DENEB

INVESTMENTS LIMITED

Provisional condensed consolidated results for the year ended 31 March 2016

Condensed consolidated statement of financial position
as at 31 March

Rand thousands		**Reviewed 2016**	Audited 2015
ASSETS			
Non-current assets		**1 689 141**	1 723 603
Plant and equipment		**312 861**	312 365
Owner-occupied property		**434 074**	283 566
Investment property		**737 507**	766 804
Intangible assets		**22 262**	23 761
Goodwill		**15 024**	17 271
Other investments		**3 391**	3 644
Long-term receivables		**74 093**	182 040
Deferred tax assets		**89 929**	134 152
Current assets		**1 452 849**	1 310 204
Non-current assets held for sale		**2 175**	57 933
Inventories		**683 732**	610 214
Loan receivables		**83 101**	–
Trade and other receivables		**654 396**	640 855
Current tax assets		**143**	765
Cash and cash equivalents		**29 302**	437
Total assets		**3 141 990**	3 033 807
EQUITY AND LIABILITIES			
Total equity		**1 950 346**	1 868 727
Stated capital		**1 717 286**	1 716 713
Reserves		**232 477**	154 266
Equity attributable to owners of the company		**1 949 763**	1 870 979
Non-controlling interest		**583**	(2 252)
Non-current liabilities		**100 976**	109 428
Deferred tax liabilities		**5 160**	3 009
Post-employment medical aid benefits		**90 803**	102 694
Interest-bearing liabilities		**4 149**	2 800
Operating lease accruals		**864**	925
Current liabilities		**1 090 668**	1 055 652
Current tax liabilities		**1 821**	868
Post-employment medical aid benefits		**6 789**	6 413
Interest-bearing liabilities		**38 733**	45 063
Trade and other payables		**489 856**	473 429
Provisions		**5 705**	–
Bank overdraft		**547 764**	529 879
Total liabilities		**1 191 644**	1 165 080
Total equity and liabilities		**3 141 990**	3 033 807
Net asset value		**1 949 763**	1 870 979
Net asset value per share	**(cents)**	**347**	334

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

Rand thousands	Notes	Reviewed 2016	Audited 2015
Continuing operations			
Revenue		**2 715 640**	2 665 399
Cost of sales		**(2 086 715)**	(2 059 555)
Gross profit		**628 925**	605 844
Other income		**59 481**	60 104
Selling and distribution expenses		**(326 839)**	(328 890)
Administrative and other expenses		**(228 476)**	(213 720)
Operating profit before impairments, restructuring and revaluation of investment property		**133 091**	123 338
Revaluation of investment properties		**30 648**	70 187
Net (impairment)/impairment reversal of assets		**(2 248)**	5 554
Restructuring and retrenchment expenses		**(5 953)**	–
Operating profit before finance costs		**155 538**	199 079
Finance income		**10 174**	11 271
Finance expenses		**(73 105)**	(58 158)
Profit before taxation		**92 607**	152 192
Income tax (expense)/income	6	**(39 156)**	72 405
Profit from continuing operations		**53 451**	224 597
Discontinued operations			
Loss from discontinued operations, net of tax		**–**	(17 284)
Profit		**53 451**	207 313
Other comprehensive income, net of related tax			
Items that will never be reclassified to profit or loss			
Revaluation of land and buildings		**34 841**	7 095
Revaluation		**44 927**	8 428
Related tax		**(10 086)**	(1 333)
Post-employment medical aid benefits		**10 359**	(6 875)
Actuarial gain/(loss)		**14 387**	(9 549)
Related tax		**(4 028)**	2 674
Items that are or may be reclassified to profit or loss			
Fair value adjustment on available-for-sale financial assets		**(253)**	3 370
Other comprehensive income, net of tax		**44 947**	3 590
Total comprehensive income for the year		**98 398**	210 903
Profit attributable to:			
Owners of the company		**56 722**	208 750
Non-controlling interest		**(3 271)**	(1 437)
		53 451	207 313
Total comprehensive income attributable to:			
Owners of the company		**101 669**	212 340
Non-controlling interest		**(3 271)**	(1 437)
		98 398	210 903

