

DENEb INVESTMENTS LIMITED
Registration number: 2013/091290/06
(Incorporated in the Republic of South Africa)
JSE share code: DNB ISIN: ZAE000197398
Income tax registration number: 9844426156
('Deneb' or 'the Group' or 'the company')

UNAUDITED CONSOLIDATED CONDENSED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

| | Unaudited 30 Sep 2016 R'000 | Unaudited 30 Sep 2015 R'000 |
|--|--------------------------------------|--------------------------------------|
| ASSETS | | |
| Non-current assets | 1 712 770 | 1 723 114 |
| Plant and equipment | 312 631 | 312 639 |
| Owner-occupied property | 435 345 | 385 799 |
| Investment property | 729 170 | 701 409 |
| Intangible assets | 22 583 | 23 042 |
| Goodwill | 42 872 | 15 024 |
| Other investments | 3 391 | 3 644 |
| Loan receivables | – | 90 139 |
| Long-term receivables | 79 665 | 67 367 |
| Deferred tax | 87 113 | 124 051 |
| Current assets | 1 801 261 | 1 532 430 |
| Non-current assets held for sale | 16 034 | 3 665 |
| Loan receivables | 87 955 | – |
| Inventories | 839 335 | 729 429 |
| Trade and other receivables | 851 287 | 795 196 |
| Current tax asset | 2 120 | 2 859 |
| Cash and cash equivalents | 4 530 | 1 281 |
| Total assets | 3 514 031 | 3 255 544 |
| EQUITY AND LIABILITIES | | |
| Total equity | 1 688 475 | 1 866 234 |
| Stated capital | 1 448 501 | 1 717 287 |
| Reserves | 239 861 | 148 947 |
| Shareholders' equity | 1 688 362 | 1 866 234 |
| Non-controlling interests | 113 | – |
| Non-current liabilities | 703 897 | 111 920 |
| Deferred tax | 5 009 | 3 009 |
| Post-employment medical aid benefits | 91 966 | 103 635 |
| Interest-bearing liabilities | 6 063 | 4 266 |
| Interest-bearing medium-term loan | 600 000 | – |
| Operating lease accruals | 859 | 1 010 |
| Current liabilities | 1 121 659 | 1 277 390 |
| Current tax payable | 1 460 | 493 |
| Post-employment medical aid benefits | 6 876 | 6 472 |
| Interest-bearing liabilities | 89 343 | 35 540 |
| Trade and other payables | 657 534 | 554 386 |
| Amount owing to related party | 267 014 | – |
| Bank overdrafts | 99 432 | 680 499 |
| Total liabilities | 1 825 556 | 1 389 310 |
| Total equity and liabilities | 3 514 031 | 3 255 544 |
| Net asset value (attributable to equity holders) | 1 688 362 | 1 866 234 |
| Net asset value per share (attributable to equity holders) | (cents) 394 | 332 |

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | | Unaudited 6 months 30 Sep 2016 R'000 | Unaudited 6 months 30 Sep 2015 R'000 |
|--|--------------|--|--|
| Revenue | % change 3,6 | 1 351 356 | 1 303 975 |
| Gross profit | 8,4 | 339 228 | 312 908 |
| Core operating profit | 33,1 | 62 088 | 46 651 |
| Foreign exchange (losses)/gains | | (20 369) | 11 696 |
| Net impairment of assets | | – | (2 456) |
| Net restructuring and retrenchment costs | | (806) | – |
| Operating profit before finance costs | (26,8) | 40 913 | 55 891 |

| | | | |
|---|--------|----------|----------|
| Finance income | | 5 802 | 5 854 |
| Finance expenses | | (35 270) | (34 752) |
| Profit before tax | (57,6) | 11 445 | 26 993 |
| Income tax expense | | (4 531) | (12 662) |
| TOTAL PROFIT FOR THE PERIOD | (51,8) | 6 914 | 14 331 |
| Other comprehensive income for the period | | – | – |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (51,8) | 6 914 | 14 331 |
| Profit attributable to: | | | |
| Equity holders | | 7 384 | 12 079 |
| Non-controlling interests | | (470) | 2 252 |
| | | 6 914 | 14 331 |
| Total comprehensive income attributable to: | | | |
| Equity holders | | 7 384 | 12 079 |
| Non-controlling interests | | (470) | 2 252 |
| | | 6 914 | 14 331 |

