exercise such Option for a period of 30 (thirty) days following the expiry of such Prohibited Period or Closed Period and the Option shall not lapse until such 30 (thirty) day period has expired.

4.3.5 Insofar as it concerns the acceptance, acquisition, disposal or exercise of any Option where the Participant concerned is a director or the Company Secretary of an Employer Company (or an associate of any such director or Company Secretary), the Company shall, where required in terms of the JSE Listings Requirements, make the necessary announcements.

4.4 Lapsing of Options

The Options shall, in addition to such other circumstances set out in the Scheme, lapse on the date of the relevant Participant's Termination of Employment, save therefore that where the Termination of Employment is as the result of:

4.4.1 death; or

4.4.2 ill health or injury, provided that the Employer Company has received a certificate from a suitably qualified, independent medical practitioner nominated for this purpose by the Employer Company or otherwise acceptable to the Employer Company to the effect that, due to such ill health or injury, the Participant shall not be able to perform his/her normal employment duties for a consecutive period exceeding 12 (twelve) months,

the Company Secretary shall treat the Option as having been exercised on the date of the Participant's Termination of Employment, and where the Termination of Employment is as the result of:

4.4.3 normal or late retirement, and the Participant has met the Performance Target in respect of the Tranche but the relevant Trigger Date has not yet arrived; or

4.4.4 early retirement (being retirement other than such normal or late retirement) with the approval of the Board,

the Board shall be entitled, but not obliged, to direct that the Participant may exercise such Option on a date as may be determined by the Board within its sole discretion.

4.5 Payment and delivery of Shares

4.5.1 In the event that a Participant exercises an Option in terms of the Scheme, delivery of all (and not only a portion) of the Shares in respect of which such Option is exercised, shall take place (i) in accordance with the Net-equity Settlement mechanism, or (ii) in accordance with the Net-Tax Settlement mechanism only in instances where it is agreed by the Company Secretary and the Participant or at the election of the Company Secretary where the Participant fails to settle the Participant's Tax Liability.

4.5.2 The Shares shall, at the time of delivery thereof to the Participant, be issued fully paid and shall rank pari passu with existing issued Shares, and shall be listed on the JSE as soon as reasonably possible in the relevant circumstances.

4.5.3 The Option Price per Share payable by a Participant pursuant to the exercise of an Option shall be the Middle Market Price as at the Option Date, less a 10% (ten percent) discount to the Middle Market Price, and subject further to an adjustment (if any) in terms of the following formula:

A = B - C

where:

A = the adjusted Option Price;

B = the original Option Price per Share, as stipulated in the Option Notice, being the Middle Market Price as at the Option Date, less a 10% (ten percent) discount; and

C = the sum of all dividends, distributions and other payments to shareholders, including returns of capital (if any), declared and paid by the Company per Share in the issued share capital of the Company, provided the last date for registration (the record date) for all such dividends, distributions or payments (if any) occurred during the period from the Option Date until the date on which the Option is exercised (both dates inclusive),

provided that where this formula results in “A” being a negative number, the adjusted Option Price shall be nil.

4.6 Net-equity Settlement

4.6.1 Upon the valid exercise of an Option, where such Option must be settled in accordance with the Net-equity Settlement mechanism, the Company Secretary shall, subject to receipt, in cash, of an amount equal to the Participant’s Tax Liability due in respect of the Option being exercised, deliver to the Participant concerned, that number of Shares (“**Net-equity Settlement Shares**”), calculated in accordance with the following formula:

D = (E - F) x G/H

where:

D = the number of Net-equity Settlement Shares;

E = the Exercise Date Price;

F = the Option Price;

G = such number of Shares in respect of which the Option is exercised; and

H = the Exercise Date Price,

provided that where this formula results in “D” not being a whole number, it shall be rounded down to the nearest whole number.

4.6.2 Upon the delivery by the Company Secretary of the Net-equity Settlement Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Company Secretary, and the Company Secretary shall be regarded as having discharged his/her obligation to deliver those Shares in respect of which the Option was exercised, to the Participant.

4.7 Net-Tax Settlement

4.7.1 Upon the valid exercise of an Option, where such Option will, in terms of clause 4.5.1 above, be settled in accordance with the Net-Tax Settlement mechanism, the Company Secretary shall:

4.7.1.1 firstly, determine the Participant’s Taxable Gain pursuant to the exercise of such Option, using the following formula:

I = J x K

where:

I = Participant’s Taxable Gain;

J = the number of Net-equity Settlement Shares, calculated in accordance with clause 4.6.1; and

K = the Exercise Date Market Price;

4.7.1.2 secondly, determine the Participant’s Tax Liability, calculated on the Participant’s Taxable Gain and based on the applicable income tax rate which applies to the Participant as per the Income Tax Act and a tax directive obtained by the Employer Company from SARS;

4.7.1.3 thirdly, determine the number of Shares equal to the value of the Participant's Tax Liability as at the Exercise Date, using the following formula:

$L = M \div N$

where:

L = number of Shares equal to the value of the Participant's Income Tax Liability;

M = Participant's Income Tax Liability; and

N = the Exercise Date Market Price;

provided that where this formula results in "L" not being a whole number, it shall be rounded up to the nearest whole number;

4.7.1.4 fourthly, deliver to the Participant concerned, that number of Shares ("**Net-Tax Settlement Shares**"), calculated in accordance with the following formula:

$O = P - Q$

where:

O = the number of Net-Tax Settlement Shares;

P = the number of Net-equity Settlement Shares, calculated in accordance with clause 4.6.1; and

Q = the number of Shares equal to the value of the Participant's Income Tax Liability, calculated in accordance with clause 4.7.1.3; and

4.7.1.5 lastly, pay the Participant's Income Tax Liability due in respect of the Option being exercised, in cash and on a pay-as-you-earn basis, to SARS.

4.7.2 Upon the delivery by the Company Secretary of the Net-Tax Settlement Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Company Secretary, and the Company Secretary shall be regarded as having discharged his/her obligation to deliver those Shares in respect of which the Option was exercised, to the Participant.

4.8 Adjustments to the Scheme, Options and Option Prices due to events affecting Share Capital

4.8.1 If at any time:

4.8.1.1 the Shares of the Company are consolidated or sub-divided or in any other way reorganised;

4.8.1.2 the Company is placed in liquidation pursuant to or in the course of the reorganisation of the Group;

4.8.1.3 the Company is party to a scheme of arrangement affecting the structure of its Share capital; and

4.8.1.4 the Company allots additional Shares by the capitalisation of the Company's profits and/or reserves or undertakes a rights issue,

then the number of Shares which may be utilised for the Scheme and the number of Shares which are the subject of any Option and/or the Option Price, if any, in respect thereof shall be adjusted in such manner as the Auditors determine to be appropriate and, in making such determination, the Auditors shall ensure that as far as possible in the circumstances, Participants shall remain entitled to the same proportion of the equity capital of the Company as that to which such Participant would have been entitled but for such event, and that Participants are not prejudiced nor given benefits beyond those provided for in the Scheme. The Auditors shall confirm to the Board in writing that any such adjustments were calculated on a reasonable basis and shall confirm to the JSE that any adjustments so made are in accordance with the provisions of the Scheme. The Board shall notify the Participant of that adjustment which shall be binding on the Company and on the Participant. Any such adjustment shall be reported on in the Company's annual financial statements in the financial period during which the adjustment is made. The issue of equity securities as consideration for an acquisition, the issue of securities for cash and the issue of equity securities for a vendor consideration placing will not be regarded as circumstances requiring adjustment.

