



DENE B
INVESTMENTS LIMITED

Unaudited consolidated condensed interim results
for the six months ended 30 September 2015

Statement of financial position

as at 30 September 2015

Rand thousands	Unaudited 30 Sep 2015	Unaudited 30 Sep 2014*
ASSETS		
Non-current assets	1 723 114	1 697 977
Plant and equipment	312 639	303 774
Owner-occupied property	385 799	334 409
Investment property	701 409	690 340
Intangible assets	23 042	17 987
Goodwill	15 024	17 743
Other investments	3 644	43 708
Long-term receivables	157 506	156 299
Net receivable from discontinued operations	–	74 979
Deferred tax	124 051	58 738
Current assets	1 532 430	1 429 804
Non-current assets held for sale	3 665	54 437
Inventories	729 429	672 235
Trade and other receivables	795 196	695 444
Current tax asset	2 859	7 210
Cash and cash equivalents	1 281	478
Total assets	3 255 544	3 127 781
EQUITY AND LIABILITIES		
Total equity	1 866 234	1 619 860
Stated capital	1 717 287	1 623 143
Reserves	148 947	(2 950)
Equity attributable to owners of the parent	1 866 234	1 620 193
Non-controlling interests	–	(333)
Non-current liabilities	111 920	148 039
Deferred tax	3 009	6 059
Post-employment medical aid benefits	103 635	91 055
Interest-bearing liabilities	4 266	13 674
Share-based liabilities	–	35 631
Operating lease accruals	1 010	1 620
Current liabilities	1 277 390	1 359 882
Current tax payable	493	204
Net liabilities from discontinued operations	–	4 654
Post-employment medical aid benefits	6 472	6 205
Interest-bearing liabilities	35 540	32 397
Trade and other payables	554 386	533 447
Bank overdrafts	680 499	782 975
Total liabilities	1 389 310	1 507 921
Total equity and liabilities	3 255 544	3 127 781
Net asset value	1 866 234	1 620 193
Net asset value per share after treasury shares (cents)	332	300

* Restated, refer to note 6

Condensed statement of profit or loss and other comprehensive income

for the six months ended 30 September 2015

Rand thousands	Unaudited 6 months 30 Sep 2015	Unaudited 6 months 30 Sep 2014*	% Change
Revenue	1 303 975	1 231 785	5,9
Gross profit	312 908	287 634	8,8
Operating profit before restructuring costs	58 347	25 772	126,4
Net impairment of assets	(2 456)	–	
Operating profit before finance costs	55 891	25 772	116,9
Finance income	5 854	4 145	
Finance expenses	(34 752)	(19 459)	
Profit before tax	26 993	10 458	158,1
Income tax expense	(12 662)	(1 624)	
Profit for the period	14 331	8 834	62,2
Loss for the period from discontinued operations	–	(3 940)	
TOTAL PROFIT FOR THE PERIOD	14 331	4 894	192,8
Other comprehensive income for the period	–	–	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14 331	4 894	192,8
Profit attributable to:			
Owners of the parent	12 079	5 227	
Non-controlling interests	2 252	(333)	
	14 331	4 894	
Total comprehensive income attributable to:			
Owners of the parent	12 079	4 894	
Non-controlling interests	2 252	–	
	14 331	4 894	

* Restated, refer to note 6

Condensed statement of cash flows

for the six months ended 30 September 2015

Rand thousands	Unaudited 6 months 30 Sep 2015	Unaudited 6 months 30 Sep 2014
Net cash flow from operating activities	(148 631)	(211 989)
Net cash flow from investing activities	(16 156)	(66 119)
Net cash flow from financing activities	15 011	29 815
Net decrease in cash and cash equivalents	(149 776)	(248 293)
Cash and cash equivalents at beginning of period	(529 442)	(534 204)
Cash and cash equivalents at the end of period	(679 218)	(782 497)

