

# DENE B

INVESTMENTS LIMITED

**DENE B INVESTMENTS LIMITED**  
(previously K2013091290 Proprietary Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 2013/091290/06)  
(Share code: DNB) (ISIN: ZAE000197398)  
("Deneb" or "the Company")

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## PRE-LISTING STATEMENT

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**The definitions and interpretations commencing on page 8 of this Pre-listing Statement apply to this cover page.**

This Pre-listing Statement is prepared and issued in terms of the JSE Listings Requirements. This Pre-listing Statement is not an invitation to the public to subscribe for Shares in Deneb. It is issued in compliance with the JSE Listings Requirements for the purpose of providing information to the public and investors in respect of Deneb.

The JSE has granted Deneb a listing by way of introduction of all its issued ordinary shares on the JSE main board under the abbreviated name "Deneb", share code "DNB" and ISIN ZAE000197398 with effect from the commencement of trade on Monday, 1 December 2014.

As at the Listing Date, the total authorised share capital of Deneb will comprise 10 000 000 000 ordinary no par value Shares.

On the Listing Date the issued share capital of Deneb will consist of 557 892 317 ordinary no par value Shares, while the stated capital of Deneb will amount to approximately R1 617 million. As at the Listing Date, no Shares will be held in treasury.

In terms of the Internal Restructuring, Deneb acquired all of Sear del's non-media businesses which it did not own with effect from 1 October 2014. The newly created Deneb will be listed on the main board of the JSE and unbundled to Sear del Shareholders on the Listing Date. Sear del Shareholders will be entitled to 12.91952 (twelve point nine one nine five two) Deneb ordinary shares for every 100 (one hundred) Sear del shares held on the Record Date. Fractional entitlements will be rounded down to the nearest whole number if they are less than 0.5 and will be rounded up to the nearest whole number if they are equal to or greater than 0.5. Sear del Shareholders are referred to the table of entitlements contained in **Annexure 11**.

On the Listing Date all Shares in issue shall rank *pari passu* with each other in all respects, including in respect of voting rights and dividends.

Shareholders are advised that their Shares may only be traded on the JSE in dematerialised form and accordingly all Shareholders who hold their Shares in certificated form will have to dematerialise their Shares in order to trade their Shares on the JSE. Such Shareholders must accordingly contact their CSDP or Broker in order to dematerialise their Shares. Shareholders who do not have a CSDP or Broker can contact Computershare on 011 370 5000 in order to dematerialise their Shares.

The Directors, whose names are set out in paragraph 7.1.1 of this Pre-listing Statement, collectively and individually accept full responsibility for the accuracy of the information contained in this Pre-listing Statement which relates to Deneb and, in this regard, certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by the JSE Listings Requirements.

Each of the experts, whose names appear in the "Corporate Information" section of this Pre-listing Statement, have given and have not, prior to the formal approval of this Pre-listing Statement by the JSE, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports, being included in this Pre-listing Statement.

An abridged version of this Pre-listing Statement will be released on SENS on Friday, 21 November 2014 and published in the press on Monday, 24 November 2014.

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**Transaction Adviser and Sponsor**



**Auditors and Independent Reporting Accountants**



**Independent Property Valuer**



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Date of issue: Friday, 21 November 2014

Copies of this Pre-listing Statement are available in English only and may, from Friday, 21 November 2014, be obtained from the registered office of Deneb, from the Transaction Adviser and Sponsor, and from the Transfer Secretaries, at the addresses set out in the "Corporate Information" section. A copy of this Pre-listing Statement will also be available on Deneb's website ([www.deneb.co.za](http://www.deneb.co.za)).

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## CORPORATE INFORMATION

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### Directors

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

\* Non-executive

\*\* Independent non-executive

### Registered Office

1 Moorsom Avenue  
Cnr Bofors Circle and Moorsom Avenue  
Epping Industria II  
7460  
(PO Box 524, Eppindust, 7475)

### Date of Incorporation

4 June 2013

### Place of Incorporation

South Africa

### Company secretary

HCI Managerial Services Proprietary Limited  
(Registration number 1996/017874/07)  
Suite 801  
76 Regent Street  
Sea Point  
8005  
(PO Box 5251, Cape Town, 8000)

### Auditors and Independent Reporting Accountants

KPMG Incorporated  
(Registration number 1999/021543/21)  
MSC House  
1 Mediterranean Street  
Foreshore  
Cape Town  
8001

### Independent Property Valuer

David Newham Property Management Co Proprietary Limited  
(Registration number 1973/015042/07)  
255 Durban Road  
Tyger Valley  
Bellville  
7530  
(PO Box 531, Bellville, 7535)

### Transaction Adviser and Sponsor

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

and

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

### Transfer Secretaries

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

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## TABLE OF CONTENTS

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	<b>Page</b>
Corporate information	Inside Front Cover
Salient features	2
Salient dates	7
Definitions and interpretations	8
Pre-listing Statement	
1 Introduction	12
2 Rationale for the Listing and the Unbundling	12
3 Overview of Deneb	13
4 Strategies for growth and future prospects	15
5 Dividend policy	16
6 Management of Deneb	16
7 Directors	17
8 Share capital	22
9 Financial information	24
10 Group activities	25
11 King III Code and corporate governance	25
12 Listing on JSE	25
13 Additional information	25
Annexure 1 Carve-out historical financial information of Deneb Group	28
Annexure 2 Independent Reporting Accountants' reports on the audited and reviewed carve-out historical financial information of Deneb Group	90
Annexure 3 Independent Property Valuers' abridged valuation report	92
Annexure 4 Relevant provisions from the Memorandum of Incorporation of Deneb	98
Annexure 5 King III Code and corporate governance	104
Annexure 6 Salient terms of the Deneb Share Incentive Scheme	117
Annexure 7 Director and senior management profiles	121
Annexure 8 Other directorships	123
Annexure 9 Details of subsidiaries of Deneb and loans within the Deneb Group	135
Annexure 10 Details regarding principal properties occupied or held	138
Annexure 11 Table of entitlements	141

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## SALIENT FEATURES

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The definitions and interpretations commencing on page 8 apply to these salient features.

### 1 INTRODUCTION

- 1.1 Deneb is a wholly-owned subsidiary of Seardel. Seardel is an investment holding company listed on the JSE under the Consumer Goods – Personal and Household Goods Sector. Seardel's media investments are held by Sabido Holdco and its non-media investments are held by Deneb. Sabido Holdco holds a 63.9% equity interest in Sabido, the media group which owns e.tv and a variety of other broadcasting, content and production businesses and Deneb holds Seardel's property, branded product distribution and manufacturing assets.
- 1.2 On 28 August 2014, Seardel announced its intention to separately list Seardel's non-media assets on the securities exchange operated by the JSE by way of an unbundling of Seardel's interest in Deneb to Seardel Shareholders, subject to the receipt of necessary regulatory approvals.
- 1.3 Accordingly, the newly created Deneb will be unbundled to Seardel Shareholders and listed on the main board of the JSE on the Listing Date.

### 2 RATIONALE FOR THE LISTING AND THE UNBUNDLING

- 2.1 Seardel has taken a strategic decision to be a focused media investment company, allowing it to concentrate its resources on growing Seardel's media businesses while providing Seardel Shareholders direct access to the underlying media investments.
- 2.2 The Listing and Unbundling of Deneb will have the following positive outcomes:
  - 2.2.1 it will provide Seardel Shareholders with the flexibility to maintain, increase or decrease their investments in Seardel's media and non-media assets, based on their specific investment preferences;
  - 2.2.2 it will enable Deneb to develop a shareholder base that has an appetite for the non-media assets of Seardel, being property, branded products and manufacturing assets;
  - 2.2.3 Deneb's management will be allowed to pursue a focused strategy without having to consider the impact on Seardel's media business; and
  - 2.2.4 the management of Deneb can be appropriately incentivised given the characteristics of its investment industries.

### 3 BRIEF OVERVIEW OF DENEb

- 3.1 Deneb is a diversified business that has four focus areas, namely:
  - 3.1.1 Properties – management of the Deneb Group's property portfolio (Seardel Group Properties);
  - 3.1.2 Branded Product Distribution – sourcing and distribution of branded products. The businesses operating in this segment include Prima Toys, Prima Interactive, The Empire Group, Seartec, Limtech, Office Box and Brand ID;
  - 3.1.3 Industrials – manufacturing of specialised industrial products for the building, agriculture, mining and automotive industries. The businesses operating in this segment are Gold Reef Speciality Chemicals, Brits Automotive Systems and Brits Non-Woven, Integrated Polypropylene Products and Custom Extrusion; and
  - 3.1.4 Textiles – manufacturing of quality fabric and household textiles. The Deneb Group's textile investments include Romatex Home Textiles, Frame Knitting Manufacturers and Winelands Textiles.



#### 4.2 Summarised Statement of Financial Position

	<b>31 March 2014 R'000</b>	31 March 2013 R'000	31 March 2012 R'000
Non-current assets	<b>1 549 070</b>	1 489 607	1 253 466
Current assets	<b>1 082 332</b>	872 674	960 569
<b>Total assets</b>	<b>2 631 402</b>	2 362 281	2 214 035
Equity	<b>1 564 280</b>	1 410 904	1 336 325
Non-current liabilities	<b>113 423</b>	93 662	85 226
Current liabilities	<b>953 699</b>	857 715	792 484
<b>Equity and liabilities</b>	<b>2 631 402</b>	2 362 281	2 214 035
Net asset value per share	(cents) <b>290</b>	261	248
Tangible net asset value per share	(cents) <b>285</b>	260	247

#### 4.3 Summarised segmental information

Business	Description	Financial information		
		<b>Year ended 31 March 2014 R'000</b>	Year ended 31 March 2013 R'000	Year ended 31 March 2012 R'000
<b>Property segment</b>				
Seardel Group Properties owns and manages a portfolio of industrial and commercial properties situated in KwaZulu-Natal, Western Cape and Gauteng with a market value in excess of R1 billion.	Gross revenue	<b>118 926</b>	93 225	83 240
	Core operating profit <sup>1</sup>	<b>83 043</b>	65 715	52 926
Seardel Group Properties provides an attractive rental stream from properties with a diversified tenant base mainly operating in the industrial sector of the economy. The business will continue to pursue investment opportunities to expand its industrial property portfolio in order to secure sustainable long-term capital growth underpinned by a suitable yield.				
<b>Branded Product Distribution segment</b>				
Businesses principally engaged in the distribution of branded products to the South African consumer. Businesses operating within this segment include Prima Toys, Prima Interactive, Empire Group, Brand ID, Seartec, Limtech and Office Box.	Gross revenue	<b>957 545</b>	795 416	662 559
	Core operating profit <sup>1</sup>	<b>37 359</b>	15 474	32 274
The businesses within this segment represents a range of maturity levels from start-ups and turnarounds through to established businesses. The businesses in the start-up and turnaround phase are either loss making or break even businesses which has the effect of making operating margins look narrow. In time it is expected that these businesses will become contributors thereby widening the operating margins.				
<b>Industrial segment</b>				
Manufacturers of specialised industrial products for the mining, agriculture, construction and automotive markets. Businesses operating in this segment include Gold Reef Chemicals, Brits Automotive Systems, Brits Non-woven, Custom Extrusion and Integrated Polypropylene Products.	Gross revenue	<b>424 701</b>	334 988	363 813
	Core operating profit <sup>1</sup>	<b>32 941</b>	17 046	16 313
The businesses in this segment delivered pleasing growth over the prior three years and are seen as an area of focus for the Group into the future. A significant portion of the revenue generated in this segment is derived from the agriculture, mining and construction sectors. Although the businesses currently concentrate on the South African economy, interfacing into these primary industries should create opportunities to unlock value in the higher growth economies within the region.				

		Financial information		
Business	Description	Year ended 31 March 2014 R'000	Year ended 31 March 2013 R'000	Year ended 31 March 2012 R'000
<b>Textile segment</b>				
Manufacturers of high quality home textiles and cotton, worsted and polyester fabrics predominantly for the South African medical, hospitality and retail markets. Businesses operating in this segment include Berg River Textiles, Hextex, Frame Knitting Manufacturers, Romatex Home Textiles and First Factory Shops	Gross revenue	736 920	689 207	689 542
	Core operating profit <sup>1</sup>	21 990	8 540	23 188

The businesses within this segment are largely fixed cost businesses operating on a high volume low margin model. Any disruptions to the volumes can have quite dramatic effects on the results. The two biggest challenges facing the businesses are loss of volume to cheaper imports and volumes being disrupted by labour unrest whether that is within the businesses themselves or within supplier or customer businesses. Over the past few years a key focus has been on reducing the fixed cost base within each business thereby reducing the breakeven point which has helped smooth out some of the volatility. There are also a number of initiatives in place to transition these businesses away from the traditional models and to expand their product profile and customer base.

#### Note

- (1) Core operating profit is defined as operating profit before impairments, once-off income and investment property revaluations.

## 5 STRATEGIES FOR GROWTH AND FUTURE PROSPECTS

- 5.1 As a diversified investment holding company, Deneb's underlying investments operate in various areas of the South African economy. Activities include property letting, branded product distribution and manufacturing of chemical, agriculture, mining, textile, and automotive products.
- 5.2 Although somewhat of a diversified portfolio, the underlying businesses are independently managed with specialist skills at an individual entity level. The diversity allows the Group's management greater flexibility with regard to capital allocation. The diversity, coupled with a stable and supportive major shareholder, also allows the space to take longer-term views on businesses operating in volatile environments. This allows management to make incremental changes for long-term value enhancement.
- 5.3 Deneb's intention is to focus on growing and developing its existing investments whilst opportunistically looking for new investment opportunities. The Group's existing investments comprise a range of businesses in various stages of development including start-ups, turnarounds, growth and mature businesses.

Potential future value will be created by:

### 5.3.1 *Optimising the value of existing businesses*

One of the cornerstones of value creation will be to regularly analyse and interrogate the future prospects of each business to ensure that prospects are realistically achievable and that these prospects will provide satisfactory returns on shareholder funds. Businesses with good growth potential will receive the necessary support and guidance to help them unlock that potential. Businesses that do not have realistic prospects of delivering suitable returns in the medium to long term will either be transitioned away from low margin areas into areas with better prospects or the Group will divest of these businesses.

Deneb has a vigorous capital allocation process whereby all future capital projects and investments are analysed, compared and prioritised based on their risk-reward profiles. Approved capital projects and investments are then subjected to formal post implementation reviews to assess whether they performed in line with expectations. The post implementation review process ensures accountability for delivering on controllable variables as well as ensuring that the assumptions used in arriving at future investment decisions can evolve and remain robust.

The overriding objective of allocating and utilising capital in an efficient manner is incorporated into the Group's remuneration policies and incentive structures. In terms of the incentive schemes, management at the Group and subsidiary level are rewarded for achievements in excess of pre-determined performance targets. The performance targets incorporate an imputed interest charge for the capital utilised by the individual business.

On the back of previous divestures, the Group has been successful in converting surplus industrial property into modern industrial parks which generate substantial cash flows for the Group as well as delivering long term capital growth. The Group will continue to assess its property portfolio for opportunities to unlock value and pursue new investment opportunities that may arise.

#### 5.3.2 ***Organic expansion***

Deneb intends to expand its existing operations by leveraging its management expertise to grow its market share. It will also look to take advantage of opportunities to expand its product offerings in existing markets and open up new markets to operate in.

Whilst Deneb's investments are currently focused and dependent on the South African economy, the move of the manufacturing businesses into servicing the agriculture, mining and construction sectors is part of a longer term plan to take advantage of the growth in these primary industries within neighbouring territories. Deneb's manufacturing skills allied with the distribution skills being built in the branded product space could provide the Group with a range of opportunities in the region.

#### 5.3.3 ***Growth through strategic acquisition***

Deneb will seek to grow through investing in businesses with the potential to enhance its current profile and deliver on the return on capital hurdles. The executives of Deneb will play an active role in identifying attractive investment opportunities for the Group. Deneb's investment portfolio includes a number of start-up businesses with good growth prospects. This is in line with the Group's philosophy of being an incubator for businesses run by entrepreneurially minded people. The intention is to create an environment that allows them to grow their businesses while taking advantage of the Group's administration, distribution and sales infrastructure.

## **6 LISTING ON THE JSE**

The JSE has granted Deneb a listing by way of introduction of all its issued Shares on the JSE main board under the abbreviated name "Deneb", share code "DNB" and ISIN ZAE000197398 with effect from the commencement of trade on Monday, 1 December 2014. Deneb will be listed in the "Specialty Finance" sector.



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## SALIENT DATES

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### 2014

Publication of Seardel Unbundling declaration and finalisation announcement on SENS	14 November
Publication of Seardel Unbundling declaration and finalisation announcement in the press on	17 November
Pre-listing Statement posted to Seardel Shareholders on	21 November
Abridged Pre-listing Statement published on SENS on	21 November
Abridged Pre-listing Statement published in the press on	24 November
Last day to trade for Seardel Shareholders to be entitled to participate in the Unbundling	28 November
Listing of Shares on the JSE expected at commencement of trade on	1 December
Commencement of trade of Deneb shares on the JSE	1 December
Seardel shares commence trading “ex” their entitlement to Deneb Shares	1 December
Record Date for Unbundling of Deneb	5 December
Accounts at CSDPs/Brokers updated in respect of Dematerialised Shareholders on	8 December
Share certificates posted to Certificated Shareholders by registered post on or about	8 December

### Note

The above dates are subject to change. Any such change will be announced on SENS.

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## DEFINITIONS AND INTERPRETATIONS

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In this Pre-listing Statement and annexures hereto, unless the context indicates otherwise, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and vice versa, the singular includes the plural and vice versa and the following words and expressions bear the meanings assigned to them below:

<b>“Berg River Textiles”</b>	a division of Seardel Group Trading Proprietary Limited;
<b>“Board” or “Directors”</b>	the board of directors of Deneb;
<b>“Brand ID”</b>	Brand ID Ignite Proprietary Limited (registration number 2013/131383/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Brits Automotive Systems”</b>	Brits Automotive Systems Proprietary Limited (registration number 2000/018452/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Brits Non-Woven”</b>	a division of Seardel Group Trading Proprietary Limited;
<b>“Broker”</b>	a “stockbroker” as defined in the Financial Markets Act, or its nominee;
<b>“Certificated Shareholders”</b>	Shareholders who hold Certificated Shares;
<b>“Certificated Shares”</b>	Shares that have not been dematerialised, title to which is evidenced by a share certificate or other Document of Title;
<b>“Clever Little Monkey”</b>	Clever Little Monkey Proprietary Limited (registration number 2013/045245/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Commission”</b>	the Companies and Intellectual Property Commission;
<b>“Common Monetary Area”</b>	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
<b>“Companies Act”</b>	Companies Act, No 71 of 2008, as amended;
<b>“Competition Act”</b>	Competition Act, No 89 of 1998;
<b>“Competition Authorities”</b>	the commission established pursuant to Chapter 4, Part A of the Competition Act or the tribunal established pursuant to Chapter 4, Part B of the Competition Act or the appeal court established pursuant to Chapter 4, Part C of the Competition Act, as the case may be;
<b>“CSDP”</b>	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a dematerialised share account;
<b>“Custody Agreement”</b>	a custody mandate agreement between a person and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on Deneb’ uncertificated securities register administered by a CSDP or Broker on behalf of that person;
<b>“Custom Extrusion”</b>	Custom Extrusion Proprietary Limited (registration number 2008/018562/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Dematerialise” or “Dematerialisation”</b>	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in Deneb’s uncertificated securities register administered by a CSDP;
<b>“Dematerialised Shareholders”</b>	Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	Shares which have been incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
<b>“Deneb” or “the Company”</b>	Deneb Investments Limited, previously K2013091290 Proprietary Limited (registration number 2013/091290/06), a public company incorporated under the laws of South Africa which was converted from a private company to a public company on 27 October 2014;
<b>“Deneb Group” or “the Group”</b>	Deneb and its subsidiaries, the group structure of which is detailed in paragraph 3.2 of the “Salient Features” section of this Pre-listing Statement;
<b>“Deneb Invest 141 Holdco” or “OfficeBox”</b>	Deneb Invest 141 Holdco Proprietary Limited (registration number 2014/042203/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;

<b>“Deneb Invest 142 Holdco”</b>	Deneb Invest 142 Holdco Proprietary Limited (registration number 2014/129510/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Documents of Title”</b>	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board;
<b>“Empire Group”</b>	a division of Prima Trading;
<b>“Easywear”</b>	Easywear Proprietary Limited (registration number 2013/149985/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No 9 of 1933, as amended from time to time;
<b>“Financial Markets Act”</b>	the Financial Markets Act, No 19 of 2012;
<b>“First Factory Shops”</b>	First Factory Shops Proprietary Limited (registration number 2013/150100/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Frame Industrials”</b>	Frame Industrials Proprietary Limited (registration number 2002/026364/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Frame Knitting Manufacturers”</b>	Frame Knitting Manufacturers Proprietary Limited (registration number 2013/149705/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Gold Reef”</b>	Gold Reef Specialty Chemicals Proprietary Limited (registration number 2008/006963/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“HCI”</b>	Hosken Consolidated Investments Limited (registration number 1973/007111/06), a public company duly registered and incorporated in accordance with the laws of South Africa, the issued share capital of which is listed on the JSE, with its registered address at Suite 801, 76 Regent Street, Sea Point, 8005 being the ultimate holding company of Deneb;
<b>“Hextex”</b>	a division of Seardel Group Trading;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Income Tax Act”</b>	the Income Tax Act, No 58 of 1962;
<b>“Indemnity Agreement”</b>	indemnity provided by Deneb in favour of Seardel in respect of any liabilities which arise in Seardel after the Listing of Deneb and which relate to the Deneb Group and in terms of which Seardel has ceded and assigned to Deneb any amount which it receives after the Listing Date which relates to the Deneb Group;
<b>“Independent Property Valuer”</b>	Antony Clive Freedman of David Newham Property Management Co. Proprietary Limited (registration number 1973/015042/07), a private company incorporated under the laws of South Africa;
<b>“Independent Reporting Accountants” or “KPMG”</b>	KPMG Incorporated, (registration number 1999/021543/21), a private company incorporated under the laws of South Africa; and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG is a registered auditor, in public practice, in terms of the Auditing Profession Act, No 26 of 2005;
<b>“Integrated Polypropylene Products”</b>	Integrated Polypropylene Products Proprietary Limited (registration number 2013/193012/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Internal Restructuring”</b>	the internal restructuring in terms of which Deneb, a wholly-owned subsidiary of Seardel, acquired the entire issued share capital of Brits Automotive Systems, Custom Extrusion, Frame Industrials, Gold Reef, Nyenye, Seardel 16, Seardel 17, Seardel Brand ID, Seardel Group Trading, Seartec, Seartec Trading, Prima Group and Val Hau from Seardel in exchange for the issue of shares in Deneb with effect from 1 October 2014;
<b>“JSE”</b>	the exchange, licensed under the Financial Markets Act, operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
<b>“JSE Listings Requirements”</b>	the Listings Requirements of the JSE in force as at the Last Practicable Date;

<b>“King III Code”</b>	the King Report on Governance for South Africa, 2009;
<b>“Last Practicable Date”</b>	the last practicable date prior to the finalisation of this Pre-listing Statement, being Monday, 10 November 2014;
<b>“Limtech”</b>	Limtech Biometric Solutions Proprietary Limited (registration number (registration number 1990/016157/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“Listing”</b>	the listing of the entire issued ordinary share capital of Deneb on the JSE main board, which listing is expected to occur with the commencement of trade on Monday, 1 December 2014;
<b>“Listing Date”</b>	the date of the Listing;
<b>“Memorandum of Incorporation” or “MOI”</b>	the memorandum of incorporation of Deneb;
<b>“Nyenye”</b>	Nyenye Clothing Manufacturers Proprietary Limited (registration number 2006/356), a private company incorporated under the laws of Lesotho, being a subsidiary of Deneb;
<b>“Pre-listing Statement”</b>	this Pre-listing Statement dated Friday, 21 November 2014, including all annexures hereto;
<b>“Prima Interactive”</b>	a division of Prima Trading;
<b>“Prima Toys”</b>	a division of Prima Trading;
<b>“Prima Trading”</b>	Prima Toys and Leisure Trading Proprietary Limited (registration number (registration number 1997/015132/07), a private company incorporated under the laws of South Africa, being a subsidiary of Prima Group;
<b>“Prima Group”</b>	Prima Toys and Leisure Group Proprietary Limited (registration number (registration number 1997/015103/07), a private company incorporated under the laws of South Africa, being a subsidiary of Deneb;
<b>“PSG Capital” or “Transaction Advisor and Sponsor”</b>	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated under the laws of South Africa;
<b>“Rand” or “R”</b>	South African Rand, the official currency of South Africa;
<b>“Record Date”</b>	the last date for Shareholders to be recorded in the Register in order for Shareholders to participate in the Unbundling, being Friday, 5 December 2014;
<b>“Register”</b>	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
<b>“Romatex Home Textiles”</b>	Romatex Home Textiles Proprietary Limited (registration number 2013/210632/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;
<b>“Sabido”</b>	Sabido Investments Proprietary Limited (registration number 1999/011709/07), a private company duly registered and incorporated in accordance with the laws of South Africa, a subsidiary of Sabido Holdco;
<b>“Sabido Holdco”</b>	HCI Invest3 Holdco Proprietary Limited (registration number 2012/125138/07), a private company duly registered and incorporated in accordance with the laws of South Africa and a subsidiary of Seardel;
<b>“Sactwu”</b>	Southern African Clothing and Textile Workers Union, whose business address is 350 Victoria Road, Salt River, Cape Town, 7925;
<b>“Seardel”</b>	Seardel Investment Corporation Limited (registration number 1968/011249/06), a public company incorporated under the laws of South Africa, whose Ordinary Shares and N Shares are listed on the JSE;
<b>“Seardel 16”</b>	Seardel Number 16 Proprietary Limited (registration number 1959/004655/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;
<b>“Seardel 17”</b>	Seardel Number 17 Proprietary Limited (registration number 1968/009211/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;
<b>“Seardel Brand ID”</b>	Seardel Brand ID Proprietary Limited (registration number 2008/016882/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;

“Seardel Group Properties”	a division of Seardel Group Trading;
“Seardel Group Trading”	Seardel Group Trading Proprietary Limited (registration number 1968/009480/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;
“Seardel N Shares”	N ordinary shares having no par value in the issued capital of Seardel, all of which shares are listed on the JSE;
“Seardel Ordinary Shares”	ordinary shares having no par value in the issued capital of Seardel, all of which shares are listed on the JSE;
“Seardel Shares”	collectively, Seardel Ordinary Shares and Seardel N Shares;
“Seardel Shareholders”	registered holders of Seardel Shares;
“Seartec”	Seartec Proprietary Limited (registration number 1987/004962/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;
“Seartec Industries”	Seartec Industries Proprietary Limited (registration number 1964/004775/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Seartec;
“Seartec Trading”	Seartec Trading Proprietary Limited (registration number 2005/017638/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb;
“SENS”	the Stock Exchange News Service of the JSE;
“Shares”	ordinary no par value shares in the share capital of Deneb;
“Shareholders”	registered holders of Shares;
“Share Incentive Scheme”	the Deneb equity settled share incentive scheme operated in terms of the Share Incentive Scheme Rules;
“Share Incentive Scheme Rules”	the rules of the Share Incentive Scheme, the salient terms of which are set out in <b>Annexure 6</b> ;
“SMME”	small, medium and micro enterprise;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/06), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa;
“Unbundled Shares”	557 892 317 Deneb Shares that will be unbundled to Seardel Shareholders in the ratio of 12.91952 (twelve point nine one nine five two) Deneb shares for every 100 (one hundred) Seardel Shares held on the Record Date;
“Unbundling”	the unbundling of Deneb to Seardel Shareholders in accordance with section 46 of the Income Tax Act, No 58 of 1962, which unbundling is expected to occur, with the accounts of Dematerialised Shareholders being updated and share certificates being posted via registered post to Certificated Shareholders, on Monday, 8 December 2014;
“Val Hau”	Val Hau et Cie Proprietary Limited (registration number 1937/009576/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb; and
“Winelands Textiles”	Winelands Textiles Proprietary Limited (registration number 2012/103693/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Deneb.

# DENE<sup>B</sup>

INVESTMENTS LIMITED

**DENE<sup>B</sup> INVESTMENTS LIMITED**  
(previously K2013091290 Proprietary Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 2013/091290/06)  
(Share code: DNB) (ISIN: ZAE000197398)  
("Deneb" or "the Company")

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## DIRECTORS

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

\* Non-executive

\*\* Independent non-executive

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## PRE-LISTING STATEMENT

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### 1 INTRODUCTION

- 1.1 Deneb is a wholly-owned subsidiary of Seardel. Seardel is an investment holding company listed on the JSE under the Consumer Goods – Personal and Household Goods Sector. Seardel's media investments are held by Sabido Holdco and its non-media investments are held by Deneb. Sabido Holdco holds a 63.9% equity interest in Sabido, the media group which owns e.tv and a variety of other broadcasting, content and production businesses and Deneb holds Seardel's property, branded product distribution and manufacturing assets.
- 1.2 On 28 August 2014, Seardel announced its intention to separately list Seardel's non-media assets on the securities exchange operated by the JSE by way of an unbundling of Seardel's interest in Deneb to Seardel Shareholders, subject to the receipt of necessary regulatory approvals.
- 1.3 Accordingly, the newly created Deneb will be unbundled to Seardel Shareholders and listed on the main board of the JSE on the Listing Date.

### 2 RATIONALE FOR THE LISTING AND THE UNBUNDLING

- 2.1 Seardel has taken a strategic decision to be a focused media investment company allowing it to concentrate its resources on growing Seardel's media businesses while providing Seardel Shareholders direct access to the underlying media investments.
- 2.2 The Listing and Unbundling of Deneb will have the following positive outcomes:
  - 2.2.1 it will provide Seardel Shareholders with the flexibility to maintain, increase or decrease their investments in Seardel's media and non-media assets, based on their specific investments preferences;
  - 2.2.2 it will enable Deneb to develop a shareholder base that has an appetite for the non-media assets of Seardel, being property, branded products and manufacturing assets;
  - 2.2.3 Deneb's management will be allowed to pursue a focused strategy without having to consider the impact on Seardel's media business; and
  - 2.2.4 the management of Deneb can be appropriately incentivised given the characteristics of its investment industry.

### 3 OVERVIEW OF DENEb

#### 3.1 History

Deneb was established as a holding company to hold underlying investments in operating businesses.

#### 3.2 General overview

The Deneb Group's four main segments, being:

#### 3.3 Property segment

3.3.1 The Group's property portfolio comprises a range of mainly industrial properties located in KwaZulu-Natal, Western Cape and Gauteng. The performance of commercial properties in South Africa is highly dependent on the quality of tenants. The Group believes that its portfolio performance is in a healthy state, underpinned by a quality and diversified tenant base from all spheres of the economic spectrum.

3.3.2 The property portfolio consists of 445 335 m<sup>2</sup> of gross lettable area of which 55% is occupied by the Group and 45% is available for external letting. The property portfolio generated R119 million of revenue and delivered a core operating profit of R83 million for the year ended 31 March 2014.

3.3.3 Details of the individual properties are set out in **Annexure 10**.

3.3.4 The Independent Property Valuer abridged valuation report of the Group's property portfolio is contained in **Annexure 3**.

#### 3.4 Branded product distribution segment

3.4.1 The branded product distribution segment consists of a cluster of businesses operating in the toy, stationery, office automation, clothing lifestyle, sport and electronic gaming sectors of the economy.

3.4.2 Prima Toys is the number one distributor of games, activities and ancillary products in South Africa. Prima Toys acts as the exclusive distributor for a number of leading international licensors for a variety of international brands and products. This allows access to multi-million dollar research and development programmes which ensures that Prima Toy's product ranges remain at the forefront of the market.

3.4.3 Prima Interactive is a distributor of, inter alia, Electronic Arts (EA), Disney Interactive Studios games and Microsoft's Xbox range of consoles and games.

3.4.4 The Empire Group specialises in the distribution of stationery and children's reading and activity books under licence and under its own Butterfly brand.

3.4.5 Seartec Trading is a distributor of the Sharp range of technologically advanced office automation products and scientific calculators in Southern Africa.

3.4.6 Brand ID is a brand development house focused on the sales, marketing and distribution of clothing lifestyle and sport brands. The current portfolio of fourteen brands operates across multiple sectors including apparel and sport technical equipment.

3.4.7 OfficeBox is an online stationery provider allowing customers a cost-effective solution, fast order processing, comprehensive management and an efficient product tracking enquiry tool.

3.4.8 Limtech is a provider of CCTV, fire detection, access control and security solutions, specialising in biometric fingerprint recognition.

#### 3.5 Industrial segment

3.5.1 The Group's industrial segment consists of those manufacturing businesses supplying products to the construction, automotive, mining and chemical industries. The businesses operating in this segment are:

##### 3.5.1.1 *Gold Reef Speciality Chemicals*

The Gold Reef chemical plant is situated in Durban, with its main area of focus being the polymerisation of acrylic and vinyl acetate co-polymers and homo-polymers. The manufacturing operation further caters for the toll manufacture of specialist polymers for international partners, supplying coatings to the paper industries. Gold Reef has developed a wide range of environmentally friendly products and supplies the paint, adhesive, textile, carpet, water treatment and detergent industries.

##### 3.5.1.2 *Integrated Polypropylene Products*

Integrated Polypropylene Products produces a wide range of extruded polypropylene tapes and woven polypropylene fabrics. The extrusion, weaving and extrusion coating plant is located in New Germany Industrial Park, Durban. Its technically superior products are used in various civil engineering, mining, agricultural and geotechnical applications.

#### 3.5.1.3 *Custom Extrusion*

Custom Extrusion is a leading manufacturer of flexible intermediate container ("FIBC") bags supplying product to the chemical, agriculture and mining industries.

#### 3.5.1.4 *Brits Automotive Systems, incorporating Brits Non-Woven*

Brits Automotive Systems manufactures non-woven materials that are synergistic with the worldwide drive towards safer, more fuel-efficient and ecologically friendly motor vehicles. The business manufactures single polymer or composite and natural fibre mats and roll goods suitable for compression, as well as resin transfer moulding into auto components. The business is not only a non-woven materials manufacturer, but also a converter of these into semi-finished or complete automotive components. Its products include headliners, boot liners, door panels, parcel trays, seat/trim inter-layers, wheel arch liners, dash insulators, anti-squeak and anti-vibration felts and trough trunk sound insulators. Brits Non-Wovens is a manufacturer of non-woven materials that have application in the construction, bedding and flooring industries.

### 3.6 **Textile segment**

3.6.1 During the last few years the overall economic environment has placed the Group's textile operations under intense pressure which has resulted in the textile businesses focusing as niche suppliers of quality textile products to a market which appreciates the contribution of locally manufactured products. The Group's proudly South African textile businesses consist of the following entities:

3.6.1.1 Winelands Textiles manufactures worsted and cotton woven fabric from local and imported yarn and is a quality supplier of a wide range of cotton and polycotton woven fabrics, in dyed and printed form. The operation houses a comprehensive design studio and design library combined with the ability to produce a wide range of specialised fabric finishes and product types.

3.6.1.2 Frame Knitting Manufacturers produces a wide range of knitted apparel fabrics at its plant in Moberi. Its production facilities include a dyeing and finishing plant, making this operation an essential partner in the local fashion industry's speed-to-market value chain.

3.6.1.3 Romatex Home Textiles is one of the largest household textile manufacturers in South Africa. Its highly mechanised manufacturing facilities in Cape Town and Durban specialise in the manufacturing of bed linen, duvets, pillows and bathroom products. Romatex Home Textiles sources its raw materials both locally and internationally, ensuring its products are of the highest standards. Integral to its successes is its in-house design centre which offers innovative and fashionable product designs.

3.6.1.4 With over half a century of marketing fabric directly from affiliated factories and mills, First Factory Shops prides itself as being one of the country's most affordable fabric supplier to domestic consumers, SMMEs and bulk buyers.

### 3.7 **Group restructure**

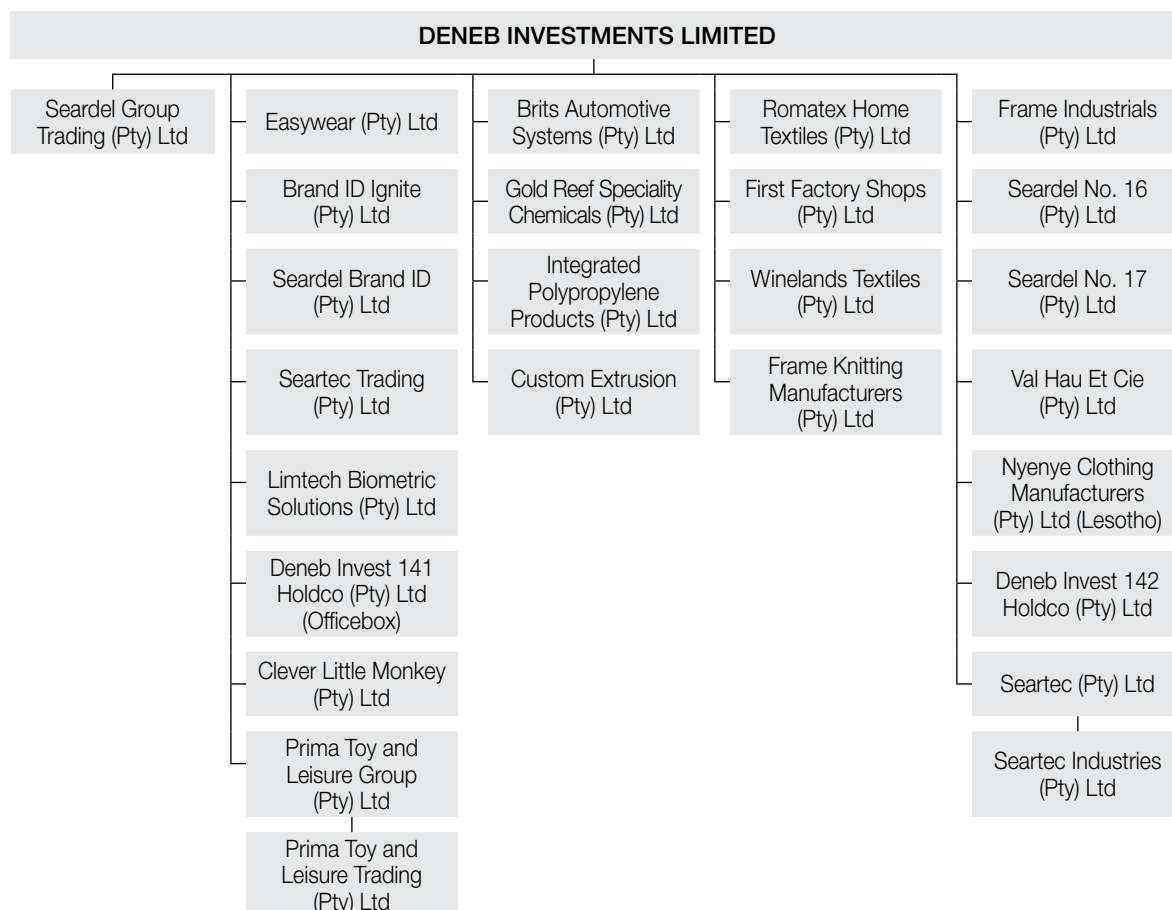
3.7.1 In terms of the Internal Restructuring, Deneb acquired all of Seardel's non-media businesses which it did not own with effect from 1 October 2014.

3.7.2 The newly created Deneb will be listed on the main board of the JSE and unbundled to Seardel Shareholders on the Listing Date.

3.7.3 Seardel Shareholders will be entitled to 12.91952 (twelve point nine one nine five two) Deneb ordinary shares for every 100 (one hundred) Seardel Shares held on the Record Date. Fractional entitlements will be rounded down to the nearest whole number if they are less than 0.5 and will be rounded up to the nearest whole number if they are equal to or greater than 0.5. Seardel Shareholders are referred to the table of entitlements contained in **Annexure 11**.



3.7.4 A complete structure diagram of the Deneb Group on Listing is shown below:



### 3.8 Major subsidiaries

Seardel Group Trading is the only major subsidiary of Deneb, as defined in terms of the JSE Listings Requirements.