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | Unaudited 6 months 30 Sep 2016 R'000 | Unaudited 6 months 30 Sep 2015 R'000 |
|--|--|--|
| Net cash flow from operating activities | (160 424) | (148 631) |
| Net cash flow from investing activities | (64 121) | (16 156) |
| Net cash flow from financing activities | 648 105 | 15 011 |
| Net increase/(decrease) in cash and cash equivalents | 423 560 | (149 776) |
| Cash and cash equivalents at beginning of period | (518 462) | (529 442) |
| Cash and cash equivalents at end of period | (94 902) | (679 218) |

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | Stated capital R'000 | Other reserves R'000 | Retained income R'000 | Total R'000 | Non- control- ling interest R'000 | Total equity R'000 |
|--|----------------------------|----------------------------|-----------------------------|----------------|---|--------------------------|
| Balance at 1 April 2015 | 1 716 713 | 249 468 | (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 | | | | | | |
| Distribution | – | – | (16 824) | (16 824) | – | (16 824) |
| Share scheme – options exercised | 574 | – | (574) | – | – | – |
| Balance at 30 September 2015 | 1 717 287 | 249 468 | (100 521) | 1 866 234 | – | 1 866 234 |
| Balance at 1 April 2016 | 1 717 286 | 242 999 | (10 522) | 1 949 763 | 583 | 1 950 346 |
| Total comprehensive profit for the period | – | – | 7 384 | 7 384 | (470) | 6 914 |
| Transactions with owners | | | | | | |
| Share buyback | (268 785) | – | – | (268 785) | – | (268 785) |
| Balance at 30 September 2016 | 1 448 501 | 242 999 | (3 138) | 1 688 362 | 113 | 1 688 475 |
| | | | | | 2016 R'000 | 2015 R'000 |
| Composition of other reserves | | | | | | |
| Revaluation of investments | | | | | (253) | – |
| Common control reserve | | | | | (15 902) | (15 902) |
| Surplus on revaluation of land and buildings | | | | | 259 154 | 265 370 |
| | | | | | 242 999 | 249 468 |

CONDENSED SEGMENTAL REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | Properties R'000 | Branded Product Distri- bution R'000 | Industrial Manufac- turing R'000 | Textile Manufac- turing R'000 | Head office and Centra- lised Services R'000 | Total R'000 |
|---|---------------------|--|---|--|--|----------------|
| 2016 | | | | | | |
| Segment revenue | | | | | | |
| Gross sales | 74 379 | 592 331 | 306 117 | 402 789 | 113 | 1 375 729 |
| Inter-segment sales (these transactions are at arm's length) | (21 961) | (2 412) | – | – | – | (24 373) |
| | 52 418 | 589 919 | 306 117 | 402 789 | 113 | 1 351 356 |
| Segment results | | | | | | |
| Operating profit before foreign exchange | 52 697 | 4 116 | 23 861 | (2 697) | (16 695) | 61 282 |
| (losses)/gains | | | | | | |
| Foreign exchange (losses)/gains | – | (17 852) | 31 | (8 815) | 6 267 | (20 369) |
| Operating profit before finance costs | 52 697 | (13 736) | 23 892 | (11 512) | (10 428) | 40 913 |
| 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 before foreign exchange | 46 778 | (5 482) | 16 814 | 2 854 | (16 769) | 44 195 |
| (losses)/gains | | | | | | |
| Foreign exchange (losses)/gains | – | 6 691 | (398) | 4 591 | 812 | 11 696 |
| Operating profit before finance costs | 46 778 | 1 209 | 16 416 | 7 445 | (15 957) | 55 891 |

STATISTICS PER SHARE
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | | Unaudited 6 months 30 Sep 2016 | Unaudited 6 months 30 Sep 2015 |
|---|---------|---|---|
| Weighted average number of shares in issue | ('000) | 561 490 | 560 922 |
| Number of shares in issue | ('000) | 427 982 | 561 490 |
| Diluted weighted average number of shares in issue | ('000) | 562 546 | 567 417 |
| Basic earnings | (cents) | 1,3 | 2,2 |
| Headline earnings | (cents) | 1,2 | 2,6 |
| Diluted earnings | (cents) | 1,3 | 2,1 |
| Diluted headline earnings | (cents) | 1,2 | 2,5 |
| Reconciliation between profit and headline earnings | | | |
| Income attributable to shareholders | (R'000) | 7 384 | 12 079 |
| Impairment of goodwill | (R'000) | – | 2 249 |
| Impairment of intangible assets | (R'000) | – | 207 |
| Surplus on disposal of property, plant and equipment | (R'000) | (926) | (160) |
| Loss on disposal of property, plant and equipment | (R'000) | – | 18 |
| Total tax effect of adjustments | (R'000) | 260 | 40 |
| Headline earnings | | 6 718 | 14 433 |

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. Basis of preparation

The unaudited consolidated condensed results for the six months to September 2016 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, 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 last annual consolidated financial statements as at and for the year ended 31 March 2016.