Statement of changes in equity

for the six months ended 30 September 2015

Rand thousands	Issued stated capital	Common control stated capital	Stated capital Total	Other reserves	Common control reserves	Retained income	Total	Non-controlling interest	Total equity
Balance at 1 April 2014*	–	1 496 346	1 496 346	337 244	(15 902)	(329 519)	1 488 169	–	1 488 169
Total comprehensive profit for the period	–	–	–	–	–	5 227	5 227	(333)	4 894
Transactions with owners									
Capitalisation of loan	–	126 797	126 797	–	–	–	126 797	–	126 797
Balance at 30 September 2014	–	1 623 143	1 623 143	337 244	(15 902)	(324 292)	1 620 193	(333)	1 619 860
Balance at 1 April 2015	1 716 713	–	1 716 713	265 370	(15 902)	(95 202)	1 870 979	(2 252)	1 868 727
Total comprehensive profit for the period	–	–	–	–	–	12 079	12 079	2 252	14 331
Transactions with owners									
Dividends paid	–	–	–	–	–	(16 824)	(16 824)	–	(16 824)
Share scheme – options exercised	574	–	574	–	–	(574)	–	–	–
Balance at 30 September 2015	1 717 287	–	1 717 287	265 370	(15 902)	(100 521)	1 866 234	–	1 866 234
Composition of other reserves								2015	2014
Revaluation of investments								–	32 186
Surplus on revaluation of land and buildings								265 370	305 058
								265 370	337 244

* Restated, refer to note 6

Condensed segmental report

for the six months ended 30 September 2015

Rand thousands	Properties	Branded Product Distribution	Industrial Manufacturing	Textile Manufacturing	Head office and Centralised Services	Total
2015						
Segment revenue						
Gross sales	66 185	630 026	244 570	381 677	–	1 322 458
Inter-segment sales (these transactions are at arm's length)	(18 483)	–	–	–	–	(18 483)
	47 702	630 026	244 570	381 677	–	1 303 975
Segment results						
Operating profit/(loss) from continuing operations	46 778	1 209	16 416	7 445	(15 957)	55 891
2014*						
Segment revenue						
Gross sales	64 850	631 952	225 585	334 384	–	1 256 771
Inter-segment sales (these transactions are at arm's length)	(17 905)	–	–	(7 081)	–	(24 986)
	46 945	631 952	225 585	327 303	–	1 231 785
Segment results						
Operating profit/(loss) from continuing operations	44 076	2 202	9 836	(12 326)	(18 016)	25 772

* Restated, refer to note 6

Statistics per share

for the six months ended 30 September 2015

In cents, where applicable	Unaudited 6 months 30 Sep 2015	Unaudited 6 months 30 Sep 2014*
Weighted average number of shares in issue ('000)	560 922	539 776
Number of shares in issue ('000)	561 490	539 776
Diluted weighted average number of shares in issue ('000)	567 417	539 776
Basic earnings	2,2	1,0
Continuing operations	2,2	1,7
Discontinued operations	–	(0,7)
Headline earnings	2,6	0,9
Continuing operations	2,6	1,6
Discontinued operations	–	(0,7)
Diluted earnings	2,1	1,0
Continuing operations	2,1	1,7
Discontinued operations	–	(0,7)
Diluted headline earnings	2,5	0,9
Continuing operations	2,5	1,6
Discontinued operations	–	(0,7)
Reconciliation between profit and headline earnings		
Income attributable to shareholders	12 079	5 227
Impairment of goodwill	2 249	–
Impairment of intangible assets	207	–
Surplus on disposal of property, plant and equipment	(160)	(205)
Loss on disposal of property, plant and equipment	18	–
Total tax effect of adjustments	40	25
Headline earnings	14 433	5 047

* Restated, refer to note 6

Notes to the unaudited consolidated condensed interim results

for the six months ended 30 September 2015

1. BASIS OF PREPARATION

The unaudited consolidated condensed results for the six months to September 2015 have been prepared in accordance with, and containing the information as required by, International Accounting Standard (IAS) 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act. These results do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 March 2015.