## 4 STRATEGIES FOR GROWTH AND FUTURE PROSPECTS

- 4.1 As a diversified investment holding company, Deneb's underlying investments operate in various areas of the South African economy. Activities include property letting, branded product distribution and manufacturing of chemical, agriculture, mining, textile, and automotive products.
- 4.2 Although somewhat of a diversified portfolio, the underlying businesses are independently managed with specialist skills at an individual entity level. The diversity allows the Group's management greater flexibility with regard to capital allocation. The diversity, coupled with a stable and supportive major shareholder, also allows the opportunity to take longer-term views on businesses operating in volatile environments. This allows management to make incremental changes for long-term value enhancement.
- 4.3 Deneb's intention is to focus on growing and developing its existing investments whilst opportunistically looking for new investment opportunities. The Group's existing investments comprise a range of businesses in various stages of development including start-ups, turnarounds, growth and mature businesses.

Potential future value will be created by:

### 4.3.1 Optimising the value of existing businesses

One of the cornerstones of value creation will be to regularly analyse and interrogate the future prospects of each business to ensure that prospects are realistically achievable and that these prospects will provide satisfactory returns on shareholder funds. Businesses with good growth potential will receive the necessary support and guidance to help them unlock that potential. Businesses that do not have realistic prospects of delivering suitable returns in the medium to long term will either be transitioned away from low margin areas into areas with better prospects or the Group will divest of these businesses.

Deneb has a vigorous capital allocation process whereby all future capital projects and investments are analysed, compared and prioritised based on their risk-reward profiles. Approved capital projects and investments are then subjected to formal post implementation reviews to assess whether they performed in line with expectations. The post implementation review process ensures accountability for delivering on controllable variables as well as ensuring that the assumptions used in arriving at future investment decisions can evolve and remain robust.

The overriding objective of allocating and utilising capital in an efficient manner is incorporated into the Group's remuneration policies and incentive structures. In terms of the incentive schemes, management at the Group and subsidiary level are rewarded for achievements in excess of pre-determined performance targets. The performance targets incorporate an imputed interest charge for the capital utilised by the individual business.

On the back of previous divestures, the Group has been successful in converting surplus industrial property into modern industrial parks which generate substantial cash flows for the Group as well as delivering long term capital growth. The Group will continue to assess its property portfolio for opportunities to unlock value and pursue new investment opportunities that may arise.

#### 4.3.2 **Organic expansion**

Deneb intends to expand its existing operations by leveraging its management expertise to grow its market share. It will also look to take advantage of opportunities to expand its product offerings in existing markets and open up new markets to operate in.

Whilst Deneb's investments are currently focused and dependent on the South African economy, the move of the manufacturing businesses into servicing the agriculture, mining and construction sectors is part of a longer term plan to take advantage of the growth in these primary industries within neighbouring territories. Deneb's manufacturing skills allied with the distribution skills being built in the branded product space could provide the Group with a range of opportunities in the region.

#### 4.3.3 **Growth through strategic acquisition**

Deneb will seek to grow through investing in businesses with the potential to enhance its current profile and deliver on the return on capital hurdles. The executives of Deneb will play an active role in identifying attractive investment opportunities for the Group. Deneb's investment portfolio includes a number of start-up businesses with good growth prospects. This is in line with the Group's philosophy of being an incubator for businesses run by entrepreneurially minded people. The intention is to create an environment that allows them to grow their businesses while taking advantage of the Groups administration, distribution and sales infrastructure.

## 5 **DIVIDEND POLICY**

Deneb does not have a formal dividend policy. The Board will assess the ability to declare and pay dividends on an annual and interim basis.

## 6 **MANAGEMENT OF DENE B**

6.1 Deneb is governed by the Board. The Board is responsible for ensuring that Deneb complies with all of its statutory and regulatory obligations, as specified in the Companies Act, its Memorandum of Incorporation and, following the Listing, the JSE Listings Requirements.

6.2 The Group's executive committee meets weekly. On a monthly basis, executive committee members attend meetings of each operating entity within the Group. The formal weekly and monthly meetings include the review of strategic, operational and financial results.

6.3 The executive committee has the following members:

Name	Position
S A Queen	Chief Executive Officer
G D T Wege	Chief Financial Officer
D Duncan	Chief Operating Officer
K G Robson	Chief Executive Officer Properties, Corporate and Legal Services
I N Morris	Chief Executive Officer Prima Group

6.4 Profiles of the members of the executive committee, detailing their experience, appear in **Annexure 7**.

6.5 The Board has appointed a number of further committees to assist the Board in discharging its duties, with the particulars of such committees appearing in **Annexure 5**.

6.6 No part of the business of Deneb or any of its subsidiaries is managed, or is proposed to be managed, by a third party under a contract or arrangement.

## 7 DIRECTORS

### 7.1 Composition of the Board

7.1.1 The full names, ages, business address and capacities of the Directors of Deneb are provided below:

<b>Full name and nationality</b>	<b>Age</b>	<b>Capacity</b>	<b>Business address</b>
Mohamed Haroun Ahmed (South African)	50	Lead Independent Non-executive Director	52 Intersite Avenue Umgeni Business Park Durban 3610
John Anthony Copelyn (South African)	64	Chairman and Non-executive Director	Suite 801 76 Regent Street Sea Point 8005
David Duncan (British)	59	Chief Operating Officer	124 Escom Road New Germany Durban 3610
Theventheran Govindsamy Govender (South African)	44	Non-executive Director	Suite 801 76 Regent Street Sea Point 8005
Amon Malencane Ntuli (South African)	56	Executive Director	124 Escom Road New Germany Durban 3610
Stuart Alexander Queen (South African)	42	Chief Executive Officer	1 Moorsom Avenue Epping Industria II Cape Town 7460
Yunis Shaik (South African)	57	Non-executive Director	Suite 801 76 Regent Street Sea Point 8005
Rachel Doreen Watson (South African)	55	Non-executive Director	Fernando Building Mark Street Atlantis 7349
Gysbert Du Toit Wege (South African)	40	Chief Financial Officer	1 Moorsom Avenue Epping Industria II Cape Town 7460
Naziema Jappie (South African)	54	Independent Non-executive Director	433 Musgrave Road Durban 4000

7.1.2 ***The following changes occurred to the Board and board committees over the past 12 months:***

- 7.1.2.1 Mr J A Copelyn, Mr M H Ahmed, Mr D Duncan, Mr T G Govender, Ms N Jappie, Mr A M Ntuli, Mr Y Shaik and Ms R D Watson were appointed to the board on 10 October 2014;
- 7.1.2.2 Mr M H Ahmed was appointed as lead independent director;
- 7.1.2.3 Mr M H Ahmed, Ms N Jappie and Ms R D Watson were appointed as members of the audit committee;
- 7.1.2.4 Mr A M Ntuli, Ms R D Watson and Mr G D T Wege were appointed as members of the social and ethics committee; and

7.1.2.5 Mr J A Copelyn and Mr Y Shaik were appointed as members of the remuneration committee on 10 October 2014. With effect from 23 October, Mr Y Shaik resigned and Mr M H Ahmed was appointed to the remuneration committee.

7.1.3 The profiles of the Directors, detailing their experience, appear in **Annexure 7**.

7.1.4 It is the intention of the Board of Directors of Deneb, as set out in paragraph 7.1.1, to resign from the board of directors of Seardel with effect from 1 December 2014, save for Mr J A Copelyn, Mr Y Shaik and Mr T G Govender who will remain on the board of directors of Seardel.

## 7.2 Directors of major subsidiaries

The full names, ages, business address and capacities of the directors of Deneb' major subsidiary, Seardel Group Trading, appear in **Annexure 7**.

## 7.3 Additional information

7.3.1 A list of other directorships held by the Directors of Deneb and the directors of its major subsidiary is set out in **Annexure 8**.

7.3.2 All Directors of Deneb and all directors of its major subsidiary, Seardel Group Trading, are South African citizens other than Mr D Duncan who is British.

7.3.3 No Director of Deneb and no director of its major subsidiary is a partner with unlimited liability.

7.3.4 None of the Directors of Deneb and none of the directors of its major subsidiary:

7.3.4.1 have been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;

7.3.4.2 have been directors with an executive function of any company which has been put under, or proposed to be put under, any business rescue plans, or that is or was the subject of an application for business rescue, any notices in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangements with creditors generally or any class of creditors, at the time of such event or within the 12 months preceding any such event;

7.3.4.3 have been partners in a partnership that was the subject of any compulsory liquidation, administration or partnership voluntary arrangement, at the time of such event or within the 12 months preceding any such event;

7.3.4.4 have entered into any receiverships of any asset(s) or of a partnership where such directors are or were partners during the preceding 12 months;

7.3.4.5 have been publicly criticised by a statutory or regulatory authority, including recognised professional bodies, or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

7.3.4.6 have been involved in any offence of dishonesty;

7.3.4.7 have been removed from an office of trust, on the grounds of misconduct, involving dishonesty; or

7.3.4.8 have been the subject of any court order declaring him delinquent or placing him under probation in terms of section 162 of the Companies Act and/or section 47 of the Close Corporations Act, No 69 of 1984, or been disqualified by a court to act as a director in terms of section 219 of the Companies Act, No 61 of 1973.

## 7.4 Chief financial officer

Mr G D T Wege is the chief financial officer and financial director of Deneb. The audit committee has considered and satisfied itself of the appropriateness of the expertise and experience of Mr G D T Wege.

## 7.5 Borrowing powers

7.5.1 The provisions of the Memorandum of Incorporation regarding the borrowing powers exercisable by Directors are set out in **Annexure 4** to this Pre-listing Statement. The Memorandum of Incorporation and the Memorandum of Incorporation of the subsidiaries of Deneb do not restrict the borrowing powers of the Deneb Directors or the directors of the subsidiaries of Deneb and the Directors may, from time to time, at their discretion, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company.

- 7.5.2 The borrowing powers of Deneb Directors or the directors of any of its subsidiaries have not been exceeded during the three years preceding the Last Practicable Date and no exchange control or other restrictions have been imposed on Deneb or its subsidiaries' borrowing powers in that period.

## 7.6 **Appointment and qualification of Directors**

- 7.6.1 The relevant provisions of the Memorandum of Incorporation regarding the term of office of Directors, the manner of their appointment and rotation are set out in **Annexure 4**. No person has the right in terms of any agreement in respect of the appointment of any Director or any number of Directors.
- 7.6.2 The relevant provisions of the Memorandum of Incorporation relating to the qualification of Directors appear in **Annexure 4**. Apart from satisfying the qualification and eligibility requirements set out in section 69 of the Companies Act and the applicable provisions set out in clause 21.12 of the Memorandum of Incorporation (an extract of which appears in **Annexure 4**), a person need not satisfy any eligibility requirements or qualifications to become or remain a Director of Deneb.
- 7.6.3 Directors do not have a fixed term of appointment and there is no mandatory retirement age for non-executive directors. According to the Company's Memorandum of Incorporation as adopted, non-executive directors retire every three years, with at least one-third of non-executive directors to retire every three years at the AGM. Executive directors are to retire every five years. A retiring director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated office.

## 7.7 **Remuneration of Directors**

- 7.7.1 Deneb may pay remuneration to non-executive Directors for their services as directors, as set out in section 66(8) and (9) of the Companies Act, and the power of Deneb in this regard is not limited or restricted by the Memorandum of Incorporation.
- 7.7.2 Any Director who (1) serves on any executive or other committee; or (2) devotes special attention to the business of Deneb; or (3) goes or resides outside South Africa for the purpose of Deneb; or (4) otherwise performs or binds himself to perform services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Board may from time to time determine.
- 7.7.3 Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with the business of Deneb and attending meetings of the Directors or of committees of the Board.
- 7.7.4 The remuneration of executive Directors shall be determined by a disinterested quorum of Directors or a remuneration committee appointed by the Board, and shall be in addition to or in substitution of any ordinary remuneration as a Director of Deneb, as the Board may determine.

- 7.7.5 No remuneration was paid to Directors of Deneb for the previous financial year ended 31 March 2014 by Deneb. The Directors were, however, remunerated by Seardel. The remuneration of Directors for the financial year ended 31 March 2014 from Seardel was as set out below:

*Salary, fees and bonuses*

	Salary R'000	Directors' fees R'000	Bonuses <sup>1</sup> R'000	Provident fund, medical aid and pension contributions R'000	Share option expense R'000	Total remuneration R'000
S A Queen	3 345	–	–	–	2 054	5 399
A M Ntuli	841	–	71	157	–	1 069
G D T Wege	1 556	–	–	233	435	2 224
D Duncan	2 394	–	–	291	293	2 978
M H Ahmed	–	136	–	–	–	136
J A Copelyn <sup>2</sup>	–	136	–	–	–	136
T G Govender <sup>2</sup>	–	97	–	–	–	97
Y Shaik <sup>2</sup>	–	157	–	–	–	157
R D Watson	–	117	–	–	–	117
N Jappie <sup>3</sup>	–	–	–	–	–	–
<b>Total</b>	<b>8 136</b>	<b>643</b>	<b>71</b>	<b>681</b>	<b>2 782</b>	<b>12 313</b>

**Notes:**

- (1) Bonuses were determined by the remuneration committee of Seardel;
- (2) The directors' fees payable to J A Copelyn, Y Shaik and T G Govender were ceded to HCl;
- (3) Ms N Jappie was appointed to the board of Seardel on 10 July 2014; and
- (4) No fees for other services or expense allowances were paid to directors.

- 7.7.6 The anticipated Directors' fees for the period 1 October 2014 to 30 September 2015 are set out below:

*Directors' fees*

	Directors' fees R'000	Audit Committee fees R'000	Remuneration Committee fees R'000
J A Copelyn	106	–	44
Y Shaik	106	–	44
T G Govender	106	–	–
R D Watson	106	44	–
N Jappie	106	44	–
M H Ahmed	106	44	–
<b>Total</b>	<b>636</b>	<b>132</b>	<b>88</b>

7.7.7 The Share Incentive Scheme has, as its main object and purpose, the incentivising and retention of employees and is regulated by the Share Incentive Scheme Rules. As at the Last Practicable Date, the following share options have been awarded in terms of the Share Incentive Scheme on 14 October 2014:

Director	Number of options	Grant date	Vesting price per share
S A Queen	1 734 785	14 October 2014	Nil
S A Queen	546 457	14 October 2014	53 cents
S A Queen	1 382 584	14 October 2014	96 cents
S A Queen	1 713 759	14 October 2014	139 cents
G D T Wege	788 539	14 October 2014	Nil
G D T Wege	227 691	14 October 2014	53 cents
G D T Wege	576 077	14 October 2014	96 cents
G D T Wege	594 286	14 October 2014	139 cents
D Duncan	159 383	14 October 2014	53 cents
D Duncan	403 254	14 October 2014	96 cents
D Duncan	499 846	14 October 2014	139 cents

**Notes:**

- (1) No share options have been exercised as at the Last Practicable Date.
- (2) No share options have been pledged against an outstanding loan to an employee as at the Last Practicable Date.

7.7.8 Directors are not entitled to any commission and are not party to any gain or profit-sharing arrangements with Deneb. Save for the emoluments set out in the tables at paragraphs 7.7.5 and 7.7.6 above, no other material benefits were received by Directors for the previous financial year ended 31 March 2014.

7.7.9 Save for the directors' fees of Messrs J A Copelyn, Y Shaik and T G Govender ceded to HCI as set out in paragraph 7.7.5 above, no fees have been paid to any third party in lieu of directors' fees.

7.7.10 There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Listing.

7.7.11 Neither Deneb nor any of its subsidiaries have, in the three years preceding the date of this Pre-listing Statement, paid (or agreed to pay) any amounts (whether in cash or in securities or otherwise) or given any benefits to any Director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a director ("**the associate company**") or to any partnership, syndicate or other association of which he is a member ("**the associate entity**"), to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the associate company or the associate entity in connection with the promotion or formation of Deneb or any of its subsidiaries.

**7.8 Interests of Directors**

7.8.1 Save as set out below, no Director of Deneb or of any of its subsidiaries (including any person who may have resigned as a Director within the last 18 months) has any material beneficial interest, directly or indirectly, in any transactions that were effected by Deneb (1) during the current or immediately preceding financial year, or (2) during an earlier financial year and remain in any respect outstanding or unperformed:

7.8.2 Save for being a shareholder of Seardel and Deneb, no Director has had any material beneficial interest, either direct or indirect, in the Listing and no promoter or Director of Deneb is or was a member of a partnership, syndicate or other association of persons that has or had such an interest.

7.8.3 Save for being a shareholder of Seardel and Deneb, no Director has had any material beneficial interest, either direct or indirect, in the promotion of the Company. No cash or securities have been paid and no benefit has been given to any promoter within the last three years.

7.8.4 As at the record date of the Unbundling of the Unbundled Shares, the direct and indirect beneficial interests of the Directors (including any Directors who have resigned during the 18 months preceding the Last Practicable Date) and their associates in the issued share capital of Deneb, shall be as follows:

Director	Number of Shares held directly	Number of Shares held indirectly	% of Shares in issue held
S A Queen	–	648 269	0.12
A M Ntuli	–	1 541	0.01
G D T Wege	145 189	–	0.03
M H Ahmed	–	–	–
J A Copelyn	–	18 824 379	3.37
T G Govender	–	684 269	0.12
D Duncan	237 293	–	0.04
Y Shaik	–	–	–
R D Watson	–	–	–
N Jappie	–	–	–
<b>Total</b>	<b>382 482</b>	<b>20 122 458</b>	<b>3.69</b>

#### 7.9 Service contracts of Directors

7.9.1 Employment agreements have been concluded with Mr S A Queen, Mr D Duncan, Mr A M Ntuli and Mr G D T Wege as the executive Directors. The employment agreements concluded with the aforementioned directors include standard termination and other provisions for contracts of this nature.

7.9.2 No restraint of trade payments have been paid or are payable to any of the Directors.

## 8 SHARE CAPITAL

### 8.1 Authorised and issued share capital

8.1.1 *The authorised and issued share capital of Deneb is set out below:*

Description	Number of Shares
<b>Authorised share capital</b>	
Ordinary no par value Shares	10 000 000 000
<b>Issued share capital</b>	
Ordinary no par value Shares	557 892 317

8.1.2 *As at the time of the Listing:*

8.1.2.1 the stated capital of Deneb amounts to approximately R1 617 million;

8.1.2.2 no Shares were held in treasury;

8.1.2.3 no debentures had been created or issued by Deneb; and

8.1.2.4 all Shares in issue were fully paid up and freely transferable.

8.1.3 On the Listing Date all Shares in issue shall rank *pari passu* with each other in all respects, including in respect of voting rights and dividends.

### 8.2 Major and controlling Shareholders

8.2.1 The table below lists those persons who shall, as far as Deneb is aware, be beneficially interested, as at the record date of the Unbundled Shares, directly or indirectly, in 5% or more of the Shares in issue.

Shareholder	Number of Shares held <sup>1</sup>	% of Shares in issue held
HCI Invest 6 Holdco Proprietary Limited <sup>2</sup>	404 163 106	74.9
Fulela Trade and Invest 81 Proprietary Limited <sup>2</sup>	62 200 476	11.5
<b>Total</b>	<b>466 363 582</b>	<b>86.4</b>



**Notes:**

- (1) As far as the Company is aware the Shareholders listed in the table above will only hold Shares in the Company directly (and not indirectly) at the settlement date of the Unbundled Shares.
- (2) HCI Invest 6 Holdco Proprietary Limited and Fulela Trade and Invest 81 Proprietary Limited are subsidiaries of HCI.

8.2.2 There has been no change in the controlling shareholder of Deneb since its incorporation on 4 June 2013, save for the original acquisition of Deneb as a shelf company by Seardel on 20 June 2013. Furthermore there has been no change in the controlling shareholder of any of the other subsidiaries of Deneb in the last five years, save for in terms of the Internal Restructuring and the acquisition of Limtech by Deneb on 1 April 2014 for a purchase consideration of R1.

**8.3 Rights attaching to Shares**

Salient provisions in the Memorandum of Incorporation relating to the rights attaching to Shares, appear in **Annexure 4** hereto.

**8.4 Changes to share capital**

There have been no changes to Deneb's' authorised share capital (including no share consolidations or subdivisions) over the three years preceding the date of this Pre-listing Statement, save for as set out below:

8.4.1 Deneb was incorporated with an authorised share capital of 1 000 shares of no par value on 4 June 2013; and

8.4.2 Deneb's authorised share capital was increased to 10 000 000 000 (ten billion) shares of no par value on 24 March 2014.

**8.5 Options and preferential rights in respect of Shares**

There is no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any Shares in Deneb or its subsidiaries, save for those granted in terms of the Share Incentive Scheme being 22 351 660 Deneb share options issued in aggregate as at the Last Practicable Date.

**8.6 Dividends**

8.6.1 In terms of the Memorandum of Incorporation all unclaimed monies that are due to any Shareholder pursuant to the declaration of a dividend shall be held by Deneb in trust until lawfully claimed by such Shareholder, or until the Shareholder's claim to such money has prescribed in terms of the applicable laws of prescription.

8.6.2 No arrangements exist under which future dividends are waived or are agreed to be waived.

**8.7 Rights offer**

During the three years preceding the date of this Pre-listing Statement Deneb has not undertaken any rights offers.

**8.8 Shares issued**

8.8.1 As part of the Internal Restructuring, 539 776 349 Shares were issued by Deneb to Seardel on 1 October 2014.

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

8.8.3 Save as set out in paragraphs 8.8.1 and 8.8.2 above, neither Deneb nor any of its subsidiaries has issued any shares within the three years preceding this Pre-listing Statement.

**8.9 No other listings**

As at the date of this Pre-listing Statement no securities of Deneb are listed on the JSE or on any other stock exchange. Upon the Listing, all of Deneb's issued ordinary Shares will be listed on the JSE under the abbreviated name "Deneb", share code "DNB" and ISIN ZAE000197398. As at the Listing Date, no Shares of Deneb will be listed on any other stock exchange.

**8.10 Listing criteria**

Following the Listing and the Unbundling:

8.10.1 Deneb shall have stated capital of R1 617 million;

8.10.2 Deneb shall have 557 892 317 Shares in issue; and

8.10.3 approximately 9.9% of the issued ordinary share capital of Deneb will be held by the public. To the extent that a minimum of 20% of the issued ordinary share capital of Deneb is not held by public shareholders within 12 months of the Listing Date, Deneb has undertaken to the JSE to rectify same through the general issue of shares for cash within 12 months of the Listing Date.

## 9 FINANCIAL INFORMATION

### 9.1 Historical financial information of Deneb

A report on the audited and reviewed carve-out historical financial information of Deneb, showing the financial results of Deneb for the financial years ended 31 March 2012, 31 March 2013 and 31 March 2014 is presented in **Annexure 1** and is the responsibility of the Directors, while the Independent Reporting Accountants' reports thereon is included as **Annexure 2** to this Pre-listing Statement.

### 9.2 Material changes

9.2.1 Save for the Internal Restructuring, there have been no material changes in the financial or trading position of Deneb and its subsidiaries since the end of its last financial year ended 31 March 2014.

9.2.2 Save for the Internal Restructuring, there have been no material changes in the business of Deneb, and no changes in the trading objects of Deneb, within the past five years preceding this Pre-listing Statement.

### 9.3 Material commitments, lease payments and contingent liabilities

As at the Last Practicable Date, Deneb had no material commitments, lease payments or contingent liabilities, save for the Indemnity Agreement.

### 9.4 Borrowings

9.4.1 As at the Last Practicable Date, no debentures have been issued by Deneb or any of its subsidiaries and no material loans have been advanced to them other as disclosed in **Annexure 9**.

9.4.2 As at the Last Practicable Date Deneb and its subsidiaries had entered into the following material borrowing arrangements:

#### **Bank overdrafts**

Total facility:	R986 million
Total amount owing:	R539 million

The overdraft facilities were extended to Deneb as follows:

- a working capital facility of R450 million and a property development facility of R236 million has been extended to Seardel Group Trading on a 50/50 basis by Nedbank Limited and The Standard Bank of South Africa Limited.
- a working capital facility of R300 million has been extended to Prima Group on a 50/50 basis by Nedbank Limited and The Standard Bank of South Africa Limited.

There are no repayment terms applicable to the overdraft facilities and security to the value of R3.1 billion for the facilities have been provided to a special purpose company which has guaranteed the obligations of the Group in favour of the lenders, and which in turn is indemnified by the Group.

Nedbank Limited and The Standard Bank of South Africa Limited are entitled to review the facilities at any time and the facilities attract interest at the South African prime interest rate.

9.4.3 No loan capital is currently outstanding as Deneb has not drawn down on any facilities.

9.4.4 No debentures have been created in terms of a trust deed and no replacement debentures have been issued by Deneb.

### 9.5 Loans receivable

As at the Last Practicable Date, a loan totalling R76 million to Trade Call Investment Apparel Proprietary Limited ("TCIA"), a company owned by Sactwu, was receivable by the Group. The loan originated from the disposal of Seardel Group Trading's South African clothing operations as a going concern to TCIA. No repayment period has been determined and as security for the loan, Sactwu has ceded and assigned in favour of Seardel Group Trading, its rights to receive payments and distributions from Seardel and HCI. The loan bears interest at the prime interest rate. The directors of TCIA are Messrs H Pillay and A Kriel and the operation is situated at Losack Avenue, Epping Industria II, 7460.

### 9.6 Loan to Directors or managers

Deneb has not made any loans to, or furnished any security for the benefit of, any Director or manager of Deneb (or of any associate of any such director or manager).

## 10 GROUP ACTIVITIES

### 10.1 Principal immovable property owned and leased

The situation, area and tenure, including, in the case of leasehold property, the rental and unexpired term of the leases, of the principal immovable properties occupied or held by the Deneb Group, are detailed in **Annexure 10**.

### 10.2 Intercompany financial and other transactions

10.2.1 All intercompany balances between Deneb Group companies, before elimination on consolidation, are disclosed in **Annexure 9**.

10.2.2 Save for the intercompany balances referred to in paragraph 10.2.1 above, there are no material intercompany financial and other transactions.

### 10.3 Material acquisitions

Save for the Internal Restructuring, the Deneb Group has not undertaken any material acquisitions within the last three years and is not currently contemplating any potential material acquisitions.

### 10.4 Property disposed of and material disposals

The Deneb Group has not disposed of any material property during the last three years and is not currently contemplating any material disposals, save for the disposal of the property situated at the corner of Bofors Circle and Losack Avenue, Epping Industria, Cape Town ("Losack Property") to Sactwu Properties Proprietary Limited on 18 December 2013 for a total cash purchase consideration of R52.2 million. The Losack Property was valued by the Independent Property Valuer at R52.2 million on 1 October 2013.

Seardel Group Trading further disposed of the apparel manufacturing business during the year ended 31 March 2014 to Trade Call Investments Apparel Proprietary Limited, a company owned by Sactwu, for a total consideration of R108.8 million ("Apparel Disposal Agreement"). The outstanding loan receivable for the purchase price is detailed in paragraph 9.5 of the Pre-listing Statement.

### 10.5 Adequacy of working capital

The Directors are of the opinion that the working capital available to the Deneb Group is adequate for the present requirements of Deneb and the Deneb Group, that is, for a period of 12 months from the date of issue of this Pre-listing Statement.

### 10.6 Royalties

The Deneb Group pays royalties to licensors in terms of agreements to distribute branded products. These branded products include games, toys, sports equipment, stationery and clothing.

## 11 KING III CODE AND CORPORATE GOVERNANCE

Shareholders are referred to **Annexure 5**, which concerns the application of the King III Code and other corporate governance principles to Deneb.

## 12 LISTING ON THE JSE

The JSE has granted Deneb a listing by way of introduction of all its issued ordinary shares on the JSE main board under the abbreviated name "Deneb", share code "DNB" and ISIN ZAE000197398 with effect from the commencement of trade on Monday, 1 December 2014. Deneb will be listed in the "Specialty Finance" sector.

## 13 ADDITIONAL INFORMATION

### 13.1 Promoters' and other interests

13.1.1 No amounts have been paid or have accrued as payable and no benefit was given or proposed to be given within the last three years to any promoter or to any partnership, syndicate or other association of which he is or was a member.

13.1.2 No Director or promoter has any material beneficial interest, direct or indirect, in the promotion of Deneb.

13.1.3 No commissions were paid, or accrued as payable, by Deneb within the three years preceding the date of this Pre-listing Statement in respect of any underwriting.

13.1.4 No commissions, discounts, brokerages or other special terms have been granted by Deneb within the three years preceding the date of this Pre-listing Statement in connection with the issue or sale of any securities, stock or debentures in the capital of Deneb.

## 13.2 Government protection and investment encouragement law

Deneb's textile manufacturing entities participate in the Department of Trade and Industry's Customised Sector Programme for the Clothing and Textile Industries. The purpose of this programme is to create sustainable capabilities and employment by assisting the participants in upgrading processes, products and people. During the year ended 31 March 2014, the Group received incentives totalling R34.8 million (2013: R33.6 million).

## 13.3 Exchange control

13.3.1 This Pre-listing Statement is not an invitation to the public to subscribe for Shares in Deneb and does not amount to a prospectus. Should Deneb in future issue Shares to Shareholders, Shareholders should ensure that they comply with the Exchange Control Regulations, to the extent that those regulations may be applicable to them. In this regard, the Exchange Control Regulations currently provide that:

13.3.1.1 a former resident of the Common Monetary Area who has emigrated, may use emigrant blocked funds to subscribe for Shares;

13.3.1.2 all payments in respect of subscriptions for Shares by an emigrant, using emigrant blocked funds, must be made through the authorised dealer in foreign exchange controlling the blocked assets;

13.3.1.3 any Shares issued pursuant to the use of emigrant blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios;

13.3.1.4 any Shares subsequently re-materialised and issued in certificated form, will be endorsed "Non-resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and

13.3.1.5 if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for Shares in terms of a prospectus, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked accounts.

13.3.2 Shareholders resident outside the Common Monetary Area should note that, where the Unbundled Shares or any future Shares issued by Deneb are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed "Non-resident" in terms of the Exchange Control Regulations.

## 13.4 Litigation

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which Deneb is aware, which may have, or have during the 12 months preceding the Last Practicable Date had, a material effect on the financial position of the Deneb Group.

## 13.5 Competition Authorities

The following Competition Authorities matters relating to companies within the Deneb Group are currently pending:

13.5.1 The Competition Authorities have alleged that the disposal of the apparel manufacturing operation of Seardel Group Trading to Trade Call Investments Apparel Proprietary Limited was partially implemented prior to Competition Authorities approval in contravention of section 13A(3) of the Competition Act; and

13.5.2 The Competition Authorities have commenced an investigation on 29 April 2014 in terms of section 49B(1) of the Competition Act against Berg River Textiles for alleged collusive tendering with a third party when they submitted their bids for the supply and delivery of fabrics in response to a tender advertised by the Department of National Treasury during 2012.

## 13.6 Material contracts

Save for the Internal Restructuring, the Indemnity Agreement and the Apparel Disposal Agreement, no material contracts have been entered into by the Deneb Group, being restrictive funding arrangement and/or contracts entered into other than in the ordinary course of business and (1) within the two years prior to the date of this Pre-listing Statement or, (2) at any other time where such agreement contains an obligation or settlement that is material to Deneb as at the date of this Pre-listing Statement.

## 13.7 Experts' consents

Each of the experts, whose names appear in the "Corporate Information" section of this Pre-listing Statement, have given and have not, prior to the formal approval of this Pre-listing Statement by the JSE, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports, being included in this Pre-listing Statement.

### 13.8 Expenses and listing fees

The estimated costs of the Listing and for preparing and distributing this Pre-listing Statement to Shareholders, including the fees payable to professional advisers, are approximately R2.4 million, excluding VAT, and include the following:

		R'000
Transaction Adviser and Sponsor	PSG Capital	1 250
Printing, publication, distribution and advertising expenses	Groundpepper	184
JSE documentation fees	JSE	81
JSE listing fees	JSE	282
Transfer Secretaries	Computershare	40
Administration fees	Strate	5
Independent Reporting Accountant	KPMG	390
Independent Property Valuer	David Newham Property Management Co	72
Contingency		96
<b>Total</b>		<b>2 400</b>

### 13.9 Responsibility statement

The Directors of Deneb, whose names are set out in paragraph 7.1 of this Pre-listing Statement, collectively and individually accept full responsibility for the accuracy of the information contained in this Pre-listing Statement which relates to Deneb and, in this regard, certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by the JSE Listings Requirements.

### 13.10 Documents available for inspection

The following documents, or copies thereof, will be available for inspection at the registered office of Deneb and at the Stellenbosch and Johannesburg offices of PSG Capital at the addresses referred to in the "Corporate Information" section of this Pre-listing Statement, during normal office hours from the date of issue of this Pre-listing Statement up to the Listing Date:

- 13.10.1 the Memorandum of Incorporation of Deneb and the memorandums of incorporation of its subsidiaries;
- 13.10.2 the Share Incentive Scheme Rules;
- 13.10.3 the audited carve-out historical financial information of the Deneb Group for the financial year ended 31 March 2014 and the reviewed carve-out historical financial information of the Deneb Group for the financial years ended 31 March 2012 and 31 March 2013 as reproduced at **Annexure 1** of this Pre-listing Statement;
- 13.10.4 the Independent Reporting Accountants' reports on the audited and reviewed carve-out historical financial information of Deneb, as reproduced at **Annexure 2** of this Pre-listing Statement;
- 13.10.5 the Independent Property Valuer abridged valuation report as reproduced at **Annexure 3** of this Pre-listing Statement;
- 13.10.6 copies of the full valuation reports on the properties issued by the Independent Property Valuer;
- 13.10.7 a copy of the Internal Restructuring Agreement, the Indemnity Agreement and the Apparel Disposal Agreement;
- 13.10.8 the employment agreements of Messrs S A Queen, A M Ntuli, G D T Wege and D Duncan;
- 13.10.9 written consent letters by experts and advisers, as referred to in paragraph 13.7 above; and
- 13.10.10 a copy of this Pre-listing Statement.

Signed at Cape Town on 11 November 2014 by Mr S A Queen on behalf of all the directors of the Company, as listed on the corporate information page, in terms of powers of attorney signed by such directors.

**S A Queen**  
Chief Executive Officer

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## CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF DENEb GROUP

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### 1 BACKGROUND

Deneb is a subsidiary of Seardel and holds Seardel's property, branded product distribution and manufacturing assets. It is management's intension to list Deneb on the JSE by way of an unbundling.

Deneb comprises the following businesses:

#### **Property**

Seardel Group Properties

Seardel Group Properties owns and manages a portfolio of industrial and commercial properties situated in KwaZulu-Natal, Western Cape and Gauteng with a market value in excess of R1 billion.

#### **Branded product distribution**

Prima Toys, Prima Interactive, The Empire Group, Limtech, Office Box, Clever Little Monkey, Brand ID

The businesses reported in the branded product distribution segment consist of operations which focus on igniting sustainable and long-term momentum for brands in the South African and sub-Saharan African markets. These enterprises supply an extensive selection of prestigious brands to the South African consumer, including Microsoft X-Box, Leapfrog, Butterfly stationery, Sharp, 466/64 fashion and a large variety of well-known toys.

#### **Industrial manufacturing**

Gold Reef Chemicals, Brits Automotive Systems, Custom Extrusion, Brits Non-woven, Integrated Polypropylene Products

These businesses are manufacturers of specialised industrial products for the mining, agricultural, construction, automotive and bedding industries.

#### **Textile manufacturing**

Winelands Textiles, Frame Knitting Manufacturers, Romatex Home Textiles, First Factory Shops

These businesses manufacture high quality home textiles and cotton, worsted and polyester fabrics predominantly for the South African medical, hospitality and retail markets.

### 2 BASIS OF PREPARATION

Deneb did not prepare separate financial statements in the normal course of business for the period up to and including 31 March 2014. Accordingly, the carve-out historical financial information has been prepared on a basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Seardel and preparing it as a standalone Group.

The carve-out historical financial information have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008.

The carve-out historical financial information is presented in South African Rand, which is the company's functional currency, rounded to the nearest thousand. The financial information has been prepared on the going concern and historical cost basis under IFRS, except for those assets and liabilities which are stated at fair value as disclosed in the notes to the carve-out historical financial information.

Seardel maintained separate accounting records for all its companies for all periods presented.

The following assumptions and estimates had an effect on the carve-out historical financial information for the periods presented:

#### **Taxation**

The directors have considered the future profitability of the entities which contain computed tax losses and to the extent that the entities are projected to produce taxable income in the foreseeable future, a deferred tax asset has been recognised. In respect of the recognition of the tax asset in Seardel Group Trading, it is assumed that the company will comprise mainly of the Group's property investments and therefore the directors are of the view that the deferred tax asset is fully recoverable. This assumption has been applied retrospectively from 31 March 2011.

## **Owner-occupied buildings and investment property**

All buildings previously occupied by the apparel manufacturing businesses (discontinued operations) have been disclosed as investment properties, previously disclosed as owner-occupied buildings, and the related income shown as revenue from third parties.

## **Share incentive**

- 1 With effect from 1 October 2014, the participants of the Seardel Share Incentive Scheme have no further rights under the scheme and all unvested share options issued in terms of the scheme have lapsed. This is as a result of the change in control of the relevant employer company which came about as a result of the disposal of shareholding by Seardel to Deneb of all non-media companies in terms of the Internal Restructuring.
- 2 The Deneb Share Incentive Scheme was established on 10 October 2014 and adopted by the Company and the employer companies on 13 October 2014. An initial tranche of first allocation Deneb options have been granted to those participants who were holders of unvested Seardel share options at 30 September 2014.
- 3 Accordingly, as the Seardel Share Incentive Scheme liability which existed at financial year-end will be settled through equity of Deneb, the scheme was accounted for as equity settled in the carve-out historical financial information of Deneb.
- 4 The salient terms and conditions relating to the Deneb Share Incentive Scheme, including the first allocation options issued, is set out in **Annexure 6** to the Pre-listing Statement.

## **Discontinued operations**

Operations classified as discontinued operations on 31 March 2014 in the consolidated financial statements of Seardel consisted of the apparel manufacturing business which was disposed of to a third party as a going concern.

For the purposes of the preparation of the carve-out historical financial information, it was assumed that the sale of the apparel businesses took place on 31 March 2011.

In terms of the disposal agreement, the business was sold as a going concern, excluding the trade debtors, trade creditors and provisions. The assets and liabilities, which were excluded in the disposal agreement, have been disclosed as "Net receivable from discontinued operations" in the carve-out historical financial information and measured at the net realisable value on 31 March 2014. These assets and liabilities were not fair valued retrospectively for the 2012 and 2013 financial periods.

## **3 COMMENTARY**

### **3.1 Commentary on the financial results for the year ended 31 March 2014**

The results to March 2014 were pleasing, with good growth being recorded. Revenue was up 17% to R2.2 billion, whilst gross margins improved by 784 basis points to 24.84%.

The combination of revenue growth and improved margins resulted in operating profit before interest improving by 101% to R212 million. Excluding the effects of the non-recurring items (once-off settlement income, revaluation of investment properties and impairment reversals) operating profit before interest increased by 76% to R151 million.

#### ***Property segment***

Overall property values increased by 6% to R1 005 million from R944 million in the prior year. The increase is driven by R37 million spent on redevelopments, R39 million on property acquisitions, R39 million in upward revaluations at year-end, less disposals and transfers to assets held for sale of R54 million. Revenue increased 28% to R119 million as the developed properties were either completed during the year or accounted for a full 12-month period, as opposed to a portion of the corresponding period. Revenue from external tenants increased by 35% to R85 million and now represents 72% of the total revenue for this segment. Operating profit before finance costs increased by 61% to R104 million, up from R64 million in the prior period. However, it should be noted that the current year's profit number includes a R21 million upwards revaluation of investment properties, whilst the prior period included a downward revaluation of R2 million. Excluding the effects of the revaluations sees operating profit up 26%.

#### ***Branded product distribution segment***

The branded product distribution segment recorded pleasing revenue growth of 20% to R958 million while operating profit before finance costs climbed 141% to R37 million, admittedly off a low base in the prior year. Although the growth in operating profit is pleasing, operating margins remain low at 3.9%. The Group continued to invest in marketing and building our distribution platforms in this segment, with much of this investment being ahead of expected future revenue growth, particularly within our office automation business and Brand ID. We expect operating margins to improve once these businesses find the requisite traction. To aid in this, post the year-end we have concluded a transaction to acquire the distribution rights for a number of sporting brands, most notably

Canterbury, Mizuno, Skins, Dunlop and Slazenger. These brands will be housed within the Brand ID business and the revenue they generate will allow for a better amortisation of the fixed costs.

