Condensed consolidated results for the year ended 31 March 2015

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

Provisional condensed consolidated results
for the year ended 31 March 2015

STATEMENT OF FINANCIAL POSITION
as at 31 March

Rand thousands	Reviewed 2015	Audited 2014
ASSETS		
Non-current assets	1 723 603	1 544 389
Plant and equipment	312 365	286 364
Owner-occupied property	283 566	335 718
Investment property	766 804	669 619
Intangible assets	23 761	9 197
Goodwill	17 271	14 204
Other investments	3 644	43 709
Long-term receivables	182 040	126 840
Deferred tax assets	134 152	58 738
Current assets	1 310 204	1 122 528
Non-current assets held for sale	57 933	54 536
Inventories	610 214	536 471
Trade and other receivables	640 855	527 838
Current tax assets	765	103
Cash and cash equivalents	437	3 580
Total assets	3 033 807	2 666 917
EQUITY AND LIABILITIES		
Total equity	1 868 727	1 488 169
Stated capital/Share capital and share premium	1 716 713	1 496 346
Reserves	154 266	(8 177)
Equity attributable to owners of the company	1 870 979	1 488 169
Non-controlling interest	(2 252)	-
Non-current liabilities	109 428	149 757
Deferred tax liabilities	3 009	6 047
Post-employment medical aid benefits	102 694	91 180
Share-based liabilities	-	35 631
Interest-bearing liabilities	2 800	16 658
Operating lease accruals	925	241
Current liabilities	1 055 652	1 028 991
Current tax liabilities	868	151
Post-employment medical aid benefits	6 413	6 280
Interest-bearing liabilities	45 063	3 193
Trade and other payables	473 429	458 467
Provisions	-	23 116
Bank overdraft	529 879	537 784
Total liabilities	1 165 080	1 178 748
Total equity and liabilities	3 033 807	2 666 917
Net asset value	1 870 979	1 488 169
Net asset value per share (cents)	334	276

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March

Rand thousands	Reviewed 2015	Audited 2014*
Continuing operations		
Revenue	2 665 399	2 140 324
Cost of sales	(2 059 555)	(1 596 652)
Gross profit	605 844	543 672
Other income	130 291	122 792
Selling and distribution expenses	(271 297)	(226 139)
Administrative and other expenses	(271 313)	(220 483)
Operating profit before impairment reversal	193 525	219 842
Net impairment reversal of assets	5 554	-
Operating profit before finance costs	199 079	219 842
Finance income	11 271	2 080
Finance expenses	(58 158)	(49 094)
Profit before taxation	152 192	172 828
Income tax income	72 405	4 899
Profit from continuing operations	224 597	177 727
Discontinued operations		
Loss from discontinued operations, net of tax	(17 284)	(165 053)
Profit for the year	207 313	12 674
Other comprehensive income, net of related tax		
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings	7 095	19 193
Post-employment medical aid benefits - actuarial loss	(6 875)	(4 295)
Items that are or may be reclassified to profit or loss		
Fair value adjustment on available-for-sale financial assets	3 370	12 260
Other comprehensive income, net of tax	3 590	27 158
Total comprehensive income for the year	210 903	39 832
Profit attributable to:		
Owners of the company	208 750	12 674
Non-controlling interest	(1 437)	-
	207 313	12 674
Total comprehensive income attributable to:		
Owners of the company	212 340	39 832
Non-controlling interest	(1 437)	-
	210 903	39 832

* Restated (see note 2).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March

Rand thousands	Reviewed 2015	Audited* 2014
Net cash flows from operating activities	(154 926)	28 521
Net cash flow from investing activities	(58 930)	(50 921)
Net cash flow from financing activities	218 618	(9 356)
Net change in cash and cash equivalents	4 762	(31 756)
Cash and cash equivalents at the beginning of the year	(534 204)	(502 448)
Cash and cash equivalents at the end of the year	(529 442)	(534 204)

