DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
("Deneb" or "the Group" or "the company")

Registration number: 2013/091290/06
JSE share code: DNB
ISIN: ZAE000197398
Income tax registration number: 9844426156

PROVISIONAL CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Financial highlights
- REVENUE up 7% to R2,92 billion (2016: R2,72 billion)
- NET PROFIT up 35% to R72 million (2016: R53 million)
- EARNINGS PER SHARE up 46% to 14,8 cents (2016: 10,1 cents)
- HEADLINE EARNINGS PER SHARE up 22% to 9,9 cents (2016: 8,1 cents)
- NET ASSET VALUE PER SHARE up 20% to 415 cents (2016: 347 cents)
- DISTRIBUTION PER SHARE of 3 cents declared (2016: Nil)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

Rand thousands		Reviewed 2017	Audited 2016
ASSETS			
Non-current assets		1 750 492	1 689 141
Plant and equipment		312 077	312 860
Owner-occupied property		458 641	434 075
Investment property		759 113	737 507
Intangible assets		48 466	22 263
Goodwill		23 764	15 023
Other investments		3 026	3 391
Long-term receivables		88 349	74 093
Deferred tax assets		57 056	89 929
Current assets		1 480 596	1 452 849
Non-current assets held for sale		1 985	2 175
Inventories		706 953	683 732
Loan receivables		-	83 101
Trade and other receivables		700 195	654 396
Current tax assets		705	143
Cash and cash equivalents		70 758	29 302
Total assets		3 231 088	3 141 990
EQUITY AND LIABILITIES			
Total equity		1 778 430	1 950 346
Stated capital		1 449 653	1 717 286
Reserves		328 676	232 477
Equity attributable to owners of the company		1 778 329	1 949 763
Non-controlling interest		101	583
Non-current liabilities		811 754	100 976
Deferred tax liabilities		11 882	5 160
Post-employment medical aid benefits		91 861	90 803
Interest-bearing liabilities		706 752	4 149
Operating lease accruals		1 259	864
Current liabilities		640 904	1 090 668
Current tax liabilities		3 615	1 821
Post-employment medical aid benefits		7 131	6 789
Interest-bearing liabilities		52 716	38 733
Trade and other payables		499 094	489 856
Provisions		224	5 705
Bank overdraft		78 124	547 764
Total liabilities		1 452 658	1 191 644
Total equity and liabilities		3 231 088	3 141 990
Net asset value		1 778 329	1 949 763
Net asset value per share	(cents)	415	347

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

Rand thousands	Reviewed 2017	Audited 2016
Revenue	2 917 677	2 715 640
Cost of sales	(2 173 993)	(2 086 715)
Gross profit	743 684	628 925
Other income	31 684	59 481
Selling and distribution expenses	(363 171)	(326 839)
Administrative and other expenses	(243 799)	(228 476)
Operating profit before impairments, restructuring and revaluation of investment property	168 398	133 091

Revaluation of investment property	30 052	30 648
Net impairments	–	(2 248)
Restructuring and retrenchment expenses	(1 751)	(5 953)
Operating profit before finance costs	196 699	155 538
Finance income	5 986	10 174
Finance expenses	(85 754)	(73 105)
Profit before taxation	116 931	92 607
Income tax expense	(44 739)	(39 156)
Profit	72 192	53 451
Other comprehensive income, net of related tax		
Items that will never be reclassified to profit or loss		
Revaluation of land and buildings	21 389	34 841
Revaluation	25 391	44 927
Related tax	(4 002)	(10 086)
Post-employment medical aid benefits – actuarial gain	941	10 359
Actuarial gain	1 307	14 387
Related tax	(366)	(4 028)
Items that are or may be reclassified to profit or loss		
Fair value adjustment on available-for-sale financial assets	–	(253)
Foreign operations – foreign currency translation differences	(10)	–
Other comprehensive income, net of tax	22 320	44 947
Total comprehensive income for the year	94 512	98 398
Profit attributable to:		
Owners of the company	73 129	56 722
Non-controlling interest	(937)	(3 271)
	72 192	53 451
Total comprehensive income attributable to:		
Owners of the company	95 449	101 669
Non-controlling interest	(937)	(3 271)
	94 512	98 398
Basic profit per share from operations (cents)	14,78	10,11
Diluted profit per share from operations (cents)	14,78	10,09