#### ***Industrial segment***

The manufacturing businesses within the industrial sector continue to deliver pleasing growth. During the course of the current financial year the Group completed an acquisition of a bulk bag manufacturer, which helped grow segmental revenue by 27% to R425 million. The revenue growth enabled operating margins to be widened from 5.1% in the prior period to 8.3% in the current period, which resulted in operating profit more than doubling to R33 million.

#### ***Textile segment***

Although trading conditions for the businesses within this sector remained tough throughout the current financial period, the businesses managed to achieve revenue growth of 7%. To compare the current year's operating profit to the prior year the non-recurring items from the prior period need to be excluded. These non-recurring items included a R23 million impairment reversal, as well as R9 million of extra energy costs due to liquidation of an external steam supplier. Adjusting for these items sees operating profits on a normalised basis climb 20% to R20 million. Although the improved profitability is pleasing, operating margins at a little over 2.5% are extremely thin, especially considering that they include the benefits derived from the government's production incentive scheme. The thin margins reflect the vulnerability of these businesses. Our challenge over the next few years will be to guide and transition these businesses into areas where they can glean higher margins.

### **3.2 Commentary on the financial results for the year ended 31 March 2013**

For the year ended 31 March 2013, the Group reported income attributable to ordinary shareholders of R66 million and total comprehensive income of R84 million. The results are not comparable with the prior year, which contained R225 million of once-off income relating to the settlement of the various litigation proceedings. If one excludes the once-off income and net impairments, the results represent a R40 million improvement year on year.

#### ***Property segment***

Revenue increased 12% to R93 million due to the various phases of the property development being completed and let. Of significance is that revenue from external tenants increased by 54% to R63 million and now represents more than 66% of the total revenue. Operating profit before finance costs increased by 43% to R64 million, up from R45 million in the prior period. At the end of the financial year, the New Germany Industrial Park has been completed, it is 157 731 m<sup>2</sup> in extent and 88% let. The Mobeni Industrial Park is on track to be completed by mid-2013, it is 73 087 m<sup>2</sup> in extent and fully let. R224 million has been spent on the developments to date, with some R27 million remaining to be spent.

#### ***Branded product distribution segment***

The businesses within this segment recorded revenue growth of 20% to R795 million, which has resulted in this segment now being the largest by turnover. The operating results were negatively affected by a R7 million foreign exchange loss in the current period whilst the prior year's figures contained a R13 million foreign exchange gain. Excluding the currency fluctuations, the underlying operating profit was up 12% year on year. The segment continued to invest in marketing and building its distribution platforms with much of the investment being ahead of expected future revenue growth. This segment includes the results from the start-up Brand ID business which is still in an investment phase.

#### ***Industrial segment***

Revenue in this segment was down 7.9% to R335 million, reflecting the tough trading environment for the local manufacturing segment. Despite the reduction in turnover the improved gross margins realised saw operating profit climb 4% to R17 million. Much work has gone into reducing break-even levels for the businesses within this segment, which has allowed the businesses to remain profitable despite facing quite significant economic headwinds.

#### ***Textile segment***

Tough trading conditions, particularly in the first half of the financial year, saw turnover remaining flat at R689 million. Operating profit as reflected is up 44% to R31 million, but this includes impairment reversals of R23 million due to previous loss-making businesses returning to profitability. Excluding the impairment reversals the underlying operating profit is R8 million, a R22 million reduction from the R28 million recorded in the prior period. The current year's results were affected by a number of extenuating circumstances, most notably the liquidation of an external steam supplier which cost the Group some R9 million in increased energy costs. A coal-powered boiler was commissioned in the last quarter of 2012 and, since then, energy costs have returned to normal levels. The second half of the financial year saw a much stronger performance from this segment with an operating profit, excluding the impairment reversal, of R16 million being recorded.



### 3.3 **Commentary on the financial results for the year ended 31 March 2012**

The Group reported income attributable to ordinary shareholders of R207 million and total comprehensive income of R234 million for the year ended 31 March 2012. However, the results were overwhelmingly influenced by the settlement of the various litigation proceedings resulting in once-off income of R225 million. Excluding the effect of once-off income on the results, the Group reported an operating profit of R44 million.

#### ***Property segment***

Revenue remained relatively flat at R83.2 million, but of significance is that revenue from external tenants represents 49% (R41 million) of revenue. Operating profit before finance costs declined by 28.1% to R44.6 million from R62.0 million in the prior period. The decline is attributable to property revaluations as included in the prior period was a R21.6 million upwards revaluation, whilst the current period numbers include an R8.4 million downwards revaluation. At year-end some 88 480 m<sup>2</sup> of the New Germany Industrial Park has been fully developed and made available for letting to external tenants. Of this, 87 190 m<sup>2</sup> (98.5%) had been let.

#### ***Branded product distribution segment***

Revenue was up 16% to R662 million, but operating profit down 8.5% to R32 million. Whilst Prima and Seartec increase operating profit before interest by 46%, the results of this segment also includes the start-up costs of the new brand-focused business unit, Brand ID. As most of the brands within this unit are either new or are being revamped, costs have been incurred ahead of any revenue benefits. The most significant development within this business unit was the launch of the 466/64 fashion range into the local market.

#### ***Industrial segment***

Revenue reduced 5.4% to R364 million, mainly attributable to Gold Reef Chemicals, which due to international oversupply of its major raw materials, faced significant pressure on sales and margin. The loss in profit was somewhat countered by the performance of the polypropylene business, which increased output levels as a result of investment in increased circular weaving capacity. Brits Automotive reported satisfactory growth, however, profit was flat as the business invested in increased sales and distribution structures.

#### ***Textile segment***

Although turnover for this segment was up 7.8% to R690 million, margin pressure saw profit before finance costs fall to R22 million in the current period, down from R30.5 million in the prior period. This performance is reflective of the generally difficult trading environment experienced, the effect of the steady decline in cotton prices and an inability to fully pass on the significant utility cost increases to customers.

## CARVE-OUT STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March

		Group		
		2014	2013	2012
	Notes	Audited R'000	Reviewed R'000	Reviewed R'000
Revenue		2 221 246	1 909 351	1 782 592
Cost of sales		<b>(1 669 585)</b>	(1 450 100)	(1 350 476)
<b>Gross profit</b>		<b>551 661</b>	459 251	432 116
Other income		<b>79 204</b>	50 441	59 857
Selling and distribution expenses		<b>(231 993)</b>	(213 412)	(207 200)
Administrative and other expenses		<b>(227 358)</b>	(212 557)	(240 920)
<b>Operating profit before impairments and once-off income</b>	3	<b>171 514</b>	83 723	43 853
Once-off income	3	<b>40 421</b>	–	225 001
Net impairment reversal of assets	5	–	21 885	(1 235)
<b>Operating profit before finance costs</b>		<b>211 935</b>	105 608	267 619
Finance income	6	<b>2 080</b>	2 909	4 380
Finance expenses	6	<b>(49 094)</b>	(26 627)	(17 655)
<b>Profit before taxation</b>		<b>164 921</b>	81 890	254 344
Income tax expense	7	<b>(30 948)</b>	(15 401)	(47 212)
<b>Profit</b>		<b>133 973</b>	66 489	207 132
<b>Other comprehensive income, net of related tax</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Revaluation of land and buildings		<b>19 193</b>	23 489	30 731
Post-employment medical benefit – actuarial loss		<b>(4 295)</b>	(5 733)	(4 170)
<b>Items that are or may be reclassified to profit or loss</b>				
Fair value adjustment on available-for-sale financial assets		<b>51</b>	–	
<b>Other comprehensive income, net of tax</b>		<b>14 949</b>	17 756	26 561
<b>Total comprehensive income for the year</b>		<b>148 922</b>	84 245	233 693
<b>Profit attributable to:</b>				
Owners of the Company		<b>133 973</b>	66 489	207 132
Non-controlling interests		–	–	–
		<b>133 973</b>	66 489	207 132
<b>Total comprehensive income attributable to:</b>				
Owners of the company		<b>148 922</b>	84 245	233 693
Non-controlling interests		–	–	–
		<b>148 922</b>	84 245	233 693
Basic profit per share (cents)	8	<b>24.82</b>	12.32	38.37
Diluted profit per share (cents)	8	<b>24.82</b>	12.32	38.37
Headline profit per share (cents)	8	<b>21.07</b>	8.65	40.16
Dividend per share (cents)		<b>Nil</b>	Nil	Nil

## CARVE-OUT STATEMENTS OF FINANCIAL POSITION

as at 31 March

		Group		
	Notes	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>1 549 070</b>	1 489 607	1 253 466
Property, plant and equipment	9	<b>622 082</b>	645 900	562 193
Plant and equipment		<b>286 364</b>	276 607	241 454
Owner-occupied property		<b>335 718</b>	369 293	320 739
Investment property	10	<b>669 619</b>	574 541	421 331
Intangible assets	11	<b>9 197</b>	7 244	5 718
Goodwill	24	<b>14 204</b>	–	–
Other investments	13	<b>3 644</b>	3 580	3 329
Long-term receivables	14	<b>50 208</b>	47 544	43 402
Net receivable from discontinued operations	35	<b>38 717</b>	52 387	52 387
Deferred tax assets	7	<b>141 399</b>	158 411	165 106
<b>Current assets</b>		<b>1 082 332</b>	872 674	960 569
Non-current assets held for sale	15	<b>54 536</b>	2 295	12 906
Net receivable from discontinued operations	35	<b>13 670</b>	–	–
Inventories	16	<b>540 472</b>	490 402	430 269
Trade and other receivables	17	<b>471 060</b>	377 522	515 476
Current tax assets		<b>103</b>	1 594	971
Cash and cash equivalents		<b>2 491</b>	861	947
<b>Total assets</b>		<b>2 631 402</b>	2 362 281	2 214 035
<b>EQUITY AND LIABILITIES</b>				
<b>Total equity</b>		<b>1 564 280</b>	1 410 904	1 336 325
Stated capital/Share capital and share premium	18	<b>304 635</b>	304 635	304 635
Reserves		<b>1 259 645</b>	1 106 269	1 031 690
Equity attributable to owners of the company		<b>1 564 280</b>	1 410 904	1 336 325
Non-controlling interest		–	–	–
<b>Non-current liabilities</b>		<b>113 423</b>	93 662	85 226
Deferred tax liabilities	7	<b>6 059</b>	8 400	8 725
Post-employment medical aid benefits	19	<b>91 180</b>	84 388	74 645
Interest-bearing liabilities	20	<b>15 944</b>	756	715
Operating lease accruals		<b>240</b>	118	1 141
<b>Current liabilities</b>		<b>953 699</b>	857 715	792 484
Current tax liabilities		<b>151</b>	–	–
Post-employment medical aid benefits	19	<b>6 280</b>	5 045	4 662
Interest-bearing liabilities	20	<b>3 193</b>	298	25 427
Trade and other payables	21	<b>404 949</b>	388 121	361 785
Provisions	23	–	355	443
Bank overdraft		<b>539 126</b>	463 896	400 167
<b>Total liabilities</b>		<b>1 067 122</b>	951 377	877 710
<b>Total equity and liabilities</b>		<b>2 631 402</b>	2 362 281	2 214 035
<b>Net asset value</b>		<b>1 564 280</b>	1 410 904	1 336 325
<b>Net asset value per share (cents)</b>		<b>290</b>	261	248
<b>Net asset value (excluding intangible assets)</b>		<b>1 540 879</b>	1 403 660	1 330 607
<b>Net asset value (excluding intangible assets) per share (cents)</b>		<b>285</b>	260	247

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March

Group	Stated capital R'000	Other reserves R'000	Retained income R'000	Total R'000	Non-controlling interest R'000	Total R'000
<b>Balance 31 March 2011</b>	<b>304 635</b>	<b>264 064</b>	<b>538 303</b>	<b>1 107 002</b>	<b>-</b>	<b>1 107 002</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>30 731</b>	<b>202 962</b>	<b>233 693</b>	<b>-</b>	<b>233 693</b>
Profit	-	-	207 132	207 132	-	207 132
Other comprehensive income	-	30 731	(4 170)	26 561	-	26 561
Revaluation of land and buildings (net of deferred taxation)	-	30 731	-	30 731	-	30 731
Post-employment medical benefit – actuarial loss	-	-	(4 170)	(4 170)	-	(4 170)
<b>Transfers to other reserves</b>	<b>-</b>	<b>(10 004)</b>	<b>831</b>	<b>(9 173)</b>	<b>-</b>	<b>(9 173)</b>
Change in capital gains tax rate	-	(9 328)	-	(9 328)	-	(9 328)
Reclassification of revaluation surplus	-	(676)	831	155	-	155
<b>Transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>4 803</b>	<b>4 803</b>	<b>-</b>	<b>4 803</b>
Share incentive scheme	-	-	4 803	4 803	-	4 803
<b>Balance 31 March 2012</b>	<b>304 635</b>	<b>284 791</b>	<b>746 899</b>	<b>1 336 325</b>	<b>-</b>	<b>1 336 325</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>23 489</b>	<b>60 756</b>	<b>84 245</b>	<b>-</b>	<b>84 245</b>
Profit	-	-	66 489	66 489	-	66 489
Other comprehensive income	-	23 489	(5 733)	17 756	-	17 756
Revaluation of land and buildings	-	23 489	-	23 489	-	23 489
Post-employment medical benefit – actuarial loss	-	-	(5 733)	(5 733)	-	(5 733)
<b>Transfers to other reserves</b>	<b>-</b>	<b>(9 611)</b>	<b>9 611</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reclassification of revaluation surplus	-	(9 611)	9 611	-	-	-
<b>Transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>(9 666)</b>	<b>(9 666)</b>	<b>-</b>	<b>(9 666)</b>
Own shares acquired and subsequently cancelled	-	-	(20 790)	(20 790)	-	(20 790)
Share incentive scheme	-	-	11 124	11 124	-	11 124
<b>Balance 31 March 2013</b>	<b>304 635</b>	<b>298 669</b>	<b>807 600</b>	<b>1 410 904</b>	<b>-</b>	<b>1 410 904</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>19 244</b>	<b>129 678</b>	<b>148 922</b>	<b>-</b>	<b>148 922</b>
(Loss)/Profit	-	-	133 973	133 973	-	133 973
Other comprehensive income	-	19 244	(4 295)	14 949	-	14 949
Fair value adjustment on available-for- sale financial assets	-	51	-	51	-	51
Revaluation of land and buildings	-	19 193	-	19 193	-	19 193
Post-employment medical benefit – actuarial loss	-	-	(4 295)	(4 295)	-	(4 295)
<b>Transfers to other reserves</b>	<b>-</b>	<b>(1 950)</b>	<b>1 580</b>	<b>(370)</b>	<b>-</b>	<b>(370)</b>
Reclassification of revaluation surplus	-	(1 950)	1 580	(370)	-	(370)
<b>Transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>4 824</b>	<b>4 824</b>	<b>-</b>	<b>4 824</b>
Share incentive scheme	-	-	4 824	4 824	-	4 824
<b>Balance 31 March 2014</b>	<b>304 635</b>	<b>315 963</b>	<b>943 682</b>	<b>1 564 280</b>	<b>-</b>	<b>1 564 280</b>

**STATEMENTS OF CHANGES IN EQUITY**

for the year ended 31 March (continued)

	<b>Group</b>		
	<b>2014</b>	2013	2012
	<b>R'000</b>	R'000	R'000
<b>Composition of other reserves</b>			
Revaluation of investments	<b>2 912</b>	2 861	2 861
Capital redemption reserve fund	<b>70</b>	440	440
Surplus on disposal of subsidiary and associated companies	<b>7 923</b>	7 923	7 923
Translation reserve	<b>-</b>	-	-
Surplus on revaluation of land and buildings	<b>305 058</b>	287 445	273 567
	<b>315 963</b>	298 669	284 791

In terms of the undertakings to the Group's bankers, no dividends may be declared to owners of the Company without their prior written consent.

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

## STATEMENTS OF CASH FLOWS

for the year ended 31 March

		Group		
		2014	2013	2012
	Notes	Audited R'000	Reviewed R'000	Reviewed R'000
<b>Net cash flows from operating activities</b>		<b>9 341</b>	106 733	31 086
Profit		133 973	66 489	207 132
Adjustments for:				
Depreciation	9	30 687	25 741	27 399
Amortisation of intangible asset	11	2 558	3 139	2 512
Revaluation of investment property	10	(20 726)	2 161	8 372
Net foreign exchange (gain)/losses – unrealised		(4 816)	5 765	(1 171)
Property received as part of settlement	10	(38 703)	–	(182 405)
Net surplus on disposal of property, plant and equipment in continued operations		179	–	286
Net reversal of impairment on property, plant and equipment		–	(21 885)	1 235
Investment income		(228)	(96)	(78)
Post-employment medical benefit	19	2 062	2 164	2 282
Share incentive scheme	34	2 172	6 884	4 803
Inventory write-down		6 671	3 614	12 607
Net finance costs		47 014	23 718	13 275
Tax income/(expense)		30 948	15 401	47 212
		<b>191 791</b>	133 095	143 461
Changes in:				
Inventories		(48 339)	(63 747)	(68 917)
Trade and other receivables		(75 642)	47 775	(69 847)
Trade and other payables		5 212	26 336	61 455
Non-current receivables		(2 570)	(4 142)	(8 146)
Lease accrual		122	(1 023)	(916)
Provisions		(355)	(88)	(1 490)
<b>Cash generated from operating activities</b>		<b>70 219</b>	138 206	55 600
Net finance costs		(47 014)	(23 718)	(13 275)
Taxes paid		(13 864)	(7 755)	(11 239)
Amounts prepaid at the beginning of period		1 594	971	594
Amounts charged to the statement of comprehensive income for normal tax		(15 505)	(7 132)	(10 862)
Amounts unpaid at the end of period		47	(1 594)	(971)
<b>Net cash flow from investing activities</b>		<b>(84 639)</b>	(145 460)	(162 310)
Acquisition of property, plant and equipment		(27 216)	(38 805)	(34 292)
Acquisition of plant and equipment	10	(27 020)	(36 950)	(31 865)
Acquisition of owner-occupied properties	10	(196)	(1 855)	(2 427)
Proceeds from sale of property, plant and equipment and assets held for sale		1 148	11 264	597
Book value of assets disposed		1 327	11 264	883
Surplus/(loss) on disposal		(179)	–	(286)
Acquisition of investment property	11	(37 499)	(104 496)	(119 262)
Proceeds on sale of investment property		1 850	–	–
Interest capitalised to investment property		–	(8 603)	(5 956)
Acquisition of subsidiary, net of cash acquired	25	(18 639)	–	–
Additions to investments	15	–	(251)	–
Additions to intangible assets	12	(4 511)	(4 665)	(3 475)
Increase in loans to equity accounting investees	16	–	–	–
Decrease in equity accounting investees	16	–	–	–
Investment income		228	96	78
Decrease/(Increase) in interest in subsidiary companies		–	–	–
<b>Net cash flow from financing activities</b>		<b>1 698</b>	(25 088)	(7 386)
Change in borrowings		1 698	(25 088)	(7 386)
Repurchase of own shares		–	–	–
Share issue		–	–	–
Dividends paid to non-controlling interest		–	–	–
<b>Net change in cash and cash equivalents</b>		<b>(73 600)</b>	(63 815)	(138 610)
Cash and cash equivalents at the beginning of the year		(463 035)	(399 220)	(260 610)
<b>Cash and cash equivalents at the end of the year</b>		<b>(536 635)</b>	(463 035)	(399 220)
<b>Cash and cash equivalents comprise the following</b>				
Cash and cash equivalents		2 491	861	947
Bank balances		1 315	861	947
Cash floats and petty cash		1 176	–	–
Bank overdrafts		(539 126)	(463 896)	(400 167)
		<b>(536 635)</b>	(463 035)	(399 220)

## NOTES TO THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION

for the year ended 31 March

### 1 ACCOUNTING POLICIES

#### Background

- 1 Deneb Investments Limited (“Deneb” as the Company) is a subsidiary of Sear del Investment Corporation Limited (“Sear del”).
- 2 Deneb Group (“the Group”) comprises of all non-media assets of Sear del, excluding discontinued operations.
- 3 Sear del intends to unbundle and list Deneb on the Johannesburg Stock Exchange.
- 4 Post the Listing and Unbundling, Sear del will comprise of only the media assets.

Deneb is a company domiciled in South Africa. The carve-out historical financial information of the company for the year ended 31 March 2014 and comparative figures for the year ended 31 March 2013 and 2012 comprise the Deneb Group.

The Company’s registered office is at 1 Moorsom Avenue, cnr Bofors Circle and Moorsom Avenue, Epping Industria II, 7460.

#### Summary of accounting policies

The principle accounting policies adopted in the preparation of the carve-out historical financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

Deneb did not prepare separate financial statements in the normal course of business for the periods up to and including 31 March 2014. Accordingly, the carve-out historical financial information has been prepared on a basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Sear del and preparing it as a standalone Group.

The carve-out historical financial information have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008.

The carve-out historical financial information are presented in South African Rand, which is the company’s functional currency, rounded to the nearest thousand.

The financial information has been prepared on the going concern and historical cost basis under IFRS, except for those assets and liabilities which are stated at fair value as disclosed in the notes to the carve-out historical financial information.

Sear del maintained separate accounting records for all its companies for all periods presented.

The following assumptions and estimates had an effect on the carve-out historical financial information for the periods presented:

#### Taxation

The directors have considered the future profitability of the entities which contain computed tax losses and to the extent that the entities are projected to produce taxable income in the foreseeable future, a deferred tax asset has been recognised.

In respect of the recognition of the tax asset in Sear del Group Trading Proprietary Limited, it is assumed that the company will comprise mainly of the Group’s property investments and therefore the directors are of the view that the deferred tax asset is fully recoverable. This assumption has been applied retrospectively from 31 March 2011.

#### Owner-occupied buildings and investment property

All buildings previously occupied by the apparel manufacturing businesses (discontinued operations) have been disclosed as investment properties, previously disclosed as owner-occupied buildings, and the related income shown as revenue from third parties.

#### Share incentive

- 1 With effect from 1 October 2014, the participants of the Sear del Share Incentive Scheme have no further rights under the scheme and all unvested share options issued in terms of the scheme have lapsed. This is as a result of the change in control of the relevant employer company which came about as a result of the disposal of shareholding by Sear del to Deneb of all non-media companies in terms of the Internal Restructuring.

- 2 The Deneb Share Incentive Scheme was established on 10 October 2014 and adopted by the Company and the employer companies on 13 October 2014. An initial tranche of first allocation Deneb options have been granted to those participants who were holders of unvested Sear del share options at 30 September 2014.
- 3 Accordingly, as the Sear del Share Incentive Scheme liability which existed at financial year-end will be settled through equity of Deneb, the scheme was accounted for as equity settled in the carve-out historical financial information of Deneb.
- 4 The salient terms and conditions relating to the Deneb Share Incentive Scheme, including the first allocation actions issued, is set out in **Annexure 6** to the Pre-listing Statement.

#### **Discontinued operations**

Operations classified as discontinued operations on 31 March 2014 in the consolidated financial statements of Sear del consisted of the apparel manufacturing business which was disposed of to a third party as a going concern.

For the purposes of the preparation of the carve-out historical financial information, it was assumed that the sale of the apparel businesses took place on 31 March 2011.

In terms of the disposal agreement, the business was sold as a going concern, excluding the trade debtors, trade creditors and provisions. The assets and liabilities, which were excluded in the disposal agreement, have been disclosed as "Net receivable from discontinued operations" in the carve-out historical financial information and measured at the net realisable value on 31 March 2014. These assets and liabilities were not fair valued retrospectively for the 2012 and 2013 financial periods.

For further disclosure refer to note 35.

#### **USE OF JUDGEMENTS AND ESTIMATES**

Except for the changes below, the Group has consistently applied the accounting policies set out here to all periods presented in these carve-out historical financial information.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 April 2013:

- (a) IFRS 10 Consolidated Financial Statements (2011)
- (b) IFRS 12 Disclosure of Interests in Other Entities
- (c) IFRS 13 Fair Value Measurement
- (d) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- (e) IAS 19 Employee Benefits (2011)

The nature and effects of the changes are explained below.

##### **(a) Subsidiaries**

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure of rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provision of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 April 2013. There were no changes to the control conclusion of any of the Group's investments.

##### **(b) Disclosure of interest in other entities**

As a result of IFRS 12, the Group has expanded its disclosure about its interest in subsidiaries (see note 24 "Business combinations").

##### **(c) Fair value measurement**

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to see an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRS, including IFRS 7. As a result, the Group has included additional disclosure in this regard (see notes 10, 11, 15, 20 and 28).



**(d) Presentation of items of Other Comprehensive Income (“OCI”)**

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would not be. Comparative information has been re-presented accordingly.

**Basis of consolidation**

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the carve-out historical financial information from the date that control commences until the date that control ceases.

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

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

***Business combinations***

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future services.

***Goodwill and bargain purchase***

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is subsequently measured at cost less accumulated impairment losses.

***Loss of control***

Upon the loss of control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

***Transactions eliminated on consolidation***

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the carve-out historical financial information. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

***Accounting for acquisitions of non-controlling interests***

The Group applies IFRS 10 Consolidated and Separate Financial Statements (2008) 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

### Owned assets

#### *Recognition and measurement*

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

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

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

#### *Depreciation*

Land is not depreciated while buildings are depreciated on a straight-line basis over their estimated useful lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimates of useful lives, residual values and methods of depreciation are reviewed annually.

Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value.

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

#### *Reclassification to investment property*

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

#### *Investment property*

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

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

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

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

#### *Discontinued operations*

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

#### *Non-current assets held for sale*

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for

sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

#### *Impairment*

##### Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

##### Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in other reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

##### Non-financial assets

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

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

performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

### **Finance income and expenses**

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

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

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

### **Income tax**

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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 15% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather as part of the dividend paid recognised directly in equity.

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

### **Inventory**

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

### **Provisions**

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

## **Financial instruments**

### ***Initial recognition***

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instruments.

### ***Measurement***

Financial instruments are initially measured at fair value, which includes transaction costs, except for instruments measured at fair value through profit or loss. Subsequent to initial recognition these instruments are measured as follows:

#### *Derecognition*

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

#### *Investments*

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

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

#### *Trade, long-term and other receivables*

Trade and other receivables originated by the Group are stated at amortised cost less impairment losses using the effective interest rate method (see accounting policy on impairment).

#### *Cash and cash equivalents*

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

#### *Financial liabilities, trade and other payables*

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

#### *Derivative instruments*

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

#### *Offset*

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

## **Revenue**

### *Sale of goods*

Revenue from the sale of goods in the course of ordinary activities are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

### *Lease income*

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

### *Dividend income*

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

### **Earnings per share**

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

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

### **Foreign currency transactions**

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

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

### **Leases**

#### ***Finance leases***

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

#### ***The Group as lessor***

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

The Group enters into finance leasing arrangements for its copiers, 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 – Group is the lessee***

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. The leased assets are not recognised in the Group's statement of financial position.

### **Employee benefits**

#### ***Defined contribution plans***

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### ***Medical aid***

Where the Group has an obligation to provide post-retirement medical aid benefits to employees, the group recognises the costs of these benefits in the year in which the employees render the service.

Actuarial gains or losses in respect of the defined benefit medical plan are recognised directly in OCI in the year in which they arise. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

#### ***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the

reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

#### ***Termination benefits***

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

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

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

#### ***Dividends to shareholders***

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

#### ***Segmental reporting***

The Group follows the management approach to segmental reporting with segment financial information being disclosed as it is being used internally by the entity's Chief Operating Decision-maker ("CODM") in order to assess performance and allocate resources.

Segments are determined on the basis of products and services offered.

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

The segment report has been presented on page 48.

#### ***Intangibles***

##### ***Intangible assets***

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

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

##### ***Amortisation***

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

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

##### ***Government grants***

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

### **Export incentives**

Duty credit certificates used to procure foreign goods serve to adjust the total cost of imported goods.

Where these are not required for own import, they are sold and the resulting income is recognised as other income.

### **Borrowing costs**

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalised.

## **2 USE OF JUDGEMENTS AND ESTIMATES**

In preparing these carve-out historical financial information, 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.

### **(a) Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the carve-out historical financial information is included in the following notes:

Note 24 – Consolidation: whether the Group has *de facto* control over an investee;

Note 24 – Consolidation: whether consideration form part of debt or equity; and

Note 25 – Leases: leases classification.

### **(b) Assumptions and estimations uncertainties**

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

Note 19 – Measurement of defined benefit obligation: key actuarial assumptions;

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

Note 5 – Impairment test: key assumptions underlying recoverable amounts; and

Note 23 – Provisions.

### **(c) Measurement of fair values**

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

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

Significant valuation issues are reported to the Group audit committee.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted process included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- 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 35 – Share-base payment arrangements;

Note 10 – Investment property;

Note 9 – Owner-occupied land; and

Note 20 – Financial instruments.



### 3 OPERATING PROFIT BEFORE IMPAIRMENTS AND RESTRUCTURING AND RETRENCHMENT COSTS

	<b>Group</b>		
	<b>2014 Audited R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
The following items have been taken into account in determining operating profit:			
<b>Income</b>			
Compensation for property, plant and equipment that was impaired, lost or given up	347	–	247
Dividends – unlisted investments	228	96	78
– subsidiary companies	–	–	–
Export incentives	–	913	3 872
Government grants	33 875	33 667	33 655
Finance lease income	11 895	10 890	10 056
Foreign exchange gains – realised	12 313	6 328	13 027
– unrealised	31 569	2 864	3 291
Once-off income: litigation settlement*	40 421	–	225 001
Rental income from investment property	85 445	63 091	41 180
Fair value adjustments to investment property	20 726	(2 161)	(8 372)
Surplus on disposal of property, plant and equipment	254	1 099	335
<b>Expenditure</b>			
Amortisation	2 558	3 139	2 512
Bad debts – net recoveries and reversals of allowance account	1 303	2 871	1 237
Bank charges	3 705	4 091	4 498
Depreciation – buildings	2 908	2 712	2 171
– plant and machinery	18 888	15 576	18 189
– equipment and fittings	7 174	5 987	5 430
– motor vehicles	926	1 248	1 493
Total owned assets	29 896	25 523	27 283
Total leased assets	791	218	116
Total depreciation	30 687	25 741	27 399
Employment costs**	414 396	367 768	374 156
Loss on disposal of property, plant and equipment	433	1 099	621
Foreign exchange losses – realised	3 697	2 726	3 245
– unrealised	26 753	8 629	2 120
Operating lease charges – property	20 624	14 549	21 639
– equipment and vehicles	290	3 412	4 353
Technical and consulting fees	17 953	11 587	23 957
Write-down of inventory to net realisable value	8 243	9 628	12 607
Reversal of write-down of inventory to net realisable value	(1 572)	(6 014)	–

\* Once-off income relates to the settlement of various litigation against former directors and officers of Searidel and entities controlled by those persons. The company accounted for R225 million of the settlement in the 2012 financial year. The transfer of Erf 27412, Observatory was the subject of separate litigation by and against unrelated third parties which was finalised during the 2014 financial year, and the company brought to book the market value of Erf 27412 (plus net rental income) during the 2014 financial year.

\*\* Includes contributions of R33.9 million (2013: R37.4 million, 2012: R35.3 million) to medical, pension, provident and benefit funds.

#### 4 SEGMENT REPORT

The Group's reportable segments have been identified on the basis of products and services offered.

The textile and industrial segments derive their revenue from manufacturing activities. The branded product distribution segment derives its revenue from the distribution of branded toys, electronics, stationery and clothing. The property segment derives its revenue from property rental.

	Property R'000	Branded product distrib- ution R'000	Textiles R'000	Industrials R'000	Head office and other R'000	Total R'000
<b>Operating segments</b>						
<b>2014</b>						
<b>Segment revenue</b>						
Gross revenue	118 926	957 545	736 920	424 701	23 194	2 261 286
Revenue reclassified as discontinued operations	-	-	-	-	-	-
Inter-segment revenue	(33 482)	(3 622)	(2 936)	-	-	(40 040)
Consolidated revenue	85 444	953 923	733 984	424 701	23 194	2 221 246
<b>Segment interest</b>						
Interest revenue	-	-	-	-	2 080	2 080
Interest expense	-	-	-	-	(49 094)	(49 094)
	-	-	-	-	(47 014)	(47 014)
<b>Segment results</b>						
Operating profit/(loss) before finance costs from continuing operations	103 769	37 359	21 990	32 941	15 876	211 935
<i>The following items are included in the segment results above:</i>						
Depreciation	(2 910)	(4 788)	(12 164)	(9 596)	(1 229)	(30 687)
Amortisation	-	(1 381)	-	-	(1 177)	(2 558)
Write-down of inventory	-	(5 217)	(1 931)	(95)	(1 000)	(8 243)
Reversal of write-down of inventory	-	-	-	-	1 572	1 572
Impairments	-	-	-	-	-	-
Reversal of impairments	-	-	-	-	-	-
Restructuring costs	-	-	-	-	(234)	(234)
Revaluation of investment properties	20 726	-	-	-	-	20 726
Gain on disposal of property, plant and equipment	62	170	11	25	(14)	254
Loss on disposal of property, plant and equipment	-	(174)	(128)	(131)	-	(433)
Income tax (expense)/income	-	(11 364)	-	(4 060)	(15 524)	(30 948)
<b>Segment assets</b>	1 075 261	550 763	478 092	271 467	255 819	2 631 402
<b>Capital expenditure</b>	37 716	9 911	14 787	6 568	244	69 226
<b>Capital expenditure as part of business combination</b>	-	10	-	11 875	-	11 885
<b>Segment liabilities</b>	10 777	172 291	218 251	86 181	579 622	1 067 122
<b>Post-employment medical aid benefits</b>	-	-	86 139	-	11 321	97 460
<b>Trade and other payables – including provisions</b>	6 269	168 214	132 112	75 182	23 412	405 189
<b>Geographical segments based on customer location</b>						
Revenue from external customers						
South Africa	85 444	868 201	725 610	402 697	23 194	2 105 146
Direct exports	-	85 722	8 374	22 004	-	116 100
	85 444	953 923	733 984	424 701	23 194	2 221 246
<b>Holdings of property, plant and equipment and intangible assets</b>						
Within South Africa	1 005 356	20 301	161 562	106 091	7 588	1 300 898
Outside South Africa	-	-	-	-	-	-
	1 005 356	20 301	161 562	106 091	7 588	1 300 898

Sales to this customer were made by the textiles and clothing segments.

	Property R'000	Branded product distri- bution R'000	Textiles R'000	Industrials R'000	Head office and other R'000	Total R'000
<b>Operating segments</b>						
<b>2013</b>						
<b>Segment revenue</b>						
Gross revenue	93 225	795 416	689 207	334 988	26 649	1 939 485
Revenue reclassified as discontinued operations	–	–	–	–	–	–
Inter-segment sales	(30 134)	–	–	–	–	(30 134)
Consolidated revenue	63 091	795 416	689 207	334 988	26 649	1 909 351
<b>Segment interest</b>						
Interest revenue	–	–	–	–	2 909	2 909
Interest expense	–	–	–	–	(26 627)	(26 627)
	–	–	–	–	(23 718)	(23 718)
<b>Segment results</b>						
Operating profit/(loss) before finance costs from continuing operations	63 554	15 474	31 362	17 046	(21 828)	105 608
<i>The following items are included in the segment results above:</i>						
Depreciation	(2 713)	(4 495)	(8 616)	(8 407)	(1 510)	(25 741)
Amortisation	–	(2 000)	–	–	(1 139)	(3 139)
Write-down of inventory	–	(8 713)	(912)	(3)	–	(9 628)
Reversal of write-down of inventory	–	1 463	–	–	4 551	6 014
Impairments	–	(937)	–	–	–	(937)
Reversal of impairments	–	–	22 822	–	–	22 822
Restructuring costs	–	–	–	–	–	–
Revaluation of investment properties	(2 161)	–	–	–	–	(2 161)
Gain on disposal of property, plant and equipment	904	59	93	43	–	1 099
Loss on disposal of property, plant and equipment	(214)	–	(789)	(9)	–	(1 012)
Income tax (expense)/income	–	(6 360)	–	(1 251)	(7 790)	(15 401)
<b>Segment assets</b>	997 217	456 915	473 773	217 030	217 346	2 362 281
<b>Capital expenditure</b>	169 975	7 056	22 229	9 957	6 954	216 171
<b>Segment liabilities</b>	33 673	114 169	261 541	60 374	481 620	951 377
<b>Post-employment medical aid benefits</b>	–	–	89 433	–	–	89 433
<b>Trade and other payables – including provisions</b>	33 674	106 389	169 026	60 374	19 131	388 594
<b>Geographical segments</b>						
<b>based on customer location</b>						
<b>Revenue from external customers (Continued operations)</b>						
South Africa	63 091	782 924	686 990	315 617	26 649	1 875 271
Direct exports	–	12 492	2 217	19 371	–	34 080
	63 091	795 416	689 207	334 988	26 649	1 909 351
<b>Holdings of property, plant and equipment and intangible assets</b>						
Within South Africa	943 834	16 969	159 704	97 375	9 803	1 227 685
Outside South Africa	–	–	–	–	–	–
	943 834	16 969	159 704	97 375	9 803	1 227 685

	Property R'000	Branded product distri- bution R'000	Textiles R'000	Industrials R'000	Head office and other R'000	Total R'000
<b>Operating segments</b>						
<b>2012</b>						
<b>Segment revenue</b>						
Gross revenue	83 240	662 559	689 542	363 813	25 497	1 824 651
Revenue reclassified as discontinued operations	–	–	–	–	–	–
Inter-segment sales	(42 059)	–	–	–	–	(42 059)
Consolidated revenue	41 181	662 559	689 542	363 813	25 497	1 782 592
<b>Segment interest</b>						
Interest revenue	–	–	–	–	4 380	4 380
Interest expense	–	–	–	–	(17 655)	(17 655)
	–	–	–	–	(13 275)	(13 275)
<b>Segment results</b>						
Combined operating profit/(loss) before finance costs	44 554	32 274	21 953	16 313	152 525	267 619
Loss disclosed as discontinued operations (excluding finance charges and taxation)	–	–	–	–	–	–
Operating profit/(loss) before finance costs from continuing operations	44 554	32 274	21 953	16 313	152 525	267 619
<i>The following items are included in the segment results above:</i>						
Depreciation	(2 180)	(1 869)	(9 863)	(10 095)	(3 392)	(27 399)
Amortisation	–	(1 454)	–	–	(1 058)	(2 512)
Write-down of inventory	–	(6 474)	(560)	(369)	(5 204)	(12 607)
Reversal of write-down of inventory	–	–	–	–	–	–
Impairments	–	–	(8 264)	–	–	(8 264)
Reversal of impairments	–	–	7 029	–	–	7 029
Restructuring costs	–	–	–	–	–	–
Revaluation of investment properties	(8 372)	–	–	–	–	(8 372)
Gain on disposal of property, plant and equipment	169	16	72	71	7	335
Loss on disposal of property, plant and equipment	–	(29)	(576)	–	(15)	(620)
Income tax (expense)/income	–	(12 294)	–	(1 648)	(33 270)	(47 212)
<b>Segment assets</b>	823 637	427 892	456 465	217 040	289 001	2 214 035
<b>Capital expenditure</b>	2 427	345	22 143	–	9 377	34 292
<b>Segment liabilities</b>	15 597	113 478	227 383	59 660	461 592	877 710
<b>Post-employment medical aid benefits</b>	–	–	79 307	–	–	79 307
<b>Trade and other payables – including provisions</b>	15 597	105 410	148 076	59 623	34 663	363 369
<b>Geographical segments</b>						
<b>based on customer location</b>						
<b>Revenue from external customers</b>						
<b>(Continued operations)</b>						
South Africa	41 181	658 140	688 536	342 156	25 497	1 755 510
Direct exports	–	4 419	1 006	21 657	–	27 082
	41 181	662 559	689 542	363 813	25 497	1 782 592
<b>Holdings of property, plant and equipment</b>						
<b>and intangible assets</b>						
Within South Africa	742 110	17 596	122 129	97 314	10 093	989 242
Outside South Africa	–	–	–	–	–	–
	742 110	17 596	122 129	97 314	10 093	989 242

## 5 NET IMPAIRMENT REVERSAL/(IMPAIRMENT) OF ASSETS

### (a) Reconciliation of carrying amount

	2014 Audited R'000	Group	
		2013 Reviewed R'000	2012 Reviewed R'000
The following impairments were recognised during the year:			
<b>Category of asset</b>			
Property, plant and equipment	–	937	8 264
Total	–	937	8 264
The following impairments were reversed during the year:			
<b>Category of asset</b>			
Property, plant and equipment	–	22 822	7 029
Total	–	22 822	7 029
Net impairments	–	21 885	(1 235)

### (b) Impairment testing for CGUs containing goodwill

There were two CGUs containing goodwill in the current period, none in the financial year ending 31 March 2013 or 31 March 2012.