* Restated (see note 2).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rand thousands	Stated capital/ Share capital and share	Other reserves	Common control reserve	Retained income
Balance at 31 March 2013*	1 477 489	307 741	(7 452)	(316 947)
Total comprehensive income	-	31 453	-	8 379
Profit	-	-	-	12 674

Other comprehensive income	-	31 453	-	(4 295)
Fair value adjustment on available-for-sale financial assets	-	12 260	-	-
Revaluation of land and buildings	-	19 193	-	-
Post-employment medical aid benefits - actuarial loss	-	-	-	(4 295)
Transfers to other reserves	-	(1 950)	-	1 580
Reclassification of revaluation surplus	-	(1 950)	-	1 580
Transactions with owners of the company	1 749	-	-	(22 531)
Share scheme - expense	-	-	-	4 511
Share scheme - recharge revaluation	-	-	-	(19 878)
Loan capitalisation	1 749	-	-	-
Dividends paid	-	-	-	(7 164)
Changes in ownership interest	17 108	-	(8 450)	-
Acquisition of subsidiary with non-controlling interests	17 108	-	(8 450)	-
Reviewed				
Balance at 31 March 2014	1 496 346	337 244	(15 902)	(329 519)
Total comprehensive income	-	10 465	-	201 875
Profit	-	-	-	208 750
Other comprehensive income	-	10 465	-	(6 875)
Fair value adjustment on available-for-sale financial assets	-	3 370	-	-
Revaluation of land and buildings	-	7 095	-	-
Post-employment medical aid benefits - actuarial loss	-	-	-	(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)
Share scheme - expense	-	-	-	(1 140)
Share scheme - recharge revaluation	-	-	-	(94)
Share scheme - options exercised	5 229	-	-	(5 229)
Loan capitalisation	140 577	-	-	-
Share issue	50 029	-	-	-
Share incentive receivable capitalised	24 532	-	-	-
Dividends paid	-	-	-	(43 434)
Changes in ownership interest	-	-	-	-
Acquisition of subsidiary with non-controlling interests	-	-	-	-
Balance at 31 March 2015	1 716 713	265 370	(15 902)	(95 202)

* Restated (see note 2).

Rand thousands	Total	Non-controlling Interest	Total
Audited			
Balance at 31 March 2013*	1 460 831	-	1 460 831
Total comprehensive income	39 832	-	39 832

Profit	12 674	-	12 674
Other comprehensive income	27 158	-	27 158
Fair value adjustment on available-for-sale financial assets	12 260	-	12 260
Revaluation of land and buildings	19 193	-	19 193
Post-employment medical aid benefits - actuarial loss	(4 295)	-	(4 295)
Transfers to other reserves	(370)	-	(370)
Reclassification of revaluation surplus	(370)	-	(370)
Transactions with owners of the company	(20 782)	-	(20 782)
Share scheme - expense	4 511	-	4 511
Share scheme - recharge revaluation	(19 878)	-	(19 878)
Loan capitalisation	1 749	-	1 749
Dividends paid	(7 164)	-	(7 164)
Changes in ownership interest	8 658	-	8 658
Acquisition of subsidiary with non-controlling interests	8 658	-	8 658
Reviewed			
Balance at 31 March 2014	1 488 169	-	1 488 169
Total comprehensive income	212 340	(1 437)	210 903
Profit	208 750	(1 437)	207 313
Other comprehensive income	3 590	-	3 590
Fair value adjustment on available-for-sale financial assets	3 370	-	3 370
Revaluation of land and buildings	7 095	-	7 095
Post-employment medical aid benefits - actuarial loss	(6 875)	-	(6 875)
Transfers to other reserves	-	-	-
Reclassification of revaluation surplus	-	-	-
Transactions with owners of the company	170 470	-	170 470
Share scheme - expense	(1 140)	-	(1 140)
Share scheme - recharge revaluation	(94)	-	(94)
Share scheme - options exercised	-	-	-
Loan capitalisation	140 577	-	140 577
Share issue	50 029	-	50 029
Share incentive receivable capitalised	24 532	-	24 532
Dividends paid	(43 434)	-	(43 434)
Changes in ownership interest	-	(815)	(815)
Acquisition of subsidiary with non-controlling interests	-	(815)	(815)
Balance at 31 March 2015	1 870 979	(2 252)	1 868 727

* Restated (see note 2).