Condensed consolidated statement of changes in equity

for the year ended 31 March

Rand thousands	Stated capital/ Common control capital	Other reserves	Retained income/ Accumu-lated loss	Total	Non-controlling interest	Total
Balance at 31 March 2014	1 496 346	321 342	(329 519)	1 488 169	–	1 488 169
Total comprehensive income	–	10 465	201 875	212 340	(1 437)	210 903
Profit/(loss) for the year	–	–	208 750	208 750	(1 437)	207 313
Other comprehensive income, net of tax	–	10 465	(6 875)	3 590	–	3 590
Fair value adjustment on available-for-sale financial assets	–	3 370	–	3 370	–	3 370
Revaluation of land and buildings	–	7 095	–	7 095	–	7 095
Post-employment medical aid benefits – actuarial loss	–	–	(6 875)	(6 875)	–	(6 875)
Transfers to other reserves	–	(82 339)	82 339	–	–	–
Reclassification of revaluation surplus	–	(82 339)	82 339	–	–	–
Transactions with owners of the company	220 367	–	(49 897)	170 470	–	170 470
Loan capitalisation	140 577	–	–	140 577	–	140 577
Shares issued to acquire entities under common control	50 029	–	–	50 029	–	50 029
Share incentive receivable capitalised	24 532	–	–	24 532	–	24 532
Share incentive – expense	–	–	(1 140)	(1 140)	–	(1 140)
– recharge revaluation	–	–	(94)	(94)	–	(94)
– options exercised	5 229	–	(5 229)	–	–	–
Distribution	–	–	(43 434)	(43 434)	–	(43 434)
Changes in ownership interest	–	–	–	–	(815)	(815)
Acquisition of subsidiary with non-controlling interests	–	–	–	–	(815)	(815)
Balance at 31 March 2015	1 716 713	249 468	(95 202)	1 870 979	(2 252)	1 868 727

Condensed consolidated statement of changes in equity

for the year ended 31 March (continued)

Rand thousands	Stated capital/ Common control capital	Other reserves	Retained income/ Accumulated loss	Total	Non-controlling interest	Total
Balance at 31 March 2015	**1 716 713**	**249 468**	**(95 202)**	**1 870 979**	**(2 252)**	**1 868 727**
Total comprehensive income	**–**	**34 588**	**67 081**	**101 669**	**(3 271)**	**98 398**
Profit/(loss) for the year	–	–	56 722	56 722	(3 271)	53 451
Other comprehensive income, net of tax	–	34 588	10 359	44 947	–	44 947
Fair value adjustment on available-for-sale financial assets	–	(253)	–	(253)	–	(253)
Revaluation of land and buildings	–	34 841	–	34 841	–	34 841
Post-employment medical aid benefits – actuarial gain	–	–	10 359	10 359	–	10 359
Transfers to other reserves	**–**	**(41 057)**	**36 478**	**(4 579)**	**–**	**(4 579)**
Capital gains tax rate change	–	(4 579)	–	(4 579)		(4 579)
Reclassification of revaluation surplus	–	(36 478)	36 478	–	–	–
Transactions with owners of the company	**573**	**–**	**(12 773)**	**(12 200)**	**–**	**(12 200)**
Share scheme – expense	–	–	4 624	4 624	–	4 624
– options exercised	573	–	(573)	–	–	–
Distribution	–	–	(16 824)	(16 824)	–	(16 824)
Changes in ownership interest	**–**	**–**	**(6 106)**	**(6 106)**	**6 106**	**–**
Acquisition of NCI without a change in control	–	–	(6 106)	(6 106)	6 106	–
Balance at 31 March 2016	**1 717 286**	**242 999**	**(10 522)**	**1 949 763**	**583**	**1 950 346**

Condensed consolidated statement of cash flows

for the year ended 31 March

Rand thousands	**Reviewed 2016**	Audited 2015
Net cash flows from operating activities	**62 316**	(154 832)
Cash generated from operating activities before working capital changes	**181 659**	161 117
Cash outflow from working capital changes	**(47 881)**	(257 009)
Net finance cost	**(62 931)**	(46 887)
Taxes paid	**(8 531)**	(12 053)
Net cash flow from investing activities	**(29 531)**	(47 831)
Net cash flow from financing activities	**(21 805)**	207 425
Net change in cash and cash equivalents	**10 980**	4 762
Cash and cash equivalents at beginning of the year	**(529 442)**	(534 204)
Cash and cash equivalents at end of the year	**(518 462)**	(529 442)