These results have been prepared under the supervision of by the 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 2016, except for the adoption of new standards and interpretations effective as at 1 April 2016. The new standards have no impact on the consolidated condensed financial statements.

3. Significant investing activities

3.1 Capital expenditure and commitments

| | Unaudited capital expenditure 2016 R'000 | Unaudited capital expenditure 2015 R'000 | Unaudited contractual commitments 2016 R'000 | Unaudited contractual commitments 2015 R'000 |
|---------------------------|--|--|--|--|
| Investment property | 6 009 | 15 358 | 1 550 | – |
| Land and buildings | 3 279 | 22 607 | – | 6 236 |
| Plant and equipment | 17 173 | 16 028 | 3 742 | 8 577 |
| Total capital expenditure | 26 461 | 53 993 | 5 292 | 14 813 |

3.2 Business combinations

Subsidiaries acquired during the period

| Subsidiary name | Acquisition date | Segment | % voting interest acquired | Description | Revenue contributed to the Group R'000 | Net profit contributed to the Group R'000 |
|--------------------------------|---------------------|-------------|----------------------------------|--|--|---|
| Premier Rainwater- goods | 1 June 2016 | Industrials | 100% | A manufac- turer of galvanised steel roofing accessories | 34 160 | 3 394 |

Consideration transferred

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

| | |
|--------------------------|--------|
| Consideration | R'000 |
| Cash | 67 865 |
| Contingent consideration | 9 086 |
| Total consideration | 76 951 |

Recognised amounts of identifiable assets acquired and liabilities assumed

| | |
|------------------------------|----------|
| Property plant and equipment | 5 993 |
| Inventories | 22 181 |
| Trade and other receivables | 15 791 |
| Cash and cash equivalents | 24 307 |
| Deferred liabilities | (820) |
| Deferred tax liability | (829) |
| Trade and other payables | (6 783) |
| Taxation payables | (10 737) |

| | |
|-------------------------------|--------|
| Total identifiable net assets | 49 103 |
| Goodwill | 27 848 |
| Total consideration | 76 951 |

| | |
|---|----------|
| Cash flow from this investing activity | |
| Cash transferred | 67 865 |
| Less cash and cash equivalents in the business acquired | (24 307) |
| | 43 558 |

Measurement of fair values

The assets and liabilities acquired have been measured on a provisional basis. If new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition, the accounting for the acquisition will be revised.

4. Significant financing activities

4.1 Share buyback

During the period the company repurchased 133 507 226 shares from the Southern African Clothing and Textile Workers' Union (Sactwu) for a consideration of R267 014 452. The repurchased shares were delisted and cancelled on 30 September 2016.

4.2 Related parties

The note below is an explanation of transactions and balances with related parties that have significantly changed from the information contained in the financial statements for the year ended 31 March 2016.

Transaction with Sactwu (shareholder).

| | Income/(Expenses) | | Balances receivable/(owing) | |
|--|-----------------------|---------------|-----------------------------|---------------|
| | Transaction values | | Balances outstanding as at | |
| | for the period ending | | 12 months | |
| | 2016 | 31 March 2016 | 2016 | 31 March 2015 |
| | R'000 | R'000 | R'000 | R'000 |
| Amount due to Sactwu relating to the share buyback | - | - | (267 014) | - |

The amount was paid subsequent to period-end.

4.3. Banking facilities

The Group has renegotiated its banking facilities whereby R650 million has been converted to term funding of which R50 million is repayable within 12 months.

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. Post-period-end events

There has been no reportable post-period-end events.

7. Dividends/distributions

The directors have resolved not to declare a dividend/distribution for the six months ended 30 September 2016 (2015: Nil).