CONDENSED CONSOLIDATED SEGMENTAL REPORT

Rand thousands	Gross revenue	Inter-segment revenue	External revenue	Operating profit/(loss) before finance costs	Segment assets	Segment liabilities
Reviewed						
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	811 109	224 406
Textiles	718 310	(7 568)	710 742	40 614	521 469	150 593

Industrials	451 033	-	451 033	24 618	266 329	64 201
Head office and centralised services	-	-	-	(38 811)	300 275	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
Audited 2014*						
Continued operations						
Property	118 926	(47 379)	71 547	103 769	1 075 261	10 777
Branded Product Distribution	957 545	(3 622)	953 923	37 359	550 763	174 271
Textiles	736 920	(46 767)	690 153	35 306	478 092	218 251
Industrials	424 701	-	424 701	35 115	271 467	89 953
Head office and centralised services	-	-	-	8 293	125 816	607 280
Total continued operations	2 238 092	(97 768)	2 140 324	219 842	2 501 399	1 100 532
Discontinued operations						
Clothing	627 651	-	627 651	(151 305)	165 518	78 216
Total discontinued operations	627 651	-	627 651	(151 305)	165 518	78 216
Total	2 865 743	(97 768)	2 767 975	68 537	2 666 917	1 178 748

* Restated (see note 2).

Statistics per share

In cents, where applicable	Reviewed 2015	Audited 2014*
Number of shares in issue ('000)	560 812	539 776
Weighted average number of shares in issue ('000)	547 315	539 776
Diluted weighted average number of shares in issue ('000)	553 242	539 776
Basic earnings	38,14	2,35
Continued operations	41,30	32,93
Discontinued operations	(3,16)	(30,58)
Headline earnings	(27,55)	4,36
Continued operations	30,35	29,37
Discontinued operations	(2,8)	(25,01)
Diluted earnings	37,74	2,35
Continued operations	40,86	32,93
Discontinued operations	(3,12)	(30,58)

Diluted headline earnings	27,26	4,36
Continued operations	30,03	29,37
Discontinued operations	(2,77)	(25,01)
Reconciliation between profit and headline earnings (net of taxation)		
Profit attributable to equity holders of the parent ('000)	208 750	12 674
Impairment of assets ('000)	7 102	3 324
Reversal of impairment of assets ('000)	(9 195)	-
Insurance claim for capital asset ('000)	-	(73)
Remeasurement of investment property ('000)	(56 449)	(16 861)
Surplus on disposal of property, plant and equipment ('000)	(253)	(2 639)
Loss on disposal of property, plant and equipment ('000)	368	26 994
Loss on disposal of investment property ('000)	489	81
Headline earnings ('000)	150 812	23 500

* Restated (refer to note 2).

Notes to the reviewed condensed consolidated results for the year ended 31 March 2015

1 BACKGROUND

On 1 December 2014 Deneb Investments Limited ('Deneb', 'the Group' or 'the company') unbundled and listed on the JSE Limited (JSE) under the Financial Services - Speciality Finance sector.

Prior to the unbundling and listing, Deneb was a wholly-owned subsidiary of Seardel Investment Corporation Limited (Seardel) and on 1 October 2014 acquired all of Seardel's non-media businesses.

2 BASIS OF PREPARATION

The reorganisation of Deneb represents a common control transaction as Hosken Consolidated Investments Limited is the ultimate controlling entity before and after the transaction. Common control transactions fall outside the scope of IFRIC 17 and is not specifically addressed in IFRS. Accordingly, the financial results are presented as if the restructuring had taken place at the start of the first reporting period presented. The current year and comparative figures were prepared on a carve-out basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Seardel for the period prior to 1 October 2014.