Condensed consolidated segmental report

for the year ended 31 March

Rand thousands	Gross revenue	Inter-segment revenue	External revenue	Operating profit/(loss) before finance costs	Segment assets	Segment liabilities
Reviewed						
Year ended 31 March 2016						
Continued operations						
Property	**136 715**	**(39 003)**	**97 712**	**129 444**	**1 196 518**	**17 287**
Branded product distribution	**1 401 039**	**(4 835)**	**1 396 204**	**1 743**	**899 392**	**266 633**
Textiles	**733 109**	**–**	**733 109**	**27 108**	**529 193**	**126 833**
Industrials	**488 505**	**–**	**488 505**	**36 638**	**304 198**	**81 303**
Head office and centralised services	**110**		**110**	**(39 395)**	**212 689**	**699 588**
Total continued operations	**2 759 478**	**(43 838)**	**2 715 640**	**155 538**	**3 141 990**	**1 191 644**
Total	**2 759 478**	**(43 838)**	**2 715 640**	**155 538**	**3 141 990**	**1 191 644**
Audited						
Year ended 31 March 2015						
Continued operations						
Property	129 114	(33 595)	95 519	153 082	1 129 952	15 219
Branded product distribution	1 408 968	(863)	1 408 105	19 576	812 405	224 406
Textiles	718 310	(7 568)	710 742	40 614	521 469	150 593
Industrials	451 033	–	451 033	24 618	279 199	64 201
Head office and centralised services	–		–	(38 811)	286 109	708 600
Total continued operations	2 707 425	(42 026)	2 665 399	199 079	3 029 134	1 163 019
Discontinued operations						
Clothing	9 581	–	9 581	(17 284)	4 673	2 061
Total discontinued operations	9 581	–	9 581	(17 284)	4 673	2 061
Total	2 717 006	(42 026)	2 674 980	181 795	3 033 807	1 165 080

Statistics per share

for the year ended 31 March

		Reviewed 2016	Audited 2015
Number of shares in issue	('000)	**561 490**	560 812
Weighted average number of shares in issue	('000)	**561 207**	547 315
Diluted weighted average number of shares in issue	('000)	**562 263**	553 242
Basic earnings	(cents)	**10,11**	38,14
Continued operations		**10,11**	41,30
Discontinued operations		**–**	(3,16)
Headline earnings	(cents)	**8,07**	27,55
Continued operations		**8,07**	30,35
Discontinued operations		**–**	(2,80)
Diluted earnings	(cents)	**10,09**	37,74
Continued operations		**10,09**	40,86
Discontinued operations		**–**	(3,12)
Diluted headline earnings	(cents)	**8,05**	27,26
Continued operations		**8,05**	30,03
Discontinued operations		**–**	(2,77)
Reconciliation between profit and headline earnings (net of taxation)			
Profit attributable to equity holders of the parent	(R'000)	**56 722**	208 750
Impairment of assets	(R'000)	**2 248**	7 102
Reversal of impairment of assets	(R'000)	**–**	(9 195)
Remeasurement of investment property	(R'000)	**(23 783)**	(56 449)
Changes in the deferred tax balance resulting from the change in CGT rates that relates to previous remeasurement of investment property	(R'000)	**10 040**	–
Surplus on disposal of property, plant and equipment	(R'000)	**(367)**	(253)
Loss on disposal of investment property	(R'000)	**–**	489
Loss on disposal of property, plant and equipment	(R'000)	**422**	368
Headline earnings	(R'000)	**45 282**	150 812

Notes to the provisional condensed consolidated results
for the year ended 31 March 2016

1. Basis of preparation

The provisional condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa, as amended. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the provisional condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

These results have been prepared under the supervision of the financial director, Gys Wege CA(SA). The directors take responsibility for the preparation of this report and that the information has been correctly extracted from the underlying annual financial statements.

2. Significant accounting policies and estimates

The accounting policies adopted in the preparation of the provisional condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015, except for the adoption of new standards and interpretations effective as at 1 April 2015.
The new standards have no impact on the financial information.

3. Review report of the independent auditor

These provisional condensed consolidated financial statements for the year ended 31 March 2016 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report from the company's registered office together with the financial statements identified in the auditor's report.