4.8.2 If the Company is placed into liquidation other than for the purposes of reorganisation, any Options that have not yet vested will ipso facto lapse from the date of liquidation. For the purposes hereof "date of liquidation" will mean the date upon which any application for the liquidation of the Company (whether provisional or final) is granted by a South African court.

4.9 Change in control

4.9.1 Should the Board become aware that:

4.9.1.1 the Company will be party to an amalgamation, merger or scheme of arrangement as contemplated in chapter 5 of the Act; or

4.9.1.2 shareholders in the Company who collectively hold more than 50% (fifty percent) of the Shares in the Company will sell, exchange or otherwise dispose of their Shares in the Company; or

4.9.1.3 a mandatory offer to shareholders of the Company is required in terms of section 123 of the Act; or

4.9.1.4 the Company will propose to pass a resolution for the voluntary winding up of the Company,

then the terms of the Scheme shall continue in force.

4.9.2 Should:

4.9.2.1 an Employer Company become an immediate subsidiary of another company outside of the Group as a result of a take-over, scheme of arrangement, reconstruction or amalgamation; or

4.9.2.2 shareholders in an Employer Company who hold more than 50% (fifty percent) of the ordinary shares in the issued share capital of such Employer Company agree to sell, exchange or otherwise dispose of such shares in such Employer Company; or

4.9.2.3 an Employer Company resolve to dispose of the whole or the greater part of its undertaking or business; or

4.9.2.4 the Board serve notice on those Participants who are Employees of a particular Employer Company that such Employer Company proposes to pass a resolution for voluntary winding up,

then all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically vest on a date as may be determined by the Board prior to the occurrence of an event.

4.9.3 Should an Employer Company cease to be part of the Group for any reason whatsoever, then all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically vest on a date as may be determined by the occurrence of an event.

4.10 New listing

Should the shares of an Employer Company or subsidiary of the Company ("**Successor Company**") be listed on the JSE. The terms of the Scheme shall continue in force, alternatively the unexercised Options held by Participants who are Employees of the relevant Employer Company shall, where the Successor Company consents thereto, be exchanged for options in respect of shares in the Successor Company on materially the same terms as the unexercised Options.

4.11 De-listing of the Company

In the event that the Shares are de-listed from the JSE for whatever reason in the future:

4.11.1 the Scheme and all Options granted in terms thereof shall continue in force;

4.11.2 the Scheme shall continue to be governed by the Scheme document, save that all references to the "Middle Market Price" shall be replaced with the reference to "Market Value", which "Market Value" shall be determined by the Board and, if disputed, by the Auditors; and

4.11.3 a Participant shall have a put option, in terms of which he/she can require the Company to purchase the Shares in respect of which an Option is exercised, on the Exercise Date, at the Market Value.

4.12 Amendment of the Scheme

It shall be competent for the Board to amend any of the provisions of this Scheme, subject to the approval of the JSE as may be necessary, provided that no such amendment affecting any of the following matters shall be competent unless it is sanctioned by the Company in general meeting in accordance with the requirements of the JSE Listings Requirements.

5. CONDITIONS PRECEDENT

The adoption and implementation of the 2023 Scheme is subject to obtaining the approval of shareholders by way of an ordinary resolution (requiring a 75% (seventy-five percent) majority of the votes cast in favour of such resolution) in accordance with the JSE Listings Requirements.

6. DIRECTORS' RESPONSIBILITY STATEMENT

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

7. RECOMMENDATION

The directors are of the opinion that the 2023 Scheme will be beneficial to the Group and accordingly recommend that Deneb shareholders vote in favour of ordinary resolution 5 which is necessary for the adoption of the 2023 Scheme, as set out in the notice of annual general meeting, which forms part of the integrated annual report.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the 2023 Scheme document will be available for inspection during normal business hours at the registered office of Deneb and at the office of Deneb's sponsor, PSG Capital (1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600) from the date of the notice of annual general meeting, to which these Salient Terms are included, until the date of the annual general meeting.

AMENDMENTS TO THE DENEB INVESTMENTS EMPLOYEE SHARE SCHEME (2017) ("2017 SCHEME")

In terms of ordinary resolution number 6, set out in the notice of annual general meeting, which forms part of the integrated annual report, the amendments outlined below are proposed to the 2017 Scheme document, which was previously approved and adopted by shareholders at the annual general meeting of Deneb held on 1 November 2017.

It is proposed that the 2017 Scheme document be amended:

1. BY THE INSERTION OF A NEW CLAUSE 1.1.19A AFTER THE EXISTING CLAUSE 1.1.19, TO READ AS FOLLOWS:

"1.1.19A '**Net-Tax Settlement**' means the manner in which payment for and delivery of the Shares in respect of which an Option is exercised may take place as described in clause 7.4;"

2. BY THE INSERTION OF A NEW CLAUSE 1.1.25A AFTER THE EXISTING CLAUSE 1.1.25, TO READ AS FOLLOWS:

"1.1.25A '**Participant's Tax Liability**' means the income tax due and payable by a Participant on the Participant's Taxable Gain, based on the applicable income tax rate which applies to the Participant as per the Income Tax Act and a tax directive obtained by the relevant Employer Company from the South African Revenue Service ('**SARS**'), calculated in accordance with clause 7.4.1.2;"

3. BY THE INSERTION OF A NEW CLAUSE 1.1.25B AFTER THE NEWLY INSERTED CLAUSE 1.1.25A, TO READ AS FOLLOWS:

"1.1.25B '**Participant's Taxable Gain**' bears the meaning ascribed thereto and will be calculated in accordance with clause 7.4.1.1;"

4. BY THE DELETION OF THE STRUCK-THROUGH WORDS IN CLAUSE 5.7, TO READ AS FOLLOWS:

"5.7. Each Participant shall be responsible for all costs, duties, taxes, fees, commission and the like ~~('the Participant's Tax Liability')~~ pertaining to the transfer of the Shares in respect of which an Option has been exercised."

5. BY THE DELETION OF THE EXISTING CLAUSE 7 IN ITS ENTIRETY AND THE REPLACEMENT THEREOF WITH A NEW CLAUSE 7 TO READ AS FOLLOWS:

"7. PAYMENT AND DELIVERY OF SHARES

7.1. In the event that a Participant exercises an Option in terms of the Scheme, delivery of all (and not only a portion) of the Shares in respect of which such Option is exercised, shall:

7.1.1. in all instances, other than as set out in clause 7.1.2 below, take place in accordance with the Net-equity Settlement mechanism set out in clause 7.3 below; or

7.1.2. in the event that a Participant wishes to exercise an Option, but is unable to, or wishes not to, pay the Participant's Tax Liability due in respect of the Option being exercised, and –

7.1.2.1. where the Participant and the Company Secretary agree thereto in writing prior to the Exercise Date; or

7.1.2.2. at the election of the Company Secretary in accordance with clause 7.3.3,

take place in accordance with the Net-Tax Settlement mechanism set out in clause 7.4 below.