The provisional reviewed condensed consolidated results presented in this publication have been prepared:

- on the basis that the current year and the prior year comparatives have been restated on the assumption that the unbundling and business combination had occurred at the start of the prior year reporting period in accordance with IAS 8; and
- 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 Accountants Council and are in compliance with the Listings Requirements of the JSE and the Companies Act, No 71 of 2008, as amended.

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 carve-out historical financial information that was published in the Deneb Pre-listing Statement for the year ended 31 March 2014.

These results have been prepared under the supervision of the Financial Director, Gys Wege (CA)SA and have been reviewed by the Group's auditors, KPMG Inc.

3 SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND ESTIMATES

The Group 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 are consistent with those followed in the preparation of the Group's carve-out historical financial information for the year ended 31 March 2014, except for the adoption of new standards and interpretations effective as at 1 April 2014 and as contained in this note. The new standards have no impact on the financial information.

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. It is assumed that Seardel Group Trading Proprietary Limited (SGT), a wholly-owned subsidiary of Deneb, 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.

Share incentive

With effect from 1 October 2014 the participants of the Seardel Share Incentive Scheme (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 an internal restructure. The Deneb Investments Long Term Incentive Plan was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014. An initial tranche of first allocation Deneb options totalling 22 351 660 have been granted to selected participants who were holders of unvested Seardel share options at 30 September 2014.

Discontinued operations

Operations classified as discontinued operations in the consolidated financial statements consist of the clothing factory stores and the apparel manufacturing businesses, the latter of which was disposed to a related party (an associated company of SACTWU), as a going concern.

The results of the discontinued operations have been separately disclosed on the face of the statement of comprehensive income. Where practical, the prior year results have been restated accordingly, in accordance with IAS 8.

4 INDEPENDENT REVIEW

The provisional consolidated statement of financial position at 31 March 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows, the condensed consolidated segmental report and statistics per share for the year then ended have been reviewed by KPMG Inc. Their unmodified report is available for inspection at the registered office of the company. The board of directors take responsibility for the content of the provisional condensed consolidated results.

5 CAPITAL EXPENDITURE AND COMMITMENTS

Rand thousands	Capital expenditure		Contractual commitments	
	Reviewed 2015	Audited 2014	Reviewed 2015	Audited 2014
Investment property	42 387	37 499	39 435	2 152
Land and buildings	-	196	-	-
Plant and equipment	57 189	29 255	-	14 578
Business combinations	1 400	26 500	-	-
Intangible assets	19 608	5 071	-	21 000
Total	120 584	98 521	39 435	37 730

The above include amounts acquired through business combinations (refer note 6). The capital commitments are expected to be incurred during the remainder of the financial year ending 31 March 2016.

6 BUSINESS COMBINATIONS

For the year ended 31 March 2015

Subsidiaries acquired during the period

Subsidiary name	Acquisition date	Segment	% voting interest acquired	Description	Revenue contributed to the Group R'000	Net profit/ (loss) contributed to the Group R'000
Limtech Biometric Solutions Proprietary Limited	1 April 2014	Branded Product Distribution	100%	Provider of access security solutions, specialising in biometric fingerprint recognition	4 458	198
Deneb Invest 141 Holdco Proprietary Limited	1 August 2014	Branded Product Distribution	51%	Distributor of stationery	1 913	(680)

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.

Rand thousands	Branded products	Industrials	Total
Cash	-	-	-
Contingent consideration	-	1 400	1 400
Own shares issued	-	-	-
Total consideration	-	1 400	1 400

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed.

Rand thousands	Branded Product Distribution
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	93
Inventories	701
Trade and other receivables	3 211
Cash and cash equivalents	256
Trade and other payables	(6 673)
Bank overdrafts	(70)
Total identifiable net assets	(2 482)
Less: Non-controlling Interest	815
Goodwill	3 067
Goodwill directly to equity as transaction with owners	-
Total consideration	1 400
Cash flow from this investing activity	
Cash consideration transferred	-
Add: Cash and cash equivalents in the business acquired	256
Less: Overdraft in the business acquired	(70)
Net cash inflow from investing operations	186

For the year ended 31 March 2014

Subsidiaries acquired during the period

Subsidiary name	Acquisition date	Segment	% voting interest acquired	Description	Revenue contributed to the Group R'000	Net profit/(loss) contributed to the Group R'000
Clever Little Monkey Proprietary Limited	1 August 2013	Branded Product Distribution	100%	Online furniture and décor	2 898	(318)
Custom Extrusion Proprietary Limited	1 July 2013	Industrial	100%	Extrusion and weaving of polypropylene	66 888	6 637

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.