4. Capital expenditure and commitments

	Capital expenditure		**Contractual commitments**	
Rand thousands	**Reviewed 2016**	Audited 2015	**Reviewed 2016**	Audited 2015
Investment property	**20 807**	42 387	**–**	39 435
Land and buildings	**27 778**	–	**–**	–
Plant and equipment	**36 979**	57 189	**140**	–
Intangible assets	**2 539**	19 608	**3 253**	–
Business combinations	**–**	1 400	**–**	–
	88 103	120 584	**3 393**	39 435

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

5. Diluted weighted average number of shares

The difference between the weighted average number of shares and the diluted weighted average number of shares is due to the impact of the unexercised options under the Group's share incentive scheme.

6. Taxation and deferred taxation

Rand thousands	**Reviewed 2016**	Audited 2015
Income tax		
South African normal taxation		
– current	**(9 451)**	(12 914)
– prior year	**(654)**	806
Deferred taxation	**(29 051)**	84 513
	(39 156)	72 405
Current movements recognised in profit and loss	**(29 051)**	84 513
– rate changes	**(10 040)**	–
– capital allowances	**16 270**	(12 464)
– provision for post-employment medical aid benefits	**804**	587
– tax losses (utilised)/recognised	**(34 640)**	115 526
– capital allowances on intangible asset	**305**	17
– shares and investments	**–**	4 153
– revaluations	**(1 405)**	(4 937)
– share incentive scheme	**751**	(339)
– working capital differences	**(1 096)**	(18 030)

7. Post-period-end events

The Group has entered into an agreement in terms of which it will acquire the entire issued share capital of Premier Rainwatergoods Proprietary Limited. The acquisition is in line with the Group's growth strategy and will allow Deneb to deepen its distribution channels within the industrial manufacturing segment. For further information, refer to the SENS announcements dated 9 March 2016 and 24 May 2016.

8. Distribution

The board has decided to postpone its consideration of a dividend until later in the year (2015: 3 cents per ordinary share – the distribution was paid during the 2016 period).

9. Financial instruments

Carrying amounts 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.

Rand thousands	Loans and receiv-ables	Fair value through profit or loss	Available for sale	Mea-sured at amortised cost	Total
2016					
Financial assets measured at fair value					
Equity securities	**–**	**–**	**3 391**	**–**	**3 391**
Financial assets not measured at fair value					
Long-term receivables	**74 093**	**–**	**–**	**–**	**74 093**
Trade and other receivables	**693 382**	**–**	**–**	**–**	**693 382**
Cash and cash equivalents	**29 302**	**–**	**–**		**29 302**
	796 777	**–**	**3 391**	**–**	**800 168**
Financial liabilities measured at fair value					
Forward exchange contracts	**–**	**(5 769)**	**–**	**–**	**(5 769)**
Financial liabilities not measured at fair value					
Instalment sale and finance lease agree-ments	**–**	**–**	**–**	**(5 147)**	**(5 147)**
Unsecured loans	**–**	**–**	**–**	**(37 735)**	**(37 735)**
Trade and other payables	**–**	**–**	**–**	**(478 187)**	**(478 187)**
Bank overdrafts	**–**	**–**	**–**	**(547 764)**	**(547 764)**
	–	**(5 769)**	**–**	**(1 068 833)**	**(1 074 602)**
2015					
Financial assets measured at fair value					
Equity securities	–		3 644	–	3 644
Forward exchange contracts	–	3 670	–	–	3 670
Financial assets not measured at fair value					
Long-term receivables	182 040	–	–	–	182 040
Trade and other receivables	604 152	–	–	–	604 152
Cash and cash equivalents	437	–	–	–	437
	786 629	3 670	3 644	–	793 943
Financial liabilities measured at fair value					
Forward exchange contracts	–	(4 329)	–	–	(4 329)
Financial liabilities not measured at fair value					
Instalment sale and finance lease agree-ments	–	–	–	(4 481)	(4 481)
Unsecured loans	–	–	–	(43 382)	(43 382)
Trade and other receivables	–	–	–	(464 773)	(464 773)
Bank overdrafts	–	–	–	(529 879)	(529 879)
	–	(4 329)	–	(1 042 515)	(1 046 844)