#### *Branded product distribution investment*

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

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2).

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

In per cent	<b>2014</b>
Discount rate	<b>7.41</b>
Terminal value growth rate	<b>4.50</b>
Budgeted EBITDA growth rate (average of the next five years)	<b>6</b>

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R9.2 million. There are no reasonable changes in the key assumptions that will cause the carrying amount to equal or exceed the recoverable amount.

#### *Industrials investment*

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

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2).

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

In per cent	<b>2014</b>
Discount rate	<b>7.41</b>
Terminal value growth rate	<b>4.50</b>
Budgeted EBITDA growth rate (average of the next five years)	<b>6</b>

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

(c) **Impairment testing**

The group has performed impairment testing on all cash-generating units ("CGUs") where there is an indication that they may be impaired.

The recoverable amount of a CGU is determined based on a fair value less cost to sell, or value-in-use calculation as appropriate.

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

In determining value in use, projected cash flows are discounted using the entity's weighted average cost of capital ("WACC") adjusted for any risk that are not reflected in the underlying cash flows. WACC was calculated as 7.41% for the current period (2013: 9.05%, 2012: 9.05%).

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, estimates of costs to produce.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amount.

Fair value has been determined by independent external valuers who have taken into account the current market conditions for the nature, age and condition of the assets involved.

(d) **Events and circumstances that led to the recognition of the impairment losses**

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

(e) **Events and circumstances that led to the reversal of impairments**

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

## 6 FINANCE COSTS

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
<b>Recognised in profit or loss</b>			
<b>Finance income</b>			
Interest received from financial institutions	1 876	2 724	2 347
Other interest received*	204	185	2 033
	<b>2 080</b>	<b>2 909</b>	<b>4 380</b>
<b>Finance expenses</b>			
Interest paid on finance leases and instalment sale agreements	620	94	48
Interest paid to financial institutions	43 192	23 942	8 694
Interest paid to connected persons	2 499	1 744	1 807
Unwinding of contingent payments on business combinations	943	–	–
Preference dividends	–	–	–
Other interest paid**	1 840	847	7 106
	<b>49 094</b>	<b>26 627</b>	<b>17 655</b>

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

\* 2012 includes R1.9 million from Ethekwini Municipality for rates charges on over-valued properties.

\*\* 2012 includes R6.6 million paid on a loan from a previously connected party.

## 7 TAXATION AND DEFERRED TAXATION

	<b>Group</b>		
	<b>2014 Audited R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
<b>Income tax</b>			
South African normal taxation			
– current	<b>(15 202)</b>	(6 750)	(11 111)
– prior year	<b>(303)</b>	(381)	249
Deferred taxation	<b>(15 443)</b>	(8 270)	(36 350)
	<b>(30 948)</b>	(15 401)	(47 212)
<b>Reconciliation between actual and normal taxation rates</b>			
	%	%	%
Taxation as a percentage of loss before taxation	<b>18.8</b>	18.8	18.6
Rate change	–	–	4.0
Prior period	<b>(0.2)</b>	(0.5)	0.1
Specific tax deductible and non-deductible items and tax inclusions	<b>(1.1)</b>	(0.4)	(0.4)
Exempt income	<b>12.7</b>	12.6	10.0
Capital gains tax on asset disposals	<b>1.0</b>	(2.3)	(0.2)
Recognition of tax loss	<b>(3.2)</b>	(0.2)	(4.1)
Normal taxation rate	<b>28.0</b>	28.0	28.0
	<b>R'000</b>	R'000	R'000
<b>Deferred taxation</b>			
Balance at the beginning of the year	<b>150 011</b>	156 381	215 194
– Asset	<b>158 411</b>	165 106	223 193
– Liability	<b>(8 400)</b>	(8 725)	(7 999)
Balance brought in through business combination	<b>(1 023)</b>	–	–
– Capital allowances	<b>(2 774)</b>	–	–
– Tax losses recognised during in the period	<b>1 572</b>	–	–
– Working capital differences	<b>179</b>	–	–
Current movements recognised in comprehensive income	<b>(15 443)</b>	(8 270)	(36 350)
– Rate changes	–	–	(572)
– Capital allowances	<b>(8 748)</b>	(6 557)	(5 107)
– Provision for post-employment medical benefits	<b>578</b>	606	639
– Tax losses recognised during in the period	<b>6 294</b>	770	(25 495)
– Capital allowances on intangible asset	–	12	(193)
– Shares and investments	<b>621</b>	(2 274)	(115)
– Revaluations	<b>(10 754)</b>	403	1 561
– Share incentive scheme	<b>1 122</b>	486	952
– Working capital differences	<b>(4 556)</b>	(1 716)	(8 020)
Current movements recognised in equity	<b>1 795</b>	1 900	(22 463)
– Rate changes	–	–	(9 329)
– Provision for post-employment medical benefits	<b>1 670</b>	2 229	1 622
– Shares and investments	<b>(13)</b>	–	–
– Share incentive scheme	<b>2 651</b>	4 240	–
– Reclassification of revaluation surplus	<b>(369)</b>	–	–
– Revaluations	<b>(2 144)</b>	(4 569)	(14 756)
Balance at end of the year	<b>135 340</b>	150 011	156 381
– Asset	<b>141 399</b>	158 411	165 106
– Liability	<b>(6 059)</b>	(8 400)	(8 725)

## 7 TAXATION AND DEFERRED TAXATION (continued)

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Deferred tax assets and liabilities are attributable to the following:			
– Provision for post-employment medical benefits	27 289	25 041	22 206
– Working capital allowances	2 682	(1 473)	243
– Shares and investments	(12)	(620)	1 654
– Share incentive scheme	9 977	6 203	1 509
– Tax losses	259 710	251 876	251 074
– Capital allowances	(75 185)	(63 663)	(57 106)
– Capital allowances on intangible asset	(414)	(414)	(426)
– Revaluations	(88 707)	(66 939)	(62 773)
Net deferred tax at end of the year	<b>135 340</b>	150 011	156 381

There were estimated tax losses in respect of some of the subsidiary companies that are now part of the Deneb Group. The directors have considered the future profitability of each of these entities and on the basis that they are projected to produce taxable income in the foreseeable future, the deferred tax assets were then recognised accordingly.

The following assumption was taken into consideration for the recognition of the asset in Sear del Group Trading Proprietary Limited:

As from 31 March 2015, Sear del Group Trading will comprise solely of the property investments, therefore the directors are of the view that the deferred tax asset is fully recoverable.

The above assumption has been applied retrospectively from the 31 March 2011.

## 8 PROFIT/(LOSS) PER SHARE

	Gross R'000	Net R'000	Number of shares '000	Per share Cents
<b>2014</b>				
<b>Audited</b>				
<b>Net number of shares in issue – 31 March 2014</b>			<b>539 776</b>	
<b>Weighted average number of shares at 31 March 2014</b>			<b>539 776</b>	
<b>Diluted weighted average number of shares</b>			<b>539 776</b>	
<b>Earnings/loss per share</b>				
<b>(i) Basic earnings</b>				
Profit attributable to equity holders of the parent		133 973	539 776	24.82
<b>(ii) Diluted earnings</b>				
Profit attributable to equity holders of the parent		133 973	539 776	24.82
<b>(iii) Basic earnings adjusted for legal settlement</b>				
Profit attributable to equity holders of the parent		93 552	539 776	17.33
<b>(iv) Headline earnings</b>				
<b>Reconciliation between profit and headline earnings</b>				
Profit attributable to equity holders of the parent		133 973		
Impairment of assets	–	–		
Remeasurement of investment property	(20 726)	(20 726)		
Surplus on disposal of property, plant and equipment	(254)	10		
Loss on disposal of property, plant and equipment	433	433		
Insurance claim for capital asset	(73)	(73)		
Loss on disposal of investments property	100	100		
<b>Headline earnings</b>		<b>113 717</b>	<b>539 776</b>	<b>21.07</b>
<b>Diluted headline earnings</b>		<b>113 717</b>	<b>539 776</b>	<b>21.07</b>
<b>Headline earnings adjusted for legal settlement</b>		<b>73 296</b>	<b>539 776</b>	<b>13.58</b>
<b>Diluted headline earnings</b>		<b>73 296</b>	<b>539 776</b>	<b>13.58</b>



## 8 PROFIT/(LOSS) PER SHARE (continued)

	Gross R'000	Net R'000	Number of shares '000	Per share Cents
<b>2013</b>				
Reviewed				
<b>Net number of shares in issue</b>			539 776	
<b>Weighted average number of shares</b>			539 776	
Issued shares as at 1 April 2012				
Effect of shares repurchased				
<b>Diluted weighted average number of shares</b>			539 776	
Earnings per share				
<b>(i) Basic profit</b>				
Profit attributable to equity holders of the parent		66 489	539 776	12.32
<b>(ii) Diluted profit</b>				
Profit attributable to equity holders of the parent		66 489	539 776	12.32
<b>(iii) Headline earnings</b>				
<b>Reconciliation between profit and headline loss</b>				
Profit attributable to equity holders of the parent		66 489		
Impairment of assets	937	937		
Reversal of impairment of assets	(22 822)	(22 822)		
Insurance claim for capital asset	–	–		
Remeasurement of investment property	2 161	2 161		
Surplus on disposal of property, plant and equipment	(1 099)	(1 099)		
Loss on disposal of property, plant and equipment	1 099	1 012		
<b>Headline earnings</b>		46 678	539 776	8.65
<b>Diluted headline earnings</b>		46 678	539 776	8.65
<b>2012</b>				
Reviewed				
<b>Net number of shares in issue</b>			539 776	
<b>Weighted average number of shares</b>			539 776	
<b>Diluted weighted average number of shares</b>			539 776	
Earnings per share				
<b>(i) Basic profit</b>				
Profit attributable to equity holders of the parent		207 132	539 776	38.37
<b>(ii) Diluted profit</b>				
Profit attributable to equity holders of the parent		207 132	539 776	38.37
<b>(iii) Basic profit/(loss) adjusted for legal settlement</b>				
Profit attributable to equity holders of the parent		(17 869)	539 776	(3.31)
<b>(iv) Headline loss</b>				
<b>Reconciliation between profit and headline loss</b>				
Profit attributable to equity holders of the parent		207 132		
Impairment of assets	8 264	8 264		
Reversal of impairment of assets	(7 029)	(7 029)		
Remeasurement of investment property	8 372	8 372		
Surplus on disposal of property, plant and equipment	(334)	(329)		
Loss on disposal of property, plant and equipment	621	612		
Insurance claim for capital asset	(247)	(247)		
<b>Headline earnings</b>		216 775	539 776	40.16
<b>Diluted headline earnings</b>		216 775	539 776	40.16
<b>Headline earnings/(loss) adjusted for legal settlement</b>		(8 226)	539 776	(1.52)
<b>Diluted headline earnings/(loss) adjusted for legal settlement</b>		(8 226)	539 776	(1.52)

## 9 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

		Group				
	Notes	Land and buildings at valuation R'000	Plant and machinery at cost R'000	Equipment and fittings at cost R'000	Motor vehicles at cost R'000	Total R'000
<b>2014</b>						
<b>Cost/valuation at 31 March 2014</b>		<b>335 718</b>	<b>511 083</b>	<b>93 677</b>	<b>17 383</b>	<b>957 861</b>
Opening balance		369 293	490 412	87 704	16 134	963 543
Additions		196	18 189	7 013	1 818	27 216
Acquisition through business combinations	24	-	10 621	198	1 066	11 885
Revaluations		18 429	-	-	-	18 429
Reclassification to investment property	10	-	-	-	-	-
Reclassification to assets held for sale	15	(52 200)	(551)	-	-	(52 751)
Disposals		-	(7 588)	(1 238)	(1 635)	(10 461)
<b>Accumulated depreciation and impairment at 31 March 2014</b>		<b>-</b>	<b>255 560</b>	<b>69 461</b>	<b>10 758</b>	<b>335 779</b>
Opening balance		-	243 696	63 262	10 686	317 644
Current period depreciation		2 908	19 274	7 176	1 329	30 687
Revaluations		(2 908)	-	-	-	(2 908)
Impairment		-	-	-	-	-
Reversal of impairment		-	-	-	-	-
Reclassification to investment property		-	-	-	-	-
Disposals and assets reclassified as held-for-sale		-	(7 410)	(977)	(1 257)	(9 644)
<b>Carrying value at 31 March 2014</b>		<b>335 718</b>	<b>255 523</b>	<b>24 216</b>	<b>6 625</b>	<b>622 082</b>
Rate of (straight-line) depreciation		<b>0 – 3.5%</b>	<b>4 – 7%</b>	<b>10 – 20%</b>	<b>20%</b>	
Residual values		<b>40 – 65%</b>	<b>0%</b>	<b>0%</b>	<b>20%</b>	
<b>2013</b>						
Cost/valuation at 31 March 2013		369 293	490 412	87 704	16 134	963 543
Opening balance		320 739	470 341	80 658	16 545	888 283
Additions		1 855	26 799	8 785	1 366	38 805
Additions received as part of settlement		63 625	-	-	-	63 625
Revaluations		25 432	-	-	-	25 432
Reclassification to investment property		(42 358)	-	-	-	(42 358)
Disposals and assets reclassified as held for sale		-	(6 728)	(1 739)	(1 777)	(10 244)
Accumulated depreciation and impairment at 31 March 2013		-	243 695	63 262	10 686	317 643
Opening balance		-	257 693	57 851	10 546	326 090
Current year depreciation		2 712	15 595	5 987	1 447	25 741
Revaluations		(2 626)	-	-	-	(2 626)
Impairment		-	-	937	-	937
Reversal of impairment		-	(22 822)	-	-	(22 822)
Reclassification to investment property		(86)	-	-	-	(86)
Disposals and assets reclassified as held-for-sale		-	(6 771)	(1 513)	(1 307)	(9 591)
Carrying value at 31 March 2013		369 293	246 717	24 442	5 448	645 900
<b>2012</b>						
Cost/valuation at 31 March 2012		320 739	470 341	80 658	16 545	888 283
Opening balance		293 584	452 691	71 155	16 394	833 824
Additions		2 427	20 385	10 546	934	34 292
Revaluations		43 471	-	-	-	43 471
Reclassification to investment property		(16 954)	-	-	-	(16 954)
Disposals and assets reclassified as held for sale		(1 789)	(2 735)	(1 043)	(783)	(6 350)
Accumulated depreciation and impairment at 31 March 2012		-	257 693	57 851	10 546	326 090
Opening balance		-	241 762	53 255	10 077	305 094
Current year depreciation		2 171	18 202	5 431	1 595	27 399
Revaluations		(2 171)	-	-	-	(2 171)
Impairment		-	8 264	-	-	8 264
Reversal of impairment		-	(7 029)	-	-	(7 029)
Reclassification to investment property		-	-	-	-	-
Disposals and assets reclassified as held-for-sale		-	(3 506)	(835)	(1 126)	(5 467)
Carrying value at 31 March 2012		320 739	212 648	22 807	5 999	562 193

## 9 PROPERTY, PLANT AND EQUIPMENT (continued)

### (b) 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.

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Cost	172 921	198 884	176 246
Accumulated depreciation	2 017	2 017	2 017
<b>Carrying value</b>	<b>170 904</b>	<b>196 867</b>	<b>174 229</b>
Reconciliation of cost of land and buildings:			
Opening cost at the beginning of the year	198 884	176 246	173 857
Additions	196	65 480	2 427
Additions through business combination	–	–	–
Disposals, transfers to investment property and assets reclassified as held for sale	(26 159)	(42 842)	(38)
<b>Closing cost at the end of the year</b>	<b>172 921</b>	<b>198 884</b>	<b>176 246</b>

### (c) Capitalised leased assets included in the above are:

	Group			
	Plant and machinery R'000	Equipment and fittings R'000	Motor vehicles R'000	Total R'000
<b>2014</b>				
<b>Cost</b>	<b>8 133</b>	<b>9 029</b>	<b>3 452</b>	<b>20 614</b>
<b>Accumulated depreciation</b>	<b>406</b>	<b>8 996</b>	<b>731</b>	<b>10 133</b>
<b>Carrying value at 31 March 2014</b>	<b>7 727</b>	<b>33</b>	<b>2 721</b>	<b>10 481</b>
<b>2013</b>				
Cost	131	8 993	1 337	10 461
Accumulated depreciation	50	8 993	328	9 371
Carrying value at 31 March 2013	81	–	1 009	1 090
<b>2012</b>				
Cost	222	8 993	869	10 084
Accumulated depreciation	123	8 993	129	9 245
Carrying value at 31 March 2013	99	–	740	839

### (d) Impairment losses and subsequent reversal – Plant and equipment

The Group has performed impairment testing on all cash-generating units (“CGUs”) where there is an indication that they may be impaired.

The recoverable amount of a CGU is determined based on a fair value less cost to sell, or value-in-use calculation as appropriate.

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

In determining value in use, projected cash flows are discounted using the entity’s weighted average cost of capital adjusted for any risk that are not reflected in the underlying cash flows. WACC was calculated as 7.41% for the current period (2013: 9.05%, 2012: 9.05%).

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, estimates of costs to produce.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amount.

Fair value has been determined by independent external valuers who have taken into account the current market conditions for the nature, age and condition of the assets involved.

Refer to note 5 for impairments and reversals.

## 9 PROPERTY, PLANT EQUIPMENT (continued)

### (e) Measurement of fair value – Land and buildings

#### (i) Fair value hierarchy

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

The fair value measurement of owner-occupied property of R335.7 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

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

#### (ii) Level 3 fair value

	R'000
Carrying value at 31 March 2011	293 584
Acquisitions and acquisitions through business combinations	2 427
Disposals, depreciation and reclassification to investment property and assets held-for-sale	(20 914)
<b>Revaluation straight through equity</b>	
– Changes in fair value	45 642
<b>Carrying value at 31 March 2012</b>	<b>320 739</b>
Acquisitions and acquisitions through business combinations	65 480
Disposals, depreciation and reclassification to investment property and assets held-for-sale	(44 984)
<b>Revaluation straight through equity</b>	
– Changes in fair value	28 058
<b>Carrying value at 31 March 2013</b>	<b>369 293</b>
Acquisitions and acquisitions through business combinations	196
Disposals, depreciation and reclassification to investment property and assets held-for-sale	(55 108)
<b>Revaluation straight through equity</b>	
– Changes in fair value	21 337
<b>Carrying value at 31 March 2014</b>	<b>335 718</b>

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
Capitalisation of income: The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations.	<ul style="list-style-type: none"> <li>– Capitalisation rate</li> <li>– Occupation rate</li> <li>– Projected income</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>– capitalisation rate were higher (lower) (see sensitivity analysis below)</li> <li>– the occupancy rate were higher (lower)</li> <li>– projected income were higher (lower)</li> </ul>

## 9 PROPERTY, PLANT EQUIPMENT (continued)

### (e) Measurement of fair value – Land and buildings (continued)

#### (iii) Sensitivity analysis on the fair value of owner-occupied buildings

The capitalisation rates for the fair value of the properties were between 9% –14.5%. The table below presents the sensitivity of the valuation on the carrying value of the owner-occupied property to changes in the capitalisation rate.

	Carrying value		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Increase of 1% in the capitalisation rate	309 833	385 888	335 152
Decrease of 1% in the capitalisation rate	366 539	457 558	397 399

### (f) Securitisation of assets

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.

## 10 INVESTMENT PROPERTIES

### (a) Reconciliation of carrying amount

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Opening carrying value	574 541	421 331	287 531
Additions - Transfer from owner-occupied property	–	42 272	16 954
Additions - Subsequent expenditure	37 499	104 496	119 262
Capitalised borrowing costs	–	8 603	5 956
Fair value adjustments	20 726	(2 161)	(8 372)
Additions - Litigation settlement	38 703	–	–
Disposals/Transfer to held-for-sale	(1 850)	–	–
<b>Closing carrying value</b>	<b>669 619</b>	<b>574 541</b>	<b>421 331</b>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of between one to five years. Two properties were transferred from property, plant and equipment (see note 9) to investment property, since the building was no longer used by the Group and as such it was decided that the building would be leased to third parties.

### (b) Included in profit and loss

Rental income from investment property	85 445	63 091	41 180
Direct operating expenses (including repairs and maintenance) relating to rental-generating properties	10 322	4 606	2 474
Direct operating expenses (including repairs and maintenance) relating to property which did not generate income	147	333	104
Rates relating to rental-generating properties	7 431	6 250	5 069
Rates relating to property which did not generate income	805	575	345

### (c) Borrowing cost

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

### (d) Litigation

During the current year the final aspect of the settlement of the litigation against former directors and officers of the Seardel Investment Corporation and entities controlled by Deneb were implemented. As detailed in the SENS announcement of Seardel Investment Corporation released on 10 May 2013, Erf 27412, Observatory, with market value of R38.7 million, was transferred to a subsidiary of the company.

## 10 INVESTMENT PROPERTIES (continued)

### (e) Capital commitments

There are commitments to further develop our investment properties by R2.15 million.

### (f) Measurement of fair value – Land and buildings

#### (i) Fair value hierarchy

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

The fair value measurement of investment property of R670 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

#### (ii) Level 3 fair value

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

	R'000
Opening value at 31 March 2012	421 331
Acquisitions and reclassifications from property, plant and equipment	146 768
Reclassification to assets held-for-sale	–
Capitalised borrowing costs	8 603
<b>Gain included in "other income"</b>	
– Changes in fair value	(2 161)
<b>Closing value at 31 March 2013</b>	<b>574 541</b>
Acquisitions and reclassifications from property, plant and equipment	
Reclassification to assets held-for-sale	76 202
<b>Gain included in "other income"</b>	<b>(1 850)</b>
– Changes in fair value	20 726
<b>Closing value at 31 March 2014</b>	<b>669 619</b>

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
Capitalisation of income: The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental producing capacity of similar buildings in similar locations.	<ul style="list-style-type: none"> <li>– Capitalisation rate</li> <li>– Occupation rate</li> <li>– Projected income</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>– capitalisation rate were higher (lower) (see sensitivity analysis below)</li> <li>– the occupancy rate were higher (lower)</li> <li>– projected income were higher (lower)</li> </ul>

#### (iii) Sensitivity analysis on the fair value of investment buildings

The capitalisation rates for the fair value of the properties were between 9% – 14.5%. The table below presents the sensitivity of the valuation on the carrying value of the investment property to changes in the capitalisation rate.

	Carrying value		
	2014 R'000	2013 R'000	2012 R'000
Increase of 1% in the capitalisation rate	612 081	483 487	354 558
Decrease of 1% in the capitalisation rate	738 946	575 481	422 020

### (g) Securitisation of assets

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.



## 12 INTEREST IN SUBSIDIARIES

	Company		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Shares at cost, less impairment	901 406	904 592	905 737
Loans from subsidiary companies	–	(359 717)	(357 703)
Loans to subsidiary companies	557 994	908 251	908 251
	<b>1 459 400</b>	1 453 126	1 456 285

In the main these loans are subordinated, interest-free and there are no fixed terms of repayment.

There is no management intention to recall these loans in the foreseeable future.

### Securitisation of assets

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.

## 13 OTHER INVESTMENTS

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Business Partners Limited (unlisted)	3 329	3 329	3 329
Old Mutual (listed)	315	251	–
	<b>3 644</b>	3 580	3 329

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

Opening balance	3 580	3 329	3 329
Acquisition	–	251	–
Revaluations	64	–	–
Closing balance	<b>3 644</b>	3 580	3 329

### Securitisation of assets

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.

## 14 LONG-TERM RECEIVABLES

### (a) Reconciliation of carrying amount

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Net investment in finance leases	50 115	47 544	43 402
Other loans	93	–	–
	<b>50 208</b>	47 544	43 402



## 14 LONG-TERM RECEIVABLES (continued)

(b) Net investment in finance leases is reconciled with the gross investment in leases as follows:

	Gross investment in leases R'000	Unearned finance income R'000	Net investment in leases R'000
<b>2014</b>			
Lease payments receivable			
– Not later than 1 year	<b>34 677</b>	<b>8 313</b>	<b>26 364*</b>
– Later than 1 year not later than 5 years	<b>58 365</b>	<b>8 250</b>	<b>50 115</b>
	<b>93 042</b>	<b>16 563</b>	<b>76 479</b>
<b>2013</b>			
Lease payments receivable			
– Not later than 1 year	30 663	7 091	23 572*
– Later than 1 year not later than 5 years	54 524	6 980	47 544
	85 187	14 071	71 116
<b>2012</b>			
Lease payments receivable			
– Not later than 1 year	30 690	7 492	23 198*
– Later than 1 year not later than 5 years	50 938	7 536	43 402
	81 628	15 028	66 600

\* Included in trade and other receivables

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

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

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

## 15 ASSETS HELD-FOR-SALE

The Group concluded an agreement with Sactwu for the sale of a property situated at the corner of Bofors Circle and Losack Avenue, Epping Industria, Cape Town, of which the apparel manufacturing businesses is the primary tenant of the property for a total purchase consideration of R52.2 million.

The remainder of the land and buildings relate to residential housing previously occupied by employees.

Curtailment of certain operations has rendered these assets surplus to requirements and they will be realised to best advantage. To this end land and buildings valued at R55.7 million is currently in the process of being sold.

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

	Group		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Land and buildings	<b>53 985</b>	2 295	12 906
Plant and machinery	<b>551</b>	–	–
	<b>54 536</b>	2 295	12 906

## 15 ASSETS HELD-FOR-SALE (continued)

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

	Textiles R'000	Clothing R'000	Property R'000	Total R'000
<b>2014</b>				
Land and buildings	–	–	53 985	53 985
Plant and machinery	551	–	–	551
	<b>551</b>	<b>–</b>	<b>53 985</b>	<b>54 536</b>
<b>2013</b>				
Land and buildings	–	–	2 295	2 295
	–	–	2 295	2 295
<b>2012</b>				
Land and buildings	–	–	12 906	12 906
	–	–	12 906	12 906

### (b) Measurement of fair value – assets held for sale

#### *Fair value hierarchy*

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

The valuation was done on 31 March 2014.

The fair value measurement of land and building, of R54.0 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs
Capitalisation of income: The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations.	<ul style="list-style-type: none"> <li>– Capitalisation rate</li> <li>– Occupation rate</li> <li>– Projected income</li> </ul>

### (c) Securitisation of assets

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.

## 16 INVENTORIES

	2014 Audited R'000	Group	
		2013 Reviewed R'000	2012 Reviewed R'000
Raw materials and consumables	185 264	143 350	135 446
Work-in-progress	42 042	48 312	41 260
Finished goods	313 166	298 740	253 563
	<b>540 472</b>	<b>490 402</b>	<b>430 269</b>
Inventories stated at net realisable value	116 672	105 191	131 300
Inventories acquired through business combination (refer to note 24)	8 402	–	–
Carrying amount of inventory pledged as security for liabilities	526 377	401 515	430 269
Write-down of inventory to net realisable value during the year	8 243	9 628	12 607
Reversals of previous write-down of inventory to net realisable value during the year*	(1 572)	(6 014)	–

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

#### **Securitisation of assets**

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.

## 17 TRADE AND OTHER RECEIVABLES

### (a) Reconciliation of carrying value

	<b>2014</b>	<b>Group</b>	
	<b>Audited</b>	2013	2012
	<b>R'000</b>	Reviewed	Reviewed
		R'000	R'000
Trade receivables	<b>345 841</b>	304 172	318 521
Lease receivables	<b>26 364</b>	23 572	23 198
Other receivables	<b>74 303</b>	37 228	164 938
Fair value of outstanding foreign exchange contracts	<b>2 640</b>	186	3 055
Prepayments	<b>21 912</b>	12 364	5 764
	<b>471 060</b>	377 522	515 476

### (b) Business acquisition

Trade and other receivables acquired through business combination (refer to note 24)

<b>13 080</b>	–	–
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### (c) Other receivables

Included under other receivables are:

Litigation settlement	–	–	91 821
Income receivable from Production Incentive programme 22	<b>33 875</b>	27 115	33 655
Lease smoothing asset*	<b>12 078</b>	–	4 709
VAT	<b>10 713</b>	10 113	12 929

\* Lease smoothing asset of R7.9 million was included under trade receivables in 2013.

### (d) Securitisation of assets

Refer to note 32 which relates to the securitisation pool for the benefit of the Group lenders.

## 18 STATED CAPITAL

	<b>2014</b>	<b>Group</b>	
	<b>Audited</b>	2013	2012
	<b>R'000</b>	Reviewed	Reviewed
		R'000	R'000
<b>Authorised</b>			
10 000 000 000 ordinary shares of no value	–	–	–
<b>Issued stated capital</b>			
539 776 469 (2013: 539 776 469, 2012: 539 776 469)			
ordinary shares of no par value	<b>304 635</b>	304 635	304 635
	<b>304 635</b>	304 635	304 635

## 19 POST-EMPLOYMENT MEDICAL BENEFITS

### General description of plan

The post-employment subsidy policy is summarised below:

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

## 19 POST-EMPLOYMENT MEDICAL BENEFITS (continued)

	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Amounts recognised in the statement of comprehensive income:			
Current service cost	444	482	483
Interest on the obligation	7 654	6 523	6 365
Total included in staff costs	<b>8 098</b>	7 005	6 848
Reconciliations in the net liability recognised in the statement of financial position are as follows:			
Liability at beginning the of the year	<b>89 433</b>	79 307	71 233
Net expense in the statement of comprehensive income	<b>8 098</b>	7 005	6 848
Contributions	<b>(6 036)</b>	(4 841)	(4 566)
Actuarial losses/(gains) recognised	<b>5 965</b>	7 962	5 792
Liability in the statement of financial position	<b>97 460</b>	89 433	79 307
<i>Represented by:</i>			
Liability due within 12 months	<b>6 280</b>	5 045	4 662
Liability due after 12 months	<b>91 180</b>	84 388	74 645
	<b>97 460</b>	89 433	79 307
Present value of unfunded obligations	<b>97 460</b>	89 433	79 307
Fair value of plan assets	-	-	
Recognised liability for defined benefit obligations	<b>97 460</b>	89 433	79 307

No reconciliation of the opening and closing balances of the plan assets is provided as there are no plan assets.

The net cumulative actuarial loss recognised in OCI is R8.3 million.

Forecast reconciliation of the plan to 31 March 2015 is as follows:

	2015
Liability at 31 March 2014	97 460
Net expense in the statement of comprehensive income	8 622
Contributions	(6 524)
Forecast liability at 31 March 2015	99 558

### Trend information

	2010	2011	2012	2013	2014
Present value of obligations	69 725	71 233	79 307	89 433	<b>97 460</b>

### The principal actuarial assumptions at the reporting date:

	2014	2013	2012
Discount rate	<b>8.70%</b>	7.90%	8.50%
Medical inflation	<b>8.40%</b>	8.00%	8.00%

### Sensitivity of results

	R'000	R'000	R'000
A 1% increase in medical aid inflation would result in:			
An increase in the accrued liability of	<b>11 028</b>	11 430	9 959
	<b>11.30%</b>	12.80%	12.60%
An increase in the service and interest cost of	<b>1 059</b>	1 030	962
	<b>12.30%</b>	13.90%	13.70%
A 1% decrease in medical aid inflation would result in:			
A decrease in the accrued liability of	<b>(9 303)</b>	(9 527)	(8 310)
	<b>(9.50%)</b>	(10.70%)	(10.50%)
A decrease in the service and interest cost of	<b>(888)</b>	(852)	(796)
	<b>(10.30%)</b>	(11.50%)	(11.40%)
A 1% decrease in the discount rate would result in:			
An increase in the accrued liability of	<b>11 515</b>	11 749	10 177
	<b>11.80%</b>	13.10%	12.80%
A 1% increase in the discount rate would result in:			
A decrease in the accrued liability of	<b>(9 547)</b>	(9 604)	(8 338)
	<b>(9.80%)</b>	(10.70%)	(10.50%)

## 20 FINANCIAL INSTRUMENTS

### Financial risk management

#### Overview

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

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

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

#### Risk management framework

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

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

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

#### Interest-bearing liabilities

			Group		
	Final repay- ment dates	Average rate of interest (%) p.a.	2014 R'000	2013 R'000	2012 R'000
<b>(a) Secured</b>					
Instalment sale and finance lease agreements	2019	9 – 11	5 751	1 054	957
Loans from financial institutions		Prime – 1.5%	–	–	–
			<b>5 751</b>	<b>1 054</b>	<b>957</b>
<b>(b) Unsecured</b>					
Hosken Consolidated Investments Limited		Prime	–	–	25 185
Deposit held for rentals		Prime	4 508	–	–
Contingent payments relating to business combinations		Prime	8 878	–	–
			<b>13 386</b>	<b>–</b>	<b>25 185</b>
			<b>19 137</b>	<b>1 054</b>	<b>26 142</b>
Less current portion of interest-bearing liabilities			<b>(3 193)</b>	<b>(298)</b>	<b>(25 427)</b>
			<b>15 944</b>	<b>756</b>	<b>715</b>

## 20 FINANCIAL INSTRUMENTS (continued)

Instalment sales and finance lease agreements are payable as follows:

	Principal R'000	Interest R'000	Gross instal- ments R'000
<b>2014</b>			
Less than one year	<b>3 193</b>	<b>332</b>	<b>3 525</b>
Between one and five years	<b>2 558</b>	<b>306</b>	<b>2 864</b>
	<b>5 751</b>	<b>638</b>	<b>6 389</b>
<b>2013</b>			
Less than one year	331	15	346
Between one and five years	723	124	847
	1 054	139	1 193
<b>2012</b>			
Less than one year	242	45	287
Between one and five years	715	151	866
	957	196	1 153

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

### Financial risk management

**Foreign currency management:** Operating subsidiaries undertake transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Material exchange rate exposure on imported raw materials, trade debtors/creditors, foreign currency assets and liabilities and capital equipment is hedged through the use of forward exchange contracts. Trade exports are hedged using forward exchange contracts and customer foreign currency accounts. Forward exchange contracts are not used for speculative purposes.

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

**Credit risk management:** Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, investments and receivables. A significant amount of the Group's trade debt is in respect of sales to retailers, in particular Amic Trading Proprietary Limited (R40.4 million) and Massmart Limited (R37.9 million). The risk on cash and cash equivalents is managed through dealing with established financial institutions with high credit standing.

The vast majority of trade debtors relate to sales made in the local market, with R810 million (99.2%) being denominated in South African Rands. Trade receivables denominated in USD accounted for 0.4%, and those in EUR accounted for 0.2%.

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

**Capital management:** The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base of the business is viewed as being the shareholder equity and non-current liabilities amounting to R1 695,857 million (2013: R1 533,556 million, 2012: R1 450,542 million).

### Collateral

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

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

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

## 20 FINANCIAL INSTRUMENTS (continued)

### Allowances for credit losses

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	Group		
	2014 R'000	2013 R'000	2012 R'000
Opening balance	5 231	4 708	5 815
Written off as irrecoverable	(2 356)	(1 755)	(1 085)
Increased through business combinations	385	–	–
Increase in allowance for impairment	1 610	4 492	1 150
Decrease in allowance for impairment	(1 188)	(2 214)	(297)
Closing balance	3 682	5 231	5 583

### Past due or not impaired financial assets

The following analysis reflects the aging of trade receivables as at year-end which have exceeded their credit terms, but have not been impaired:

30+ days	397	–	410
60+ days	196	439	618
90+ days	6 802	6 207	8 447
120+ days	2 496	2 723	4 056
	9 891	9 369	13 531

The following analysis reflects the aging and remaining value of trade receivables as at year-end which are considered to have been impaired and against which an impairment for non-recovery has already been made:

30+ days	–	–	–
60+ days	–	47	–
90+ days	101	231	–
120+ days	2 933	3 011	3 455
	3 034	3 289	3 455

In determining the impairments, the Group considered, *inter alia*, disputes with customers, untraceable and slow payers, long overdue accounts and customers placed under liquidation. The Group holds no collateral as security against non-payment of any of the above-mentioned trade receivables, but does have credit guarantee insurance to protect against default. There has been no renegotiation of terms.

### 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, but in terms of the securitisation agreement cannot raise further funds without permission.

Refer to note 26 for borrowing facilities.