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH

Rand thousands	Stated 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)	–	–	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)
Change in capital gains tax rate	–	(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
Total comprehensive income	–	21 389	74 060	95 449	(937)	94 512
Profit/(loss)	–	–	73 129	73 129	(937)	72 192
Other comprehensive income, net of tax	–	21 389	931	22 320	–	22 320
Foreign operations – foreign currency translation differences	–	–	(10)	(10)	–	(10)
Revaluation of land and buildings	–	21 389	–	21 389	–	21 389
Post-employment medical aid benefits – actuarial gain	–	–	941	941	–	941
Transfers to other reserves	–	(10 932)	10 932	–	–	–
Reclassification of revaluation surplus	–	(10 932)	10 932	–	–	–
Transactions with owners of the company	(267 633)	–	1 205	(266 428)	–	(266 428)
Share buyback*	(268 785)	–	–	(268 785)	–	(268 785)
Share scheme – expense	–	–	2 357	2 357	–	2 357
– options exercised	1 152	–	(1 152)	–	–	–
Changes in ownership interest	–	–	(455)	(455)	455	–
Acquisition of NCI without a change in control	–	–	(455)	(455)	455	–
Balance at 31 March 2017	1 449 653	253 456	75 220	1 778 329	101	1 778 430

* Refer to note 7

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH

Rand thousands	Notes	Reviewed 2017	Audited 2016
Net cash flows from operating activities		131 076	62 316
Cash generated from operating activities before working capital changes		234 950	181 660
Cash generated/(outflow) from working capital changes		3 660	(47 882)
Net finance costs		(79 768)	(62 931)
Taxes paid		(27 766)	(8 531)
Net cash flow from investing activities		(66 961)	(29 531)
Acquisition of subsidiary, net of cash acquired	9	(43 590)	–
Net other investing activities		(23 371)	(29 531)
Net cash flow from financing activities		446 981	(21 805)
Change in borrowings		65 766	(4 981)
Overdraft converted to loan facility		650 000	–
Share buyback	7	(268 785)	–
Distribution		–	(16 824)
Net change in cash and cash equivalents		511 096	10 980
Cash and cash equivalents at the beginning of the year		(518 462)	(529 442)
Cash and cash equivalents at the end of the year		(7 366)	(518 462)

CONDENSED CONSOLIDATED SEGMENTAL REPORT
FOR THE YEAR ENDED 31 MARCH

Rand thousands	Property	Branded Product Distribution	Textiles	Industrial	Centralised services	Total
Year ended 31 March 2017						
Gross revenue	150 022	1 380 071	793 398	642 741	112	2 966 344
Inter-segment revenue	(43 856)	(4 811)	–	–	–	(48 667)
External revenue	106 166	1 375 260	793 398	642 741	112	2 917 677
Operating profit/(loss) before finance costs	134 519	14 585	14 900	56 198	(23 503)	196 699
Interest revenue	–	–	–	–	5 986	5 986
Interest expense	–	–	–	–	(85 754)	(85 754)
Operating profit before taxation	134 519	14 585	14 900	56 198	(103 271)	116 931
Segment assets	1 238 511	904 240	515 801	434 585	137 951	3 231 088

Segment liabilities	19 516	228 275	143 822	115 185	945 860	1 452 658

Rand thousands	Property	Branded Product Distribution	Textiles	Industrial	Centralised services	Total
Year ended 31 March 2016						
Gross revenue	136 715	1 401 039	733 109	488 505	110	2 759 478
Inter-segment revenue	(39 003)	(4 835)	-	-	-	(43 838)
External revenue	97 712	1 396 204	733 109	488 505	110	2 715 640
Operating profit/(loss) before finance costs	129 444	2 219	27 108	36 638	(39 871)	155 538
Interest revenue	-	-	-	-	10 174	10 174
Interest expense	-	-	-	-	(73 105)	(73 105)
Operating profit before taxation	129 444	2 219	27 108	36 638	(102 802)	92 607
Segment assets	1 196 518	899 392	529 193	304 198	212 689	3 141 990
Segment liabilities	17 287	266 633	126 833	81 303	699 588	1 191 644

STATISTICS PER SHARE
FOR THE YEAR ENDED 31 MARCH

		Reviewed 2017	Audited 2016
Number of shares in issue	('000)	428 622	561 490
Weighted-average number of shares	('000)	494 817	561 207
Diluted-average number of shares	('000)	494 817	562 263
Basic earnings	(cents)	14,78	10,11
Diluted earnings	(cents)	14,78	10,09
Headline earnings	(cents)	9,85	8,07
Diluted headline earnings	(cents)	9,85	8,06
Reconciliation between profit and headline earnings			
Profit attributable to equity holders of the parent	(R'000)	73 129	56 722
Impairment of assets	(R'000)	-	2 248
Remeasurement of investment property	(R'000)	(23 320)	(23 783)
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)	(1 089)	(367)
Loss on disposal of property, plant and equipment	(R'000)	41	422
Headline earnings	(R'000)	48 761	45 282

NOTES TO THE PROVISIONAL CONDENSED CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 MARCH

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. 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 2016, except for the adoption of new standards and interpretations effective as at 1 April 2016.