Rand thousands	Level 1	Level 2	Level 3	Total
2016				
Financial assets measured at fair value				
Equity securities	**365**	**3 026**	**–**	**3 391**
Financial assets not measured at fair value				
Long-term receivables				**74 093**
Trade and other receivables				**693 382**
Cash and cash equivalents				**29 302**
	365	**3 026**	**–**	**800 168**
Financial liabilities measured at fair value				
Forward exchange contracts	**–**	**(5 769)**	**–**	**(5 769)**
Financial liabilities not measured at fair value				
Instalment sale and finance lease agreements				**(5 147)**
Unsecured loans				**(37 735)**
Trade and other payables				**(478 187)**
Bank overdrafts				**(547 764)**
	–	**(5 769)**	**–**	**(1 074 602)**
2015				
Financial assets measured at fair value				
Equity securities	315	3 329		3 644
Forward exchange contracts	–	3 670	–	3 670
Financial assets not measured at fair value				
Long-term receivables				182 040
Trade and other receivables				604 152
Cash and cash equivalents				437
	315	6 999	–	793 943
Financial liabilities measured at fair value				
Forward exchange contracts	–	(4 329)	–	(4 329)
Financial liabilities not measured at fair value				
Instalment sale and finance lease agreements				(4 481)
Unsecured loans				(43 382)
Trade and other receivables				(464 773)
Bank overdrafts				(529 879)
	–	(4 329)	–	(1 046 844)

9. Financial instruments (continued)

Measurement of fair values

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities	Quoted prices for the instrument	Not applicable	Not applicable
Forward exchange contracts	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date	Not applicable	Not applicable

Commentary

The Group recorded a total comprehensive income for the year of R98 million. This is a decline of R113 million (53%) from the R211 million recorded in the prior year. The main reason for the decline is that in the prior year a deferred tax asset was recognised, resulting in a R72 million credit being recorded on the taxation line. In the current year, a R39 million taxation charge was recorded, a swing of R111 million.

More detailed analysis is provided in the segmental reporting below. However, from an overall Group perspective, the following are the main points to note:

- Turnover is marginally up (1,9%), which reflects the difficult market conditions within the industries that the Group serves. A small improvement in gross margin saw gross profit climb by 3,8%, slightly ahead of the turnover growth. The continued strong focus on cost control saw fixed cost increases restricted to 2,3%. The overall effect is that operating profit before impairments and revaluations was up 7,9% to R133 million.
- During the course of the year, certain Group companies tenanted the Observatory property and this building was reclassified as an owner-occupied property. This affected the comparability of the Group's results as the R76 million upwards revaluation of the Group's property portfolio in the current year was only slightly below the R79 million recognised in the prior period. However, the portion of the revaluation relating to investment properties, and thus recognised in the income statement, was R31 million in the current period compared to R70 million in the prior period.
- The increase in finance costs is due to the prior period being lower than normal as Deneb had short-term use of the cash raised in the Seardel rights issue prior to unbundling.
- The high effective taxation rate at 42,3% is largely due to the change in the capital gains tax rate and the resultant adjustments required to deferred taxation.

The significant Rand weakness experienced during the year and the severe volatility leading up to the busy Christmas and back-to-school period put margins under pressure, particularly in the Branded Product distribution segment. The industries that the Group primarily serves within the manufacturing segments, namely, retail, automotive, mining, construction and agriculture remained under pressure. These external factors are not once-off events and are likely to recur at least in the short to medium term. We will continue to focus on cutting out waste and gearing the Group to operate effectively in lower margin environments.

It is important to note that the strong focus on costs does not restrict spending on building future revenue streams and finding new distribution channels. Indeed, in evaluating the results, consideration should be given to the fact that there are a number of businesses that are either in a turnaround or start-up phase. These businesses are being developed with an eye to the future but are still loss-makers for now. Collectively, these loss-making businesses were responsible for turnover of a little over R300 million and recorded some R40 million in losses. We carry these losses as we believe that these businesses will become contributors in time. However, should it be necessary, the Group could exit from them with very limited effect on the established businesses.

Segmental results

Property segment

The value of the Group's property portfolio increased by R66 million (5,9%) to just over R1,17 billion. This growth incorporates R49 million spent on acquisitions and development costs, R73 million of upwards revaluation, offset by disposals totalling R55 million.

Revenue increased by 5,9% to R137 million with revenue from external tenants representing 71% of the total revenue. Operating profit before finance costs decreased by 15% to R129 million. However, during the period, the Observatory property was reclassified from an investment property to an owner-occupied property. This has affected the comparability of the results as although the total upwards revaluation for the current year at R76 million is similar to the R79 million recorded in the prior period, the revaluation that was recorded in the segmental result was R31 million in the current period versus R70 million in the prior period. If the property revaluations are excluded, operating profit for the current year at R99 million was up 19% from the R83 million recorded in the prior period.