7.2. Determination of Option Price

The Option Price per Share payable by a Participant pursuant to the exercise of an Option shall be the Middle Market Price as at the Option Date, less a 10% (ten percent) discount to the Middle Market Price, and subject further to an adjustment (if any) in terms of the following formula:

A = B - C

where:

A = the adjusted Option Price;

B = the original Option Price per Share, as stipulated in the Option Notice, being the Middle Market Price as at the Option Date, less a 10% (ten percent) discount; and

C = the sum of all dividends and other payments to shareholders, including returns of capital (if any), declared and paid by the Company per Share in the issued share capital of the Company, provided the last date for registration (the record date) for all such dividends or payments (if any) occurred during the period from the Option Date until the date on which the Option is exercised (both dates inclusive),

provided that where this formula results in 'A' being a negative number, the adjusted Option Price shall be nil.

7.3. Net-Equity Settlement

7.3.1. Upon the valid exercise of an Option, where such Option must, in terms of clause 7.1 above, be settled in accordance with the Net-equity Settlement mechanism, the Company Secretary shall, subject to clause 7.3.3, deliver to the Participant concerned, that number of Shares ('Net-equity Settlement Shares'), calculated in accordance with the following formula:

D = (E - F) x G/H

where:

D = the number of Net-equity Settlement Shares;

E = the Exercise Date Price;

F = the Option Price;

G = such number of Shares in respect of which the Option is exercised; and

H = the Exercise Date Price,

provided that where this formula results in 'D' not being a whole number, it shall be rounded down to the nearest whole number.

7.3.2. Upon the delivery by the Company Secretary of the Net-equity Settlement Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Company Secretary, and the Company Secretary shall be regarded as having discharged his obligation to deliver those Shares in respect of which the Option was exercised, to the Participant.

7.3.3. The Participant shall, in accordance with clause 5.8, pay an amount equal to the Participant's Tax Liability due in respect of the Option being exercised, in cash, without any deductions or set-off, by electronic payment into the relevant Employer Company's designated bank account, prior to the delivery of the Net-equity Settlement Shares, following receipt of which the Employer Company shall pay such Participant's Tax Liability, in cash and on a pay-as-you-earn basis, to SARS. If the Participant fails to make such payment, the Company Secretary may exercise his/her rights in terms of clause 5.8 or elect to settle the Option being exercised in accordance with the Net-Tax Settlement mechanism as set out in clause 7.4 below.

7.4. Net-Tax Settlement

7.4.1. Upon the valid exercise of an Option, where such Option must, in terms of clause 7.1 above, be settled in accordance with the Net-Tax Settlement mechanism, the Company Secretary shall:

7.4.1.1. firstly, determine the Participant's Taxable Gain pursuant to the exercise of such Option, using the following formula:

I = J x K

where:

I = Participant's Taxable Gain;

J = the number of Net-equity Settlement Shares, calculated in accordance with clause 7.3.1; and

K = the market price per Share at the closing of trade on the JSE on the relevant Exercise Date ('**Exercise Date Market Price**');

7.4.1.2. secondly, determine the Participant's Tax Liability, calculated on the Participant's Taxable Gain and based on the applicable income tax rate which applies to the Participant as per the Income Tax Act and a tax directive obtained by the Employer Company from SARS;

7.4.1.3. thirdly, determine the number of Shares equal to the value of the Participant's Tax Liability as at the Exercise Date, using the following formula:

L = M ÷ N

where:

L = the number of Shares equal to the value of the Participant's Income Tax Liability;

M = the Participant's Income Tax Liability; and

N = the Exercise Date Market Price,

provided that where this formula results in 'L' not being a whole number, it shall be rounded up to the nearest whole number;

7.4.1.4. fourthly, deliver to the Participant concerned, that number of Shares ('Net-Tax Settlement Shares'), calculated in accordance with the following formula:

O = P - Q

where:

O = the number of Net-Tax Settlement Shares;

P = the number of Net-equity Settlement Shares, calculated in accordance with clause 7.3.1; and

Q = the number of Shares equal to the value of the Participant's Income Tax Liability, calculated in accordance with clause 7.4.1.3; and

7.4.1.5. lastly, pay the Participant's Income Tax Liability due in respect of the Option being exercised, in cash and on a pay-as-you-earn basis, to SARS.

7.4.2. Upon the delivery by the Company Secretary of the Net-Tax Settlement Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Company Secretary, and the Company Secretary shall be regarded as having discharged his/her obligation to deliver those Shares in respect of which the Option was exercised, to the Participant.

7.5. The Shares shall at the time of delivery thereof to the Participant:

7.5.1. be issued fully paid; and

7.5.2. rank pari passu with existing issued Shares,

and shall be listed on the JSE as soon as reasonably possible in the relevant circumstances."

6. BY THE DELETION OF THE STRUCK-THROUGH NUMBERS AND THE INSERTION OF THE UNDERLINED NUMBERS IN CLAUSE 11.3.2, TO READ AS FOLLOWS:

"11.3.2. The proceeds upon the sale of the Put Option Shares to the Company or the Employer Company (whichever is applicable) ('**the Proceeds**') shall accrue to the Participant, but the Company or the Employer Company (whichever is applicable) shall be entitled to retain and apply an amount equal to the Option Price of the Put Option Shares. The balance of the Proceeds (if any) shall be paid to the Participant. In the event that the Option Price exceeds the Proceeds, the Participant shall pay the outstanding balance to the Company in cash in accordance with clause 7.3.3~~7.2~~."

AMENDMENTS TO THE DENEB INVESTMENTS LONG TERM INCENTIVE PLAN (2014) ("2014 SCHEME")

In terms of ordinary resolution number 7, set out in the notice of annual general meeting, which forms part of the integrated annual report, the amendments outlined below are proposed to the 2014 Scheme document, which was adopted and approved in October 2014 prior to the listing of the Company on the JSE.

It is proposed that the 2014 Scheme document be amended:

1. BY THE INSERTION OF A NEW CLAUSE 1.1.19A AFTER THE EXISTING CLAUSE 1.1.19, TO READ AS FOLLOWS:

"1.1.19A '**Net-Tax Settlement**' means the manner in which payment for and delivery of the Shares in respect of which an Option is exercised may take place as described in clause 7.4;"

2. BY THE INSERTION OF A NEW CLAUSE 1.1.25A AFTER THE EXISTING CLAUSE 1.1.25, TO READ AS FOLLOWS:

"1.1.25A '**Participant's Tax Liability**' means the income tax due and payable by a Participant on the Participant's Taxable Gain, based on the applicable income tax rate which applies to the Participant as per the Income Tax Act and a tax directive obtained by the relevant Employer Company from the South African Revenue Service ('**SARS**'), calculated in accordance with clause 7.4.1.2;"

3. BY THE INSERTION OF A NEW CLAUSE 1.1.25B AFTER THE NEWLY INSERTED CLAUSE 1.1.25A, TO READ AS FOLLOWS:

"1.1.25B '**Participant's Taxable Gain**' bears the meaning ascribed thereto and will be calculated in accordance with clause 7.4.1.1;"

4. BY THE DELETION OF THE STRUCK-THROUGH WORDS IN CLAUSE 6.10, TO READ AS FOLLOWS:

"6.10. Each Participant shall be responsible for all costs, duties, taxes, fees, commission and the like ~~('the Participant's Tax Liability')~~ pertaining to the transfer of the Shares in respect of which an Option has been exercised."