The new standards have no impact on the financial information.

3. Review report of the independent auditor

The provisional condensed consolidated financial statements for the year ended 31 March 2017 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 the financial results. 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 report together with the accompanying financial information from the issuer's registered office.

4. Capital expenditure and commitments

	Capital expenditure		Contractual commitments	
	Reviewed	Audited	Reviewed	Audited
Rand thousands	2017	2016	2017	2016
Investment property	5 889	20 807	-	-
Land and buildings	3 279	27 778	-	-
Plant and equipment	34 973	36 979	9 609	140
Intangible assets	1 838	2 539	-	3 253
Business combinations	77 897	-	-	-
	123 876	88 103	9 609	3 393

The capital commitments are expected to be incurred during the next financial year.

Commitments will be funded through banking facilities.

5. Post period-end events

There are no material post year-end events at the date of signing this report.

6. Financial instruments

The fair value of financial assets and liabilities approximate their carrying value as disclosed in the condensed consolidated statement of financial position.

Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 fair values for financial instruments measured at fair value in the condensed consolidated statement of financial position, as well as 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 prices	Not applicable	Not applicable

7. Share buyback

Deneb repurchased 133 507 226 Deneb ordinary shares from the Southern African Clothing and Textile Workers' Union at a price of R2,00 per Deneb share on 30 September 2016.

8. Distribution

Notice is hereby given that a final distribution of 3 cents (gross) per ordinary share in respect of the 12 months ended 31 March 2017 has been declared and approved by the board of directors out of stated capital 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	Wednesday 24 May 2017
Last day to trade cum distribution	Monday 12 June 2017
Shares trade ex distribution	Tuesday 13 June 2017
Record date	Thursday 15 June 2017
Payment date	Monday 19 June 2017

Share certificates may not be dematerialised or rematerialised between Tuesday 13 June 2017 and Thursday 15 June 2017, both days inclusive.

Additional information

The directors have determined that this capital reduction distribution will be paid out of qualifying contributed tax capital as contemplated in the definition of "contributed tax capital" in section 1 of the Income Tax Act, 1962.

As the distribution will be regarded as a return of capital and may have potential capital gains tax consequences, Deneb shareholders are advised to consult their tax advisors regarding the impact of the distribution.

The directors have reasonably concluded that the company will satisfy the solvency and liquidity requirements of sections 4 and 46 of the Companies Act, 2008, immediately after the capital distribution.

The number of issued ordinary shares is 428 621 716 as at the date of this declaration.

9. Business combinations
The Group acquired the entire issued share capital of Premier Rainwatergoods Proprietary Limited ("Premier"). The acquisition is in line with the Group's growth strategy and has allowed Deneb to deepen its distribution channels within the industrial manufacturing segment. Premier is a manufacturer of galvanised steel roofing accessories.

	Reviewed
Rand thousands	2017
Total identifiable net assets acquired	69 156
Goodwill	8 741
Total consideration	77 897
Cash paid	67 897
Contingent consideration	10 000
Cash outflow from this investing activity	
Cash consideration transferred	(67 897)
Add cash and cash equivalents in the business acquired	24 307
Net cash outflow from investing operations	(43 590)

COMMENTARY
We are pleased to report good growth for the year with EPS up 46%, HEPS up 22% and NAV per share up 20% to 415 cents. These results reflect that within Deneb there are a number of businesses that continue to deliver good solid results even in difficult economic conditions.

In overall terms, turnover grew by 7% to just over R2,9 billion. Gross profit increased by 18% on the back of improved margins whilst overheads grew by 9%. As a result, operating profit before finance costs grew by 26%. The Group completed a share buyback in September 2016 which saw it buy back 24% of its shares in issue for R268 million. This, coupled with the funds spent on the acquisition of Premier Rainwatergoods, resulted in net finance costs increasing by 27% to R80 million.

Deneb's underlying subsidiaries can be categorised into four main groups.

In the first instance, we have good solid businesses that continue to grow strongly. Over the past five years on a compounding basis, these businesses have grown turnover by 16% and core operating profit by 22% per annum. They are now responsible for over R1,9 billion of turnover and deliver net operating margins in excess of 10% after accounting for all centralised head office costs.

The second set of businesses are mostly start-ups that are being developed with an eye to the future. These businesses have largely delivered on expectations and are coming along well. Although they may not all make it to become mature businesses, we are optimistic that most will join the first group and become good contributors in time.

The third group of businesses have poor fundamental economics but have strong management teams and muddle through eking out small profits. These businesses are not likely to shoot the lights out anytime soon but they don't cost the Group very much to maintain them. We are working on opportunities to shift them into areas that would enable them to deliver better returns and moving them into the first group.