Rand thousands	Branded products	Industrials	Total
Cash	500	-	500
Contingent consideration	786	8 106	8 892
Own shares issued	-	17 108	17 108
Total consideration	1 286	25 214	26 500

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed.

Rand thousands	Branded products distribution	Industrials	Total
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment	11	11 905	11 916
Long-term receivables	-	93	93
Inventories	96	8 305	8 401
Trade and other receivables	48	13 002	13 050
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)
Interest bearing liability	-	(8 626)	(8 626)
Bank overdrafts	-	(4 697)	(4 697)
Total identifiable net assets	102	3 744	3 846
Common control reserve	-	8 450	8 450
Goodwill	1 184	13 020	14 204
Total consideration	1 286	25 214	26 500
Cash flow from this investing activity			
Cash consideration transferred	(500)	-	(500)
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)	(4 697)	(5 139)

7 DISCONTINUED OPERATIONS

During the prior year the directors resolved to dispose of the Group's apparel manufacturing business to an associated company of SACTWU. The sale consisted of all plant, equipment and inventory within the business. As a consequence the results of the Group's apparel manufacturing and clothing factory stores are reported as discontinued operations. The effect of the discontinued operations on the financial results is disclosed as follows:

Rand thousands	2015	2014
Revenue	9 581	627 651
Cost of revenue	(15 903)	(548 154)
Gross loss	(6 322)	79 497
Other income	150	3 806
Distribution costs	(4 740)	(108 953)
Administrative and other expenses	(3 725)	(45 918)
Operating loss before impairments and restructuring and retrenchment costs	(14 637)	(71 568)
Impairment of assets	(2 647)	(4 617)
Restructuring and retrenchment costs	-	(43 860)
Loss on sale of plant, equipment and inventory	-	(31 260)
Operating loss before finance costs	(17 284)	(151 305)
Finance income	-	66
Finance expenses	-	(13 814)
Loss before taxation	(17 284)	(165 053)
Income tax expense	-	-
Loss for the period from discontinued operations	(17 284)	(165 053)

8 RELATED PARTIES

The note below is an explanation of transactions and balances with related parties that have significantly changed from note 30 in the carve-out historical financial information in the Deneb Pre-listing Statement for the period ending 31 March 2014.

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

	Income/(expenses)		Balances receivable/(owing)	
	Transaction values		Balance outstanding	
Rand thousands	2015	2014	2015	2014
Loan to SACTWU at prime: relating to the disposal of the apparel manufacturing operation	7 508	(31 260)	68 070	107 588
Loan from SACTWU at prime: advance relating to the disposal of the apparel manufacturing operation	-	(957)	-	(30 957)
Loan from HCI at prime, repayable on demand	-	(2 499)	-	-
Loan to HCI at prime, repayable on demand	2 040	-	21 083	-

During the prior year period the Group disposed of its South African apparel manufacturing operations and advanced on loan account an amount equal to the purchase price to SACTWU.

No repayment period has been determined and as security SACTWU has ceded and assigned in favour of Deneb its rights to receive payments and distributions from HCI and Seardel.

9 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.

10 POST-PERIOD-END EVENTS

There have been no reportable post-year-end events.

11 CHANGES TO THE BOARD

Mr L Govender has been appointed as an independent non-executive director of the company with effect from 11 March 2015.

12 RECONCILIATION BETWEEN ASSUMPTIONS USED IN THE PRE-LISTING STATEMENT AND THE COMPARATIVE RESULTS OF DENEB FOR THE YEAR ENDED 31 MARCH 2015

Deneb did not prepare financial statements in the normal course of business up to and including 31 March 2014.