## 20 FINANCIAL INSTRUMENTS (continued)

### Categories of financial assets

The carrying amount of financial assets, which also represent the maximum credit exposure and reasonably approximate their fair values, are as follows:

	Group		
	2014 R'000	2013 R'000	2012 R'000
Loans and receivables	488 494	403 264	454 948
Fair value through profit or loss ("FECs")	2 640	186	3 055
Available for sale	3 644	3 580	3 329
	<b>494 778</b>	407 030	461 332

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

	Loans and receivables R'000	Fair value through profit or loss R'000	Available for sale R'000	Non-financial asset R'000	Total R'000	
<b>2014</b>						
Investments	-	-	3 644	-	3 644	
Long-term receivables	50 208	-	-	-	50 208	
Trade and other receivables	435 795	2 640	-	32 625	471 060	
Cash and cash equivalents	2 491	-	-	-	2 491	
	<b>488 494</b>	<b>2 640</b>	<b>3 644</b>	<b>32 625</b>	<b>527 403</b>	
<b>2013</b>						
Investments	-	-	3 580	-	3 580	
Long-term receivables	47 544	-	-	-	47 544	
Trade and other receivables	354 859	186	-	22 477	377 522	
Cash and cash equivalents	861	-	-	-	861	
	403 264	186	3 580	22 477	429 507	
<b>2012</b>						
Investments	-	-	3 329	-	3 329	
Long-term receivables	43 402	-	-	-	43 402	
Trade and other receivables	410 599	3 055	-	101 822	515 476	
Cash and cash equivalents	947	-	-	-	947	
	454 948	3 055	3 329	101 822	563 154	
				<b>Group</b>		
				<b>2014 R'000</b>	<b>2013 R'000</b>	<b>2012 R'000</b>

### Categories of financial liabilities

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

Measured at amortised cost	876 688	770 150	704 366
	<b>876 688</b>	770 150	704 366



## 20 FINANCIAL INSTRUMENTS (continued)

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

	Measured at amort- ised cost R'000	Non- financial liability R'000	Total R'000
<b>2014</b>			
Interest-bearing liabilities – non-current	15 944	–	15 944
– current	3 193	–	3 193
Trade and other payables	399 802	5 147	404 949
Bank overdrafts	539 126	–	539 126
	<b>958 065</b>	<b>5 147</b>	<b>963 212</b>
<b>2013</b>			
Interest-bearing liabilities – non-current	756	–	756
– current	298	–	298
Trade and other payables	386 577	1 544	388 121
Bank overdrafts	463 896	–	463 896
	<b>851 527</b>	<b>1 544</b>	<b>853 071</b>
<b>2012</b>			
Interest-bearing liabilities – non-current	715	–	715
– current	25 427	–	25 427
Trade and other payables	359 435	2 350	361 785
Bank overdrafts	400 167	–	400 167
	<b>785 744</b>	<b>2 350</b>	<b>788 094</b>

### Maturity profile of financial instruments

The maturity profile of financial assets and liabilities at 31 March 2014 is summarised as follows:

	0 – 12 months R'000	1 – 3 years R'000	3 – 5 years R'000	Over 5 years R'000	Total R'000
<b>2014</b>					
<b>Assets</b>					
Investments	–	3 644	–	–	3 644
Long term receivables	–	58 458	–	–	58 458
Trade and other receivables	438 435	–	–	–	438 435
Cash and cash equivalents	2 491	–	–	–	2 491
<b>Total financial assets</b>	<b>440 926</b>	<b>62 102</b>	<b>–</b>	<b>–</b>	<b>503 028</b>
<b>Liabilities</b>					
Interest-bearing borrowings	3 193	15 944	–	–	19 137
Trade and other payables	397 240	–	–	–	397 240
Bank overdrafts	539 126	–	–	–	539 126
<b>Total financial liabilities – non-derivatives</b>	<b>939 559</b>	<b>15 944</b>	<b>–</b>	<b>–</b>	<b>955 503</b>
Trade and other payables	2 562	–	–	–	2 562
<b>Total financial liabilities – derivatives</b>	<b>2 562</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 562</b>
<b>Net financial (liabilities)/assets</b>	<b>(501 195)</b>	<b>46 158</b>	<b>–</b>	<b>–</b>	<b>(455 037)</b>

## 20 FINANCIAL INSTRUMENTS (continued)

	0 – 12 months R'000	1 – 3 years R'000	3 – 5 years R'000	Over 5 years R'000	Total R'000
<b>2013</b>					
<b>Assets</b>					
Investments	–	3 580	–	–	3 580
Long-term receivables	–	47 544	–	–	47 544
Trade and other receivables	354 859	–	–	–	354 859
Cash and cash equivalents	861	–	–	–	861
<b>Total financial assets</b>	<b>355 720</b>	<b>51 124</b>	<b>–</b>	<b>–</b>	<b>406 844</b>
<b>Liabilities</b>					
Interest-bearing borrowings	298	756	–	–	1 054
Trade and other payables	385 721	–	–	–	385 721
Bank overdrafts	463 896	–	–	–	463 896
<b>Total financial liabilities – non-derivatives</b>	<b>849 915</b>	<b>756</b>	<b>–</b>	<b>–</b>	<b>850 671</b>
Trade and other payables	856	–	–	–	856
<b>Total financial liabilities – derivatives</b>	<b>856</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>856</b>
<b>Net financial (liabilities)/assets</b>	<b>(495 051)</b>	<b>50 368</b>	<b>–</b>	<b>–</b>	<b>(444 683)</b>
<b>2012</b>					
<b>Assets</b>					
Investments	–	3 329	–	–	3 329
Long-term receivables	–	43 402	–	–	43 402
Trade and other receivables	413 654	–	–	–	413 654
Cash and cash equivalents	947	–	–	–	947
<b>Total financial assets</b>	<b>414 601</b>	<b>46 731</b>	<b>–</b>	<b>–</b>	<b>461 332</b>
<b>Liabilities</b>					
Interest-bearing borrowings	25 427	715	–	–	26 142
Trade and other payables	358 642	–	–	–	358 642
Bank overdrafts	400 167	–	–	–	400 167
<b>Total financial liabilities – non-derivatives</b>	<b>784 236</b>	<b>715</b>	<b>–</b>	<b>–</b>	<b>784 951</b>
Trade and other payables	793	–	–	–	793
<b>Total financial liabilities – derivatives</b>	<b>793</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>793</b>
<b>Net financial (liabilities)/assets</b>	<b>(370 428)</b>	<b>46 016</b>	<b>–</b>	<b>–</b>	<b>(324 412)</b>

### Fair value of financial instruments

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

#### *Fair value hierarchy*

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

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

## 20 FINANCIAL INSTRUMENTS (continued)

### Accounting classifications and fair values

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

	Carrying value					Fair value				
	Notes	Loans receivable R'000	Fair value through profit or loss R'000	Available for sale R'000	Measured at amortised cost R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>2014</b>										
<b>Financial assets measured at fair value</b>										
Equity securities	13	–	–	3 644	–	3 644	315	3 329	–	3 644
Forward exchange contracts	17	–	2 640	–	–	2 640	–	2 640	–	2 640
		–	2 640	3 644	–	6 284				
<b>Financial assets not measured at fair value</b>										
Long-term receivables	14	50 208	–	–	–	50 208				
Trade and other receivables	17	435 795	–	–	–	435 795				
Cash and cash equivalents		2 491	–	–	–	2 491				
		488 494	–	–	–	488 494				
<b>Financial liabilities not measured at fair value</b>										
Instalment sale and finance lease agreements		–	–	–	(5 751)	(5 751)				
Secured bank loans		–	–	–	–	–				
Unsecured loans		–	–	–	(13 386)	(13 386)				
Trade and other payables	21	–	–	–	(399 802)	(399 802)				
Bank overdrafts	26	–	–	–	(539 126)	(539 126)				
		–	–	–	(958 065)	(958 065)				

**20 FINANCIAL INSTRUMENTS (continued)**

	Notes	Carrying value			Fair value					
		Loans receivable R'000	Fair value through profit or loss R'000	Available for sale R'000	Measured at amortised cost R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>2013</b>										
<b>Financial assets measured at fair value</b>										
Equity securities	13	-	-	3 580	-	3 580	251	3 329	-	3 580
Forward exchange contracts	17	-	186	-	-	186	-	186	-	186
		-	186	3 580	-	3 766				
<b>Financial assets not measured at fair value</b>										
Long-term receivables	14	47 544	-	-	-	47 544				
Trade and other receivables	17	410 599	-	-	-	410 599				
Cash and cash equivalents		861	-	-	-	861				
		459 004	-	-	-	459 004				
<b>Financial liabilities not measured at fair value</b>										
Instalment sale and finance lease agreements		-	-	-	(1 054)	(1 054)				
Secured bank loans		-	-	-	-	-				
Unsecured loans		-	-	-	-	-				
Trade and other payables	21	-	-	-	(399 802)	(399 802)				
Bank overdrafts	26	-	-	-	(463 896)	(463 896)				
		-	-	-	(864 752)	(864 752)				
<b>2012</b>										
<b>Financial assets measured at fair value</b>										
Equity securities	13	-	-	3 329	-	3 329	-	3 329	-	3 329
Forward exchange contracts	17	-	3 055	-	-	3 055	-	3 055	-	3 055
		-	3 055	3 329	-	6 384				
<b>Financial assets not measured at fair value</b>										
Long-term receivables	14	43 402	-	-	-	43 402				
Trade and other receivables	17	410 599	-	-	-	410 599				
Cash and cash equivalents		947	-	-	-	947				
		454 948	-	-	-	454 948				
<b>Financial liabilities not measured at fair value</b>										
Instalment sale and finance lease agreements		-	-	-	(957)	(957)				
Secured bank loans		-	-	-	-	-				
Unsecured loans		-	-	-	(25 185)	(25 185)				
Trade and other payables	22	-	-	-	(359 435)	(359 435)				
Bank overdrafts	27	-	-	-	(400 167)	(400 167)				
		-	-	-	(785 744)	(785 744)				

## 20 FINANCIAL INSTRUMENTS (continued)

### Reclassification of financial assets

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

### Pledges of financial assets

*Determination of fair value for financial assets and liabilities*

	2014	Group	
	R'000	2013	2012
		R'000	R'000

Receivables are impaired based on the estimated credit losses on a debtor by debtor basis. Receivables and liabilities denominated in foreign currencies are restated based on the year-end exchange rate. Publically traded investments are revalued to their market values on an annual basis. Included in the Group's trade receivable balance are debtors which are past due at the reporting date for which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

These "past due, but not impaired debtors" amount to:	9 891	9 369	13 531
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### *Derecognition of financial assets*

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

### *Defaults and breaches on loans*

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

### *Market risk*

Market risk is the risk that changes in the market prices such as foreign exchange rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

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

The fair value of the derivatives at year-end, determined by marking-to-market of contracts amounted to:

77	(456)	2 262
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### *Liquidity risk*

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

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

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

### *Sensitivity analysis*

#### **Equity price sensitivity analysis**

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

#### **Foreign currency sensitivity analysis**

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

#### **Interest rate sensitivity analysis**

At year-end the Group's net interest-bearing borrowings amounted to R639 million (2013: R547 million, 2012: R509 million). In the main the interest rates applicable to these loans are variable. Consequently, in the event of a 10% change in interest rates, (i.e. an increase of 0.9%) there will be an additional interest charge of R4.15 million before tax.

## 21 TRADE AND OTHER PAYABLES

	<b>Group</b>		
	<b>2014</b> <b>Audited</b> <b>R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
Trade payables	<b>234 181</b>	241 706	211 034
Fair value of outstanding foreign exchange contracts	<b>2 562</b>	856	793
Accruals and other current liabilities	<b>168 206</b>	145 559	149 599
Shareholders for dividend	<b>–</b>	–	359
	<b>404 949</b>	388 121	361 785
The operating lease accrual is payable as follows:			
Less than one year (included under trade and other payables)	<b>103</b>	1 181	999
Between one and five years (shown separately as operating lease accruals on the balance sheet)	<b>240</b>	118	1 141
Trade and other payables acquired through business combination (refer to note 24)	<b>11 617</b>	–	–

## 22 GOVERNMENT GRANTS

	<b>2014</b> <b>Audited</b> <b>R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
Receivable balance for government grants brought forward	<b>27 115</b>	33 655	36 568
Total income from government grants, included in other income, recognised during the year amounted to	<b>33 875</b>	33 667	33 655
Total cash received during the year from government grants amounted to	<b>(27 115)</b>	(40 207)	(36 568)
Amount outstanding as at year-end	<b>33 875</b>	27 115	33 655

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

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

## 23 PROVISIONS

	<b>2014 Audited R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
<b>Restructuring and retrenchment costs</b>			
Carrying amount at the beginning of the year	<b>355</b>	341	783
Additional provisions made in the year, including increases to existing provisions	–	354	397
Unused amounts reversed during the year	<b>(6)</b>	(340)	(737)
Amounts utilised during the year	<b>(349)</b>	–	–
Carrying amount at the end of the year	–	355	443

These provisions relate to management's restructuring plans already implemented and/or communicated before 31 March 2014.

It is anticipated that the costs associated with restructuring and retrenchments will occur within the next 12 months. The uncertainties surrounding the provisions relate to the exact costs of restructuring and which employees will be retrenched and which will be reassigned.

## 24 BUSINESS COMBINATIONS

### (a) Consideration transferred

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

	Branded products R'000	Industrials R'000	Total R'000
<b>Consideration</b>			
Cash	500	13 500	14 000
Contingent consideration	786	11 892	12 678
Own shares issued	–	–	–
<b>Total consideration</b>	<b>1 286</b>	<b>25 392</b>	<b>26 678</b>

### (b) Identifiable assets acquired and liabilities assumed

	Branded product distribution R'000	Industrials R'000	Total R'000
The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date			
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment	10	11 875	11 885
Long-term receivables	–	93	93
Inventories	97	8 305	8 402
Trade and other receivables	48	13 032	13 080
Cash and cash equivalents	58	–	58
Deferred liabilities	–	(3 707)	(3 707)
Deferred tax liability	–	(1 023)	(1 023)
Trade and other payables	(111)	(11 506)	(11 617)
Bank overdrafts	–	(4 697)	(4 697)
Total identifiable net assets	102	12 372	12 474
Less non-controlling interest	–	–	–
Goodwill	1 184	13 020	14 204
Goodwill directly to equity as transaction with owners	–	–	–
<b>Total consideration</b>	<b>1 286</b>	<b>25 392</b>	<b>26 678</b>

## 24 BUSINESS COMBINATIONS (continued)

	Branded Products R'000	Industrials R'000	Total R'000
<b>(c) Cash flow from this investing activity</b>			
Cash consideration transferred	500	(13 500)	(14 000)
Less cash and cash equivalents in the business acquired	(58)	–	(58)
Add overdraft in the business acquired	–	4 697	4 697
Net cash inflow from investing operations	(442)	(18 197)	(18 639)

### (d) Subsidiaries acquired through the year

Subsidiary name	Acquisition date	Segment	Description	Revenue contributed to the Group R'000	Net profit /(loss) contribution to the Group R'000	Revenue contributed to the Group had the acquisition been effective 1 April 2013 R'000	Net profit /(loss) contribution to the Group had the acquisition been effective 1 April 2013 R'000
Clever Little Monkey Proprietary Limited	1 August 2013	Branded product distribution	Online furniture and decor shop	2 898	(318)	2 898	(318)
Custom Extrusion Proprietary Limited	1 July 2013	Industrial	Extrusion and weaving of poly- propylene	66 888	6 637	89 685	8 898

### (e) Goodwill

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

## 25 LEASES

	Group Nominal amount		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
Non-cancellable operating lease rentals are payable as follows:			
Less than one year	14 285	7 608	12 353
Between one and five years	35 465	13 223	15 502
	<b>49 750</b>	20 831	27 855
Non-cancellable operating lease rentals are receivable as follows:			
Less than one year	90 127	56 258	35 912
Between one and five years	435 529	191 988	128 539
More than five years	206 382	4 266	8 076
	<b>732 038</b>	252 512	172 527

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

No contingent rentals were recognised as income in the period.

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



## 26 BORROWING FACILITIES

	<b>2014</b> <b>Audited</b> <b>R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
Available facility	<b>837 500</b>	750 000	700 000
Net utilised	<b>(732 074)</b>	(690 534)	(631 744)
Unutilised – balance	<b>105 426</b>	59 466	68 256

These facilities have been secured in terms of note 32.

## 27 DIRECTORS' EMOLUMENTS

Paid by a subsidiary company Name	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Share option expense R'000	Directors' fees R'000	Other benefits R'000	Total R'000
<b>2014</b>							
<b>Executive Directors***</b>							
S A Queen* (Chief Executive Officer)	<b>3 345</b>	–	–	<b>2 054</b>	–	–	<b>5 399</b>
A M Ntuli	<b>841</b>	<b>71</b>	<b>157</b>	–	–	–	<b>1 069</b>
G D T Wege	<b>1 556</b>	–	<b>233</b>	<b>435</b>	–	–	<b>2 224</b>
D Duncan	<b>2 394</b>	–	<b>291</b>	<b>293</b>	–	–	<b>2 978</b>
	<b>8 136</b>	<b>71</b>	<b>681</b>	<b>2 782</b>	–	–	<b>11 670</b>
<b>Non-executive Directors</b>							
J A Copelyn (Chairman)**	–	–	–	–	<b>136</b>	–	<b>136</b>
M H Ahmed	–	–	–	–	<b>136</b>	–	<b>136</b>
T G Govender**	–	–	–	–	<b>97</b>	–	<b>97</b>
R D Watson	–	–	–	–	<b>117</b>	–	<b>117</b>
Y Shaik	–	–	–	–	<b>157</b>	–	<b>157</b>
	–	–	–	–	<b>643</b>	–	<b>643</b>
							<b>12 313</b>
<b>2013</b>							
<b>Executive Directors***</b>							
S A Queen* (Chief Executive Officer)	3 149	1 186	–	2 252	–	–	6 587
A M Ntuli	795	65	146	–	–	–	1 006
G D T Wege	1 446	603	217	547	–	–	2 813
	5 390	1 854	363	2 799	–	–	10 406
<b>Non-executive Directors</b>							
J A Copelyn (Chairman)**	–	–	–	–	126	–	126
M H Ahmed	–	–	–	–	126	–	126
T G Govender**	–	–	–	–	90	–	90
R D Watson	–	–	–	–	90	–	90
Y Shaik	–	–	–	–	109	–	109
	–	–	–	–	541	–	541
							10 947

27 DIRECTORS' EMOLUMENTS (continued)

Paid by a subsidiary company Name	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Share option expense R'000	Directors' fees R'000	Other benefits R'000	Total R'000
<b>2012</b>							
<b>Executive Directors***</b>							
S A Queen* (Chief Executive Officer)	2 995	–	–	689	–	–	3 684
A M Ntuli	755	139	127	–	–	6	1 027
G D T Wege	1 320	–	198	287	–	–	1 805
	5 070	139	325	976	–	6	6 516
<b>Non-executive Directors</b>							
J A Copelyn (Chairman)**	–	–	–	–	110	–	110
M H Ahmed	–	–	–	–	118	–	118
T G Govender**	–	–	–	–	85	–	85
R D Watson	–	–	–	–	85	–	85
Y Shaik	–	–	–	–	85	–	85
	–	–	–	–	483	–	483
							6 999

\* The remuneration of Mr S A Queen is included in the managerial services provided by HCl referred to in note 30 "Related parties".

\*\* Ceded to HCl.

\*\*\* 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.

Directors' interest in contracts is disclosed in 30 "Related parties".

## 28 FOREIGN CURRENCY COMMITMENTS

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

**Sensitivity analysis:** A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by Rnil. A weakening of the Rand by 10% would have an equal, but opposite effect.

	Currency	Uncovered	Covered	Total
<b>2013</b>				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	–	858	858
	EUR	–	7 874	7 874
	USD	–	127 378	127 378
	GBP	–	1 877	1 877
		–	137 987	137 987
Foreign payables	AUD	–	295	295
	EUR	18 299	1 164	19 463
	GBP	259	140	399
	USD	162 206	30 491	192 697
		180 764	32 090	212 854

<b>2012</b>				
Foreign currency monetary items are as follows:				
Foreign receivables	AUD	1 046	–	1 046
	EUR	87	–	87
	USD	2 739	–	2 739
		3 872	–	3 872
Foreign payables	EUR	6 135	1 107	7 242
	GBP	11	1 192	1 203
	USD	26 249	34 674	60 923
		32 395	36 973	69 368

**Sensitivity analysis:** A 10% strengthening of the Rand would result in the uncovered receivables to be collected being reduced by RNil while the uncovered payables balance would decrease by R18 076 400, resulting in a net gain of R18 076 400. A weakening of the Rand by 10% would have an equal, but opposite effect.

The exchange rates were as follows:

	Spot 31 March 2014	Spot 31 March 2013	Average for the period
AUD	9.77265	9.62264	9.40270
EUR	14.54890	11.81600	13.54610
GBP	17.54790	13.96750	16.08290
USD	10.54550	9.21500	10.10520

Source: www.oanda.com

## 29 COMMITMENTS

	Capital expenditure			Contractual commitments	
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000	2014 Audited R'000	2013 Reviewed R'000
Investment property	37 499	104 496	119 262	2 152	20 265
Land and buildings	196	1 855	2 427	–	–
Plant and equipment	27 020	36 950	31 865	14 578	117
Intangible assets	4 511	4 665	3 475	11 000	1 356
Business combinations	26 678	–	–	10 000	–
	95 904	147 966	157 029	37 730	21 738

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

### 30 RELATED PARTIES

#### Transactions between Group companies

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

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

	Transaction values for the year ended 31 March			Balance outstanding as at 31 March		
	Income/(Expense)			Balance receivable/(owing)		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
SACTWU – disposal of apparel manufacturing operations (refer to note 35)	-	-	-	107 588	-	-
SACTWU – loan advanced relating to the disposal of the apparel manufacturing operation (refer to note 35)	-	-	-	(30 967)	-	-
HCI – working capital loan advanced during the year	(2 499)	(1 744)	(1 136)	-	-	(25 185)
<b>Management fees paid</b>						
HCI – managerial and secretarial services	(4 200)	(4 342)	(4 200)	(10 195)	(8 692)	7 335
<b>Management fees received</b>						
Formex Industries – a subsidiary of HCI	1 296	(600)	-	-	-	-
Risk management to HCI	617	(142)	-	-	-	-

#### **HCI working capital loan**

Working capital loan from HCI attracted interest at prime.

#### Transactions with companies with common directors or common shareholders

	Transaction values for the year ended 31 March			Balance outstanding as at 31 March		
	Income/(Expense)			Balance receivable/(owing)		
	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000	2014 Audited R'000	2013 Reviewed R'000	2012 Reviewed R'000
<b>Sale of goods and services</b>						
Zenzeleni Clothing – a company of which J A Copelyn, K Govender and A M Ntuli are directors	8 930	-	542	2 053	-	-
Trade Call Investments Apparels – a company of which SACTWU is a shareholder	57 729	65 790	61 351	6 770	8 022	(7 630)

### 30 RELATED PARTIES (continued)

#### Remuneration 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:

	<b>2014 Audited R'000</b>	2013 Reviewed R'000	2012 Reviewed R'000
Basic	<b>27 547</b>	31 936	24 225
Provident fund	<b>1 951</b>	1 978	1 857
Medical aid	<b>512</b>	425	434
	<b>30 010</b>	34 339	26 516

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

### 31 CONTINGENCIES

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

### 32 SECURITISATION OF ASSETS

The security has been provided to a special purpose company (Seardel Security Propriety Limited), which has guaranteed the obligations of the Group companies in favour of the lenders and which in turn is indemnified by Group companies.

<b>Name of entity (Security grantor)</b>	<b>Security cession</b>	<b>Bond (Type, amount and subject-matter)</b>
Consolidated Textiles Proprietary Limited	Yes	None
Seartec Trading Proprietary Limited	Yes	General Notarial Bond, R60 million
Seartec Industries Proprietary Limited	Yes	None
Seartec Proprietary Limited	Yes	None
Seardel Number 16 Proprietary Limited	Yes	None
Prima Toys & Leisure Group Proprietary Limited	Yes	None
Gold Reef Proprietary Limited	Yes	General notarial bond, R30 million
Seardel Group Trading Proprietary Limited	Yes	<ol style="list-style-type: none"> <li>1. General notarial bond, R1 billion, movable assets of Seardel Group Trading</li> <li>2. Special notarial bond, R300 million, movable assets of Seardel Group Trading</li> <li>3. Mortgage bonds, R600 million, all immovable property owned by Seardel Group Trading</li> </ol>
Frame Industrials Proprietary Limited	Yes	<ol style="list-style-type: none"> <li>1. General notarial bond, R5 million, movable assets of Frame Industrials</li> <li>2. Special notarial bond, R15 million, movable assets of Frame Industrials</li> </ol>
Prima Toys & Leisure Trading Proprietary Limited	Yes	General notarial bond, R50 million, movable assets of Prima Trading

## 32 SECURITISATION OF ASSETS (continued)

### Note

Security Cession means a security cession in terms of which the Security Grantor cedes to the Security SPV *in securitatem debiti* all of such Security Grantor's present and future Rights and Interest as security for the due, proper and timeous payment and performance in full of the Security Grantor's obligations under the Indemnity, on the terms of the written Security Cession signed on 21 November 2008 between the Security SPV and the Security Grantor.

Indemnity means an irrevocable and unconditional indemnity given by the Security Grantor to the Security SPV, indemnifying the Security SPV in respect of any claim or liability of the Security SPV arising under the Guarantees which the Security SPV has provided in respect of all monies and liabilities owing by the Security Grantor and other companies within the Borrower Group in connection with the banking facilities provided by the Guaranteed Parties to the Borrower Group and against any loss, damage, liability, costs or expenses of any nature which the Security SPV may incur as a consequence of the occurrence of any Event of Default, on the terms of the written Indemnity Agreement signed on 21 November 2008 between the Security SPV and the Security Grantor.

The impact of the above on the figures disclosed in the statement of financial position is as follows:

	Per statement of financial position R'000	Securitized R'000	Unsecuritized R'000
Property, plant and equipment	622 082	610 529	11 553
Investment property	669 619	669 619	–
Intangible assets	9 197	9 197	–
Other investments	3 644	3 644	–
Long-term receivables	50 208	50 115	93
Inventories	540 472	526 377	14 095
Trade and other receivables	471 060	462 737	8 323
Non-current assets held for sale	54 536	54 536	–

## 33 POST-YEAR-END EVENTS

Two business were acquired subsequent to year-end: Limtech Biometric Solutions Propriety Limited and Deneb Invest 141 Holdco Propriety Limited trading as Office Box. The financial effect of these two businesses on the Group are not material.

## 34 SHARE INCENTIVE SCHEME

1. Participants have no further rights under the Seardel Share Incentive Scheme (established on 17 February 2012) from 1 October 2014 as a result of the change in control of the employer company, change in control of employer company referring to the disposal of shareholding by Seardel to Deneb of all non-media companies.
2. In terms of the Deneb Share Incentive Scheme (established on 10 October 2014), options have also been granted to those participants who were holders of unexercised Seardel Options as at 31 March 2013 and who are employed by the Group on 31 March 2014.
3. Accordingly, assumption was taken that any liability existing at year-end will be settled through equity of Deneb, therefore the scheme was still disclosed as equity settled in the carve-out historical financial information of Deneb.

### (a) Equity settled

The Seardel Long-Term Incentive Trust was established on 17 February 2010. The Trustees of the Seardel Long-Term Incentive Trust executed the Seardel Long-Term Incentive Plan on 18 March 2010 to provide selected employees with the opportunity to acquire ordinary shares in Seardel Investment Corporation Limited thereby ensuring that such employees are encouraged and motivated to pursue continued growth and profitability of Group companies.

During the financial year nil ordinary options (2013: 10 159 672, 2012: 8 893 266) were allotted in terms of the Seardel Long-Term Incentive Plan.

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

- up to 10% of the option shares from the first anniversary of the option date;
- up to a further 20% of the option shares from the second anniversary date;
- up to a further 30% of the option shares from the third anniversary date; and
- the balance, namely 40% of the option shares, from the fourth anniversary date.

### 34 SHARE INCENTIVE SCHEME (continued)

(i) Options in issue are as follows:

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Life of option (years)
S A Queen	31 March 2010	4 200 000	0	2 years' profitability and continued employment	8
	16 July 2010	693 000	42	2 years' profitability and continued employment	8
	4 July 2011	1 753 350	76	2 years' profitability and continued employment	8
	12 June 2012	2 173 335	110	2 years' profitability and continued employment	8
Total for S A Queen		8 819 685			
G D T Wege	31 March 2010	1 000 000	0	2 years' profitability and continued employment	8
	16 July 2010	288 750	42	2 years' profitability and continued employment	8
	4 July 2011	730 563	76	2 years' profitability and continued employment	8
	12 June 2012	753 655	110	2 years' profitability and continued employment	8
Total for G D T Wege		2 772 968			
D Duncan	31 March 2010	700 000	0	2 years' profitability and continued employment	8
	16 July 2010	202 125	42	2 years' profitability and continued employment	8
	4 July 2011	511 394	76	2 years' profitability and continued employment	8
	12 June 2012	633 889	110	2 years' profitability and continued employment	8
Total for D Duncan		2 047 408			
Other, not being directors	31 March 2010	8 000 000	0	2 years' profitability and continued employment	8
	16 July 2010	2 502 601	42	2 years' profitability and continued employment	8
	4 July 2011	4 780 656	76	2 years' profitability and continued employment	8
	12 June 2012	5 698 050	110	2 years' profitability and continued employment	8
Total other		20 981 307			
<b>Total options in issue</b>		<b>34 621 368</b>			

### 34 SHARE INCENTIVE SCHEME (continued)

(ii) **Reconciliation of movements in options:**

	2014	2013	2012
Opening balance	43 819 982	41 594 266	34 547 250
Awarded during the period	–	10 159 672	8 893 266
Exercised during the period	(4 044 426)	(5 579 925)	(765 000)
Lapsed/forfeited during the period	(5 154 188)	(2 354 031)	(1 081 250)
Closing balance	34 621 368	43 819 982	41 594 266
Exercisable at year-end	13 125 315	6 031 875	4 831 725
Amount expensed during the year (included in employment costs)	1 859 724	6 474 637	3 855 852
Value of shares issued during the year	10 273 556	7 555 319	651 000
Weighted average share price of share options exercised during the year	2.54	1.35	0.85

The weighted average remaining contractual life of all potentially exercisable options amounts to 4.9 years.

In the event that all potentially exercisable options are exercised, an amount of R17 642 874 will be received by the Group.

### 35 SALE OF DISCONTINUED BUSINESSES

Operations classified as discontinued operations on 31 March 2014 in the consolidated financial statements of Sear del consist of the apparel manufacturing businesses that were disposed of to a third party as a going concern. The sale of these discontinued operations consisted of all assets and liabilities excluding trade debtors, trade creditors and provisions.

The carve-out historical financial information was prepared on the assumption that the sale of the apparel businesses was effective on 31 March 2011. Assets and liabilities that were not part of the sale have been disclosed as "Net receivable from discontinued operations" in the carve-out historical financial information and measured at the net realisable value on 31 March 2014. These assets and liabilities were not fair valued retrospectively for the 2012 and 2013 financial periods.

(a) **Net receivable from discontinued operations included in the carve-out historical financial information**

	Group		
	2014 R'000	2013 R'000	2012 R'000
<b>Non-current assets – disclosure</b>			
Loan receivable from SACTWU	38 717	76 631	76 631
Trade and other receivables	–	56 777	56 777
Trade and other payables	–	(57 712)	(57 712)
Provisions	–	(23 309)	(23 309)
<b>Net receivable from discontinued operations</b>	<b>38 717</b>	<b>52 387</b>	<b>52 387</b>
<b>Current assets – disclosure</b>			
Loan receivable from SACTWU	37 914	–	–
Trade and other receivables	56 777	–	–
Trade and other payables	(57 712)	–	–
Provisions	(23 309)	–	–
<b>Net receivable from discontinued operations</b>	<b>13 670</b>	<b>–</b>	<b>–</b>



## 36 NEW STANDARDS

At the date of authorisation of the carve-out historical financial information, the following Standards and Interpretations were in issue, but not yet effective:

Standard/Interpretation		Date issued by IASB (1)	Effective date
IFRS 10, IFRS 12 and IAS 27 amendment	<i>Investment Entities</i>	October 2012	1 January 2014
IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>	December 2011	1 January 2014
IAS 36	<i>Recoverable amount disclosures for Non-financial Assets</i>	May 2013	1 January 2014
IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>	June 2013	1 January 2014
IFRIC 21	<i>Levies</i>	May 2013	1 January 2014
IAS 19	<i>Defined Benefit Plans: Employee Contributions</i>	November 2013	1 July 2014
Amendments to 6 standards	<i>Improvements to IFRSs 2010-2012 Cycle</i>	December 2013	1 July 2014
Amendments to 4 standards	<i>Improvements to IFRSs 2011-2013 Cycle</i>	December 2013	1 July 2014
IFRS 14	<i>Regulatory Deferral Accounts</i>	January 2014	1 January 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	May 2012	1 January 2017

### Amendment Investment Entities (IFRS 10, IFRS 12 and IAS 27)

The amendments define an “investment entity” as an entity that:

- obtains funds from one or more investor for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group and Company does not fall under the above definition and therefore this forthcoming requirement has no impact on either the consolidated financials or standalone financials.

### Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

This will have no impact on the financials of Deneb.

### Recoverable Amount Disclosures for Non-financial Assets (Amendment to IAS 36)

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. The Group will adopt the amendments for the year ending 31 March 2015.

### Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity’s original documented hedging strategy.

The Group does not apply hedge accounting and therefore the forthcoming requirement has no impact on the financials.

### Levies (IFRIC 21)

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets.

### Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

The above amendment will not have any material impact on the Group’s results.

### Regulatory Deferral Accounts (IFRS 14)

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated, i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

### Revenue from Contracts with Customers (IFRS 15)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g. sales of property, plant and equipment or intangibles).

The Group will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 15 has not yet been estimated.

### 37 INTEREST IN SUBSIDIARY COMPANIES

#### Name of subsidiary companies

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

	Issued capital		
	2014	2013	2012
	R	R	R
Direct holdings			
Brits Automotive Systems Proprietary Limited	196	196	196
Frame Industrials Proprietary Limited	100	100	100
Gold Reef Speciality Chemicals Proprietary Limited	100	100	100
Nyenye Clothing Manufacturers Proprietary Limited	1 000	1 000	1 000
Val Hau et Cie Proprietary Limited*	10 000	10 000	10 000
Prima Toy and Leisure Group Proprietary Limited	823 290	823 290	823 290
Sardel Group Trading Proprietary Limited	2 500 050	2 500 050	2 500 050
Sardel Number 16 Proprietary Limited*	180 895	180 895	180 895
Sardel Number 17 Proprietary Limited*	100	100	100
Sardel Brand ID Proprietary Limited	1 000	1 000	1 000
Sartec Proprietary Limited	669 106	669 106	669 106
Sartec Trading Proprietary Limited	1 000	1 000	1 000
Custom Extrusion Proprietary Limited	100	–	–
Adjust for share incentive scheme	–	–	–
Ordinary shares at book value			
Preference shares at book value			
Shares at book value			
Amounts owing by subsidiary companies			
Sardel Group Trading Proprietary Limited			
Sartec Industries Proprietary Limited			
Other			

These loans are interest free and there are no fixed terms for repayment.

\* Dormant

	% Interest			Shares at book value		
	2014 %	2013 %	2012 %	2014 R	2013 R	2012 R
	100.0	100.0	100.0	1	1	1
	100.0	100.0	100.0	100	100	100
	100.0	100.0	100.0	100	100	100
	100.0	100.0	100.0	-	-	-
	100.0	100.0	100.0	-	-	-
	100.0	100.0	100.0	34 636 997	34 636 997	34 636 997
	100.0	100.0	100.0	728 076 850	728 076 850	728 076 850
	100.0	100.0	100.0	-	-	-
	100.0	100.0	100.0	-	-	-
	100.0	100.0	100.0	5 283	5 283	5 283
	100.0	100.0	100.0	85 358 581	85 358 581	85 358 581
	100.0	100.0	100.0	1 000	1 000	1 000
	100.0	-	-	4 871 986	-	-
	-	-	-	(21 304 432)	(13 247 081)	(12 101 867)
				831 646 466	834 831 831	835 977 045
				69 760 000	69 760 000	69 760 000
				901 406 466	904 591 831	905 737 045
				557 993 997	548 534 432	550 548 208
				554 665 287	678 666 856	680 680 632
				-	(127 995 190)	(127 995 190)
				3 328 710	(2 137 234)	(2 137 234)

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORTS ON THE AUDITED AND REVIEWED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF DENEb GROUP

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The Directors  
Deneb Investments Limited  
1 Moorsom Avenue  
Epping Industria II  
Cape Town  
7460

11 November 2014

Dear Sirs

### **Independent Reporting Accountant's report on the Report of Historical Financial Information of Deneb Investments Limited**

The definitions commencing on page 8 of this pre-listing statement apply *mutatis mutandis* to this report.

At your request, we present our Independent Reporting Accountant's report on the Report of Historical Financial Information of Deneb Investments Limited for the three years ended 31 March 2012, 2013 and 2014 ("Historical Financial Information"), for the purposes of complying with the Listings Requirements and for inclusion in the pre-listing statement dated on or about 21 November 2014 ("the Pre-listing Statement").

Our Independent Reporting Accountant's report on the report of Historical Financial Information comprises a review report in respect of the two years ended 31 March 2012 and 31 March 2013, and an audit report in respect of the year ended 31 March 2014.

KPMG Inc is the Independent Reporting Accountant in respect of the Historical Financial Information and the independent auditor of Deneb Investments Limited.

### **Responsibility of the directors**

The directors of Deneb Investments Limited are responsible for the compilation, contents and preparation of the Pre-listing Statement in accordance with the JSE Listings Requirements and the Companies Act of South Africa, No. 71 of 2008, as amended ("Companies Act"). The directors of Deneb Investments Limited are also responsible for preparing the Historical Financial Information in accordance with the requirements of the JSE Listings Requirements, as set out in the basis of preparation paragraph and included in **Annexure 1** to the Pre-listing Statement. The Directors of Deneb Investments Limited are responsible for such internal control as the directors determine is necessary to enable the preparation of the Pre-listing Statement and Historical Financial Information that are free from material misstatement, whether due to fraud or error.

### **Responsibility of the Independent Reporting Accountant**

Our responsibility is to express a review conclusion on the Historical Financial Information for the two years ended 31 March 2012 and 2013 and an audit opinion on the Historical Financial Information for the year ended 31 March 2014 based on work performed.

### **Historical Financial Information for each of the two years ended 31 March 2012 and 2013**

We have reviewed the Historical Financial Information for the two years ended 31 March 2012 and 2013 attached as **Annexure 1** to the Pre-listing Statement, prepared in accordance with the basis of preparation paragraph included in **Annexure 1** to the Pre-listing Statement.

### **Scope of our review**

We conducted our review of the Historical Financial Information for the years ended 31 March 2012 and 2013 in accordance with International Standard on Review Engagements ISRE 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Historical Financial Information for the years ended 31 March 2012 and 2013.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information for the two years ended 31 March 2012 and 2013 included in the Pre-listing Statement does not fairly present, in all material respects, the financial position of Deneb Investments Limited as at 31 March 2012 and 2013 in accordance with the JSE Listings Requirements and International Financial Reporting Standards, as set out in the basis of preparation paragraph included in **Annexure 1** to the Pre-listing Statement.

## **Historical Financial Information for the year ended 31 March 2014**

We have audited the Historical Financial Information for the year ended 31 March 2014 attached as **Annexure 1** to the Pre-listing Statement prepared in accordance with the JSE Listings Requirements, International Financial Reporting Standards and in the manner required by the Companies Act, as set out in the basis of preparation paragraph included in **Annexure 1** to the Pre-listing Statement.

## **Responsibility of the Independent Reporting Accountant for the audit**

Our responsibility is to express an opinion on the Historical Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence included was previously obtained by us in the conduct of our audit of the annual financial statements of Sear del Investment Corporation Limited from which the Historical Financial Information of Deneb Investments Limited for the year ended 31 March 2014 has been prepared.

## **Opinion**

In our opinion, the Historical Financial Information included in the Pre-listing Statement presents fairly, in all material respects, the financial position of Deneb Investments Limited at 31 March 2014 in accordance with the JSE Listings Requirements and International Financial Reporting Standards, as set out in the basis of preparation paragraph included in **Annexure 1** to the Pre-listing Statement.

KPMG Inc.  
Registered Auditor

Per PJ Conradie  
Chartered Accountant (SA)  
Registered Auditor  
Director

KPMG Inc  
MSC House  
1 Mediterranean Street  
Foreshore  
Cape Town  
8001

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## INDEPENDENT PROPERTY VALUERS' ABRIDGED VALUATION REPORT

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11 November 2014

The Directors  
 Seardel Group Trading Proprietary Limited  
 (wholly-owned subsidiary of Deneb Investments Limited)  
 1 Moorsom Avenue  
 Epping Industria II  
 Cape Town  
 7460

Dear Sirs

**Independent Valuer's report in respect of 20 (twenty) commercial / industrial properties together with 3 (three) residential units which provide staff accommodation and 1 (one) vacant erf, which properties collectively comprise "the property portfolio"**

In accordance with your instructions of 9 September 2014 and having valued and inspected all of the properties which are listed on the attached schedule ("the properties") on a regular basis in view of our ongoing provision of property valuation services with regard to these properties and after further revisiting all commercial and industrial properties within the last two months, we are in a position to provide you with our realistic and experienced opinion of the market value of your property portfolio on or about 31 October 2014.

### 1 INTRODUCTION

The valuation of the properties has been carried out by the Professional Associated Valuer from David Newham Property Management Co. Proprietary Limited, who has carefully considered all aspects of the properties. A separate comprehensive valuation report has been completed for each property complex or group of properties as is appropriate in each case, which reports have been provided to the management of Seardel Group Trading Proprietary Limited. The valuation reports include commentary on the nature of the properties, locality, tenancy and earning capability. The important aspects of these reports including the market value of all the properties has been summarised in the attached schedule.

### 2 BASIS OF VALUATION

The valuation is based on market value. Market value is the estimated amount for which a property should exchange hands on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing and assuming that the parties had each acted knowledgeably, prudently, and without compulsion.

### 3 VALUE CALCULATION

The calculation of the market value of the properties has been based on the capitalisation of income, save for the three minor residential "Staff" houses which were the basis of valuation was comparative sales. This is the fundamental basis on which the value of investment properties is calculated. Investment properties produce a perpetual income stream, and the capitalisation of such net revenue is an accurate means of determining the value. The calculations have been based on all leases being on a conventional basis in terms whereof the tenant/occupant in addition to basic rental is liable for the cost of services consumed, increases in rates and taxes and all related operating expenses. The landlord is responsible for initial rates and taxes and in the cases where there are multiple tenancies in a complex, the security costs thereof ("Convention Lease Terms"). Properties traded in the current market reflect a yield rate relationship between revenue and capital value. This rate is an accurate determinant of the capitalisation rate.

The remaining useful life and accordingly discounted cash flow potential of each property has also been considered as a check to ensure that the capitalised value is consistent with market norms and expectations.

The following being certain of the considerations applied in determining the capitalised value of the properties:

- 3.1 the forward cash flows of all contractual and non-contractual (expected) income from the properties;
- 3.2 the forward contractual and non-contractual (expected) expenditures, including appropriate provisions;
- 3.3 the vacancy profile of each property has been considered and an appropriate vacancy factor has been applied where same is warranted, such as 5% in respect of the New Germany Industrial Park complex, 8% in respect of the Jeppestown South property, where a vacant situation is anticipated, etc. No vacancy factor has been applied in respect of industrial properties which can normally be expected to be sought after/leased and occupied by a single trading entity;
- 3.4 market rental rates have been established by checking against various published indices and available properties in the open market. In our opinion there are no properties that are over-rented and there are furthermore no properties that cannot be re-rented at the same or higher rentals should such properties become vacant. Real growth in rentals is expected in keeping with prevailing market escalations and growth;

- 3.5 capitalising the net income stream for each of the properties at an appropriate rate;
- 3.6 no provisions for capital contingencies were deducted from the capitalised value, as none were deemed necessary at this point in time; and
- 3.7 the properties have been valued taking into account existing use. No alternative use has been considered, nor is deemed necessary to consider, due regard being had for the specific commercial and industrial nature of most of the properties.