5. BY THE DELETION OF THE EXISTING CLAUSE 7 IN ITS ENTIRETY AND THE REPLACEMENT THEREOF WITH A NEW CLAUSE 7 TO READ AS FOLLOWS:

"7. PAYMENT AND DELIVERY OF SHARES

7.1. In the event that a Participant exercises an Option in terms of the Scheme, delivery of all (and not only a portion) of the Shares in respect of which such Option is exercised, shall:

7.1.1. in all instances, other than as set out in clause 7.1.2 below, take place in accordance with the Net-equity Settlement mechanism set out in clause 7.3 below; or

7.1.2. in the event that a Participant wishes to exercise an Option, but is unable to, or wishes not to, pay the Participant's Tax Liability due in respect of the Option being exercised, and –

7.1.2.1. where the Participant and the Company Secretary agree thereto in writing prior to the Exercise Date; or

7.1.2.2. at the election of the Company Secretary in accordance with clause 7.3.3,

take place in accordance with the Net-Tax Settlement mechanism set out in clause 7.4 below.

7.2. Determination of Option Price

The Option Price per Share payable by a Participant pursuant to the exercise of an Option shall be:

7.2.1. in respect of the First Allocations, the Option Price as reflected in Schedule 1;

7.2.1. in respect of the Subsequent Allocations, the Middle Market Price as at the Option Date, less a 10% (ten percent) discount to the Middle Market Price, and subject further to an adjustment (if any) in terms of the following formula:

A = B - C

where:

A = the adjusted Option Price;

B = the original Option Price per Share, as stipulated in the Option Notice, being the Middle Market Price as at the Option Date, less a 10% (ten percent) discount; and

C = the sum of all dividends and other payments to shareholders, including returns of capital (if any), declared and paid by the Company per Share in the issued share capital of the Company, provided the last date for registration (the record date) for all such dividends or payments (if any) occurred during the period from the Option Date until the date on which the Option is exercised (both dates inclusive),

provided that where this formula results in 'A' being a negative number, the adjusted Option Price shall be nil.

7.3. Net-equity Settlement

7.3.1. Upon the valid exercise of an Option, where such Option must, in terms of clause 7.1 above, be settled in accordance with the Net-equity Settlement mechanism, the Company Secretary shall, subject to clause 7.3.3, deliver to the Participant concerned, that number of Shares ('Net-equity Settlement Shares'), calculated in accordance with the following formula:

D = (E - F) x G/H

where:

D = the number of Net-equity Settlement Shares;

E = the Exercise Date Price;

F = the Option Price;

G = such number of Shares in respect of which the Option is exercised; and

H = the Exercise Date Price,

provided that where this formula results in 'D' not being a whole number, it shall be rounded down to the nearest whole number.

7.3.2. Upon the delivery by the Company Secretary of the Net-equity Settlement Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Company Secretary, and the Company Secretary shall be regarded as having discharged his obligation to deliver those Shares in respect of which the Option was exercised, to the Participant.

7.3.3. The Participant shall, in accordance with clause 5.8, pay an amount equal to the Participant's Tax Liability due in respect of the Option being exercised, in cash, without any deductions or set-off, by electronic payment into the relevant Employer Company's designated bank account, prior to the delivery of the Net-equity Settlement Shares, following receipt of which the Employer Company shall pay such Participant's Tax Liability, in cash and on a pay-as-you-earn basis, to SARS. If the Participant fails to make such payment, the Company Secretary may exercise his/her rights in terms of clause 5.8 or elect to settle the Option being exercised in accordance with the Net-Tax Settlement mechanism as set out in clause 7.4 below.

7.4. Net-Tax Settlement

7.4.1. Upon the valid exercise of an Option, where such Option must, in terms of clause 7.1 above, be settled in accordance with the Net-Tax Settlement mechanism, the Company Secretary shall:

7.4.1.1. firstly, determine the Participant's Taxable Gain pursuant to the exercise of such Option, using the following formula:

I = J x K

where:

I = the Participant's Taxable Gain;

J = the number of Net-equity Settlement Shares, calculated in accordance with clause 7.3.1; and

K = the market price per Share at the closing of trade on the JSE on the relevant Exercise Date ('**Exercise Date Market Price**');

7.4.1.2. secondly, determine the Participant's Tax Liability, calculated on the Participant's Taxable Gain and based on the applicable income tax rate which applies to the Participant as per the Income Tax Act and a tax directive obtained by the Employer Company from SARS;

7.4.1.3. thirdly, determine the number of Shares equal to the value of the Participant's Tax Liability as at the Exercise Date, using the following formula:

$L = M \div N$

where:

L = the number of Shares equal to the value of the Participant's Income Tax Liability;

M = the Participant's Income Tax Liability; and

N = the Exercise Date Market Price,

provided that where this formula results in 'L' not being a whole number, it shall be rounded up to the nearest whole number;

7.4.1.4. fourthly, deliver to the Participant concerned, that number of Shares ('Net-Tax Settlement Shares'), calculated in accordance with the following formula:

$O = P - Q$

where:

O = the number of Net-Tax Settlement Shares;

P = the number of Net-equity Settlement Shares, calculated in accordance with clause 7.3.1; and

Q = the number of Shares equal to the value of the Participant's Income Tax Liability, calculated in accordance with clause 7.4.1.3; and

7.4.1.5. lastly, pay the Participant's Income Tax Liability due in respect of the Option being exercised, in cash and on a pay-as-you-earn basis, to SARS.

7.4.2. Upon the delivery by the Company Secretary of the Net-Tax Settlement Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Company Secretary, and the Company Secretary shall be regarded as having discharged his/her obligation to deliver those Shares in respect of which the Option was exercised, to the Participant.

7.5 The Shares shall at the time of delivery thereof to the Participant:

7.5.1. be issued fully paid;

7.5.2. rank pari passu with existing issued Shares,

and shall be listed on the JSE as soon as reasonably possible in the relevant circumstances."

6. BY THE DELETION OF THE STRUCK-THROUGH NUMBERS AND THE INSERTION OF THE UNDERLINED NUMBERS IN CLAUSE 15.3.2, TO READ AS FOLLOWS:

"15.3.2. The proceeds upon the sale of the Put Option Shares to the Company or the Employer Company (whichever is applicable) ('**the Proceeds**') shall accrue to the Participant, but the Company or the Employer Company (whichever is applicable) shall be entitled to retain and apply an amount equal to the Option Price of the Put Option Shares. The balance of the Proceeds (if any) shall be paid to the Participant. In the event that the Option Price exceeds the Proceeds, the Participant shall pay the outstanding balance to the Company in cash in accordance with clause 7.3.3~~7.2.~~"

Notice of annual general meeting

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

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 31 MARCH 2023

NOTICE IS HEREBY GIVEN to the shareholders of Deneb Investments Limited ("Deneb") recorded in the Company's securities register on Friday, 23 June 2023, that the Annual General Meeting ("AGM") of shareholders of Deneb will be held on Monday, 21 August 2023 at 10:30 at the offices of the Company, Deneb Investments Limited, 5th Floor Deneb House, 368 Main Road, Observatory, Cape Town, 7925. Registration will start at 10:00.