Accordingly carve-out historical information was prepared for the Pre-listing Statement published on 21 November 2014 on a basis of extracting historical assets, liabilities, revenue and expenses reflected in the consolidated financial statements of Seardel.

The financial statements of Deneb as presented was prepared on book value accounting as the reorganisation presented a common control transaction due to HCI being the ultimate controlling entity before and after the transaction.

Book value accounting requires the assets acquired and the liabilities assumed through the reorganisation to be accounted for using the book values in the financial statements of the transferor, Seardel.

The following assumptions were used in the basis of preparing the Pre-listing Statement:

Taxation

Carve-out historical information in the Pre-listing Statement assumed that the deferred tax asset in Seardel Group Trading is fully recoverable. This assumption was applied retrospectively from 31 March 2011 as noted in the basis of preparation.

The assets acquired through the reorganisation was accounted for at the book value in the financial statements of Seardel and the deferred tax asset in Seardel Group Trading was assessed as fully recoverable in the current period in the financial statements.

Financial effect:

	Pre-listing Statement 31 March 2014	Deneb financial statements 31 March 2014
Rand thousands		
Statement of financial position Dr/(Cr)		
Deferred tax asset	141 399	58 738
Statement of profit or loss and other comprehensive income		
Income/(expenses)	(15 506)	21 228

Discontinued operations

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

For the purpose of the preparation of the carve-out historical financial information of the Pre-listing Statement it was assumed that the sale of the apparel businesses took place on 31 March 2011. Accordingly also no discontinued operations were disclosed in the statement of profit or loss and other comprehensive income in the Pre-listing Statement.

Assets and liabilities of the business that were not part of the sale were disclosed as 'Net receivables from discontinued operations' in the Pre-listing Statement (refer to note 35 of the Pre-listing Statement).

Deneb's financial statements used book value accounting and therefore the sale occurred during the 2014 financial period and the assets and liabilities were disclosed on the line items as per Seardel's financials.

Financial effect:

Rand thousands	Pre-listing Statement 31 March 2014	Deneb financial statements 31 March 2014
Statement of financial position Dr/(Cr)		
Loans receivable from SACTWU	-	76 631
Trade and other receivables	-	56 777
Trade and other payables	-	(57 712)
Provisions	-	(23 309)
Net receivable from discontinued operations	52 387	-
Net assets and liabilities	52 387	52 387
Statement of profit or loss and other comprehensive income		
Loss from discontinued operations, net of tax	-	(159 901)

Furthermore, the factory shops of the apparel manufacturing business was discontinued during the period ending 31 March 2015 and accordingly the comparative figures in the March 2014 financial statements were restated. At the period the Pre-listing Statement were issued the factory shops were still considered continued operations.

Financial effect:

Rand thousands	Pre-listing Statement 31 March 2014	Deneb financial statements 31 March 2014
Statement of profit or loss and other comprehensive income		
Revenue	23 195	-
Gross profit	6 268	-
Net loss	(5 151)	-
Loss from discontinued operations, net of tax	-	(5 151)

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. 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.

The Deneb Share Incentive Scheme was established on 10 October 2014.

Seardel required the subsidiaries to make payment of the rights. This type of intra-group payment arrangement is commonly referred to as a 'recharge arrangement'.

The Pre-listing Statement assumed that Deneb company already received the receivable owing by the subsidiaries of the Group from the recharge arrangement.

In the financial statement of Deneb this share-based liability is shown separately on the face of the balance sheet as at 31 March 2014 as it was only transferred from Seardel to Deneb on 1 October 2014.

Financial effect:

	Pre-listing Statement 31 March 2014	Deneb financial statements 31 March 2014
Rand thousands		
Statement of financial position Dr/(Cr)		
Share-based liability	-	35 631

Shares in Seardel Investment Corporation held by Seardel Group Trading
All shares held by Seardel Group Trading in Seardel were disclosed as treasury shares in the Seardel consolidated financial statements.