#### 4 SPARE LAND

Two of the properties in the portfolio, namely The New Germany Industrial Park complex and Hextex Factory in Worcester have excess undeveloped land which has justified the addition of appropriate additional land value. Conservative amounts have been added, due regard being had for the non-income producing ability of such portions of land. There is furthermore one "pan handled" erf within a residential township which has no commercial value inasmuch as the current access and land configuration does not enable development and hence no value has been added for such property.

#### 5 BRIEF DESCRIPTION

The properties are all well constructed, well managed and subject to high levels of cost recovery. All escalation profiles within the portfolio are market related and at levels that ensure positive growth in the income generated by each property without the risk of creating an over-rented position.

#### 6 VALUATION QUALIFICATIONS

Qualifications are usually detailed as a consequence of: leases under negotiation that have not yet been formalised; leases of a large nature where the premises are difficult to re-let; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other exposure to maintain the lettability of the building; contingent expropriations or servitudes that may be enforced; poor lease terms whereby the lease may be disputed or rendered invalid.

We have, to the best of our knowledge, considered all of these aspects in the valuation of all the properties. There are no properties that are prejudiced in value by the influence of the above factors.

The Valuer is, however, not responsible for the competent daily management of these properties that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

#### 7 OPTIONS OR BENEFIT / DETRIMENT OF CONTRACTUAL ARRANGEMENTS

In the Valuer's opinion no valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the property or where there may be a benefit in options held. There are no options held by any outside party. In the case of "Group" Occupied properties, the "evergreen" lease documentation which is in place between internal divisions reflects the Landlord and the Lessee both as Searde Group Trading Proprietary Limited. Certain of these leases have been ceded to "Related Party" companies and hence in keeping with standard valuation practice market related rentals have been applied in all instances in order to determine the fair and appropriate market value of the properties. By way of further background we have been advised that it is the intention for concessions to internal divisions to pay below market rentals to be phased out over the next three years.

#### 8 RELATED PARTY LEASES

Having and inspected all the tenant schedules, the following related party leases are recorded:

##### 1 Properties owned and/or occupied by Searde Group Trading Proprietary Limited:

- 1.1 Remainder Portion 43 of the Farm Melk Post No 4, Atlantis;
- 1.2 Remainder Erf 19399 Goodwood, Elsies River;
- 1.3 Remainder Erf 117132 Epping Industria II;
- 1.4 Erf 101470 Epping Industria II;
- 1.5 Erven 485 and 486 Moberi, KwaZulu-Natal;
- 1.6 Portion of Erf 254 & Five adjoining Erven New Germany, KwaZulu-Natal;
- 1.7 Erf 20358 Paarl;
- 1.8 Erf 8980 Worcester; and
- 1.9 Erf 27412 Cape Town at Observatory.

##### 2 Properties leased to and/or occupied by Related Parties:

##### 2.1 Erf 32504 Epping Industria I – Prima Toy and Leisure Trading Proprietary Limited

Conventional lease terms applying with rental determined annually; Evergreen lease in terms whereof a minimum three months' notice can only be given by the tenant to terminate the agreement of lease, on the ensuing 31 March of the following year. Current monthly rental is R295 768 per month excluding VAT.

## 2.2 **Portion of Erf 27412 Observatory at Cape Town – Seartec Trading Proprietary Limited**

Conventional Lease Terms applying with rental determined annually; Evergreen lease in terms whereof a minimum three months' notice can only be given by the tenant to terminate the agreement of lease, on the ensuing 31 March of the following year. Monthly rental is R106 825 per month excluding VAT with effect from 1 December 2014.

## 2.3 **Portion of Erf 254 & Five adjoining Erven New Germany, KZN – Brits Automotive Systems Proprietary Limited**

Conventional Lease Terms applying with rental determined annually; Evergreen lease in terms whereof a minimum three months' notice can only be given by the tenant to terminate the agreement of lease, on the ensuing 31 March of the following year. Current monthly rental is R330 680 per month excluding VAT.

## 2.4 **Portion of Erf 254 & Five adjoining Erven New Germany, KZN – Integrated Polypropylene Products Proprietary Limited**

Conventional Lease Terms applying with rental determined annually; Evergreen lease in terms whereof a minimum three months' notice can only be given by the tenant to terminate the agreement of lease, on the ensuing 31 March of the following year. Current monthly rental is R173 851 per month excluding VAT.

## 2.5 **Portion of Erf 254 & Five adjoining Erven New Germany, KZN – First Factory Stores Proprietary Limited**

Conventional Lease Terms applying with rental determined annually; Evergreen lease in terms whereof a minimum three months' notice can only be given by the tenant to terminate the agreement of lease, on the ensuing 31 March of the following year. Current monthly rental is R27 072 per month excluding VAT.

## 2.6 **Portion of Erf 101470 Epping Industria II – Brand ID Ignite Proprietary Limited**

Conventional Lease Terms applying with rental determined annually; Evergreen lease in terms whereof a minimum three months' notice can only be given by the tenant to terminate the agreement of lease, on the ensuing 31 March of the following year. Current monthly rental is R103 338 per month excluding VAT.

## **9 CURRENT STATE OF DEVELOPMENT**

All properties are developed and capable of accommodating tenants and producing income, save for Erf 27412 Cape Town at Observatory, which is a multi-storey building currently in an advanced stage of redevelopment and being converted from a complex of a general industrial nature to one of a retail/commercial nature. The cost of development is estimated at R61 million and the necessary planning consent for the redevelopment was obtained on 1 August 2014. The project is currently approximately 50% complete. The market value of the property in its existing state at the day of valuation was R60 million. Completion is being targeted for March 2015. The projected market value on completion on a fully let basis is R87 million and with current pre-letting being at approximately 60% no major variation to this projected valuation is foreseen.

No other properties are currently held for future development.

## **10 PENDING SALE**

We have been advised that a Deed of Sale has been concluded for the sale of Erf 62852 Cape Town at Lansdowne together with improvements thereon for the market value as indicated on the attached schedule.

## **11 EXTERNAL PROPERTY**

There are no external properties outside the Republic of South Africa.

## **12 OTHER GENERAL MATTERS AND VALUATION SUMMARY**

A full detailed valuation report has been completed in respect of each commercial and industrial complex comprehensively dealing with legal description, improvements, tenancy/ies, town planning data, projected income, expenditure and other details together with appropriate comments where necessary. These have been given to the Directors of Searde Group Trading Proprietary Limited.

## **13 OTHER COMMENTS**

To the best of our knowledge there are no contractual arrangements on the properties other than; the development of Erf 27412 Observatory, the leases as detailed in the valuation reports, contracts relating to management, security, insurance and/or general building maintenance that have a major benefit or are detrimental to the fundamental value of the properties. Our valuation excludes any amounts of Value-added Tax, transfer duty, or duty on shares in the event of a company transaction.

## **14 CAVEATS**

### **14.1 Source of information and verification**

Information on the property regarding rental, incomes, recoveries, turnovers and other income detail has been provided to us by the current Owners and verified by us to the underlying lease agreements, which data has been duly considered in comparison to prevailing market rental rates. We have further compared expenditure details provided and had regard for market norms. Regular use is made of property sales data such as that provided by Windeed and Rental Income for example as reflected in Rode Reports. David Newham Property Management Company Proprietary Limited furthermore have a substantial data base of information from its Managed Property Portfolio, which whilst confidential, nevertheless provides pertinent information for verification purposes.



#### 14.2 Full disclosure

This valuation has been prepared on the basis that full disclosures of all information and factors that may affect the valuation have been made to us. We have to the best of our ability researched the market as well as taken all reasonable steps to check income against rent rolls and expenditure against historical expense invoices. These were compared to the market to accurately represent the applicable property's income capability.

#### 14.3 Leases

Our valuation reports have been based on a high level summary of actual tenant income where independent leases exist. In the case of Group Occupied premises, the accent has been the application of market related rentals.

#### 14.4 Lessee's credibility

In arriving at our valuation, cognisance has been taken of tenant security and rating. In some cases this has influenced the capitalisation rate by way of risk consideration.

#### 14.5 Mortgage bonds, loans, etc.

The properties have been valued as if wholly-owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans and other charges. No deductions have been made in our valuation for costs associated with acquisition. The valuation is detailed in a completed state and no deductions have been made for retention or any other set-off or deduction associated with purchase.

#### 14.6 Calculation of areas

All areas quoted within the detailed valuation reports have been verified from available plans, as well as our own on-site measurements. The reported square meterage having been sufficiently checked to ensure a fair reflection of sizes.

#### 14.7 Structural condition

The properties have been valued in their existing state. We have not carried out any structural surveys nor inspected those areas that are unexposed or inaccessible, nor arranged for the testing of any electrical or other services.

#### 14.8 Town planning

Town planning details and title deed data, including building conditions and restrictions, have been supplied in the detailed valuation reports. The properties have been checked against such documentation to ensure that they comply with town planning regulations. There do not appear to be any infringements of local authority regulations and/or deeds by any of the properties.

The valuations have further assumed that any improvements, if applicable, have been erected in accordance with the relevant Building and Town Planning Regulations. On inspection it would appear that the improvements are in accordance with the relevant town planning regulations.

### 15 SCHEDULE OF RENTAL AND FUTURE INCOME

The attached schedule includes detail of the levels of gross rental applied per square meter in the various valuation reports. All rentals applied are anticipated to escalate in keeping with prevailing / future market conditions.

### 16 MARKET VALUE

We are of the opinion that the market value of the Property Portfolio is R1 057 million as at 30 September 2014, being the value the Property Portfolio transferred to Deneb Investments Limited in terms of the internal restructuring agreement.

We trust that we have carried out all instructions to your satisfaction and thank you for the opportunity of undertaking this valuation on your behalf.

Assuring you of our best services at all times.

Yours faithfully

**David Newham Property Management Co. Proprietary Limited**

**A C (Tony) Freedman**

Professional Associated Valuer

Registered in terms of the Property Valuer's Professional Act. No, 47 of 2000

(Registration No.434/9)

First Floor

255 Durban Road

Bellville

7530

## INFORMATION RELATING TO THE PROPERTY PORTFOLIO

Summarised property values at 30 September 2014 are as follows:

Property name	Physical address	Property description and use	Freehold/leasehold	Registered legal description
Brits Automotive	Corner John van Niekerk Street & Charel Uys Drive, Atlantis	Industrial factory complex	Freehold	Portion 43 of the Farm Melk Post No. 4 Atlantis
RHT Elsie's River	Off Epping Avenue, Elsie's River	Industrial factory complex	Freehold	Remainder Erf 19339 Goodwood
Prima Toys	Corner Gunners Circle & Grenville Avenue, Epping Industria 1	Industrial factory complex	Freehold	Erf 32504 Cape Town at Epping
Moorsom Avenue, Epping	1 Moorsom Avenue, Corner Bofors Circle, Epping Industria II	Industrial manufacturing complex	Freehold	Remainder Erf 117132 Cape Town at Epping
Nourse Avenue, Epping	Corner Bofors Circle & Nourse Avenue, Epping Industria II	Industrial manufacturing complex	Freehold	Erf 101470 Cape Town at Epping
Induland Manufacturing Complex	15 Induland Avenue, Nerissa Industrial Estate, Lansdowne	Industrial building	Freehold	Erf 62840 Cape Town at Lansdowne
Induland Manufacturing Complex	20 Induland Crescent, Nerissa Industrial Estate, Lansdowne	Industrial building	Freehold	Erf 62852 Cape Town at Lansdowne
Induland Manufacturing Complex	22 -24 Induland Crescent, Nerissa Industrial Estate, Lansdowne	Industrial building	Freehold	Erf 63187 Cape Town at Lansdowne
Induland Manufacturing Complex	26 Induland Crescent, Nerissa Industrial Estate, Lansdowne	Industrial building	Freehold	Erf 62835 Cape Town at Lansdowne
Induland Manufacturing Complex	28 Induland Crescent, Nerissa Industrial Estate, Lansdowne	Industrial building	Freehold	Erf 62836 Cape Town at Lansdowne
Sharp Building, Jeppestown South	2 – 10 Berg Street, Off Wolhuter & Stone Streets, Jeppestown / Jeppestown South, Johannesburg	Secondary business complex	Freehold	Erven 1177 & 1178 Jeppestown together with Lots (Erven) 1 – 16 Jeppestown South, Johannesburg
195 Leicester Road, Mobeni	195 Leicester Road, Mobeni, KwaZulu-Natal	Industrial manufacturing building	Freehold	Erf 472 Mobeni
29 Grimsby Road, Mobeni	29 Grimsby Road, Off Leicester Road, Mobeni	Industrial building	Freehold	Erf 3626 Mobeni
40 Leicester Road, Mobeni	40 – 48 Leicester Road, Mobeni	Industrial warehouse	Freehold	Erven 434 & 470 Mobeni
RHT Complex, Nottingham Place, Mobeni	Off Nottingham Place, Mobeni	Industrial building	Freehold	Erven 485 & 486 Mobeni
Mobeni Industrial Park	Off Warrington Road, Mobeni, KwaZulu-Natal	Two industrial warehouse complexes	Freehold	Erven 501, 488, 2198 & 2622 Mobeni
New Germany Industrial Park	Off Escom Road with frontage on Blasé, Chelsea & Valley View Roads, New Germany, KwaZulu-Natal	Industrial park	Freehold	Remainder Erf 254 & Five Adjoining Erven, New Germany
Deneb House, Observatory	364 – 368 Main Road, Corner Browning Road, Observatory	Retail/Commercial	Freehold	Erf 27412 Cape Town at Observatory
Berg River Textiles, Paarl	Off Driebergen Street, Daljosafat Industrial Area. Paarl	Industrial manufacturing complex	Freehold	Erf 20358 Paarl
Hextex, Worcester	Off Raymond Pollet Drive, Worcester	Manufacturing complex	Freehold	Erf 8980 Worcester
Frame Staff Houses	New Germany KZN	Three residential dwellings	Freehold	23 Harborth Rd 13A Kings Rd 7 Bertha Frame

### Note:

- (1) The valuations as summarised above have been completed by A C Freedman of David Newham Property Management Co. Proprietary Limited, a Professional Associated Valuer registered in terms of the Property Valuers Profession Act, No. 47 of 2000, No. 434/9 and have been approved by the JSE as Independent Registered Valuer in terms of Section 13 of the Listings Requirements.
- (2) Erf 323 New Germany Extension 3 has been excluded as same has no commercial value due to lack of access.

Land area m <sup>2</sup>	GLA m <sup>2</sup>	Weighted average gross rental per m <sup>2</sup> applied for the GLA (Rand)	Unexpired term of lease	Approximate age of building (Years)	Projected Net property income for the 12 month period ended 31 March 2015 R'000	Market value attributed by the Independent Property Valuer R'000
18 927	10 214	21	5 months	30	2 194	16 252
21 154	15 304	22	5 months	50	3 321	28 882
17 797	12 332	24	5 months	50	2 837	24 671
17 925	17 572	24	2 months	50	4 367	44 800
11 583	7 644	31	5 months	50	2 394	25 200
5 052	4 672	28	2 months	40	1 270	14 111
6 518	4 518	29	Vacant	40	1 335	15 000
4 946	3 310	26	46 months	40	791	8 800
3 098	2 103	32	50 months	40	637	7 073
4 167	2 921	27	55 months	40	703	7 809
8 767	9 899	23	Vacant	50	1 669	14 500
14 167	14 216	23	53 months	50	2 964	31 195
8 701	12 819	16	53 months	50	1 651	15 006
16 185	11 598	43	77 months	Recently Redeveloped	4 939	52 000
19 989	41 954	18	5 months	50	7 210	49 725
47 845	31 459	44	Various 43 - 44 months	Recently redeveloped	13 092	131 000
274 347	157 825	35	Various 5 - 81 months	Recently redeveloped	49 537	453 000
4 329	11 733	73	Various 5 - 69 months	Under redevelopment	7 836	60 000
29 020	16 591	20	5 months	50	3 484	24 885
402 926	40 221	11	5 months	50	4 417	31 460
N/A	N/A	N/A	5 months	45	N/A	1 855
						1 057 224

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## RELEVANT PROVISIONS FROM THE MEMORANDUM OF INCORPORATION OF DENEBO

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This **Annexure 4** contains extracts of various provisions from the memorandums of incorporation (“MOI”) of Deneb and Deneb Operations, as required under the JSE Listings Requirements.

For a full appreciation of the provisions of the memorandums of incorporation, Shareholders are referred to the full text of the memorandums of incorporation, which are available for inspection, as provided for in paragraph 13.10 of the Pre-listing Statement.

### 1 ELECTION OF DIRECTORS, ALTERNATE DIRECTORS AND CASUAL VACANCIES

The minimum number of Directors shall be 4 (four) and the maximum 20 (twenty). Any failure by the Company at any time to have the minimum number of Directors, does not limit or negate the authority of the Board, or invalidate anything done by the Board or the Company.

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.

The non-executive Directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election provided that:

- if more than one of them were elected non-executive Directors on the same day, those to retire shall be determined by lot unless those non-executive Directors agree otherwise between themselves; and
- if at any Annual General Meeting any non-executive Director will have held office for 3 (three) years since their election, such non-executive Director shall also retire at such Annual General Meeting.

Notwithstanding anything herein contained, if, at the date of any Annual General Meeting any Director or Alternate 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, either as one of the Directors to retire in pursuance of the foregoing or additionally thereto.

The length of time a Director has been in office shall be computed from the date of his/her last election.

A retiring Director shall act as a Director throughout the Meeting at which he/she retires. Retiring Directors, or any other Director whose term of office has or will expire, shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated his/her office.

No Person other than a Director retiring at the Meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any Annual General Meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the Meeting, there shall have been given to the Secretary notice in writing by some Holder duly qualified to be present and vote at the Meeting for which such notice is given of the intention of such Holder to propose such Person for election and also notice in Writing signed by the Person to be proposed of his/her willingness to be elected.

If at any Annual General Meeting, the place of any retiring Director is not filled, he/she shall, if willing, continue in office until the dissolution of the Annual General Meeting in the next year, and so on from year to year until his/her place is filled, unless it shall be determined at such Meeting not to fill such vacancy.

Each of the Directors and the Alternate Directors shall be elected (which in the case of a vacancy arising shall take place at the next Annual General Meeting). Life Directorships and Directorships for an indefinite period are not permitted.

An Alternate Director shall serve in the place of 1 (one) or more Director(s) named in the resolution electing him/her during the Director's(s') absence or inability to act as Director(s). If a Person is an Alternate Director to more than 1 (one) Director or if an Alternate Director is also a Director, he/she shall have a separate vote, on behalf of each Director he/she is representing in addition to his/her own vote, if any.

There are no general qualifications prescribed by the Company for a Person to serve as a Director or an Alternate Director in addition to the requirements of the Companies Act. The Board must make recommendations to the Holders regarding the eligibility of Persons nominated for election as Directors, taking into account their past performance and contribution, if applicable. A brief curriculum vitae of each Person standing for election or re-election as a Director at a Meeting or the Annual General Meeting, must accompany the Notice of the Meeting.

No Director shall be entitled to appoint any person as an Alternate Director to himself/herself.

In any election of Directors and Alternate Directors, the election is to be conducted as follows:

- a series of votes of those entitled to exercise votes regarding such election, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board at that time have been filled; and
- in each vote to fill a vacancy:
  - each Voting Right entitled to be exercised may be exercised once; and
  - the vacancy is filled only if a majority of the Voting Rights exercised support the candidate.

No Person shall be elected as a Director or Alternate Director, if he/she is Ineligible or Disqualified and any such election shall be a nullity. A Person who is Ineligible or Disqualified must not consent to be elected as a Director or Alternate Director nor act as a Director or Alternate Director. A Person placed under probation by a court must not serve as a Director or an Alternate Director unless the order of court so permits.

No election of a Director shall take effect until he/she has delivered to the Company a written consent to serve.

Any casual vacancy occurring on the Board may be filled by the Board, but so that the total number of the Directors shall not at any time exceed the maximum number fixed, if any, but the Individual so appointed shall cease to hold office at the termination of the first Shareholders' Meeting to be held after the appointment of such Individual as a Director unless he/she is elected at such Shareholders' Meeting.

Should the number of Directors fall below the minimum number fixed by or pursuant to this MOI as the minimum, the remaining Directors must, as soon as reasonably possible but in any event no later than 3 (three) months from the date that the number of Directors in office falls below the minimum number, fill the vacancy(ies) in question or call a Shareholders' Meeting for the purpose of filling such vacancy(ies).

The continuing Directors (or sole continuing Director) may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to this MOI as the minimum, and where the 3 (three) month period has expired, the continuing Directors or Director may act only for the purpose of summoning a Shareholders' Meeting for filling vacancies.

If there is no Director able and willing to act, then any Holder entitled to exercise Voting Rights in the election of a Director may convene a Shareholders' Meeting for the purpose of appointing Directors.

## **2 REMUNERATION OF DIRECTORS AND ALTERNATE DIRECTORS AND MEMBERS OF BOARD COMMITTEES**

The Directors or Alternate Directors or members of Board committees shall be entitled to such remuneration for their services as Directors or Alternate Directors or members of Board committees as may have been determined from time to time by Special Resolution within the previous 2 (two) years. In addition, the Directors and Alternate Directors shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the Directors and Holders, and the members of the Board committees shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the members of the Board committees as determined by a disinterested quorum of Directors. The Company may pay or grant any type of remuneration contemplated in section 30(6)(b) to (g) of the Companies Act to any executive Directors.

A Director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a subsidiary of, the Company and in that event, his/her appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.

## **3 GENERAL POWERS AND DUTIES OF DIRECTORS**

The business and affairs of the Company shall be managed by or under the direction of the Board, which has the authority to exercise all of the powers and perform any of the functions of the Company, except to the extent that the Companies Act or this MOI provides otherwise.

Without limiting the generality of the foregoing, the Directors may, from time to time, at their discretion, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company.

The Board must appoint a Chief Executive Officer and an Executive Financial Director. The Board may from time to time appoint one or more of the Directors to the office of managing director or manager for such period and at such remuneration (whether by way of salary or commission, or participation in profits or partly in one way and partly in another) and generally on such terms they may think fit, and it may be made a term of his/her appointment that he/she be paid a pension, gratuity or other benefit on his/her retirement from office.

The Board may from time to time entrust to and confer upon a managing director or manager for the time being such of the powers vested in the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and upon such terms and with such restrictions as they may think expedient; and they may confer such

powers either collaterally or to the exclusion of, and in substitution for, all or any of the powers of the Directors, and may from time to time revoke or vary all or any of such powers. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the Directors and after powers have been conferred upon him/her by the Board in terms hereof he/she shall be deemed to derive such powers directly from this clause.

#### **4 BOARD COMMITTEES**

The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. The Directors must appoint a remuneration committee and, if required by the Companies Act or the Regulations, given the nature of the business and composition of the Board, a risk committee, a social and ethics committee and a nominations committee. The members of such committees (other than the nominations committee), may include Persons who are not Directors as long as they are not Ineligible or Disqualified to be Directors, but such Persons shall not be able to vote.

No Person shall be appointed as a member of a Board committee, if he/she is Ineligible or Disqualified and any such appointment shall be a nullity. A Person who is Ineligible or Disqualified must not consent to be appointed as a member of a Board committee nor act as such a member. A Person placed under probation by a court must not serve as a member of a Board committee unless the order of court so permits.

There are no general qualifications prescribed by the Company for a Person to serve as a member of a Board committee in addition to the requirements of the Companies Act.

Committees of the Board may consult with or receive advice from any person. Meetings and other proceedings of a committee of the Board consisting of more than 1 (one) member shall be governed by the provisions of this MOI regulating the meetings and proceedings of Directors.

#### **5 PROCEEDINGS OF DIRECTORS**

A Director authorised by the Board:

- may, at any time, summon a meeting of the Directors; and
- must call a meeting of the Directors if required to do so by at least 2 (two) Directors.

The Directors may determine what period of notice shall be given of meetings of Directors and may determine the means of giving such notice which may include telephone, telefax or Electronic Communication. It shall be necessary to give notice of a meeting of Directors to all Directors, even those for the time being absent from South Africa.

If all of the Directors:

- acknowledge actual receipt of the notice;
- are present at a meeting of the Directors; or
- waive notice of the meeting,

the meeting may proceed even if the Company failed to give the required notice of that meeting, or there was a defect in the giving of the notice.

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit.

Unless otherwise resolved by the Directors, all their meetings shall be held in the city or town where the Company's Registered Office is for the time being situated. A meeting of Directors may be conducted by Electronic Communication and/or one or more Directors may participate in a meeting of Directors by Electronic Communication so long as the Electronic Communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with one another without an intermediary, and to participate effectively in the meeting.

The quorum for a Directors' meeting shall be 2 (two) Directors.

The Directors may elect a chairperson, deputy chairperson and/or any vice chairperson and determine the period for which they, respectively, shall hold office. If no chairperson is elected, or if at any meeting the chairperson is not present within 15 (fifteen) minutes after the time appointed for holding it, the Directors present may choose one of their number to be chairperson of the meeting.

Each Director has 1 (one) vote on a matter before the Board and a majority of the votes cast on a resolution is sufficient to approve that resolution.

In the case of a tied vote the chairperson may not cast a deciding vote even if the chairperson did not initially have or cast a vote and the matter being voted on fails.

The Company must keep minutes of the meetings of the Board, and any of its committees, and include in the minutes:

- any declaration given by notice or made by a Director in relation to that Director's personal financial interest in a matter; and
- every resolution adopted by the Board.

Resolutions adopted by the Board:

- must be dated and sequentially numbered; and
- are effective as of the date of the resolution, unless the resolution states otherwise.

Any minutes of a meeting, or a resolution, signed by the chair of the meeting, or by the chair of the next meeting of the Board, are/is evidence of the proceedings of that meeting, or adoption of that resolution, as the case may be.

A written resolution of Directors, inserted into the minute book, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted, provided that each Director who is able to receive notice, has received notice of the matter to be decided upon, and has confirmed to the Secretary or the chairperson that they have actually received such notice.

A written resolution means a resolution passed other than at a meeting of Directors, in respect of which at least 3/4 (three-quarters) of the total number of Directors in office at the time (which must include all executive Directors and the chairperson in office at the time) voted in favour by signing in writing a resolution in counterparts, within 20 (twenty) Business Days after the resolution was submitted to them. Such a written resolution may consist of several documents and shall be deemed to have been passed on the date upon which it was signed or executed by the last Director required to sign or execute it. One or more Alternate Directors shall be entitled to sign a written resolution if one or more Directors are not able to sign or timeously return a signed copy of the resolution, and without his/her vote/s the requisite majority cannot be achieved. Where a resolution states a date as being the date of its signature by any Director, that document shall be *prima facie* evidence that it was signed or executed by that Director on that date."

## 6 PRE-EMPTION ON ISSUE OF EQUITY SECURITIES

The term "Equity Security" shall mean an Ordinary Share of the Company and other Securities which confer Voting Rights on the Holders thereof.

Equity Securities of a particular class in the Company which are authorised but unissued and which are intended to be issued for cash, shall be offered to the existing Holders of that class of Securities by way of a rights offer pro rata to their holding in that class of Securities immediately before the offer was made, with a reasonable time (as determined by the Board) allowed to subscribe for such Securities. All allocations of Equity Securities will be rounded up or down based on standard rounding convention in accordance with the Listings Requirements. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the Person to whom the offer is made that such Person declines to accept the Securities offered, the Board may issue such Securities in such manner as it thinks most beneficial to the Company.

The Board shall have the power to issue Equity Securities where:

- the Securities of the Company are no longer listed on the JSE and the Securities of the Company's Holding Company are not listed on the JSE;
- Shares are to be issued to or in terms of a share incentive scheme that has been approved by Holders;
- the issue of Shares has been approved;
- a capitalisation issue, an issue for an acquisition of assets (including another company) or an issue for the purposes of an Amalgamation or Merger, is to be undertaken; and
- Equity Securities are to be specifically issued in terms of an option or Conversion rights.

Notwithstanding anything to the contrary contained in this MOI, the Company may exclude from any Rights Offer any Holder or category of Holders:

- in accordance with section 99(7) of the Companies Act and the Listings Requirements (to the extent applicable); or
- if the Company is precluded by any law or regulatory requirement (including but not limited to anti-money laundering legislation) from extending such Rights Offer to such Holder or category of Holders.

## 7 CONSENTS NECESSARY FOR VARIATION OF RIGHTS ATTACHED TO SECURITIES

Preferences, rights, limitations or other terms of any class of Shares of the Company may not be varied, and no resolution may be proposed to holders for rights to include such variation in response to any objectively ascertainable external fact or facts provided for in section 37(6) of the Companies Act. The MOI does not provide for any preferential conversion and/or exchange rights of any securities.

## 8 UNISSUED SHARES OF THE COMPANY

The Board does not have the power to issue authorised securities without the prior approval contemplated in terms of the Companies Act or the JSE Listings Requirements.

## 9 DISTRIBUTIONS

The Company may make Distributions from time to time, provided that:

- any such Distribution:
  - is payable to Shareholders registered as such at a date subsequent to the date of declaration or date of confirmation of the Distribution, whichever is the later; and
  - is pursuant to an existing legal obligation of the Company, or a court order; or
  - has been authorised by the Board, by resolution, provided that where the Listings requirements require the approval of Holders in addition to such authorisation by the Board, the Distribution shall only be made if such approval of Holders is obtained at a Shareholders Meeting;
- it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution;
- the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution;
- no obligation is imposed, if it is a distribution of capital, that the Company is entitled to call such capital up in the future;
- it must, before incurring any debt or other obligation for the benefit of any Holders; and
- it must complete any such Distribution fully within 120 (one hundred and twenty) Business Days after acknowledgement of the application of the Solvency and Liquidity Test, failing which, it must again comply with the foregoing.

No notice of change of address or instructions as to payment given after the determination of a dividend or other Distribution by the Company, shall become effective until after the dividend or other Distribution has been made, unless the Board so determines at the time the dividend or other Distribution is approved.

All unclaimed monies due to the Holders shall be held in trust indefinitely until lawfully claimed, provided that any such monies remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the Directors for the benefit of the Company.

The Company shall be entitled at any time to delegate its obligations in respect of unclaimed dividends or other unclaimed Distributions, to any one of the Company's bankers from time to time.

Notwithstanding any other provision of the MOI, if:

- the Directors or the Company in general meeting, as the case may be, declare a dividend or resolve to make any other Distribution to Shareholders in their capacity as such (whether or not Shareholders are offered Shares in terms of a capitalisation issue in lieu of such dividend or Distribution); and
- any Shareholder ("Applicable Shareholder") would be entitled to an aggregate dividend or aggregate Distribution ("Applicable Shareholder's dividend or distribution") of R30.00 or less in respect of all the Certificated Shares held by the Applicable Shareholder on the record date as stated in the dividend declaration,

the Directors shall have the power to direct that each Applicable Shareholder shall (unless he/she delivers a written request to the contrary to the transfer office prior to the payment date as stated in the dividend declaration) irrevocably and unconditionally forfeit the entitlement to the applicable Shareholder's dividend or Distribution on the basis that an amount equal to the aggregate of the Applicable Shareholder's dividend or Distribution of each Applicable Shareholder shall vest in a charity nominated from time to time by the Directors.

All dividends or other entitlements payable to Shareholders who hold Shares in Certificated form or who have not complied with the requirements to effect payments electronically will not be paid by way of a cheque, unless otherwise requested in writing, and such dividends and/or entitlements will be suppressed and retained by the Company in the Company's unclaimed dividend or Distribution (entitlement) account, whereafter the dividends and/or entitlements may be claimed by the Shareholder by submitting a written claim to the Company in the form prescribed by the Directors from time to time.



## 10 VOTING RIGHTS OF SHAREHOLDERS

Every resolution of Shareholders is either an ordinary resolution or a special resolution. An ordinary resolution, save to the extent expressly provided in respect of a particular matter contemplated in this MOI, shall require to be adopted with the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution. A special resolution shall require to be adopted with the support of not less than 75% (seventy five per cent) of the voting rights exercised on the resolution. For so long as the Company is listed on the JSE, if any of the Listings Requirements require an ordinary resolution to be passed with a 75% (seventy five per cent) majority, the resolution shall instead be required to be passed by a special resolution.

Subject to any restrictions attaching to any class or classes of securities which are not ordinary Shares (as no voting restrictions shall be permitted as regards ordinary Shares and no special rights or privileges shall attach to other securities):

- on a show of hands a person entitled to vote present at the meeting shall have only 1 (one) vote, irrespective of the number of securities she/he/it holds or represents (a proxy shall irrespective of the number of holders of securities entitled to vote she/he/it represents have only 1 (one) vote on a show of hands); and
- on a poll every person entitled to vote who is present at the meeting shall have the number of votes determined in accordance with the voting rights associated with the securities in question.

The total voting rights of the holders of all securities, other than ordinary shares and any special shares created for the purposes of Black Economic Empowerment, may never be more than 24.99% (twenty four point nine nine per cent) of the total voting rights of all persons entitled to vote at such a meeting.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register.

At any Shareholders' Meeting a resolution put to the vote shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll shall be demanded by:

- the chairperson;
- not less than 5 (five) persons having the right to vote on that matter; or
- a person/s entitled to exercise not less than 10% (ten per cent) of the total voting rights entitled to vote on that matter,

and, unless a poll is so demanded, a declaration by the chairperson that a resolution has, on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, such resolution. No objection shall be raised as to the admissibility of any vote except at the Shareholders Meeting or adjourned Shareholders Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such Shareholders Meeting shall be valid for all purposes. Any such objection shall be referred to the chairperson of the Shareholders Meeting, whose decision shall be final and conclusive.

## KING III CODE AND CORPORATE GOVERNANCE

The corporate governance disclosures set out below in this annexure is a verbatim copy of the corporate governance statement available on the Company's website: [www.deneb.co.za/images/downloads/Governance\\_Corporate-Governance](http://www.deneb.co.za/images/downloads/Governance_Corporate-Governance)

### Corporate governance statement

The Deneb Group's Directors, officers and senior management remain committed to the highest level of corporate governance and endorse the Code of Corporate Practices and Conduct as enshrined in the King Report on Corporate Governance for South Africa 2009. Sound corporate governance structures are viewed as pivotal to delivering on the Deneb Group's sustainability objectives.

### APPLICATION OF KING III

The JSE Limited Listings Requirements made adherence to selected King III requirements compulsory. The Directors assess the Group's compliance to the recommendations of King III and confirmed that, except where indicated, the Group complies with all material aspects of these corporate governance principles. With reference to the remainder of the King III requirements, where the Directors' assessment has indicated that certain practices are not in the best interest of Deneb, we explain the reasons for our alternative approach as follows:

Principle 2.16 recommends that the board should elect a chairman who is an independent non-executive director. The board has appointed a non-executive chairman and, in terms of the definition provided, he is not regarded as independent. The board is of the opinion that the experience and specialist knowledge of the environment in which Deneb operates makes it appropriate for him to hold this position. The board has appointed Mr M Ahmed as lead independent non-executive director.

Principle 2.18 recommends that the majority of non-executive directors should be independent. As at the Last Practicable the majority of the non-executive directors were not independent.

Principle 2.26 recommends that the remuneration of each individual director and the three most highly paid employees who are not directors in the company be disclosed. The remuneration report will disclose the remuneration of the three most highly paid employees, however the names of the employees who are not directors have not been disclosed as the board is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

Principle 4.6 recommends that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. It is the view of the risk committee that the existing governance principles and levels of risk tolerance embedded within the Group provide sufficient coverage of the risks associated with the probability of anticipated unpredictable risks.

Principles 4.9 and 9.3 recommend that the effectiveness of the risk management process and sustainable reporting and disclosure should be independently assured. 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. The extent of the independent assurance received is deemed to be sufficient.

### Adherence to King III Principles Checklist

Number	Principle	Level of compliance	Comments
<b>1 ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>			
1.1	Effective leadership based on an ethical foundation	✓	The company has clearly defined values which all employees are expected to abide by. The board promotes an ethical environment of fairness and transparency.
1.2	Responsible corporate citizen	✓	The board ensures that the company manages its affairs responsibly and abide by the laws of the countries in which it operate.
1.3	Effective management of Group's ethics	✓	The company's values are contained in its Code of Conduct and Ethics. The Social and Ethics committee is the custodian of the Code and monitors its adherence thereto.

Number	Principle	Level of compliance	Comments
<b>2</b>	<b>BOARDS AND DIRECTORS</b>		
2.1	The board is the focal point for and custodian of corporate governance	✓	The board has a charter setting out its role, powers and responsibilities and as a whole takes responsibility for adherence to its corporate governance principles.
2.2	Strategy, risk, performance and sustainability are inseparable	✓	Strategy, risk, performance and sustainability are considered collectively by the Board in decision making process.
2.3	The board should provide effective leadership based on an ethical foundation	✓	All deliberations, decision and actions of the company are based on sound ethical values which are evidenced throughout the company.
2.4	The board should ensure that the Group is and is seen to be a responsible corporate citizen	✓	The board continuously monitors the effect any decision implemented would have on sustainability and the company's reputation.
2.5	The board should ensure that the Group's ethics are managed effectively	✓	The social and ethics committee monitors the company's ethical performance.
2.6	The board should ensure that the Group has an effective and independent audit committee	✓	The audit committee consists of 3 effective independent non-executive directors. The audit committee's terms of reference, are reviewed annually and deals with composition, objectives and reporting mechanisms.
2.7	The board should be responsible for the governance of risk	✓	The risk committee considers the company's risk policies and monitors risk adherence in terms of predetermined parameters.
2.8	The board should be responsible for information technology (IT) governance	✓	The risk committee considers the company's information technology policies and monitors adherence thereto.
2.9	The board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	The board as a whole is responsible for compliance with all applicable laws and adherence to non-binding rules, codes and standards of the company.
2.10	The board should ensure that there is an effective risk-based internal audit	✓	An internal audit function has been established and has adopted a risk-based internal audit plan.
2.11	The board should appreciate that stakeholders' perceptions affect the Group's reputation	✓	Mechanisms are in place for constructive engagement with its stakeholders by the underlying businesses. At a holding level, to ensure parity at a shareholder level, engagement is implemented through the release of required printed material and announcements.
2.12	The board should ensure the integrity of the Group's Integrated Report	✓	The board approves the integrated report after satisfying itself on the content and integrity of the report.
2.13	The board should report on the effectiveness of the Group's system of internal controls	✓	The board obtains assurance on the internal control systems of the group via the audit committee.
2.14	The board and its directors should act in the best interests of the company	✓	The board acts in the best interests of the company.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Act	✓	The board is apprised of the going concern statement and monitors the solvency and liquidity position on an ongoing basis.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	✗	Mr Ahmed has been appointed as lead independent director to the board as the company is chaired by Mr Copelyn, who is not regarded as an independent non-executive director. There is a clear division of responsibilities between the chairman and chief executive officer. The board charter addresses the functions and duties of these positions.

Number	Principle	Level of compliance	Comments
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓	All appointments at executive level are confirmed by the board of directors. The role and function of the CEO is formalised.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	#	Six of the ten directors are non-executive directors. Three of the six non-executive directors are independent directors. The board has considered the requirements of the company and ensures that its size, diversity and demographics make it an effect board to lead the company by ensuring that it has the necessary skills, resources and knowledge to carry out its duties.
2.19	Directors should be appointed through a formal process	✓	The nomination of directors to the board is formally set out in policy, transparent and a matter considered by the full board of directors.
2.20	The induction of and ongoing training and development of directors should be conducted through a formal process	✓	No formal induction programme is in place for new directors, rather an informal presentation of the industries in which the company is involved is presented to the prospective board member. An informal board continuing development programme is in place that focuses on improving and keeping the board up to date with governance, regulatory and operation developments.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	✓	The role and function of the company secretary in accordance with Section 88 the Companies Act of 2008. The board has satisfied itself through a formal assessment that the company secretary is suitably qualified and competent.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓	Assessments of the audit committee, board and chairman are completed once a year. The results of the assessment are used to identify training needs for directors and action plans to address any issues that have arisen.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓	The following committees are in place: <ul style="list-style-type: none"> <li>• audit;</li> <li>• risk;</li> <li>• remuneration; and</li> <li>• social and ethics.</li> </ul> Formal terms of reference are in place for all these committees. The committee chairperson reports back to the board after each meeting.
2.24	A governance framework should be agreed between the Group and its subsidiary boards	✓	As Deneb is an investment holding company, its subsidiary companies report on all governance issues to the board of Deneb or a committee of the board.
2.25	Companies should remunerate directors and executives fairly and responsibly	✓	A remuneration committee is in place and assists the board in aligning the remuneration policy with strategy and goals.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	#	The disclosure of directors' remuneration meets the requirements of the Companies Act, King III and IFRS requirements.
2.27	Shareholders should approve the company's remuneration policy	✓	In line with the Companies Act of 2008 the group's remuneration policy is annually proposed to shareholders for a non-binding advisory vote at the Annual General Meeting.