The Company is making provision to allow shareholders (including proxies) who cannot attend the in-person AGM to participate in the meeting via electronic communication as permitted by the Companies Act, No. 71 of 2008, as amended ("the Companies Act") and by the Company's Memorandum of Incorporation ("MOI").

Participants will require an internet connection and an active email address. The cost (e.g. for mobile data consumption or internet connectivity) of electronic participation in the AGM will be carried by the participant.

In terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Acceptable forms of identification include original and valid identity documents, driving licences and passports.

Shareholders or their duly appointed proxy(ies) who wish to participate in the AGM via electronic communication must apply to Computershare, by sending an e-mail to proxy@computershare.co.za to be received by Computershare by no later than 10:30 on Tuesday, 8 August 2023.

Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. Computershare will inform participants who notified them of their intended participation by no later than 17:00 on Wednesday 9 August 2023 by e-mail of the relevant details through which participants can participate electronically. Shareholders who wish to vote at the meeting, will be emailed a ballot form for this purpose. Once completed, the ballot form must be returned to proxy@computershare.co.za.

This document is available in English only. The proceedings at the meeting will be conducted in English.

VOTING AT THE ANNUAL GENERAL MEETING

The chairperson has already determined that all voting will be by way of poll. On a poll, shareholders present in person or represented by proxy at the AGM and entitled to vote, shall be entitled to one vote per ordinary share held by such shareholder. Accordingly, every holder of ordinary shares will have one vote in respect of each ordinary share held.

DETAILS OF DIRECTORS, SHAREHOLDERS, SHARE CAPITAL AND ANALYSIS OF SHAREHOLDERS, NO-CHANGE STATEMENT AND DIRECTORS' RESPONSIBILITY STATEMENT

The Integrated Annual Report of which this notice of AGM forms part, provides details of:

- the directors and management of the company, including brief CVs of the directors nominated for re-election, on pages 30 to 32;
- the major shareholders of the company on page 139;
- the directors' interests in securities on page 138; and
- the share capital of the company in note 20 and an analysis of shareholders on page 138.

NO-CHANGE STATEMENT

Other than the facts and developments reported on in the Integrated Annual Report, there have been no material changes to the financial or trading position of the company and its subsidiaries ("the Group"), nor are there any legal or arbitration proceedings that may materially affect the financial position of the Group between the signature date of the audit report and the date of this notice.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 30 to 32 of the Integrated Annual Report, collectively and individually, accept full responsibility for the accuracy of the information given in this notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in this notice false or misleading, and that all reasonable inquiries to ascertain such facts have been made and that the annual report and this notice of AGM contains all information required by the JSE Listings Requirements.

PURPOSE OF ANNUAL GENERAL MEETING

The purpose of the AGM is to transact the business set out in the agenda below, and to consider and, if approved, to pass with or without modification, the following ordinary and special resolutions, in the manner required by the company's MOI and the Act, as read with the JSE Listings Requirements.

AGENDA

1. **Presentation of the audited annual financial statements of the company, including the reports of the directors, external auditors and the audit committee, for the year ended 31 March 2023**

   In terms of the Act, the audited annual financial statements of the company (including the reports of the directors and the audit committee) for the year ended 31 March 2023 as approved by the board of directors will be presented to the shareholders of the company.

   The audited annual financial statements of the Group are set out on pages 56 to 136 of the Integrated Annual Report, of which this notice of AGM forms part. The audited annual financial statements are also available on Deneb's website at www.deneb.co.za Shareholders of the company may also request and obtain a copy of the Integrated Annual Report by requesting an electronic copy from the company secretary at cshapiro@hci.co.za

2. **Presentation of social and ethics committee report**

   In accordance with Regulation 43 of the Companies Regulations, 2011, the company's social and ethics committee report for the financial year ended 31 March 2023, prepared and approved by the company's social and ethics committee and set out on pages 41 to 45 of the Integrated Annual Report, of which this notice of AGM forms part, will be presented to the shareholders of the company. Any specific questions to the social and ethics committee may be sent to the company secretary prior to the AGM.

3. **Ordinary resolution number 1 (1.1 to 1.3): Retirement and re-election of directors**

   - Ordinary resolution number 1.1: Re-election of Mr J A Copelyn as a director

     "Resolved that Mr J A Copelyn be and is hereby re-elected as a director of the company."

   - Ordinary resolution number 1.2: Re-election of Mr D Duncan as a director

     "Resolved that Mr D Duncan be and is hereby re-elected as a director of the company."

   - Ordinary resolution number 1.3: Re-election of Mr Y Shaik as a director

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

   Explanatory note

   Messrs J A Copelyn, D Duncan and Y Shaik retire as directors in accordance with the company's MOI but, being eligible, each offer themselves for re-election as directors of the company.

   The board has considered the proposed re-election of Messrs J A Copelyn, D Duncan and Y Shaik and recommends that they be re-elected as directors of the company. Brief CVs of the above-mentioned directors are on page 31 of the Integrated Annual Report, of which this notice of AGM forms part.

   The reason for ordinary resolution numbers 1.1 to 1.3 is to propose the re-election of Messrs J A Copelyn, D Duncan and Y Shaik who have retired as directors in accordance with the company's MOI. These elections will be conducted by separate votes in respect of the candidates.

   Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect Messrs J A Copelyn, D Duncan and Y Shaik by way of passing the ordinary resolutions set out above.

4. **Ordinary resolution number 2: Re-appointment of auditor**

   "Resolved that PricewaterhouseCoopers Inc and Mr R J Jacobs as designated auditor, is hereby appointed as the auditor to the company for the ensuing year."

   Explanatory note

   In terms of the Act, the company, being a public company, must have its financial results audited and such auditor of the company must each year at the company's AGM be appointed or re-appointed, as the case may be, as an external auditor. The company's current external auditor is PricewaterhouseCoopers Inc, which has indicated that Mr R J Jacobs who is a director of the firm and a registered auditor and accredited with the JSE in accordance with the JSE Listings Requirements, will undertake the audit.

   The company's audit committee has recommended that PricewaterhouseCoopers Inc be re-appointed as the auditor of the company for the ensuing year and to note that the individual registered auditor who will undertake the audit for the financial year ending 31 March 2024 is Mr R J Jacobs.

5. **Ordinary resolution number 3 (3.1 to 3.3): Re-appointment of audit committee members**

5.1 Ordinary resolution number 3.1: Re-election of Mr M H Ahmed as a member of the audit committee

"Resolved that Mr M H Ahmed be and is hereby re-appointed to the audit committee of the company."

5.2 Ordinary resolution number 3.2: Re-election of Ms N B Jappie as a member of the audit committee

"Resolved that Ms N B Jappie be and is hereby re-appointed to the audit committee of the company."

5.3 Ordinary resolution number 3.3: Re-election of Ms K F Mahloma as a member of the audit committee

"Resolved that Ms K F Mahloma be and is hereby re-appointed to the audit committee of the company."