In the Deneb financial statements these shares were disclosed as investment and revalued to fair value through equity each period-end.

The shares were given as dividend in specie to Seardel on 10 November 2014 at value of R43,43 million.

Financial effect:

	Pre-listing Statement 31 March 2014	Deneb financial statements 31 March 2014
Rand thousands		
Statement of financial position Dr/(Cr)		
Investments	-	40 065
Statement of profit or loss and other comprehensive income		
Fair value adjustment on available for sale, net of tax		12 260

Reconciliation between the Pre-listing Statement and the Deneb financials for the period ending 31 March 2014 based on the above assumptions

	Statement of profit or loss and other comprehensive income R'000	Weighted average number of shares	Earnings/ loss per share (cents)
Pre-listing Statement profit	133 973	539 776	24,82
Continued operations	133 973		24,82
Discontinued operations	-		-
Taxation	36 734		6,81
Discontinued operations - apparel manufacturing business	(159 901)		(29,62)
Easywear restated as discontinued operations	-		-
Deferred tax through income statement due to fair value of investments	1 868		,35
Deneb financial statement profit	12 674		2,35
Continued operations	177 727		32,93
Discontinued operations	(165 053)		(30,58)

13 DISTRIBUTION

Notice is hereby given that a final distribution of three cents (gross) per ordinary share in respect of the 12 months ended 31 March 2015 has been declared out of capital reserves through the reduction of contributed tax capital (distribution).

In compliance with the requirements of Strate and the JSE Limited, the following dates are applicable:

- Distribution declared Thursday, 22 May 2015
- Last day to trade cum distribution Friday, 5 June 2015
- Shares trade ex distribution Monday, 8 June 2015
- Record date Friday, 12 June 2015
- Payment date Monday, 15 June 2015

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both days inclusive.

Signed for and on behalf of the board

Stuart Queen Gys Wege
Chief Executive Officer Financial Director

Cape Town
22 May 2015

Commentary

The businesses that comprise Deneb are the non-media businesses that were unbundled out of Seardel Investment Corporation Limited (Seardel) and separately listed on the JSE Limited (JSE) effective 1 December 2014. Although the Deneb Group has only been in existence in its current form for a few months the common control principle allows us to report the numbers for the 12 months ended 31 March 2015 and the comparative period as if the Group had been in its current form for the entire period. We believe that reporting the numbers in this way will be the most meaningful for users of the information.

The results to March 2015 reflect the two main themes that have been recurring in the results for the past few years.

- The first is that the economic environment, particularly for the manufacturing businesses, remains challenging. Indeed the past financial year, with the industrial action that took place within our own businesses as well as those of our customer and supplier bases coupled with inconsistent electricity supply, has proven to be particularly challenging.
- The second is that we have been working diligently to make incremental changes to the businesses so that they become more resilient to adversity. These incremental changes take the form of discontinuing unprofitable businesses or product lines whilst, on the other hand, looking to enter new growth areas and diversify and deepen quality revenue streams.

The above factors have meant that we were able, despite the tough conditions, to report an attributable profit of R209 million.

Although details of the underlying factors affecting the results are dealt with in the commentary under the various segments, it should be noted that the attributable profit as reported contains the following notable items:

1 R72 million of tax income was recorded in the current year through the recognition of a deferred tax asset arising from historic assessed losses;
2 Investment properties were revalued up by R70 million in the current period against R21 million in the prior period;
3 R17 million of losses from discontinued operations were recorded relating to the closure of the Group's factory stores. This business was the last remnant of the Group's apparel manufacturing business which was disposed of in the prior financial period; and
4 The comparative financial results included R38 million of once-off income relating to the settlement of a legal claim.

Overall we view the current year's results as mixed. On the one hand, we are pleased to report the strong attributable profit, however, as is explained in the segmental commentary below, the year was not without its challenges. That being said, the fact that the Group is quite strongly profitable in a challenging year is testament to the improving resilience of the various
businesses.