Number	Principle	Level of compliance	Comments
<b>3</b>	<b>AUDIT COMMITTEE</b>		
3.1	Effective and independent	✓	An effective and independent audit and risk committee has been established. The committee consists of three independent non-executive directors.
3.2	Suitably skilled and experienced independent non-executive directors	✓	All members of the audit committee are independent non-executive directors and are appointed for their skill set as documented in the audit committee charter. Additional skills and experience is provided by permanent invitees to the meetings.
3.3	Chaired by an independent non-executive director	✓	The audit committee chairman is Mr M M Ahmed who is an independent non-executive director and is also the lead independent director of the board.
3.4	Oversees integrated reporting	✓	The audit committee recommends the adoption of the report to the board.
3.5	A combined assurance model is applied to improve efficiency in assurance activities	✓	A combined assurance model is applied which ensures that the combined assurance received from management, internal and external assurance providers is used to assess the significant risks facing the Group.
3.6	Satisfies itself of the expertise, resources and experience of the Group's finance function, chief financial officer and company secretary	✓	The chief financial officer (CFO) is formally evaluated on an annual basis by the audit committee. The finance function is reviewed informally by the audit committee although no formal key performance indicators are evaluated.
3.7	Oversees internal audit	✓	An internal audit function has been established which reports directly to audit committee.
3.8	Integral to the risk management process	✓	The audit members are <i>de facto</i> members of the risk committee which is responsible for overseeing risk management. The chief risk officer reports on risk matters and processes throughout the group at every risk committee meeting.
3.9	Oversees the external audit process	✓	The audit committee recommends the appointment of the external auditor and oversees the external audit process.
3.10	Reports to the board and shareholders on how it has discharged its duties	✓	The audit and risk committee reports on the duties that they performed throughout the year in the integrated annual report and annual financial statements.
<b>4</b>	<b>THE GOVERNANCE OF RISK</b>		
4.1/4.2	The board is responsible for the governance of risk and setting levels of risk tolerance	✓	The board is responsible for the governance of risk in terms of the board charter. A risk committee has been established for overseeing risk management on behalf of the board. The risk committee recommends the levels of risk tolerance to the board for approval.
4.3	The audit committee assists the board in carrying out its risk responsibilities	✓	The risk committee is responsible for overseeing risk management throughout the group. The duties are formalised in the risk committee charter.
4.4	The board delegates the risk management plan to management	✓	The risk committee ensures that management is responsible for the design, implementation and monitoring of the risk management plan.
4.5	The board ensures that risk assessments and monitoring are performed on a continual basis	✓	Formal risk assessments are performed on an annual basis.
4.6	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✗	Frameworks and methodologies have been formally established to identify risks. However, the identification of unpredictable risks is done informally.

Number	Principle	Level of compliance	Comments
4.7	Management implements appropriate risk responses	✓	Management determines risk responses, and notes the risk responses in the risk register.
4.8	The board ensures continual risk monitoring by management	✓	The board ensures that effective and continual monitoring of risk management takes place.
4.9	The board receives assurance of the effectiveness of the risk management process	✗	A full framework of risk has been established which provides assurance to the board through the risk committee.
4.10	Sufficient risk disclosure to stakeholders	✓	The disclosure of risk is evidenced throughout the integrated report.
<b>5 THE GOVERNANCE OF INFORMATION TECHNOLOGY</b>			
5.1	The board is responsible for information technology (IT) governance	✓	The Board is responsible for IT governance.
5.2	IT is aligned with the performance and sustainability objectives of the Group	✓	Steering committees have been implemented to ensure specific standards and objectives are implemented.
5.3	Management is responsible for the implementation of an IT governance framework	✓	Management implemented steering committees to ensure implementation of the IT governance framework.
5.4	The board monitors and evaluates significant IT investments and expenditure	✓	The steering committees report to the risk committee on IT matters, which in turn reports to the Board.
5.5	IT is an integral part of the Group's risk management	✓	The board of Deneb acknowledges the need for an IT Governance Framework which, if effectively managed, can streamline and add value to the underlying businesses. Due to the diverse nature of Deneb's operation, IT places different roles within the group. Processes have been implemented at major subsidiary companies to address the requirements of King III at strategic levels within the companies.
5.6	IT assets are managed effectively	✓	The steering committee ensure the IT assets are managed effectively.
5.7	The audit committee assists the board in carrying out its IT responsibilities	✓	The audit committee is responsible for monitoring IT compliance within the group, which in turn reports to the board.
<b>6 COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS</b>			
6.1	The board ensures that the Group complies with relevant laws	✓	Compliance to applicable legislation is evaluated through formal processes, the results of which are reported to the risk committee, which in turn reports back to the board.
6.2	The board has a working understanding of the relevance and implications of non-compliance	✓	The board of Deneb is aware of the general content of applicable legislation sufficiently well to carry out their duties.
6.3	Compliance risk forms an integral part of the Group's risk management process	✓	Compliance to applicable legislation is evaluated through formal processes as outlined by the risk committee.
6.4	The board has delegated to management the implementation of an effective framework and processes.	✓	An effective framework and processes ensuring compliance with laws, codes, rules and standards have been implemented by management and is monitored by the risk committee.
<b>7 INTERNAL AUDIT</b>			
7.1	Effective risk-based internal audit	✓	An internal audit function has been established. The audit committee reviews the audit reports on a regular basis.
7.2	Follow risk-based approach to its plan	✓	The internal audit plan applies a risk based approach to execute its plan.

Number	Principle	Level of compliance	Comments
7.3	Written assessment of the effectiveness of the Group's system of internal controls and risk management	✓	A written assessment of the effectiveness of the Group's internal controls and risk management is presented to the audit committee annually.
7.4	Be responsible for overseeing internal audit	✓	The audit committee reviews the audit reports and the progress to the agreed internal audit plan on a regular basis.
7.5	Internal audit is strategically positioned to achieve its objectives	✓	The annual audit plan and objectives are reviewed and approved by the audit committee annually.
<b>8 GOVERNING STAKEHOLDER RELATIONSHIPS</b>			
8.1	Appreciation that stakeholders' perceptions affect the Group's reputation	✓	The board monitors stakeholders perceptions in light of the importance of the Group's reputation.
8.2	Management proactively deals with stakeholder relationships	✓	The board manages stakeholders' engagement proactively.
8.3	There is an appropriate balance amongst the Group's various stakeholder groupings	✓	The board is fully aware of its responsibilities to all stakeholders and takes these into account when making long-term strategic decisions.
8.4	Equitable treatment of stakeholders	✓	The group acts in accordance with the Companies Act and the JSE Listings Requirements regarding the treatment of all shareholders.
8.5	Transparent and effective communication to stakeholders	✓	Mechanisms are in place for the constructive engagement with its stakeholders by the underlying investments. To ensure parity at a shareholder level, engagement is implemented mainly through SENS announcements and the required integrated, interim and provisional reports of the company. Stakeholders are welcomed at any general meeting of the company.
8.6	Disputes are resolved effectively and timeously	✓	The board manages stakeholders engagement proactively.
<b>9 INTEGRATED REPORTING AND DISCLOSURE</b>			
9.1	Ensures the integrity of the Group's Integrated Report	✓	The audit committee evaluates the integrated annual report and recommends the adoption of the report to the board.
9.2	Sustainability reporting and disclosure is integrated with the Group's financial reporting	✓	The integrated annual report provides a consolidated review of the group's financial, economic, social and environmental performance on matters material to the strategy and the key stakeholders.
9.3	Sustainability reporting and disclosure is independently assured	✗	The Group has implemented a combined assurance framework which considers the assurance provided by all independent assurance providers. The extent of the independent assurance received is deemed to be sufficient.

#### KEY

- ✓ Compliant
- # Partially compliant
- ✗ Not compliant

## **BOARD OF DIRECTORS**

Deneb has a unitary board which is tasked with both leading and controlling the Group's strategy and operations. The collective experience and diversity of the directors bring a broad perspective and invaluable wealth of insight. Their knowledge comes from a diverse array of backgrounds and specialist skills across a range of sectors including law, accounting, manufacturing, logistics and industrial relations.

### **Board composition**

At the Last Practicable Date, the board of directors comprises ten members, consisting of six non-executive directors and four executive directors. Three of the six non-executive directors are independent. The composition of the board is a reflection of the demographics of the Group's diversified investments and attempts to ensure a representative voice of all relevant stakeholders.

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 objectivity. The board has appointed a non-executive director as chairman. The roles of chairman and chief executive officer are separate with a clear division of responsibilities.

The company's ultimate controlling shareholder is HCI. Mr J A Copelyn, Mr T G Govender, Mr Y Shaik and Ms R D Watson 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's lead independent director is responsible for verifying on an annual basis the continuing independence and objectivity of the independent non-executive directors. This is done by assessing any circumstance or relationships that could affect such independence.

### **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 2008, as amended, the mandatory provisions as stipulated in paragraph 3.84 of the JSE Listings Requirements, recommendations of the King Code and the memorandum of incorporation of the Company.

There is a distinctive division of responsibilities at board level so that not one 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. According to the company's memorandum of incorporation as adopted, non-executive directors retire every three years, with at least one-third of non-executive directors to retire every three years at the AGM. Executive directors are to retire every five years. A retiring director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated office.

### **Company secretary**

HCI Managerial Services Proprietary Limited is the appointed company secretary of the Group. The company secretary provides support and guidance to the board in matters relating to governance, ethical conduct and their fiduciary duties. Where required, representatives of the company secretary facilitate induction and training for directors and co-ordinate the annual board and committee evaluation process.

Directors have unrestricted access to the advice and services of the company secretary. Neither the company secretary, nor any representatives of the company secretary, is a director of any of the Group's operations and accordingly 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 2008 (as amended). The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretariat and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary. All board, committee and shareholders' meetings are properly recorded as per the requirements of the Companies Act.

The proven track record and exemplary performance in fulfilling the role as independent company secretary as stipulated in par 3.84(j) of the JSE Listings Requirements and maintaining an arm's length relationship at all times, provides Deneb with the comfort that the secretariat will continue to uphold its professional standards, even though the company which fulfils the role of company secretariat is owned by the Deneb's ultimate holding company, HCI.



## **Dealings in the Company's securities**

The company's directors, executives and senior employees are prohibited from dealing in Deneb securities during certain prescribed restricted periods. The company secretary regularly disseminates written notices to inform them of the insider trading legislation and advise them of closed periods. All directors and senior executives are required to obtain clearance from the company secretary prior to dealings in the company securities.

## **Governance of information technology**

The board of directors are responsible for information technology (IT) governance. The board tasks the Group head of IT to ensure IT governance compliance within the 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 and the solutions proposed including progress reports.

## **Board committees**

The Group's board 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 in discharging its responsibilities:

### **EXECUTIVE COMMITTEE**

**Chairman:** Mr S Queen

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

The executive committee comprises Messrs S A Queen (Chairman, Group chief executive officer), G D T Wege (Group financial director), D Duncan (chief executive officer Industrial and Textiles), K G Robson (chief executive officer Properties, Corporate and Legal Services) and I N Morris (chief executive officer Prima Group).

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**

The audit committee was constituted on 10 October 2014 and set out below are the particulars relating to the audit committee's primary role, responsibility, composition and functions going forward.

The Group audit committee is a formal committee of the board and functions within its documented terms of reference.

#### **Primary role and responsibility of the committee**

The audit committee fulfils an independent oversight role regarding the Group'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 III and additional responsibilities assigned by the board.

#### **Composition of the audit committee**

The committee comprises three independent, non-executive directors.

The members of the audit committee at the Last Practicable Date were Mr M H Ahmed (Chairperson), Ms R D Watson and Ms N Jappie and are all independent non-executive directors and will be proposed for election to the committee at the next Annual General Meeting. By invitation the chief executive officer, the chief financial officer, KPMG Inc., external auditors of the Group, and the Group's head of internal audit have attended all the committee meetings.

Audit committee agendas provide for confidential meetings between the committee members, internal auditors and the external auditors, without members of executive management being present. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process and the chairman 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 will discharge the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

### ***Reporting***

- Review the interim report, preliminary results announcement, financial statements and Integrated Report, culminating in a recommendation to the board to adopt them.
- Review and approve the appropriateness of the accounting policies and practices.
- Ensure compliance with International Financial Reporting Standards, including consistent application to all periods as presented in the consolidated financial statements.
- Evaluate and determine the effectiveness of the Group's internal control systems.
- Review legal matters that could have a significant impact on the Group's consolidated financial statements.
- Review the requirements of King III and instances where the King III requirements have not been applied have been explain in the Corporate Governance Report.

### ***External audit***

- Review the external audit reports on the consolidated financial statements.
- Nominate the external auditor for appointment by the shareholders.
- Monitor and report on the independence of the external auditor.
- Approve the budgeted audit fees, audit plan and engagement terms of the external auditor.
- Determine 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.
- Determine that the audit firm and designated auditor is accredited as such on the JSE list of auditors and advisers.

### ***Finance function***

- Consider the expertise and resources of the finance function, as well as the experience of the senior members of management responsible for the financial function.
- Consider the expertise and experience of the chief financial officer.

### ***Internal audit***

- Oversee the functioning of the internal audit department and performance assessment of the head of internal audit.
- Approve the annual internal audit plan and monitor the progress thereof.

### **External audit**

The audit committee reviews the representation by the external auditor and, after conducting its own review, confirming the expertise and objectivity of KPMG Inc. as the external auditor and noted the appointment of Mr Pierre Conradie as the designated auditor. The external auditor has unrestricted access to the Group'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 the Group.

### **Internal audit and internal control**

The internal audit function is an independent and objective assurance and consulting function that adds value and improves the operations of the Group. It helps to accomplish Group 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 chairman 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 Group's internal financial controls; and

- is continually 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 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 chief financial officer.

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.

### **RISK COMMITTEE**

The risk committee was constituted on 10 October 2014 and set out below are the particulars relating to the risk committee's responsibility, composition and risk management process going forward.

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 Group risk officer. The composition of the committee ensures a good balance of executive and independent input.

Members as at the Last Practicable Date: Mr M H Ahmed (Chairman), Ms R D Watson, Ms N Jappie, Mr S A Queen, Mr G D T Wege and Mr D Levin (Group risk officer).

#### **Risk management process**

- The risk committee is accountable to the board for designing, implementing and monitoring the system and process of risk management and integrating it into the day-to-day activities of the company. The committee continued to adhere to appropriate risk management measures to counter significant risks which could undermine the achievement of its business objectives, focusing in particular on the identification and mitigation of treasury, IT, safety, health and environmental, fraud, and legal risks.
- Details of the Group's treasury risk exposure covering credit, liquidity and market risks. Derivative financial instruments are used to hedge certain risk exposures, in particular the Group's foreign exchange risk which is partly mitigated by entering into forward exchange contracts.
- All major sites are internally audited on an annual basis in respect of safety, health and environmental compliance. This process is undertaken in conjunction with the Group's independent risk consultants in terms of which selected sites are surveyed on a rotational basis. The Group's internal audit department investigates any fraud matters which are reported either directly by employees or third parties to the company or to an ethics hotline, administered by an external independent professional firm.
- The committee reviews all material legal disputes

### **REMUNERATION COMMITTEE**

The remuneration committee was constituted on 10 October 2014 and set out below are the particulars relating to the remuneration committee's responsibility, composition and determination of composition of remuneration going forward.

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 who contribute to building sustainable businesses.

#### **Members**

At the Last Practicable Date the members of the remuneration committee consisted of Mr M H Ahmed (chairman, 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 each executive director 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 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
- producing 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.

## **Shareholder engagement**

Each year, at the Annual General Meeting, the remuneration committee tables its annual report for a non-binding advisory vote of shareholders. The report provides insight into the Group's remuneration practices and encourages stakeholders to express their views on the remuneration practices adopted by the Group.

## **Composition of the remuneration committee**

### ***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.

### ***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; and
- short-term discretionary cash-based incentive bonus based on business and individual performance and/or participation in the Deneb Long-Term 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 chairman, while the performance of the other executive directors is evaluated by the chief executive officer. The annual pay increase of the executive directors is directly related to individual performance and 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"), are set by the remuneration committee.

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 participate consists of a share option scheme, the salient features of which are detailed in **Annexure 6**.

### **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 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 Long-Term 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.

### **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.

#### *Share Incentive Scheme*

The Share Incentive Scheme was approved by Seardel, Deneb's sole shareholder on 13 October 2014, the salient features of which are set out in **Annexure 6**.

The plan was implemented to more closely align executive directors' and senior managements' objectives with those of the Deneb Shareholders so as to ensure that those employees of the Company are encouraged and motivated to pursue sustainable growth and profitability.

Participants shall become entitled to exercise options in accordance with the following schedule:

- 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.

Each tranche is further subject to:

- the participant's continued employment on the date of which the option is exercised; and
- achieving predetermined performance targets.

### **SOCIAL AND ETHICS COMMITTEE**

The social and ethic committee was constituted on 10 October 2014 and set out below are the particulars relating to the social and ethics committee's role, composition and functions going forward.

#### **Role**

The committee monitors activities relating to ethics, stakeholder engagement and the social impact of the company on communities within which it operates. It also monitors progress across all areas of strategic empowerment as well as compliance with transformation codes.

#### **Members**

The members of the committee consist of Mr A Ntuli (chairman, executive director), Ms R D Watson (independent non-executive director), Mr S Rubidge (Group IR executive) and Mr G DT Wege (executive director).

## Meetings

The committee holds a minimum of two meetings per annum. Additional meetings are convened on request of any of the members.

## Functions

The committee fulfils the following functions:

- monitors the Group's standing on social activities relating to social and economic development, including the principles of the United Nations Global Compact, broad-based black economic empowerment, employment equity and the Organisation for Economic Co-operation and Development (OECD) recommendations on corruption;
- monitors adherence to the Group's code of ethics;
- monitors the company's practices pertaining to good corporate citizenship which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- monitors the Group's activities in relation to consumer relations, labour and employment including skills development, and health and safety, and environmental issues; and
- draw matters within its mandate to the attention of the board.

The committee reviewed the social and ethics activities of the Group and more specifically can confirm that the Group:

- supports and respects the protection of internationally proclaimed human rights and to the best of its knowledge is not complicit in any human rights abuses;
- upheld freedom of association and the effective right of collective bargaining with recognised trade unions;
- has no form of forced, compulsory or child labour and does not discriminate on the grounds of gender, race, sexual or religious preference, disability or age in respect of employment and occupation;
- remains committed to the principles of broad-based black economic empowerment;
- continued to record and review its carbon footprint and promoted greater environmental responsibility through the management of energy consumption and waste control;
- continued to monitor compliance to legislation, specifically health and safety; and
- vigilantly enforced its zero-tolerance policy towards fraud and corruption.

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## SALIENT TERMS OF THE DENEb SHARE INCENTIVE SCHEME

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This **Annexure 6** contains extracts of various provisions from the Deneb Investments Long-term Incentive Plan (the “Plan”). In each case, the numbering and wording below matches that of the applicable provisions in the Plan.

For a full appreciation of the provisions of the Plan, Shareholders are referred to the full text of the Plan, which is available for inspection, as provided for in paragraph 13.10 of the Pre-listing Statement.

### 1 DEFINITIONS

In this Statement, 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.

“Board”	the Board of directors for the time being of the Company or, should the Board delegate its authority to a committee of the Board, such committee (unless the context indicates to the contrary);
“Business Day”	any day other than a Saturday, Sunday or public holiday officially recognised as such in South Africa;
“the Company”	Deneb Investments Proprietary Limited (registration number: 2013/091290/06) a public company incorporated in accordance with the laws of South Africa, the Shares of which are to be listed on the JSE;
“Employee”	any full-time employee, including a director holding salaried employment or office of the Group (but excluding non-executive directors);
“Employer Company”	the relevant 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;
“Final Expiry Date”	in respect of any particular Option, the 8th (eighth) anniversary of the date of the Option Notice in terms of which such Option was granted;
“First Allocation Options”	Options granted to Employees who were holders of unexercised Searde! Options as at 31 March 2013, and who were employed by the Group on 31 July 2014;
“Group”	the Company and its subsidiaries from time to time;
“the 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, 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 Shares”	means the number of Shares delivered to the Participant pursuant to the Net-equity Settlement of an Option;
“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;
“Option Notice”	the written notice in terms of which the Board from time to time grants an Option to an Employee to acquire Shares in terms of the Scheme;
“Option Price”	the price per share, if any, payable by a Participant pursuant to the exercise of an Option as set out in the Option Notice;
“Participant”	an Employee who has been granted an Option (or his executor, heir, administrator, trustee or permitted assign, as the case may be);
“Performance Target”	such performance target as may be determined by the Board and specified in the Option Notice;

<b>“Seardel Options”</b>	Options granted in terms of the Seardel Long Term Incentive Scheme established on 18 March 2010 in terms of an agreement between the Seardel Long Term Incentive Trust, Seardel Investment Corporation Limited and certain of the Employer Companies;
<b>“the Scheme”</b>	the Deneb Investments Long Term Incentive Plan;
<b>“this Statement”</b>	this statement, forming part of the pre-listing statement for the listing of Deneb on the JSE, dated Friday, 21 November 2014;
<b>“Shareholders”</b>	the registered holders of the Shares;
<b>“Shares”</b>	the ordinary shares each in the share capital of Deneb;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Tranche”</b>	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); and
<b>“Transfer Secretaries”</b>	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa.

## 2 INTRODUCTION

The Deneb Long Term Incentive Scheme was adopted by the Company and the Employer Companies on 13 October 2014.

## 3 RATIONALE OF THE SCHEME

The purpose of the Scheme is to provide Employees with the opportunity to acquire Shares, thereby ensuring that Employees are encouraged and motivated to pursue continued growth and profitability of their Employer Companies.

## 4 SALIENT FEATURES OF THE SCHEME

- 4.1 Only Employees are eligible to participate in the Scheme and acquire Options.
- 4.2 The aggregate number of Shares (whether issued or unissued) which may be utilised for the Scheme shall not exceed 53 848 645 (fifty three million, eight hundred and forty-eight thousand, six hundred and forty five), constituting 9.65% of the Company's issued share capital as at the date of this Statement. This limitation shall not be exceeded without Shareholders' approval as required in terms of the JSE Listings Requirements.
- 4.3 The aggregate number of Shares which any one Participant may acquire in terms of the Scheme shall not exceed 10 769 729 (ten million, seven hundred and sixty-nine thousand, seven hundred and twenty-nine).
- 4.4 The Board from time to time, shall grant Options to Employees to acquire Shares, the terms and details of which shall be set out in the Option Notices.
- 4.5 Acceptance of an Option granted to an Employee by way of an Option Notice must be evidenced by such Employee counter-signing the Option Notice and returning it within a period of 20 (twenty) Business Days after the date of such Option Notice, failing which the Option will lapse and will no longer be capable of acceptance, provided that the Board may direct, within their sole discretion, that such Option shall be deemed not to have lapsed.
- 4.6 An Option, after having been granted to an Employee, is personal to and only capable of being exercised by the relevant Participant. Options may not be exercised, sold, alienated, disposed of in any manner, transferred, pledged or encumbered in any manner whatsoever without the prior written consent of the Company Secretary.
- 4.7 An Option granted in terms of the Scheme may only be exercised by the Participant in accordance with the terms of the relevant Option Notice.
- 4.8 Subject to what is stated in paragraph 4.9, a Participant shall become entitled to exercise the Option in accordance with the following schedule:
  - 4.8.1 up to 10% (ten per cent) of the number of Shares to which the Option relates from the first anniversary of the Option Date;
  - 4.8.2 up to a further 20% (twenty per cent) of the number of Shares to which the Option relates from the second anniversary of the Option Date;
  - 4.8.3 up to a further 30% (thirty per cent) of the number of Shares to which the Option relates from the third anniversary of the Option Date; and
  - 4.8.4 the balance, namely 40% (forty per cent) of the number of Shares to which the Option relates, from the fourth anniversary of the Option Date.



- 4.9 The exercise of the Option in respect of each Tranche shall be subject to the following conditions:
- 4.9.1 the continued employment of the Participant on the date on which the Option is exercised; and
- 4.9.2 the achievement of the Performance Targets (if any) in respect of each particular Tranche, provided that the Participant shall only be entitled to exercise the Option in respect of a particular Tranche from the later of the relevant anniversary of the Option Date stipulated in paragraph 4.8 and the date on which the Performance Target (if applicable) is met (subject to 4.10), until the Final Expiry Date. If the Participant does not exercise the Option by the Final Expiry Date, the Option shall lapse, provided that the Board may direct, within their sole discretion that such Option shall be deemed not to have lapsed.
- 4.10 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), the Option shall lapse in respect of such Shares which are the subject-matter of that Tranche.
- 4.11 A Participant shall not be entitled to exercise an Option during a closed period, as defined in the JSE Listings Requirements, and if the Final Expiry Date of an Option falls within a closed period, the Participant shall be entitled to exercise such Option for a period of 30 (thirty) days following the expiry of the closed period and the Option shall not lapse until such 30 (thirty) day period has expired.
- 4.12 A Participant shall become entitled to exercise the First Allocation Options in respect of the particular number of Shares comprising each Tranche from the date noted for such Tranche in Schedule 1 to the Scheme, provided, in respect of each Tranche, that on the date on which the Participant exercises the Option, 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. The right to exercise First Allocation Options in any particular year shall be cumulative with rights to exercise First Allocation Options arising in earlier years. If the Participant does not exercise the First Allocation Option by the Final Expiry Date, such First Allocation Option shall lapse, provided that in such circumstances, the Board may direct, within their sole discretion, that such Option shall be deemed not to have lapsed.
- 4.13 The Option Price per Share payable by a Participant pursuant to the exercise of an Option shall be:
- 4.13.1 in respect of the First Allocations, the Option Price as reflected in Schedule 1 to the Scheme; and
- 4.13.2 in respect of Subsequent Allocations, the Middle Market Price as at the Option Date, less a 10% (ten per cent) 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 per cent) 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.

- 4.14 Upon the valid exercise of Options the Company Secretary shall deliver to the Participant concerned, that number of Shares calculated in accordance with the following formula:

$$D = (E - F) \times G/H$$

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.

- 4.15 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.
- 4.16 All risk and benefit of the Shares, including, but not limited to, all dividend rights and voting rights appertaining to such Shares, shall pass to the Participant on the date of exercise of the Option.
- 4.17. Upon termination of employment of a Participant, the Options shall lapse in respect of such number of Shares in respect of which the Participant has not yet become entitled to exercise the Option, provided that where the Termination of Employment is as the result of:
- 4.17.1 death; or
- 4.17.2 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 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:
- 4.17.3 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
- 4.17.4 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.
- 4.18 the Board shall be entitled (but not obliged) to direct that the relevant Participant may exercise such Option on a date as may be determined by the Board within their sole discretion, if the termination of employment is as the result of:
- 4.18.1 death; or
- 4.18.2 ill health or injury, provided that the relevant 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 normal employment duties for a consecutive period exceeding 12 (twelve) months; or
- 4.18.3 normal or late retirement in accordance with the rules of the pension/provident/retirement fund of the relevant Employer Company; or
- 4.18.4 early retirement (being retirement other than such normal or late retirement) with the approval of the Board.
- 4.19 Where the Shares in respect of which an Option has been allocated to a Participant, are not subsequently issued to such Participant (for example, as a result of the forfeiture of the Option), such Shares shall revert back to the Scheme and may form the subject of further Options to be allocated to new Participants under the Scheme.
- 4.20 In the event that a change of control occurs in the Company or the Company's Shares cease to be listed on the JSE, the terms of the Scheme shall continue in force (save that the price of the Shares shall become based on their market value). If a change of control occurs in an Employer Company, all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically lapse.

## DIRECTOR AND SENIOR MANAGEMENT PROFILES

The table below sets out information pertaining to the current Directors of Deneb:

<b>Name, age and nationality</b>	<b>Role</b>	<b>Qualification</b>	<b>Business address</b>	<b>Occupation and experience</b>
Mohamed Haroun Ahmed (50) (South African)	Lead independent non-executive Director	BCompt	52 Intersite Avenue Umgeni Business Park Durban	Mr Ahmed is a businessman who previously held Directorships in HCI, MTN Group Limited, Real Africa Holdings Limited and numerous entities within the clothing and textile industry. He is the chairman of the audit and risk committees and was appointed to the Board on 10 October 2014.
John Anthony Copelyn (64) (South African)	Chairman and non-executive Director	BA (Hons), BProc	Suite 801 76 Regent Street Sea Point 8005	Mr Copelyn joined HCI as chief executive officer in 1997. He was general secretary of various unions in the clothing and textile industry from 1974 before becoming a member of parliament in 1994. He holds various Directorships and is nonexecutive chairman of e.tv, Tsogo Sun Holdings Limited and Niveus Investments Limited. He was appointed to the Board on 10 October 2014.
David Duncan (59) (British)	Chief Operating Officer	BCompt	124 Escom Road New Germany Durban 3610	Mr Duncan has been with the Seardel Group for more than 30 years in the industrial manufacturing sector. Mr Duncan was appointed to the board on 16 May 2013 as the chief operating officer, taking full responsibility for the Group's manufacturing concerns. He is a member of the executive committee he was appointed to the Board on 10 October 2014.
Theventheran Govindsamy Govender (44) (South African)	Non-executive Director	BCompt (Hons)	Suite 801 76 Regent Street Sea Point 8005	Mr Govender joined the HCI group in 1997, and became the chief financial officer and company secretary for HCI in 2001, with responsibility for the HCI group's full finance function including corporate finance, tax and secretarial. He was appointed to the Board on 10 October 2014.
Amon Malencane Ntuli (56) (South African)	Executive Director		124 Escom Road New Germany Durban 3610	Mr Ntuli was the president of Sactwu from 1985 to 2003. Mr Ntuli joined the Seardel Group in 1978 and was appointed as an executive in 2006. He is a Director of Sactwu Investment Group and various trade union investment companies. He is chairman of the social and ethics committee and was appointed to the Board on 10 October 2014.
Stuart Alexander Queen (42) (South African)	Chief Executive Officer	BCompt (Hons) CA (SA)	1 Moorsom Avenue Epping Industria II Cape Town 7460	Mr Queen was appointed as Group chief executive officer in December 2009. Prior to joining the board, he was financial director of Johnnic Holdings Limited and held directorships within various subsidiaries of both Hosken Consolidated Investments Limited and Johnnic Holdings Limited. He is a member of the executive and risk committees and was appointed to the board in October 2008. He was appointed to the Board on 21 June 2013.
Yunis Shaik (57) (South African)	Non-executive Director	BProc	76 Regent Street Suite 801 Sea Point 8005	Mr Shaik is a former deputy-general secretary of Sactwu and has served as the senior commissioner to the CCMA in KwaZulu-Natal. He is employed at HCI as an executive director and is a non-executive director of Niveus Investments Limited. He is a member of the audit and risk committee and was appointed to the Board on 10 October 2014.

<b>Name, age and nationality</b>	<b>Role</b>	<b>Qualification</b>	<b>Business address</b>	<b>Occupation and experience</b>
Rachel Doreen Watson (55) (South African)	Non-executive Director		Fernando Building Mark Street Atlantis	Ms Watson has 33 years' operational experience within the clothing industry. During her last 14 years within the industry, Ms Watson served as a trade union representative in various organisational positions. She currently holds an executive position at a regional broadcaster, and is a member of the social and ethics committee. Ms Watson was appointed to the Board on 10 October 2014.
Gysbert du Toit Wege (40) (South African)	Chief Financial Officer	BCompt (Hons) CA (SA)	1 Moorsom Avenue Epping Industria II Cape Town 7460	Mr Wege joined the Group in April 2009 and was appointed as financial director in August 2009. Prior to joining the board on 21 June 2013 he served in various senior financial roles within the automotive logistics industry. Mr Wege is a member of the executive committee, risk committee and the social and ethics committee.
Naziema Jappie (54) (South African)	Independent non-executive Director		433 Musgrave Road Durban 4000	Ms Jappie was appointed to the board on 10 October 2014. Ms Jappie is a non-executive director of Golden Arrow Bus Services and is a member of the audit and risk committees.

The table below sets out information pertaining to the current senior executives of Deneb's major Subsidiary, Sear del Group Trading:

<b>Name, age and nationality</b>	<b>Role</b>	<b>Qualification</b>	<b>Business address</b>	<b>Occupation and experience</b>
Ian Noel Morris (60) (South African)	Executive committee member and Chief Executive Officer – Prima Toy and Leisure Trading Proprietary Limited	BCom, CA (SA)	36 Gunner's Circle Epping Industria II 7460	Mr Morris joined Prima in July 1988. He was appointed financial director in January 1989 and chief executive officer effective 1 April 2009. Prior to joining Prima, he was employed in the public accounting profession. He is a member of the executive committee.
Keith Graham Robson (67) (South African)	Executive committee member and Divisional Chief Executive Officer – Sear del Group Properties	LLB (Hons) (London)	124 Escom Road New Germany Durban 3610	Mr Robson has served the Sear del Group in a number of senior executive capacities over the last 25 years and was appointed chief executive officer of Sear del Group Properties in January 2010. He is a member of the executive committee.

## OTHER DIRECTORSHIPS

The table below sets out the names of the companies and other entities of which Deneb Directors, as well as the directors of its major subsidiaries are or have been directors, members or partners during the five years preceding the Last Practicable Date.

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
Ahmed, Mahomed Haroun	All In All Investments Proprietary Limited	Previous
	Almania Investments Proprietary Limited	Previous
	Amarilla Investments Proprietary Limited	Previous
	Ardrosan Investments Proprietary Limited	Previous
	Bato Star Fishing Proprietary Limited	Previous
	Blue Ridge Investments Proprietary Limited	Previous
	Braylon Investments Proprietary Limited	Previous
	Brevity Trade 50 Proprietary Limited	Current
	Business Venture Investments No. 15 Proprietary Limited	Previous
	Canelli Investments Proprietary Limited	Previous
	Clicking Investments Proprietary Limited	Previous
	Cosatu Holdings Proprietary Limited	Previous
	Deneb Investments Limited	Current
	Denkova Investments Proprietary Limited	Previous
	Descarte Investments No. 8 Proprietary Limited	Previous
	Dontello Investments Proprietary Limited	Previous
	Effit Investments Proprietary Limited	Previous
	Egistic Investments Proprietary Limited	Previous
	Fi Funding and Investments Holdco Proprietary Limited	Previous
	Fi Operations Proprietary Limited	Previous
	First Ready Development 213 Proprietary Limited	Current
	Flintdale Investments Proprietary Limited	Previous
	Frosthill Investments Proprietary Limited	Previous
	Gelprop Proprietary Limited	Previous
	Geomer Mining Investments Proprietary Limited	Previous
	Go 4 Tiles (Durban) Proprietary Limited	Current
	Go 4 Tiles Proprietary Limited	Current
	Greenwood Park Distributors Proprietary Limited	Current
	Hartvale Investments Proprietary Limited	Previous
	HCI International Holdings Proprietary Limited	Current
	HCI Managerial Services Proprietary Limited	Previous
	Helio Investments Proprietary Limited	Previous
	Hollyberry Props 63 Proprietary Limited	Current
	Hollyhill Investments Proprietary Limited	Previous
	Hosken Consolidated Investments Proprietary Limited	Previous
	Jardel Investments Proprietary Limited	Previous
	Kelston Investments Proprietary Limited	Current
	Kentview Trading Proprietary Limited	Previous
	La Cosca Investments Proprietary Limited	Previous
	Lasko Investments Proprietary Limited	Previous
	Leyvan Proprietary Limited	Previous
	Lorato Investments Proprietary Limited	Previous
Lynpro Investments Proprietary Limited	Previous	
Maclyn House Proprietary Limited	Previous	

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Magicover Proprietary Limited	Previous
	Marble Gold 138 Proprietary Limited	Previous
	Marble Gold 434 Proprietary Limited	Previous
	Marine Nominees Proprietary Limited	Previous
	Masana Handweavers Proprietary Limited	Previous
	Merilyn Investments Proprietary Limited	Previous
	Milesia Trading Proprietary Limited	Previous
	Milro Investments Proprietary Limited	Previous
	Mirino Investments Proprietary Limited	Previous
	Montdene Investments Proprietary Limited	Previous
	Ortaga Investments Proprietary Limited	Previous
	Portello Investments No. 12 Proprietary Limited	Previous
	Radius Trading Proprietary Limited	Previous
	Real Africa Holdings Proprietary Limited	Previous
	Ritz Tiles Proprietary Limited	Current
	Ritzshelf 24 Proprietary Limited	Previous
	Ritzshelf 25 Proprietary Limited	Current
	Ritzshelf 92 Proprietary Limited	Previous
	Rivetprops 2 Proprietary Limited	Current
	Rose Tree Investments Proprietary Limited	Current
	SA Amalgamated Union Investments Proprietary Limited	Previous
	Sactwu Cellular Services Proprietary Limited	Previous
	Sactwu Investments Group Proprietary Limited	Previous
	Sactwu Mining Investments Proprietary Limited	Previous
	Sactwu Properties Proprietary Limited	Previous
	Sactwu Seventh Investments Company Proprietary Limited	Previous
	Sactwu Sixth Investments Company Proprietary Limited	Previous
	Sauda Investments Proprietary Limited	Previous
	Simbolia Investments Proprietary Limited	Previous
	Seardel Investment Corporation Limited	Current
	Three Blind Mice Communications Proprietary Limited	Previous
	Tradequick 84 Proprietary Limited	Previous
	Treviso Investments Proprietary Limited	Previous
	Unifer Holdings Proprietary Limited	Previous
	Union Telecommunications Holdings Proprietary Limited	Previous
	Union Telecommunications Proprietary Limited	Previous
	Vukani Gaming Equipment Proprietary Limited	Previous
	W H Press House Proprietary Limited	Previous
	Winslow Investments Proprietary Limited	Previous
	Workflow and Imaging Solutions Proprietary Limited	Previous
	Yolan Investments Proprietary Limited	Previous
	Zenzeleni Clothing Proprietary Limited	Previous
	Zillian Investments Proprietary Limited	Previous
Copelyn, John Anthony	2 Toman Close Hydepark Proprietary Limited	Current
	20 Sydney Street Greenpoint Proprietary Limited	Previous
	21 Impala Road Properties Proprietary Limited	Current
	Almania Investments Proprietary Limited	Previous
	Amalgamated Union Transport and Automotive Proprietary Limited	Previous
	Ancestral Investments Proprietary Limited	Previous
	Aston Bay Holiday Resorts Proprietary Limited	Previous
	Avenpalm Investments Proprietary Limited	Previous