Explanatory note

In terms of the Act, at each AGM an audit committee comprising at least three members must be elected. It is proposed that the following independent non-executive directors be re-elected as members of the audit committee for the ensuing year. The board has considered the proposed re-appointment of Mr M H Ahmed, Ms N B Jappie and Ms K F Mahloma and recommends that they be re-appointed to the audit committee. The re-appointment of each member of the audit committee will be voted on separately.

Brief CVs of the members are on page 32 of the Integrated Annual Report, of which this notice of AGM forms part.

6. **Ordinary resolution number 4: General authority over authorised but unissued shares**

"Resolved that, as required by the company's MOI and subject to the provisions of the Act and the JSE Listings Requirements, the authorised but unissued shares in the company be and are hereby placed under the control of the directors, subject to the provisions of the Act, the MOI and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided that such authority may not, in the aggregate, in any one financial year, exceed 5% (five percent), being 21 916 183 ordinary shares, of the aggregate number of shares of the relevant class of shares in issue (excluding treasury shares), and such authority to endure until the next AGM of the company (whereupon this authority shall lapse, unless it is renewed at the aforementioned AGM), provided that it shall not extend beyond 15 (fifteen) months of the date of this meeting until the next AGM."

Explanatory note

In terms of the company's MOI, read with the JSE Listings Requirements, the shareholders of the company may authorise the directors to, inter alia, issue any authorised but unissued ordinary shares and/or grant options over them on such terms and conditions and to such persons whether they be shareholders or not, as the directors in their discretion deem fit. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The board has decided to seek annual renewal of this authority from the shareholders of the company in accordance with best practice. The board has no current plans to make use of this authority (other than in terms of the Deneb employee share schemes), but wish to ensure, by having this authority in place, that the company retains its flexibility in managing the Group's capital resources and to enable the company to take advantage of any business opportunity that may arise in the future.

7. **Ordinary resolution number 5: Approval and Adoption of The Deneb Investments Employee Share Scheme (2023) ("2023 Scheme")**

"Resolved that:

(a) the 2023 Scheme, the salient terms of which have been summarised on pages 140 to 147 of the Integrated Report and which 2023 Scheme document has been tabled at this meeting and initialled by the chairperson for purposes of identification, be and is hereby adopted and approved; and

(b) 43 500 000 (forty-three million five hundred thousand) ordinary shares of no par value each in the capital of Deneb be and are hereby placed under the control of the directors of Deneb, who are specifically authorised in terms of section 38, read with section 41(2)(d) of the Act, to allot and issue all or any of such shares in accordance with the terms and conditions of the 2023 Scheme and any amendments thereto."

Reason for and effect of ordinary resolution

The purpose of the 2023 Scheme is to provide selected employees with the opportunity to acquire shares, thereby ensuring that such employees are encouraged and motivated to pursue continued growth and profitability of their employer companies and to contribute to the growth and profitability of the employer company and the Group as a whole.

The effect of ordinary resolution number 5, if passed, will be that the 2023 Scheme, the salient terms of which have been summarised on pages 140 to 147 of the Integrated Report, is approved and adopted. This resolution also empowers the board to grant options to selected employees in accordance with the terms of the 2023 Scheme.

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

8. **Ordinary resolution number 6: Approval of the Amendments to The Deneb Investments Employee Share Scheme (2017) ("2017 Scheme")**

"Resolved that the amendments set out on pages 148 to 150 of the Integrated Annual Report, of which this notice of AGM forms part, be approved and made to the 2017 Scheme document which was previously approved and adopted by shareholders at the AGM of the company held on 1 November 2017."

Reason for and effect of ordinary resolution

The reason for ordinary resolution number 6 is to obtain the necessary approval for the amendments to the 2017 Scheme, to the extent that such approval is required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the JSE Listings Requirements.

The proposed amendments to the 2017 Scheme do not alter the fundamental provisions of the 2017 Scheme, including the mechanisms for the awarding or vesting of options, but gives the company more flexibility in relation to the settlement of such options. Specifically, it sets out the details for settling options net of the relevant participant's income tax liability in respect of the taxable gain resulting from the exercise of the applicable options.

The effect of ordinary resolution number 6, if passed, will be that the proposed amendments to the 2017 Scheme, as set out on pages 148 to 150 of the Integrated Annual Report, of which this notice of AGM forms part, are approved.

Although this is an ordinary resolution, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any ordinary shares acquired in terms of the 2017 Scheme and owned or controlled by persons who are existing participants in the 2017 Scheme, and which may be impacted by the above-mentioned resolution, shall not be taken into account.

9. **Ordinary resolution number 7: Approval of the Amendments to The Deneb Investments Long Term Incentive Plan (2014) ("2014 Scheme")**

"Resolved that the amendments set out on pages 151 to 153 of the Integrated Annual Report, of which this notice of AGM forms part, be approved and made to the 2014 Scheme document which was adopted and approved in October 2014 prior to the listing of the company on the JSE."

Reason for and effect of ordinary resolution

The reason for ordinary resolution number 7 is to obtain the necessary approval for the amendments to the 2014 Scheme, to the extent that such approval is required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the JSE Listings Requirements.

The proposed amendments to the 2014 Scheme do not alter the fundamental provisions of the 2014 Scheme, including the mechanisms for the awarding or vesting of options, but gives the company more flexibility in relation to the settlement of such options. Specifically, it sets out the details for settling options net of the relevant participant's income tax liability in respect of the taxable gain resulting from the exercise of the applicable options.

The effect of ordinary resolution number 7, if passed, will be that the proposed amendments to the 2014 Scheme, as set out on pages 151 to 153 of the Integrated Annual Report, of which this notice of AGM forms part, are approved.

Although this is an ordinary resolution, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any ordinary shares acquired in terms of the 2014 Scheme and owned or controlled by persons who are existing participants in the 2014 Scheme, and which may be impacted by the above-mentioned resolution, shall not be taken into account.

10. Non-binding advisory votes (1 and 2): Advisory endorsement of the remuneration policy and remuneration implementation report

- Non-binding advisory vote 1:
  "Resolved, by way of a non-binding advisory vote, that the company's remuneration policy set out in the Integrated Annual Report, of which this notice of AGM forms part, be accepted and endorsed."
- Non-binding advisory vote 2:
  "Resolved, by way of a non-binding advisory vote, that the company's remuneration implementation report set out in the Integrated Annual Report, of which this notice of AGM forms part, be accepted and endorsed."

Explanatory note

In terms of part 5.4, principle 14 (recommended practice 37) of the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") the company's remuneration policy and implementation report should be tabled to shareholders for separate non-binding advisory votes at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Furthermore, King IV™ recommends that the remuneration policy should record the measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% (twenty-five percent) or more of the voting rights exercised by the shareholders.

The shareholders are requested to separately endorse the company's remuneration policy on pages 49 to 51 and the remuneration implementation report on pages 52 to 54 in the Remuneration Report, by way of separate non-binding advisory votes.