We continue to evaluate potential acquisitions to augment our industrial property portfolio. Seller's yield expectations have proved sticky in a rising interest rate cycle. However, one of the advantages of being a diversified Group is that we can remain patient and look to acquire value-enhancing properties only if they meet our criteria.

Branded Product segment

Revenue for this segment was flat at R1,4 billion, however, operating profit before finance costs declined to R2 million from R20 million in the prior period.

Three main issues affecting the performance of this segment are:

1. We have mentioned in the prior reports that we took a decision to invest heavily in our office automation business, raising the cost base quite considerably. This investment included strengthening the IT infrastructure, raising the profile of the business through increased marketing spend and improving systems. The investment in IT meant that we were effectively incurring double costs whilst the new systems and processes were being developed. When the new systems become fully operational, legacy costs from the old systems will reduce. To this end, included in the current year's figures, is a R6 million restructuring provision. Once the restructuring is completed, we anticipate annual savings in excess of R20 million, which will start to be realised in the second half of the next financial year. The investment and restructuring was necessary to allow the business to compete in an increasingly competitive environment.
2. We are investing in a number of start-up businesses with a view to deepening distribution channels. Although these businesses remain loss-making for now, we are pleased with the progress being made.
3. The rapid depreciation of the Rand, particularly leading up to the busy Christmas and back-to-school period, had quite a significant effect on realised margins.

If one excludes the losses being incurred implementing the turnaround strategies and in the start-up businesses, this segment would have delivered an operating profit of R45 million off a turnover of R1,1 billion. An operating margin of a little over 4% in itself reflects some of the difficulties experienced with the Rand depreciation and pressure facing consumers. It's not all down to external factors though, there are improvements to be made in the established businesses and we are working on improving efficiencies. We remain confident that the investments being made into the loss-makers will deliver returns to shareholders in the future. This segment remains a key growth area for the Group.

It's pleasing that, as anticipated in the prior year's report, Brand ID, which was a start-up entity five years ago, has now become profitable.

Industrial segment

The businesses within this sector interface with the retail, automotive, agriculture, mining and construction industries. These sectors of our economy, notably agriculture and mining, have been under severe pressure and volumes supplied to many of our traditional customers have been lower year-on-year. It is hence pleasing that, on the back of volumes from new customers, turnover growth of 8,3% can be reported. The turnover growth, coupled with better margins and tight cost control, saw operating profit improve by 48,8% to R37 million. However, the prior-period result included an asset impairment of R3 million. Adjusting for the impairment still sees operating profit improve by 30,7%.

It is encouraging that, despite the difficult environment, the hard work put into these businesses by the respective management teams are starting to bear fruit.

We have recently announced the acquisition of a new business, Premier Rainwatergoods Proprietary Limited, a manufacturer of gutters, downpipes and roofing accessories, which will fit into this segment.

Textile segment

Trading conditions for the businesses within this sector remain challenging.

The prior year's results included an impairment reversal of R13 million. If one adjusts for this once-off event, operating profit declined by 2,6% to R27 million. It is testament to the management teams within this sector that small profits can be eked out of what are difficult businesses. The strategy for this sector is one of containment whilst we look to transition the businesses into higher margin areas. In this regard, good progress is being made in some of the businesses.

On behalf of the board

Stuart Queen
Chief executive officer

Gys Wege
Financial director

Cape Town
25 May 2016

Corporate information

DENEB INVESTMENTS LIMITED
("Deneb" or "the Group" or "the company")

The company's shares are listed under the Financial Services – Speciality Finance sector.

Registration number:	2013/091290/06 (Incorporated in the Republic of South Africa)
JSE share code:	DNB
ISIN:	ZAE000197398
Income tax registration number:	9844426156
Registered office:	5th Floor, Deneb House, cnr Main and Browning Roads, Observatory 7925, Cape Town PO Box 1585, Cape Town 8000
Directors:	J A Copelyn* (non-executive chairperson), M H Ahmed*^ (lead independent director), D Duncan, T G Govender*, L Govender*^, N Jappie*^, A M Ntuli, S A Queen (chief executive officer), Y Shaik*, R D Watson*^, G D T Wege (financial director) (*Non-executive ^Independent)
Company secretary:	HCI Managerial Services Proprietary Limited
Transfer secretaries:	Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 PO Box 61051, Marshalltown 2107
Auditors:	KPMG Inc.
Sponsors:	PSG Capital Proprietary Limited

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www.deneb.co.za