The final group has, disappointingly, not been able to find the required traction. This failure is due to a combination of the general poor economics in the industries they serve and our own inability to strategically reposition them onto a more sustainable path. Both of these factors are exacerbated by the challenging economic environment. We had hoped that these businesses could be fixed over time by following a growth strategy. However, given the general state of the economy we may need to be a bit more pragmatic in our outlook towards them.

Although the results overall represent another good step forward for the Group, we are cognisant of the fact that in absolute terms they do not represent a suitable return on the asset base. The plans to remedy the fourth group of businesses above will make a marked difference to the operating margins and return on equity calculations.

SEGMENTAL RESULTS
PROPERTY SEGMENT

The value of the Group's property portfolio increased by R46 million (4%) to R1,22 billion. This growth incorporates R9 million spent on development costs, R51 million of upwards revaluation, offset by disposals totalling R14 million.

Revenue increased by 10% to R150 million with revenue from external tenants representing 71% of the total. Operating profit before finance costs increased by 4% to R135 million. If the property revaluations are excluded, operating profit for the current year was up 6% to R104 million.

We have said in previous reports that we are looking to grow our property portfolio and this remains the case despite the fact that in reality we have been a net seller of property. We seem to have a different view to other buyers as to what fair acquisition yields should be. However, rather than changing our expectations, we will continue to look for opportunities that fit into our model even if it means being a bit more patient. We see our ability to remain patient as the fundamental strength of a diversified portfolio.

INDUSTRIAL MANUFACTURING SEGMENT
The Industrial Manufacturing segment continued to power ahead.

The acquisition of Premier Rainwatergoods earlier in the year has proven to be successful and the management team has assimilated themselves seamlessly into the Group. In return, we hope and expect to be a good shareholder for them in the long term. The results of this business as well as strong growth in the existing operations saw revenue up 32% to R643 million and operating profit up 53% to R56 million. This growth comes on the back of 49% growth in the previous reporting period and this segment is now becoming a very meaningful contributor to the Group.

BRANDED PRODUCT SEGMENT
Revenue for this segment was down R21 million (1%) to R1,38 billion, however, operating profit before finance costs increased to R15 million from the R2 million recorded in the prior period.

The Prima Group, which comprises Prima Toys, Prima Interactive, the Empire Group and some smaller start-ups, had a very strong year with operating profit up 47% over the prior year. These businesses continue to deliver very good returns, which is testament to the efforts of the competent management teams within them.

On the other hand, the performance of our office automation business has been very disappointing. The new management team, appointed halfway through the year, have been working tirelessly to clean it all up. As part of this clean-up we have taken a number of large write-offs on the chin, which have affected the overall results of this segment.

Our sporting goods business, Brand ID, had a little stutter on its growth path. This business sells quite high-value discretionary durable goods and the segment of the market that it serves has undoubtedly been under pressure. Towards the end of the year it took a decision to exit some of its lower margin product ranges and consolidate its management structures to reduce its break-even point. If one excludes the once-off costs incurred in this business then it remained profitable for the period under review.

TEXTILE SEGMENT
The general economics of the businesses within this sector remain challenging. Although revenue was up 8%, operating profit was down R12 million (45%) to R15 million. The main reason for the decline in operating profit was a R19 million forex loss in the current year compared to a small profit in the previous year. It is the Group's policy to cover forward any currency exposure once the selling prices have been established in order to lock in the cash margin. Ordinarily, if forex losses are recorded up to the time that the goods are delivered, it will result in higher margins when the goods are sold. This will be true in this instance as well, but the long lead times inherent in these businesses mean that a large portion of the countervailing gross profit improvement will only take place in the next financial year.

As we have mentioned in previous reports, the general poor economics of the textile sector means making even a modest return incredibly hard work and requires an enormous amount of skill from the respective management teams. We are fortunate that we have strong people at the head of each of these businesses. The work done in our home textile business justifies a specific mention. Over the past five years the turnover of this business has remained relatively flat, but five years ago some 80% of the turnover came from selling unbranded products to the major retail chains. This year that percentage was down to a little over 50% with the difference coming out of areas that are more dependent on the quality of service rather than price. We believe that this is an altogether more sustainable business model.

DISTRIBUTION
We are pleased to be able to re-introduce a distribution of 3 cents per share. We did not pay a distribution in the previous year as we reserved funds to complete the share

buyback mentioned above.

On behalf of the board

Stuart Queen   Gys Wege
Chief executive officer   Financial director

Cape Town
24 May 2017

CORPORATE INFORMATION

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* (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:
C Philips

Transfer Secretaries:
Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank 2196
PO Box 61051, Marshalltown 2107

Auditors:
KPMG Inc.

Sponsors:
PSG Capital Proprietary Limited

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