11. Special resolution number 1: General authority to issue shares, options and convertible securities for cash

"Resolved that, subject to the passing of ordinary resolution number 4, the provisions of the Act and the provisions of the JSE Listings Requirements, the directors be and are hereby authorised to allot and issue ordinary shares of the company (or to issue options or convertible securities convertible into ordinary shares) for cash to such person or persons, on such terms and conditions as they may deem fit, subject to the following:

- the securities shall be of a class already in issue, or convertible into a class already in issue;
- the securities shall be issued to public shareholders as defined in the JSE Listings Requirements and not to related parties as defined in the JSE Listings Requirements save therefor that related parties may participate in a general issue for cash through a bookbuild process provided that (i) related parties may only participate with a maximum bid price at which they are prepared to take up shares or at book close price. In the event of a maximum bid price and the book closes at a higher price the relevant related party will be 'out of the book' and not be allocated shares; and (ii) equity securities must be allocated equitably 'in the book' through the bookbuild process and the measures to be applied must be disclosed in the SENS announcement launching the bookbuild;
- ordinary shares which are the subject of general issues for cash hereunder, in the aggregate, may not exceed 21 916 183, being 5% (five percent) of the company's relevant number of ordinary shares in issue (excluding treasury shares) as at the date of this notice;
- any number of ordinary shares issued under the authority must be deducted from the number of ordinary shares authorised immediately above;
- the maximum discount at which the shares may be issued shall be 10% (ten percent) of the weighted average traded price of the shares of the company over the 30 (thirty) business days prior to the date that the price of the issue is agreed to by the company and the party subscribing for the shares. The JSE will be consulted for a rating if the shares have not traded in such 30 (thirty) business day period;
- the company shall publish such announcements (if any) as may be required by the JSE Listings Requirements pursuant to the issue of shares under this authority; and
- the authority hereby granted will be valid until the company's next AGM, provided that it will not extend beyond 15 (fifteen) months from the date on which this resolution is passed."

Explanatory note

In terms of ordinary resolution number 4, the shareholders authorise the directors to allot and issue a portion of the authorised but unissued shares, as the directors in their discretion think fit. The existing general authority to issue shares for cash granted by the shareholders at the previous AGM, held on 29 August 2022, will expire at this AGM, unless renewed. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The aggregate number of ordinary shares capable of being allotted and issued for cash are limited as set out in the resolution. The directors consider it advantageous to renew this authority to enable the company to take advantage of any business opportunity that may arise in future.

12. **Special resolution number 2: Approval of annual fees to be paid to non-executive directors**

"Resolved that for the period 1 September 2023 until the date of the next AGM of the company, the remuneration payable to non-executive directors of the company for their services as directors will be as follows:

Type of fee	Current fee (excl. VAT) R	New proposed fee (excl. VAT) R
Board member	**155 000**	**164 000**
Audit committee member	**64 500**	**68 000**
Remuneration committee member	**64 500**	**68 000**

Explanatory note

In terms of section 66(8) of the Act, the company may pay remuneration to its directors for their services as directors. In terms of section 66(9) of the Act, the remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders during the previous 2 (two) years.

13. **Special resolution number 3: General authority to repurchase company shares**

"Resolved that the company hereby approves, as a general approval contemplated in paragraph 5.72 of section 5 of the JSE Listings Requirements, the repurchase by the company or any of its subsidiaries from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the MOI, the provisions of the Act and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided further that:

- acquisitions by the company and its subsidiaries of shares in the capital of the company in terms of this general authority to repurchase shares may not, in the aggregate, exceed in any 1 (one) financial year 20% (twenty percent) of the company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;
- any such repurchase shall be effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- the company (or any subsidiary) is authorised to do so in terms of its MOI;
- this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's shares are repurchased by the company or its subsidiaries in terms of this general authority the maximum premium at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- at any point in time, the company may only appoint 1 (one) agent to effect any repurchase(s) on the company's behalf;
- the company or its subsidiaries may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless there is a repurchase programme in place and the dates and quantities of shares to be repurchased during the relevant period are fixed and full details thereof have been submitted to the JSE in writing prior to commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- an announcement will be published on SENS as soon as the company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the initial number of shares of the class of shares in issue at the time that this general authority is granted by the shareholders, and each time the company acquires a further 3% (three percent) of the initial number thereafter, which announcement(s) shall contain full details of such repurchases as required in terms of the JSE Listings Requirements; and
- a repurchase shall only be effected if the board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Act and it reasonably

appears that the company and its subsidiaries have satisfied the solvency and liquidity test and that since the test was performed, there have been no material changes to the financial position of the company and its subsidiaries."

Explanatory note

The reason for special resolution number 3 is to grant the directors of the company and/or subsidiaries of the company a general authority in terms of the Act and the JSE Listings Requirements to acquire the company's ordinary shares, subject to the terms and conditions set out in the special resolution. This authority will provide the board with the necessary flexibility to repurchase shares in the market, should the board believe that it is in the interest of the company to do so.

For the avoidance of doubt, (i) a pro rata repurchase by the company from all its shareholders; and (ii) intra-group repurchases by the company of its shares from wholly owned subsidiaries, share incentive schemes pursuant to Schedule 14 of the JSE Listings Requirements and/or non-dilutive share incentive schemes controlled by the company, where such repurchased shares are to be cancelled, will not require shareholder approval, save to the extent as may be required by the Companies Act.

Directors' statement

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

- it is their intention to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements and the opportunity presents itself to do so during the year, which the board deems to be in the best interest of the company and its shareholders, taking prevailing market conditions and other factors into account;
- in determining the method by which the company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such repurchase will take place, the directors of the company will only make the repurchase if at the time of the repurchase they are of the opinion that the following conditions have been and will be met:
  - the company and the Group will be able to pay their debts for a period of 12 (twelve) months after the date of this notice of AGM;
  - the assets of the company and the Group are to be in excess of the liabilities of the company and Group for a period of 12 (twelve) months after the date of this notice of AGM (for this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the audited financial statements for the year ended 31 March 2023);
  - the share capital and reserves of the company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of AGM;
  - the working capital of the company and the Group are adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of AGM; and
  - resolution being passed by the board that it authorised the repurchase of shares, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group.

The authority granted in terms of this special resolution number 3 is limited to paragraph 5.72(a), (c), (d) and paragraph 5.68 of the JSE Listings Requirements.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- major beneficial shareholders – page 139 of the document of which this notice of AGM forms part; and
- share capital of the company – page 107 of the document of which this notice of AGM forms part.

14. Special resolution number 4: Shareholders' general authorisation of financial assistance

"Resolved that, to the extent required by sections 44 and 45 of the Act, the board of directors of the company may, subject to compliance with the requirements of the company's MOI and the Act, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to:

14.1 any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and/or

14.2 any of its present or future subsidiaries and/or any other company or corporation that is or becomes related to or inter-related with the company for any purpose or in connection with any matter; and/or

14.3 any of the present or future directors or prescribed officers (or any person related to any of them or to any company or entity related or inter-related to any of them), or to any other person who is or may be a participant in any of the Deneb employee share scheme, current or future employee share plans or other incentive schemes, or any share scheme trust or other entity facilitating any such scheme, for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company or entity or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such plan or scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Act."

The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date.