These results have been prepared under the supervision of Financial Director, Gys Wege (CA)SA, and have not been audited or reviewed by the Group's auditors, KPMG Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated condensed results have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments. The accounting policies adopted are in terms of IFRS and 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 condensed consolidated financial statements.

3. CAPITAL EXPENDITURE AND COMMITMENTS

Rand thousands	Unaudited capital expenditure 2015	Unaudited capital expenditure 2014	Unaudited contractual commitments 2015	Unaudited contractual commitments 2014
Investment property	15 358	20 721	–	40 000
Land and buildings	22 607	436	6 236	–
Plant and equipment	16 028	31 832	8 577	–
Intangible assets	–	9 690	–	–
Total capital expenditure	53 993	62 679	14 813	40 000

4. ISSUE OF SHARES

During the period 677 746 ordinary shares were issued in terms of the Group's share incentive scheme.

5. DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

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

6. CHANGE IN COMPARATIVES

Deneb unbundled from Sear del Investment Corporation Limited (Sear del) and listed on the JSE on 1 December 2014. Deneb did not prepare results in the normal course of business and accordingly prepared the information contained in the pre-listing statement and interim financial statements for the six months ended 30 September 2014 by extracting historical assets, liabilities, revenue and expenses from the consolidated financial statements of Sear del (carve-out results).

The carve-out results contains the financial performance of the businesses which formed part of the newly constituted Deneb Group and excluded the results of the discontinued businesses. The directors are of the opinion that the preparation of the results on this basis provided shareholders with the most appropriate representation of the past performance of Deneb.

Notes to the unaudited consolidated condensed interim results for the six months ended 30 September 2015

6. CHANGE IN COMPARATIVES (continued)

The comparative results contained in the interim results to September 2015, however, have been prepared in accordance with the principles of book value accounting. This requires the assets and the liabilities acquired by Deneb to be accounted for using the same book values as contained in the interim consolidated financial statements of the transferor, Seardel. This basis of preparation differs from the basis of preparation as applied in the carve-out interim results for the six months to September 2014 as follows:

6.1 Taxation

The carve-out historical interim results assumed that the deferred tax asset in a subsidiary is fully recoverable retrospectively from 31 March 2011. The comparative results have been prepared using the book value of the deferred tax asset as contained in the interim financial statements of Seardel.

Financial effect:

Rand thousands	Interim carve-out results 2014	Interim results 2014
Statement of financial position Dr/(Cr)		
Deferred tax asset	141 399	58 738

6.2 Discontinued operations

The carve-out historical interim results assumed that the apparel manufacturing businesses were disposed to a third party as a going concern on 31 March 2011. The comparative results have been prepared using book value accounting and therefore the sale of the apparel manufacturing businesses are disclosed as contained in the interim financial statements of Seardel:

Financial effect:

Rand thousands	Interim carve-out results 2014	Interim results 2014
Statement of profit or loss and other comprehensive income – profit/(loss)		
Loss from discontinued operations, net of tax	–	380

In addition, the clothing factory shop operation was discontinued during the period ending 31 March 2015 and the comparatives are restated accordingly.

Financial effect:

Rand thousands	Interim carve-out results 2014	Interim results 2014
Statement of profit or loss and other comprehensive income – profit/(loss)		
Revenue	12 672	–
Gross profit	44	–
Net loss included in continued operations	(4 320)	–
Loss from discontinued operations, net of tax	–	(4 320)

Notes to the unaudited consolidated condensed interim results

for the six months ended 30 September 2015

6. CHANGE IN COMPARATIVES (continued)

6.3 Share-based benefits

With effect from 1 October 2014 the participants of the Seardel Share Incentive Scheme had no further rights under the scheme and all unvested share options issued in terms of the scheme have lapsed. The Deneb Share Incentive Scheme was established on 10 October 2014. The carve-out historical interim results assumed that Deneb received all amounts owing by the subsidiaries of the Group in terms of the incentive scheme. The comparative results reflect the book value of the share-based liability as reflected in the interim financial statements of Seardel.