Much work has gone into improving the balance sheet over the past few years. To this end, interest-bearing debt stands at 19% of total asset value at year-end, down from 21% a year ago. We believe that the quality of assets reflected on the balance sheet has also improved over the last few years with properties now representing 37% of the R3 billion total asset value, whilst plant and equipment comprises a little over 10%.

We are pleased to be in a position to recommence dividend payments to our long-suffering and, mercifully, patient shareholders. A three cents per share distribution has been declared.

Property segment
The value of Deneb's total property portfolio increased by 4% to just over R1.1 billion. This growth is after accounting for R68 million of disposals during the period, countered by development expenditure of R43 million.

Revenue increased by 9% to R129 million, whilst revenue from external tenants increased by 34% to R96 million and now represents 74% of the total revenue for this segment.

Operating profit before finance costs increased by 48% to R153 million, up from R104 million in the prior period. However, it should be noted that the current year's profit number includes a R70 million upwards revaluation of investment properties against R21 million in the prior period.
The upward revaluations are testament to the success of the New Germany and Mobeni Industrial Park
developments.

Branded Product segment
The Branded Product segment recorded revenue growth of 47% to R1,4 billion however operating profit before finance costs declined 52% to R20 million.

The performance of this segment was affected by our decision to invest heavily in Seartec, our office automation and electronics distribution business. This investment included strengthening the management structures, expanding the product profile, improving the facilities
by moving into higher-profile properties in a number of the major centres, spending on the IT backbone of the business and increasing its exposure by upping the marketing spend. These interventions increased the cost base quite significantly, but we are confident that the investments made will see enduring benefits over the medium term.

The performance of this segment was also affected by challenges in the toy business notwithstanding continued turnover growth. The rapid depreciation of the Rand leading up to the busy Christmas season put pressure on margins and this, coupled with an increased level of returns post Christmas, saw operating profits fall below those achieved in the prior period.

On the positive side, the distribution of interactive gaming delivered a strong performance, with operating profits up year on year on the back of securing the rights to distribute Electronic Arts games.

In addition, the acquisition of the sports brands, mentioned in the prior year report, saw Brand ID's performance improve markedly. This start-up business has now reached breakeven, in line with expectation, and we anticipate that it will become a contributor going forward.

As a more general point on this segment, we have previously mentioned that we were continuing to invest in marketing and distribution platforms, with much of this investment being ahead of expected future revenue growth. In the main, these investments have been completed and we would anticipate that, in the absence of any new acquisitions, the operating cost base will remain more stable over the next few years. Should the anticipated turnover growth materialise, we should see an improvement in operating margins.

Textile segment

Trading conditions for the businesses within this sector remained challenging throughout the period under review.

Although operating profit is up 15% this year's profit includes an impairment reversal of R13 million. Adjusting for this non-recurring item sees operating profit fall by 21% to R28 million. The performance of this segment was influenced by a reduction in the value of public procurement tenders awarded, which directly affected revenues resulting in a reduction of 3%. Rising energy costs, downtime as a result of loadshedding and a strike at one of the operations in this segment, as well as industrial action in the customer and supplier base, all combined to negatively affect the result.

Having said that, given the problems experienced, we are pleased at how well the textile businesses withstood the tough year and this reflects the work that the management teams within these entities have done to improve the quality of revenue and operating efficiencies.

Operating margins remain wafer-thin and are weighed down by the last of the loss-making businesses in our manufacturing space. Progress is being made on a number of new initiatives that will look to address the margin concern.

Industrial segment

Although revenue was up 6%, operating profit was down 30% to R25 million. However, the current year's profit includes an asset impairment of R3 million relating to an asset that is surplus to requirements and is to be sold to free up property space for external rental. Adjusting for the once-off impairment sees operating profit falling by 20%.

The decline in profitability within this segment is for the same reasons as those mentioned for the textile segment. As with the textile businesses, we are pleased that the initiatives taking place within this segment resulted in relatively stable results in spite of the headwinds experienced.

Sponsor: PSG Capital