Explanatory note

As part of the normal conduct of the business of the company and its subsidiaries from time to time, the company, where necessary, provides financial assistance to its related and inter-related companies and entities (as contemplated in the Act) including the provision of guarantees and other forms of security to third parties which provide funding to the company's subsidiaries, whether by way of loans, subscribing for shares (including preference shares) or otherwise. In the circumstances and in order to ensure that, among other things, the company and its subsidiaries and other related and inter-related companies and entities continue to have access to, and are able to appropriately structure their financing for purposes of funding their corporate and working capital requirements, it is necessary that the company obtains the approval of shareholders in terms of this special resolution number 4.

The company may furthermore wish to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations including pursuant to the company's employee and other share schemes.

Sections 44 and 45 of the Act provide that the financial assistance required can only be provided pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which resolution must have approved such financial assistance either for the specific recipient or generally for a category of potential recipients (and the specific recipient falls within that category), and the directors must be satisfied that:

- immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as defined in section 4 of the Act;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the MOI have been met.

The passing of this special resolution number 4 will have the effect of authorising the company to provide direct or indirect financial assistance in accordance with sections 44 and 45 of the Act, for a period of 2 (two) years after the adoption of this resolution.

15. Ordinary resolution number 8: Directors' authority to implement company resolutions

"Resolved that each and every director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this AGM."

16. To transact such other business which may be transacted at an AGM

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Act, the board of the company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the company's shareholders' register in order to receive notice of the AGM) as Friday, 23 June 2023;
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the company's shareholders' register in order to participate in and vote at the AGM) as Friday, 11 August 2023; and
- the last date to trade to participate in and vote at the AGM is Monday, 7 August 2023.

Certificated shareholders or own name dematerialised shareholders may attend and vote at the AGM, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolution(s), vote in their stead by completing the attached form of proxy and returning it to the transfer secretaries at the address given in the form of proxy by no later than 10:30 on Friday, 18 August 2023.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker to furnish their voting instructions; or, in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

Certificated shareholders or own name dematerialised shareholders who are entitled to attend and vote at the AGM are entitled to appoint a proxy to attend, participate in and vote at the AGM in their stead. A proxy need not also be a shareholder of the company. The completion of a form of proxy will not preclude a shareholder from attending the AGM.

APPROVALS REQUIRED FOR RESOLUTIONS

Unless otherwise specifically provided in this notice of AGM, for any of the ordinary resolutions to be adopted, 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, at least 75% (seventy-five percent) of the voting rights exercised on each special resolution must be exercised in favour thereof.

By order of the board

Cheryl Philip
Company secretary

Cape Town
23 June 2023

Form of proxy

DENEB
INVESTMENTS LIMITED

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

I/We, (name in full)

of address

being a registered holder of ordinary shares in Deneb hereby appoint

1. or failing him/her

2. or failing him/her

3. or failing him/her,

the chairperson of the annual general meeting as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting of the company to be held at 10:30 on Monday, 21 August 2023 at the registered office of the Company, 5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory Cape Town, and via electronic communication and at any adjournment thereof as follows:

Resolution in respect of items of business:

Resolution number	**For**	**Against**	**Abstain**
ORDINARY RESOLUTIONS			
1. Retirement and re-election of directors			
1.1 Mr J A Copelyn			
1.2 Mr D Duncan			
1.3 Mr Y Shaik			
2. Re-appointment of auditor: PricewaterhouseCoopers Inc			
3. Re-appointment of audit committee members			
3.1 Mr M H Ahmed			
3.2 Ms N B Jappie			
3.3 Ms K F Mahloma			
4. General authority over authorised but unissued shares			
5. Approval and adoption of The Deneb Investments Employee Share Scheme (2023)			
6. Approval of the amendments to The Deneb Investments Employee Share Scheme (2017)			
7. Approval of the amendments to The Deneb Investments Long Term Incentive Plan (2014)			
8. Directors' authority to implement company resolutions			
NON-BINDING ADVISORY VOTES			
1. Advisory endorsement of remuneration policy			
2. Advisory endorsement of remuneration implementation report			
SPECIAL RESOLUTIONS			
1. General authority to issue shares, options and convertible securities for cash			
2. Approval of annual fees to be paid to non-executive directors			
3. General authority to repurchase company shares			
4. Shareholders' general authorisation of financial assistance			

(Indicate instruction to proxy by way of a cross in the space provided above.)

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

Signed this day of 2023

Signature

Assisted by (where applicable)

Please read the notes overleaf

Notes

1. A form of proxy is only to be completed by those shareholders who are:
   1.1 holding shares in certificated form; or
   1.2 recorded in the sub-register in dematerialised electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, and wish to attend the annual general meeting, which is to be held by way of electronic communication, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and the CSDP or broker.
3. A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
4. All voting will be by way of poll. Every person present and entitled to vote at the meeting as a member or as a proxy or as a representative of a body corporate shall have 1 (one) vote for each ordinary share held.
5. Please insert the relevant number of shares/votes and indicate with a cross in the appropriate spaces on the face hereof, how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain from voting at his/her discretion.
6. A deletion of any printed details and the completion of any blank space/s need not be signed or initialled. Any alteration must be initialled.
7. The chairperson of the annual general meeting shall be entitled to decline to accept the authority of the signatory under a power of attorney, or on behalf of a company, unless the power of attorney or authority is produced or has been registered.
8. The signatory may insert the name of any person/s whom the signatory wishes to appoint as his/her proxy, in the blank space/s provided for that purpose.
9. When there are joint holders of shares and if more than one such joint holder is present or represented, then the person whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
10. A minor should be assisted by his/her parent or legal guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered.
11. The completion and lodging of this proxy form will not preclude the signatory from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
12. A shareholder's instructions must be indicated by the insertion of a cross or, where applicable, the relevant number of votes exercisable by the shareholder, in the appropriate box of this proxy form.
13. If the signatory does not indicate how he/she wishes to vote in the appropriate place/s on the face hereof in respect of the resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of the resolutions.
14. If the shareholding is not indicated on the proxy form, the proxy will be deemed to be authorised to vote the total shareholding.
15. The chairperson of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
16. Forms of proxy will not be accepted unless they have been returned by the shareholders concerned to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (Private Bag X9000, Saxonwold 2132) or e-mailed to proxy@computershare.co.za before the proxy exercises any rights of the shareholder at the meeting.

Corporate information

DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
("Deneb" or "the Group" or "the company")

The company's shares are listed under the Financial Services – Diversified Financial Services.

Registration number:	2013/091290/06
JSE share code:	DNB
ISIN:	ZAE000197398
Income tax registration number:	9844426156
Registered office:	5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory 7925, Cape Town PO Box 1585, Cape Town 8000
Contact details:	info@deneb.co.za www.deneb.co.za
Directors:	J A Copelyn* (Non-executive Chairperson), M H Ahmed*^ (Lead Independent Director), D Duncan*, T G Govender*, N B Jappie*^, K F Mahloma*^, S A Queen (Chief Executive Officer), Y Shaik*, G D T Wege (Financial Director) (* Non-executive ^ Independent)
Company secretary:	C L Philip
Transfer secretaries:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 Private Bag X9000, Saxonwold 2132
Auditors:	PricewaterhouseCoopers Inc.
Sponsors:	PSG Capital Proprietary Limited

DENEB
INVESTMENTS LIMITED

5th Floor Deneb House, Cnr Main and Browning Roads, Observatory 7925 • PO Box 1585, Cape Town 8000

www.deneb.co.za