Financial effect:

Rand thousands	Interim carve-out results 2014	Interim results 2014
Statement of financial position Dr/(Cr)		
Share-based liability	–	(35 631)

6.4 Treasury shares in Seardel Investment Corporation held by a subsidiary

Shares held by a subsidiary in Seardel were disclosed as treasury shares in the carve-out historical interim results. In the comparative results these shares have been disclosed as investments and revalued to fair value through equity at period-end.

Financial effect:

Rand thousands	Carve-out results 2014	Deneb financial statements 2014
Statement of financial position Dr/(Cr)		
Other investments	–	40 065

6.5 Earnings per share

Reconciliation of the effect of the above change in the basis of preparation between the comparatives for the six months to September 2015 and the carve-out interim results for the period ending 30 September 2014:

Rand thousands	Statement of profit or loss and other comprehensive income	Weighted average number of shares	Earnings/loss per share
Carve-out interim results	4 847	539 776	0,90
Continued operations	4 847		0,90
Discontinued operations	–		0,00
Discontinued operations – apparel manufacturing business	380		0,10
Deneb financial statement profit	5 227		1,00
Continued operations	9 167		1,70
Discontinued operations	(3 940)		(0,70)

Notes to the unaudited consolidated condensed interim results for the six months ended 30 September 2015

7. POST-PERIOD END EVENTS

There has been no reportable post-period end events.

8. DIVIDENDS

The directors have resolved not to declare a dividend for the six months ended 30 September 2015 (2014: Nil).

Commentary

for the six months ended 30 September 2015

The period under review saw revenue rise by 6% on the back of stronger demand in the manufacturing businesses. The increased turnover, particularly in the textile segment, is largely due to the prior period representing a low base rather than any robust demand in the current period.

Operating profit was up 126% to R58,3 million through a combination of increased revenue, improved gross margins which were up 600 basis points to 24%, and good cost containment.

The increase in finance costs is largely due to the prior period being lower than normal as Deneb had short-term use of the cash raised in the Seardel rights issue. This, together with increased working capital levels and rate increases, saw finance costs rise by 88% on a net basis.

SEGMENTAL RESULTS

Properties

Revenue was up 2% to R66 million with 72% of the revenue derived from tenants external to the Group. The property segment's results need to be considered in light of the fact that the average gross lettable area reduced from 427 500 m² in the prior period to 396 250 m² in the current period, a reduction of 7,3%. The reduction is because properties that are not expected to deliver acceptable yields are disposed of. In time the Group will look to augment the property portfolio with new property acquisitions or developments.

Branded Products

Revenue was flat when compared to the prior period as the prior period included quite substantial revenue from the launch of X box One. In addition, retail customers are buying later in the cycle. On the positive side, good progress is being made at Seartec and Brand ID, where revenue is up 54% and 29% respectively.

The operating margins within this segment are being influenced by some loss-making start-up businesses, which effect is more strongly felt in the traditionally slower first half. The start-up businesses form part of a strategy to deepen and widen distribution channels and we remain confident that this segment will deliver enduring benefits to shareholders in the medium term.

Industrial manufacturing

The absence of any significant industrial action in the current period saw revenue grow by 8% whilst operating profit grew by 69% off a low base. The businesses in this segment mostly run at below capacity and any incremental turnover that can be derived should have a disproportional effect on the operating profit line. We see this segment as a further growth area for the Group and we will look to acquire complementary businesses in the industrial manufacturing space.

Textile manufacturing

The current period saw revenue grow by 14% and operating profit improve by R19 million from a loss of R12 million to a profit of R7 million. The reduced level of tenders around election time and the effects of the industrial action experienced meant that the prior period was particularly poor. Although it is pleasing that the businesses in this segment returned a profit, operating profit margins remain extremely thin.

Signed for and on behalf of the board in Cape Town on .

Stuart Queen
Chief Executive Officer

Gys Wege
Financial Director

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 8 000

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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