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Beier Finance Proprietary Limited	Previous
	Black Ginger 75 Proprietary Limited	Previous
	Blue Beacon Investments 240 Proprietary Limited	Current
	Blue Ridge Investments Proprietary Limited	Previous
	Braylon Investments Proprietary Limited	Current
	C and A Associated Consultants Proprietary Limited	Previous
	Cape Town Film Studios Proprietary Limited	Previous
	Catwalk Investments 167 Proprietary Limited	Current
	Catwalk Leisure Investments Proprietary Limited	Current
	Chearsley Investments Proprietary Limited	Current
	Cherry Moss Trade and Invest 188 Proprietary Limited	Previous
	Circumference Investments Proprietary Limited	Current
	Curagen Investments Proprietary Limited	Current
	Deneb Investments Proprietary Limited	Current
	Descarte Investments No. 8 Proprietary Limited	Previous
	Dreamworld Management Company Proprietary Limited	Previous
	Durban Add-ventures Limited	Previous
	e.tv Proprietary Limited	Current
	Equity Plus Trading Proprietary Limited	Current
	Equity Plus Trading Proprietary Limited	Previous
	Euphoria Proprietary Limited	Previous
	Fabcos Investment Holding Company Proprietary Limited	Current
	Fabulous Gaming and Leisure Diversified Investments Proprietary Limited	Previous
	Fi Developments Proprietary Limited	Current
	Fi Equity Proprietary Limited	Current
	First Ready Developments 213 Proprietary Limited	Current
	Flaghigh Investments Proprietary Limited	Current
	Fluxrab Investments No. 57 Proprietary Limited	Previous
	Foothills Trading and Investment 8 Proprietary Limited	Current
	Formex Industries Proprietary Limited	Previous
	Free-flowing Property Holdings Proprietary Limited	Current
	Fulela Trade and Invest 81 Proprietary Limited	Current
	Fulela Trade and Invest 96 Proprietary Limited	Current
	G E Property and Marketing Proprietary Limited	Previous
	Galaxy Bingo International South Africa Proprietary Limited	Previous
	Gallagher Convention Centre Proprietary Limited	Previous
	Gallagher Estate Holdings Limited	Previous
	Glenny Buchner Investment Proprietary Limited	Previous
	HCI – Treasury Proprietary Limited	Current
	HCI Coal Proprietary Limited	Current
	HCI International Holdings Proprietary Limited	Current
	HCI Invest1 Holdco Proprietary Limited	Current
	HCI Invest10 Holdco Proprietary Limited	Previous
	HCI Invest11 Holdco Proprietary Limited	Current
	HCI Invest12 Holdco Proprietary Limited	Current
	HCI Invest13 Holdco Proprietary Limited	Current
	HCI Invest14 Holdco Proprietary Limited	Current
	HCI Invest15 Holdco Proprietary Limited	Current
	HCI Invest3 Holdco Proprietary Limited	Current
	HCI Invest4 Holdco Proprietary Limited	Previous
	HCI Invest5 Holdco Proprietary Limited	Current

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	HCI Invest6 Holdco Proprietary Limited	Current
	HCI Invest7 Holdco Proprietary Limited	Current
	HCI Invest8 Holdco Proprietary Limited	Previous
	HCI Invest9 Holdco Proprietary Limited	Previous
	HCI Khusela Coal Plus Proprietary Limited	Previous
	HCI Lifting Services Proprietary Limited	Current
	HCI Managerial Services Proprietary Limited	Current
	HCI Properties Proprietary Limited	Previous
	HCI Proprojects Proprietary Limited	Previous
	Hi-reach Manlift Proprietary Limited	Previous
	HJS Advisory Services Proprietary Limited	Previous
	Hollyberry Props 12 Proprietary Limited	Current
	Hosken Consolidated Investments Proprietary Limited	Current
	House 22 Ronald Avenue Proprietary Limited	Current
	Igi Investment Company Proprietary Limited	Current
	Industrial Development Corporation of South Africa Limited	Current
	Johnnic Casino Holdings Proprietary Limited	Current
	Johnnic Holdings Limited	Current
	Johnnic Holdings Management Services Proprietary Limited	Previous
	Johnnic Management Services Proprietary Limited	Current
	Johnnic Properties Limited	Previous
	Johnnic Property Developments Limited	Current
	Johnnic Property Holdings Limited	Current
	Johnnic Property Investments Limited	Current
	Johnnies Strategic Investment Holdings Proprietary Limited	Current
	Kalahari Village Mall Proprietary Limited	Current
	Kariso Investments Proprietary Limited	Current
	Kwv Holdings Proprietary Limited	Current
	Lennings Limited	Current
	Leopont 255 Properties Proprietary Limited	Current
	Leopont 261 Properties Proprietary Limited	Current
	Leopont 262 Properties Proprietary Limited	Current
	Limitless Angel Company Proprietary Limited	Current
	Lone Hill Estates Proprietary Limited	Current
	Lone Hill Proprietary Limited	Previous
	Main Place Holdings Limited	Current
	Main Street 614 Proprietary Limited	Current
	Marc Group Proprietary Limited	Previous
	Mercanto Investments Proprietary Limited	Current
	Merilyn Investments Proprietary Limited	Current
	Mirino Investments Proprietary Limited	Current
	Mironetix Proprietary Limited	Current
	Move-on-up 104 Proprietary Limited	Current
	Nexrealm Technologies Proprietary Limited	Current
	Niveus Gaming and Entertainment Proprietary Limited	Previous
	Niveus Investments Proprietary Limited	Current
	Niveus-KWV Holdings Proprietary Limited	Previous
	Pearl Beach Investments Proprietary Limited	Current
	Permasolve Investments Proprietary Limited	Current
	Radius Trading Proprietary Limited	Current
	Rivetprops 47 Proprietary Limited	Current



<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Rowan Tree 4 Proprietary Limited	Previous
	S A Amalgamated Union Fishing Proprietary Limited	Current
	S A Amalgamated Union Investment Proprietary Limited	Previous
	S A Amalgamated Union Investments Proprietary Limited	Current
	S A M Sisonke Proprietary Limited	Previous
	Sabido Investments Proprietary Limited	Current
	Sabido Properties Proprietary Limited	Previous
	Sactwu Mining Investments (SPV) Proprietary Limited	Current
	Sactwu Mining Investments Proprietary Limited	Current
	Saram Investors Proprietary Limited	Previous
	Seardel Investment Corporation Limited	Current
	Self-nurturing Investments Proprietary Limited	Previous
	Shibula Lodge and Spa Proprietary Limited	Previous
	Silver Vanity Investments (RF) Proprietary Limited	Previous
	Tangney Investments Proprietary Limited	Current
	The Millennium Casino Limited	Previous
	Tih Prefco Proprietary Limited	Current
	Tihc Investments Proprietary Limited	Current
	Tsogo Investment Holding Company Proprietary Limited	Current
	Tsogo Sun Holdings Proprietary Limited	Current
	Tsogo Sun Hotels Gaming and Entertainment Proprietary Limited	Previous
	Tsogo Sun KwaZulu-Natal Proprietary Limited	Previous
	Tylon Holdings Proprietary Limited	Current
	Tylon Proprietary Limited	Previous
	Unit 1501 Twin Towers South Proprietary Limited	Current
	Vectofon Proprietary Limited	Previous
	VPOS Integrated Business Solutions Proprietary Limited	Previous
	Vukani Gaming Corporation Proprietary Limited	Previous
	Vukani Gaming Eastern Cape Proprietary Limited	Previous
	Vukani Gaming Equipment Proprietary Limited	Previous
	Vukani Gaming Free State Proprietary Limited	Previous
	Vukani Gaming Gauteng Proprietary Limited	Previous
	Vukani Gaming KwaZulu-Natal Proprietary Limited	Previous
	Vukani Gaming Limpopo Proprietary Limited	Previous
	Vukani Gaming Mpumalanga Proprietary Limited	Previous
	Vukani Gaming North West Proprietary Limited	Previous
	Vukani Gaming Northern Cape Proprietary Limited	Previous
	Vukani Gaming Western Cape Proprietary Limited	Previous
	W H Press House Proprietary Limited	Current
	Warwick Africa Proprietary Limited	Previous
	Winslet Investments Proprietary Limited	Previous
	Y Mag Proprietary Limited	Current
	Yired Proprietary Limited	Previous
	Zenzeleni Clothing Proprietary Limited	Current
Duncan, David	Brits Automotive Systems Proprietary Limited	Current
	Consolidated Textiles Proprietary Limited	Previous
	Custom Extrusion Proprietary Limited	Current
	Deneb Investments Limited	Current
	First Factory Shops Proprietary Limited	Current
	Formex Industries Proprietary Limited	Current
	Formex Tubing Proprietary Limited	Current

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Frame Industrials Proprietary Limited	Current
	Frame Knitting Manufacturers Proprietary Limited	Current
	Frame Textile Corporation Proprietary Limited	Previous
	Gold Reef Speciality Chemicals Proprietary Limited	Current
	Integrated Polypropylene Products Proprietary Limited	Current
	KwaZulu-Natal Clothing and Textile Cluster Proprietary Limited	Previous
	Natal Distributing Company Proprietary Limited	Previous
	Romatex Home Textiles Proprietary Limited	Current
	Romatex Proprietary Limited	Previous
	Seardel Group Trading Proprietary Limited	Current
	Seardel Investment Corporation Limited	Current
	Winelands Textiles Proprietary Limited	Current
Govender, Theventheran Govindsamy	All in All Investments Proprietary Limited	Previous
	Ancestral Investments Proprietary Limited	Previous
	Andermain Investments Proprietary Limited	Current
	Anytime Power Proprietary Limited	Current
	Ardrosan Investments Proprietary Limited	Previous
	Aston Bay Holiday Resorts Proprietary Limited	Previous
	Blue Beacon Investments 240 Proprietary Limited	Current
	Braber Investments Proprietary Limited	Previous
	Braylon Investments Proprietary Limited	Current
	Bridoon Trade and Invest 196 Proprietary Limited	Current
	Business Venture Investments No. 15 Proprietary Limited	Current
	Business Ventures No 15 Proprietary Limited	Previous
	C and A Associated Consultants Proprietary Limited	Previous
	C and M A Shelf 73 Proprietary Limited	Previous
	Centfox Investments Proprietary Limited	Previous
	Cherry Moss Trade and Invest 145 Proprietary Limited	Current
	Clare Developments Proprietary Limited	Previous
	Curagen Investments Proprietary Limited	Current
	Deneb Investments Proprietary Limited	Current
	Durban Add-ventures Limited	Previous
	E Sat TV Proprietary Limited	Current
	E TV Proprietary Limited	Current
	Effit Investments Proprietary Limited	Previous
	Egistic Investments Proprietary Limited	Previous
	Enver Investments Proprietary Limited	Previous
	Euphorbia Lot 1 Share Block Proprietary Limited	Previous
	Euphorbia Lot 2 Share Block Proprietary Limited	Previous
	Euphorbia Lot 3 Share Block Proprietary Limited	Previous
	Euphorbia Lot 4 Share Block Proprietary Limited	Previous
	Euphorbia Lot 5 Share Block Proprietary Limited	Previous
	Euphorbia Lot 6 Share Block Proprietary Limited	Previous
	Euphorbia Proprietary Limited	Previous
	Fi Developments Proprietary Limited	Current
	Fi Funding and Investments Holdco Proprietary Limited	Previous
	Foothills Trading and Investment 8 Proprietary Limited	Current
	Foxway Investments Proprietary Limited	Previous
	Francolin Investments Proprietary Limited	Previous
	Frosthill Investments Proprietary Limited	Previous

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Fulela Trade and Invest 81 Proprietary Limited	Current
	Fulela Trade and Invest 96 Proprietary Limited	Current
	G E Property and Marketing Proprietary Limited	Previous
	Galaxy Bingo International South Africa Proprietary Limited	Previous
	Gallagher Estate Holdings Limited	Previous
	Gelprop Proprietary Limited	Current
	Glenny Buchner Investment Proprietary Limited	Previous
	Golden Arrow Bus Services Proprietary Limited	Current
	Grey Jade Trade and Invest 145 Proprietary Limited	Current
	Grey Jade Trade and Invest 19 Proprietary Limited	Current
	H J S Advisory Services Proprietary Limited	Previous
	HCI – Treasury Proprietary Limited	Previous
	HCI Central Investments Proprietary Limited	Current
	HCI International Holdings Proprietary Limited	Current
	HCI Invest10 Holdco Proprietary Limited	Current
	HCI Invest11 Holdco Proprietary Limited	Current
	HCI Invest12 Holdco Proprietary Limited	Current
	HCI Invest13 Holdco Proprietary Limited	Current
	HCI Invest14 Holdco Proprietary Limited	Current
	HCI Invest15 Holdco Proprietary Limited	Current
	HCI Invest3 Holdco Proprietary Limited	Current
	HCI Invest4 Holdco Proprietary Limited	Current
	HCI Invest5 Holdco Proprietary Limited	Current
	HCI Invest6 Holdco Proprietary Limited	Current
	HCI Invest7 Holdco Proprietary Limited	Current
	HCI Invest8 Holdco Proprietary Limited	Current
	HCI Invest9 Holdco Proprietary Limited	Current
	HCI Managerial Services Proprietary Limited	Current
	HCI Properties Proprietary Limited	Previous
	HCI Proprojects Proprietary Limited	Previous
	HCIPropco07 Proprietary Limited	Current
	HCIPropco08 Proprietary Limited	Current
	HCIPropco1 Proprietary Limited	Current
	HCIPropco2 Proprietary Limited	Current
	HCIPropco3 Proprietary Limited	Current
	HCIPropco4 Proprietary Limited	Current
	HCIPropco5 Proprietary Limited	Current
	HCIPropco6 Proprietary Limited	Current
	Hendico Investments Proprietary Limited	Current
	Highland Night Investments 93 Proprietary Limited	Current
	Hi-reach Manlift Proprietary Limited	Previous
	Hollyberry Props 12 Proprietary Limited	Current
	Hollyhill Investments Proprietary Limited	Current
	Hosken Consolidated Investments Limited	Current
	Hubert Street Properties Proprietary Limited	Current
	Hubert Street Proprietary Limited	Previous
	I C Harrison Proprietary Limited	Previous
	Igi Investment Company Proprietary Limited	Current
	Isilumko Staffing Proprietary Limited	Previous
	Jena Investments Proprietary Limited	Previous
	Johnnic Casino Holdings Proprietary Limited	Previous

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Johnnic Holdings Limited	Current
	Johnnic Holdings Management Services Proprietary Limited	Current
	Johnnic Management Services Proprietary Limited	Previous
	Johnnic Properties Limited	Previous
	Johnnic Property Developments Limited	Previous
	Johnnic Property Holdings Limited	Previous
	Johnnic Property Investments Limited	Previous
	Johnnies Strategic Investment Holdings Proprietary Limited	Previous
	Justus House Proprietary Limited	Previous
	K2014015627 (SOUTH AFRICA) Proprietary Limited	Current
	Kayling Properties Share Block Proprietary Limited	Previous
	Kevro Consulting Proprietary Limited	Previous
	Keynote Trading and Investment 53 Proprietary Limited	Current
	La Cosca Investments Proprietary Limited	Previous
	Lennings Limited	Previous
	Leyvan Proprietary Limited	Current
	Lone Hill Estates Proprietary Limited	Previous
	Lynpro Investments Proprietary Limited	Previous
	Maclyn House Proprietary Limited	Current
	Main Place Holdings Limited	Previous
	Mainway Investments Proprietary Limited	Previous
	Majorshelf 183 Proprietary Limited	Current
	Megapro Holdings Proprietary Limited	Previous
	Mentor Trading and Investment 70 Proprietary Limited	Current
	Mercanto Investments Proprietary Limited	Previous
	Merilyn Investments Proprietary Limited	Previous
	Mindwell Collective Proprietary Limited	Previous
	Mironetix Proprietary Limited	Current
	Mironetix2 Proprietary Limited	Current
	Montello Investments Proprietary Limited	Previous
	Ortaga Investments Proprietary Limited	Previous
	Permasolve Investments Proprietary Limited	Current
	Platco Digital Proprietary Limited	Current
	Portello Investments No. 12 Proprietary Limited	Previous
	Proudafrique Trading 244 Proprietary Limited	Current
	Publik Collective Proprietary Limited	Previous
	Red Pepper Pictures Proprietary Limited	Previous
	Romancista Property Proprietary Limited	Previous
	S A M Sisonke Proprietary Limited	Previous
	Sabido Investments Proprietary Limited	Current
	Sactwu Seventh Investments Company Proprietary Limited	Current
	Sactwu Sixth Investments Company Proprietary Limited	Previous
	Sage Wise 118 Proprietary Limited	Previous
	Schedar Investments Proprietary Limited	Previous
	Seardel Investment Corporation Limited	Current
	Shell Case 59 Proprietary Limited	Previous
	Simbolia Investments Proprietary Limited	Previous
	Soundprops 1065 Investments Proprietary Limited	Previous
	Squirewood Investments 64 Proprietary Limited	Current
	Sweet Sensation 103 Proprietary Limited	Current
	Tangney Investments Proprietary Limited	Previous

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Temco Investments Proprietary Limited	Previous
	The Millennium Casino Limited	Previous
	Three Blind Mice Communications Proprietary Limited	Current
	Tih Prefco Proprietary Limited	Current
	Tihc Investments Proprietary Limited	Current
	Tradequick 84 Proprietary Limited	Previous
	Tsogo Sun KwaZulu-Natal Proprietary Limited	Previous
	Tylon Holdings Proprietary Limited	Current
	Unit 1b Corporate Park Proprietary Limited	Current
	Unit 4b Corporate Park Proprietary Limited	Current
	Varied Investments Proprietary Limited	Previous
	Vectofon Proprietary Limited	Previous
	View Cut Mix Proprietary Limited	Previous
	W H Press House Proprietary Limited	Current
	Westfox Investments Proprietary Limited	Previous
	Westmar Investments Proprietary Limited	Previous
	Winslow Investments Proprietary Limited	Previous
	Xmas Media Proprietary Limited	Previous
	Yired Proprietary Limited	Current
	Zenzeleni Clothing Proprietary Limited	Current
	Zillian Investments Proprietary Limited	Previous
Ntuli, Amon Malencane	Boomerang Trading 42 Proprietary Limited	Previous
	Deneb Investments Proprietary Limited	Current
	Fast Pace Trade and Invest 1 Proprietary Limited	Previous
	Flaghigh Investments Proprietary Limited	Previous
	Honeytone Investments 17 Proprietary Limited	Previous
	Hosken Consolidated Investments Proprietary Limited	Previous
	Igi Investment Company Proprietary Limited	Current
	Imfeira 1122 Proprietary Limited	Previous
	Mars Holdings Proprietary Limited	Previous
	Masthead Trade and Invest 8 Proprietary Limited	Current
	Milro Investments Proprietary Limited	Previous
	Nilaflex Proprietary Limited	Current
	Red Pepper Pictures Proprietary Limited	Previous
	Sactwu Cellular Services Proprietary Limited	Previous
	Sactwu Edupeg Project Proprietary Limited	Current
	Sactwu Investments Group Proprietary Limited	Previous
	Sactwu Second Investment Company Proprietary Limited	Previous
	Seardel Investment Corporation Limited	Current
	Showboat Trade and Invest 3 Proprietary Limited	Previous
	Syntell Proprietary Limited	Previous
	Tradequick 84 Proprietary Limited	Previous
	Trinergy Brand Connectors Proprietary Limited	Previous
	Zenzeleni Clothing Proprietary Limited	Current
Queen, Stuart Alexander	Aston Bay Holiday Resorts Proprietary Limited	Previous
	Avo Vending Proprietary Limited	Current
	Blue Beacon Investments 240 Proprietary Limited	Previous
	BrandID Ignite Proprietary Limited	Current
	Business Systems Group (Africa) Proprietary Limited	Previous
	Clever Little Monkey Proprietary Limited	Current
	Custom Extrusion Proprietary Limited	Current

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Deneb Investments Limited	Current
	Deneb Invest 141 Holdco Proprietary Limited	Current
	Deneb Invest 142 Holdco Proprietary Limited	Current
	Durban Add-ventures Limited	Previous
	Easywear Proprietary Limited	Current
	Euphorbia Proprietary Limited	Previous
	First Factory Shops Proprietary Limited	Current
	Formex Industries Proprietary Limited	Current
	Frame Knitting Manufacturers Proprietary Limited	Current
	G E Property and Marketing Proprietary Limited	Previous
	Gallagher Convention Centre Proprietary Limited	Previous
	Gallagher Estate Holdings Limited	Previous
	Glenny Buchner Investment Proprietary Limited	Previous
	HCI Invest3 Holdco Proprietary Limited	Current
	Hi-reach Manlift Proprietary Limited	Previous
	Independent Parts and Service (South Africa) Proprietary Limited	Previous
	Integrated Polypropylene Products Proprietary Limited	Current
	Isilumko Staffing Proprietary Limited	Previous
	Johnnic Casino Holdings Proprietary Limited	Previous
	Johnnic Holdings Limited	Previous
	Johnnic Holdings Management Services Proprietary Limited	Previous
	Johnnic Management Services Proprietary Limited	Previous
	Johnnic Properties Proprietary Limited	Previous
	Johnnic Property Developments Proprietary Limited	Previous
	Johnnic Property Holdings Proprietary Limited	Previous
	Johnnic Property Investments Limited	Previous
	Johnnies Strategic Investment Holdings Proprietary Limited	Previous
	Johnson Access Proprietary Limited	Previous
	Lennings Limited	Previous
	Limtech Biometric Solutions Proprietary Limited	Previous
	Lone Hill Estates Proprietary Limited	Previous
	Main Place Holdings Limited	Previous
	Main Street 614 Proprietary Limited	Previous
	Mars Holdings Proprietary Limited	Previous
	Mettle Factors Proprietary Limited	Previous
	Noah Capital Markets Proprietary Limited	Previous
	Oceanair Travel Proprietary Limited	Previous
	Oconnorqueen Proprietary Limited	Current
	Prima Toy and Leisure Finance Property Limited	Previous
	Prima Toy and Leisure Group Proprietary Limited	Current
	Prima Toy and Leisure Trading Proprietary Limited	Current
	Purple Moss 1174 Proprietary Limited	Current
	Romatex Home Textiles Proprietary Limited	Current
	Rowan Tree 4 Proprietary Limited	Previous
	Seardel Brand ID Proprietary Limited	Current
	Seardel Group Trading Proprietary Limited	Current
	Seardel Investment Corporation Limited	Current
	Seardel Number 16 Proprietary Limited	Current
	Seardel Number 17 Proprietary Limited	Current
	Seartec Industries Proprietary Limited	Current

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Seartec Proprietary Limited	Current
	Seartec Trading Proprietary Limited	Current
	Serendipity Financial Advisors Proprietary Limited	Previous
	Sukyae-land Proprietary Limited	Previous
	Syntell Proprietary Limited	Previous
	The Millennium Casino Limited	Previous
	Three Blind Mice Communications Proprietary Limited	Previous
	Tsogo Sun KwaZulu-Natal Proprietary Limited	Previous
	Tylon Holdings Proprietary Limited	Previous
	Tylon Proprietary Limited	Previous
	Western Crown Properties 6 Proprietary Limited	Previous
	Winelands Textiles Proprietary Limited	Current
Shaik, Yunis	Adventure World Management Proprietary Limited	Current
	Cellsaf Proprietary Limited	Current
	Deneb Investments Limited	Current
	Durban Add-ventures Limited	Current
	Enable Communications Proprietary Limited	Previous
	Enable Investment Holding Proprietary Limited	Previous
	Enable Leisure Proprietary Limited	Previous
	Enable Logistics Proprietary Limited	Previous
	Green Strata Investments Proprietary Limited	Current
	HCI International Holdings Proprietary Limited	Current
	Hosken Consolidated Investments Proprietary Limited	Current
	In Line Trading 18 Proprietary Limited	Previous
	Ipostel Proprietary Limited	Current
	Isiqwayi People Management Proprietary Limited	Previous
	Keldoron Properties 22 Proprietary Limited	Current
	Kintetsu World Express South Africa Proprietary Limited	Previous
	Nelesco 861 Proprietary Limited	Current
	Niveus Investments Proprietary Limited	Current
	Orangeview Investments Proprietary Limited	Previous
	Rainswan Investments Proprietary Limited	Previous
	Sapura Communications Proprietary Limited	Previous
	Seardel Investment Corporation Limited	Current
	Silver Halo Investments Proprietary Limited	Previous
	Sol Danka Proprietary Limited	Previous
	Tsimpilo Trading 2 Proprietary Limited	Previous
	Tsogo Investment Holding Company Proprietary Limited	Current
	Tsogo Sun Holdings Proprietary Limited	Current
	Urban Pink Investments Proprietary Limited	Current
	Vlatacom (South Africa) Proprietary Limited	Current
	Voxvita Proprietary Limited	Current
	Webram Eight Proprietary Limited	Previous
	Wheatfields Investments No. 77 Proprietary Limited	Previous
Watson, Rachel Doreen	Keep The Dream 186 Proprietary Limited	Current
	Deneb Investments Limited	Current
	National Community Radio Forum Proprietary Limited	Current
	Seardel Investment Corporation Limited	Current
Wege, Gysbert du Toit	BrandID Ignite Proprietary Limited	Current
	Brits Automotive Systems Proprietary Limited	Current
	Clever Little Monkey Proprietary Limited	Current

<b>Director</b>	<b>Company</b>	<b>Current/Previous directorship</b>
	Consolidated Textiles Proprietary Limited	Previous
	Deneb Investments Limited	Current
	Deneb Invest 141 Holdco Proprietary Limited	Current
	Deneb Invest 142 Holdco Proprietary Limited	Current
	Dynamic Dwellings Proprietary Limited	Previous
	E3 Technology Holdings Proprietary Limited	Previous
	Easywear Proprietary Limited	Current
	Frame Industrials Proprietary Limited	Current
	Gold Reef Speciality Chemicals Proprietary Limited	Current
	HCI Invest3 Holdco Proprietary Limited	Current
	Integrated Polypropylene Products Proprietary Limited	Current
	Oceanair Travel Proprietary Limited	Current
	Phase 4 Solutions Proprietary Limited	Previous
	Romatex Proprietary Limited	Previous
	Seardel Brand ID Proprietary Limited	Current
	Seardel Group Trading Proprietary Limited	Current
	Seardel Investment Corporation Limited	Current
	Seardel Number 16 Proprietary Limited	Current
	Seardel Number 17 Proprietary Limited	Current
	South Seas Cottage Furniture Proprietary Limited	Previous
	Wege Investments Proprietary Limited	Current
	Winelands Textiles Proprietary Limited	Current
Jappie, Naziema	Seardel Investment Corporation Limited	Current
	Deneb Investments Limited	Current
	Servipro 39 CC	Current
	Golden Arrow Bus Services Proprietary Limited	Current

**Note:** The directors of Deneb's major subsidiary, Seardel Group Trading, are Messrs S A Queen, Mr G D T Wege and Mr D Duncan.



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**DETAILS OF SUBSIDIARIES OF DENEb AND LOANS WITHIN THE DENEb GROUP**


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**DETAILS OF SUBSIDIARIES OF DENEb**

No	Company	Registration number	Date of incorporation	Issued share capital	Share-holding %	Directors	Date became subsidiary	Nature of business
1	Brits Automotive Systems Proprietary Limited	2000/018452/07	07-Aug-00	196 ordinary shares	100%	G D T Wege D Duncan C van Niekerk	01-Oct-14	Industrial manufacturing
2	Custom Extrusion Proprietary Limited	2008/018562/07	01-Aug-08	100 ordinary shares	100%	S A Queen D Duncan	01-Oct-14	Industrial manufacturing
3	Frame Industrials Proprietary Limited	2002/026364/07	23-Oct-02	100 ordinary shares	100%	G D T Wege D Duncan	01-Oct-14	Dormant
4	Gold Reef Speciality Chemicals Proprietary Limited	2008/006963/07	14-Mar-08	100 ordinary shares	100%	G D T Wege D Duncan D Beemiah	01-Oct-14	Chemical manufacturing
5	Nyenye Clothing Manufacturers Proprietary Limited	2006/356	24-May-06	1 000 ordinary shares	100%	S R D Bodley I Stein T E Basson	01-Oct-14	Dormant
6	Prima Toy and Leisure Group Proprietary Limited	1997/015103/07	10-Sep-97	82 329 000 ordinary shares	100%	S A Queen I N Morris	01-Oct-14	Intermediate holding company
7	Prima Toy and Leisure Trading Proprietary Limited (Subsidiary of Prima Toy and Leisure Group Proprietary Limited)	1997/015132/07	10-Sep-97	10 000 ordinary shares 100 preference shares	100%	S A Queen I N Morris W Ambrosini F Nussbaum	01-Oct-14	Branded product distribution
8	Seardel Brand ID Proprietary Limited	2008/016882/07	11-Jul-08	1 000 ordinary shares	100%	S A Queen G D T Wege W Bebb	01-Oct-14	Branded product distribution
9	Seardel Group Trading Proprietary Limited	1968/009480/07	20-Aug-68	50 001 ordinary shares and 6 976 preference shares	100%	S A Queen G D T Wege D Duncan	01-Oct-14	Property and manufacturing

No	Company	Registration number	Date of incorporation	Issued share capital	Share-holding %	Directors	Date became subsidiary	Nature of business
10	Sardel Number 16 Proprietary Limited	1959/004655/07	18-Dec-59	5 989 500 ordinary A class shares and 60,500 ordinary shares	100%	S A Queen G D T Wege	01-Oct-14	Dormant
11	Sardel Number 17 Proprietary Limited	1964/009211/07	24-Nov-64	100 ordinary shares	100%	S A Queen G D T Wege	01-Oct-14	Dormant
12	Seartec Proprietary Limited	1987/004962/07	09-Oct-87	66 9106 27 ordinary shares	100%	T J S Atkinson A Charalambous	01-Oct-14	Intermediate holding company
13	Seartec Industries Proprietary Limited (Subsidiary of Seartec Proprietary Limited)	1964/004775/07	24-Jun-64	10 000 ordinary shares 1 600 preference shares 24 000 cumulative preference shares	100%	T J S Atkinson S A Queen	01-Oct-14	Dormant
14	Seartec Trading Proprietary Limited	2005/017638/07	26-May-05	1 000 ordinary shares	100%	S A Queen M McChlery R B Skinstad T J S Atkinson A Charalambous	01-Oct-14	Branded product distribution
15	Val Hau et Cie Proprietary Limited	1937/009576/07	27-Apr-37	5 000 ordinary shares	100%	W Bebb	01-Oct-14	Dormant
16	Deneb Invest 141 Holdco Proprietary Limited	2014/042203/07	27-Feb-14	100 ordinary shares	51%	S A Queen G D T Wege M McChlery D Adams R Richardson	27-Feb-14	Branded product distribution – stationery
17	Brand ID Ignite Proprietary Limited	2013/131383/07	01-Aug-13	100 ordinary shares	100%	S A Queen G D T Wege W Bebb	01-Aug-13	Branded product distribution
18	Clever Little Monkey Proprietary Limited	2013/045245/07	15-Mar-13	120 ordinary shares	100%	S A Queen G D T Wege	20-Jun-13	Branded product distribution
19	Easywear Proprietary Limited	2013/149985/07	23-Aug-13	100 ordinary shares	100%	S A Queen G D T Wege	23-Aug-13	Dormant
20	First Factory Shops Proprietary Limited	2013/150100/07	23-Aug-13	100 ordinary shares	100%	S A Queen D Duncan T G Govender	23-Aug-13	Fabric factory shop
21	Frame Knitting Manufacturers Proprietary Limited	2013/149705/07	23-Aug-13	100 ordinary shares	100%	S A Queen D Duncan M McGeever	23-Aug-13	Dormant

No	Company	Registration number	Date of incorporation	Issued share capital	Share-holding %	Directors	Date became subsidiary	Nature of business
22	Winelands Textiles Proprietary Limited	2012/103693/07	15-Jun-12	100 ordinary shares	100%	G D T Wege D Duncan P Van Wyk	08-Jul-13	Dormant
23	Romatex Home Textiles Proprietary Limited	2013/210632/07	12-Nov-13	100 ordinary shares	100%	S A Queen D Duncan G Milne	12-Nov-13	Dormant
24	Integrated Polypropylene Products Proprietary Limited	2013/193012/07	16-Oct-13	100 ordinary shares	100%	S A Queen G D T Wege D Duncan	16-Oct-13	Industrial manufacturing
25	Limtech Biometric Solutions Proprietary Limited	1990/016157/07	27-Jul-99	1 960 468 ordinary shares	100%	M McChlery R B Skinstad C Snell	01-Apr-14	Biometric and security solutions
26	Deneb Invest 142 Holdco Proprietary Limited	2014/129510/07	09-Jul-14	100 ordinary shares	100%	S A Queen G D T Wege	09-Jul-14	Dormant

None of the above subsidiaries are listed and all subsidiaries are incorporated in South Africa, save for Nyenye Clothing Manufacturers Proprietary Limited which is incorporated in Lesotho.

#### **MATERIAL INTERCOMPANY LOANS**

##### **Seartec Trading Proprietary Limited**

- Seartec Trading Proprietary Limited is indebted to Seardel Group Trading Proprietary Limited for R109 million.
- The loan is unsecured and bears interest at Jibar plus 300 basis points.
- No repayment terms have been set.
- Facilities are used to fund working capital requirements.

##### **Seardel Group Trading Proprietary Limited**

- Seardel Group Trading Proprietary Limited is indebted to Deneb for R505 million.
- The loan is unsecured and interest free.
- No repayment terms have been set.
- Facilities are used to fund working capital requirements.

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**DETAILS REGARDING PRINCIPAL PROPERTIES OCCUPIED OR HELD**


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Principal immovable properties owned are set out below:

No.	Owner	Property type	Location	Description	Date of purchase	Area
1	Seardel Group Trading Proprietary Limited	Industrial and Office	Portion 43 of the Farm Melkbos, Atlantis	Factory and office building, occupied by Brits Nonwoven, a division of Seardel Group Trading Proprietary Limited.	1983	10 214 m <sup>2</sup>
2	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 101470, Epping	Warehousing and administrative offices, occupied by Easywear, a division of Seardel Group Trading Proprietary Limited and Brand ID Ignite Proprietary Limited.	1971	7 644 m <sup>2</sup>
3	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 117132, Epping	Factory and office building, occupied by external tenants and Deneb Head Office.	1997	17 572 m <sup>2</sup>
4	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 3626, Mobeni	Factory and office building, occupied by external tenants and Easywear, a division of Seardel Group Trading Proprietary Limited.	1997	12 818 m <sup>2</sup>
5	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 472, Mobeni	Factory and office building, occupied by external tenants.	1990	14 216 m <sup>2</sup>
6	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 1177 & 1178, Jeppestown	Warehouses and administrative offices	1992	9 899 m <sup>2</sup>
7	Seardel Group Trading Proprietary Limited	Industrial	Remainder Erf 254 and 5 other, New Germany	The bulk of this warehouse and industrial property complex is externally let and partly occupied by Brits Automotive Systems Proprietary Limited and Integrated Polypropylene Products Proprietary Limited .	1962	157 731 m <sup>2</sup>
8	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 19339, Elsie's River	Factory and administrative offices, occupied by Romatex Home Textiles, a division of Seardel Group Trading Proprietary Limited.	1988	15 305 m <sup>2</sup>
9	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 485 & 486, Mobeni	Factory and administrative offices, occupied by Romatex Home Textiles a division of Seardel Group Trading Proprietary Limited and Frame Knitting Manufacturers, a division of Seardel Group Trading Proprietary Limited.	1958	40 660 m <sup>2</sup>
10	Seardel Group Trading Proprietary Limited	Industrial	Erf 488, 501, 2198, 2622, Mobeni	Industrial property is externally let.	1958	31 459 m <sup>2</sup>

<b>No.</b>	<b>Owner</b>	<b>Property type</b>	<b>Location</b>	<b>Description</b>	<b>Date of purchase</b>	<b>Area</b>
11	Seardel Group Trading Proprietary Limited	Industrial	Erf 434 & 470, Mobei	Industrial property is external let.	1958	11 598 m <sup>2</sup>
12	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 20358, Paarl	Factory and administrative offices, occupied by Berg River Textiles, a division of Seardel Group Trading Proprietary Limited.	1990	16 561 m <sup>2</sup>
13	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 8980, Worcester	Factory and administrative offices, occupied by Hextex, a division of Seardel Group Trading Proprietary Limited.	1960	40 221 m <sup>2</sup>
14	Seardel Group Trading Proprietary Limited	Industrial	Erf 62840, Landsdowne	Industrial property is externally let.	2012	5 052 m <sup>2</sup>
15	Seardel Group Trading Proprietary Limited	Industrial	Erf 62852, Landsdowne	Industrial property is externally let.	2012	6 518 m <sup>2</sup>
16	Seardel Group Trading Proprietary Limited	Industrial	Erf 63187, Landsdowne	Industrial property is externally let.	2012	4 946 m <sup>2</sup>
17	Seardel Group Trading Proprietary Limited	Industrial	Erf 62835, Landsdowne	Industrial property is externally let.	2012	3 098 m <sup>2</sup>
18	Seardel Group Trading Proprietary Limited	Industrial	Erf 62836, Landsdowne	Industrial property is externally let.	2012	4 167 m <sup>2</sup>
19	Seardel Group Trading Proprietary Limited	Industrial and Office	Erf 32504, Epping	Warehouse and administrative offices, occupied by Prima Trading.	2012	12 332 m <sup>2</sup>
20	Seardel Group Trading Proprietary Limited	Office	Erf 27412, Observatory	Administrative offices, under development. The bulk of the property will be externally let and partly to be occupied by Seartec Trading Proprietary Limited and Deneb Head Office.	2013	10 502 m <sup>2</sup>
21	Seardel Group Trading Proprietary Limited	Residential	New Germany	3 residential houses. Residential houses let to members of staff.	2001	500 m <sup>2</sup>

**Material Principle Immovable Property leased are set out below:**

<b>No.</b>	<b>Owner</b>	<b>Property type</b>	<b>Location</b>	<b>Rental</b>	<b>Unexpired term of lease</b>	<b>Area</b>
1	Portion 1 Holding 334 Bredell Proprietary Limited	Industrial and Office	69 Pomona Road, Kempton Park, Johannesburg	R227 784 per month	3.5 years	3 773 m <sup>2</sup>
2	Look Alike Training 9 Proprietary Limited	Office	Portion 12 of Erf 1577, Bedfordview Extension 328, Gauteng	R180 540 per month	4.5 years	1 360 m <sup>2</sup>
3	Morulat Proprietary Investments 2 Proprietary Limited	Office	Erf 213, Benrose Ext 3, Gauteng	R167 144 per month	3.5 years	5 696 m <sup>2</sup>
4	CECB Holding Proprietary Limited	Industrial and Office	Erf 2032, 10 Livingston Road, Pinetown	R139 968 per month	0.5 years	2 668 m <sup>2</sup>
5	GMG Trust	Industrial	Section 15, Steelpark, Pietermaritzburg	R123 600 per month	0.5 years	2 287 m <sup>2</sup>
6	Wembley Square Market Proprietary Limited	Office	3rd Floor, Wembley Square North, Gardens, Cape Town	R104 720 per month	1.5 years	880 m <sup>2</sup>
7	Hyprop Investments Limited	Retail	Shop 456A, Canal Walk, Century City	R78 100 per month	2 years	91 m <sup>2</sup>
8	Rich Rewards Proprietary Limited	Office	3 Clark Road, Westmead, Durban	R79 209 per month	1 year	850 m <sup>2</sup>
9	Andlou Trading Proprietary Limited	Industrial	107 Prinsloo Street, Parow	R42 400 per month	1 year	1 800 m <sup>2</sup>

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**TABLE OF ENTITLEMENTS**


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The following table sets out the number of Deneb Shares to which a Seardel Shareholder will be entitled. Seardel Shareholders will be entitled to receive 12.91952 (twelve point nine one nine five two) Deneb Shares for every 100 (one hundred) Seardel Shares held as illustrated below. No fractions of shares will be issued to Seardel Shareholders and Deneb shares will be issued based on the rounding principle (up or down, as the case may be).

Number of existing Seardel shares held	Number of Deneb shares to which a Seardel Shareholder is entitled	Number of existing Seardel shares held	Number of Deneb shares to which a Seardel Shareholder is entitled
1	-	53	7
2	-	54	7
3	-	55	7
4	1	56	7
5	1	57	7
6	1	58	7
7	1	59	8
8	1	60	8
9	1	61	8
10	1	62	8
11	1	63	8
12	2	64	8
13	2	65	8
14	2	66	9
15	2	67	9
16	2	68	9
17	2	69	9
18	2	70	9
19	2	71	9
20	3	72	9
21	3	73	9
22	3	74	10
23	3	75	10
24	3	76	10
25	3	77	10
26	3	78	10
27	3	79	10
28	4	80	10
29	4	81	10
30	4	82	11
31	4	83	11
32	4	84	11
33	4	85	11
34	4	86	11
35	5	87	11
36	5	88	11
37	5	89	11
38	5	90	12
39	5	91	12
40	5	92	12
41	5	93	12
42	5	94	12
43	6	95	12
44	6	96	12
45	6	97	13
46	6	98	13
47	6	99	13
48	6	100	13
49	6	1 000	129
50	6	10 000	1 292
51	7	100 000	12 920
52	7	1 000 000	129 195

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