Commentary

The first half of the financial year has been characterised by significant currency volatility. The Group imports a large proportion of its products either in the form of finished goods or raw materials. It's the Group's policy to cover forward any foreign exchange exposure once the selling price has been established thereby locking in the cash margin. In the first half of the financial year, the Group builds inventory ahead of the busy Christmas and back-to-school periods. The mark-to-market adjustment on the hedging instrument is recognised at the end of the reporting period whilst the gross margin adjustment will only be realised once the product is sold in the second half of the financial year. The Group's foreign exchange policy has been consistently applied in both the current and prior periods and this accounting adjustment does not have an operational or cash flow effect.

During the current period, the Group recorded an aggregate foreign exchange loss of R20,4 million compared to an aggregate profit of R11,7 million in the corresponding period. Accordingly, at face value, the results for the first

half of the financial year appear disappointing with HEPS down 54%. However, excluding the effects of the currency adjustments, HEPS is up 255%, admittedly off a very low base in the prior year but a pleasing result nonetheless given the difficult trading environment. A better measurement of the improvement year-on-year is on the core operating profit line, which at R62,1 million in the current period is 33% higher than the R46,7 million profit recorded in the prior period.

The period under review saw revenue rise 3,6% on the back of strong growth in the industrial manufacturing segment helped by the acquisition of Premier Rainwatergoods effective 1 June 2016. This growth was offset by turnover decline in the Branded Product Distribution segment reflecting the pressure in the retail environment.

The continued drive to shed lower margin turnover and transition the business into higher margin areas saw gross margins improve by 110 basis points to 25,1%. The higher margin resulted in gross profit increasing by 8,4% compared to the corresponding period.

Good cost containment and efficiency drives saw selling and administration cost increases restricted to 3,1%.

The result of the above is that core operating profit increased by 33,1% to R62,1 million.

Specific share repurchase

As announced on SENS on 30 September 2016, the Group repurchased 133 507 226 shares, representing almost 24% of the shares in issue at the time, held by the South African Clothing and Textile Workers' Union for an aggregate repurchase consideration of R267 million. One of the consequences of the share repurchase is that the book net asset value per share has increased by 18,7% to R3,94 per share from R3,32 per share at the end of the comparative period.

Segmental results

Properties

Revenue is up 12% to R74 million with 70% of the revenue derived from tenants external to the Group. Operating profit is up 13% to R53 million.

The property segment remains a key focus area for the Group and we continue to look for suitable properties to augment the portfolio. We will remain patient and only look to acquire properties that fit within our strict criteria.

Industrial Manufacturing

We are pleased with the performance of our industrial manufacturing businesses. These businesses interface into the mining, agriculture, construction and automotive sectors, none of which have been going through particularly good times. Despite the industry headwinds, this segment delivered turnover growth of 25% helped by the acquisition of Premier Rainwatergoods effective 1 June 2016. Excluding the Premier Rainwatergoods transaction, the remaining businesses in this segment delivered turnover growth of 11% on the back of various initiatives to widen distribution channels.

The increased turnover saw operating profit grow by 46% to R24 million.

Branded Product Distribution

Revenue for this segment was down by 6% to R592 million. The decline in turnover is a reflection of the tough retail environment. Given the pressures, retail buying decisions are moving later in the cycle, which negatively affects the results for the first half of the year. On the positive side, we have managed to improve the gross margins and this, coupled with good cost control, saw operating profit before foreign exchange adjustments improve by R9 million to a profit of R4 million as compared to a loss of R5 million in the prior year. After recognising the R25 million swing in foreign currency losses and gains, the operating profit before finance cost is down R15 million year-on-year.

The results of the Branded Product Distribution segment are impacted by the losses being incurred in the start-up and turnaround businesses. The start-up businesses have shown good progress and the losses are declining year-on-year. Our office automation business has faced a number of challenges, including a general market for office

automation products that has declined year-on-year. We mentioned at year-end that the cost savings derived from the restructuring would be realised in the second half of the financial year and this remains on track. In addition, a new management team has been put in place and they are working on improving a number of aspects within the business. We are optimistic that the performance of this business will be much improved over the medium term.

Textile Manufacturing

The current period saw revenue grow by 6% to R403 million. Pressure on margins saw the businesses in this segment record an operating loss before foreign exchange losses of R3 million, a decline of R6 million from the R3 million profit recorded in the prior period. After recognising the R13 million swing in foreign currency losses and gains, the operating profit before finance cost is down R19 million year-on-year.

On behalf of the board

Stuart Queen
Chief Executive Officer

Gys Wege
Financial Director

23 November 2016
Cape Town

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:
C Philip

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