

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<br>2017 | Audited<br>2016  |
|----------------------------------------------|------------------|------------------|
| <b>ASSETS</b>                                |                  |                  |
| 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           |
| <b>Total assets</b>                          | <b>3 231 088</b> | <b>3 141 990</b> |
| <b>EQUITY AND LIABILITIES</b>                |                  |                  |
| 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          |
| <b>Total liabilities</b>                     | <b>1 452 658</b> | <b>1 191 644</b> |
| <b>Total equity and liabilities</b>          | <b>3 231 088</b> | <b>3 141 990</b> |
| 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<br>2017 | Audited<br>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

|                                                              | Stated<br>capital | Other<br>reserves | Retained<br>income/<br>Accumu-<br>lated<br>loss | Total     | Non-<br>con-<br>trolling<br>interest | Total     |
|--------------------------------------------------------------|-------------------|-------------------|-------------------------------------------------|-----------|--------------------------------------|-----------|
| Rand thousands                                               |                   |                   |                                                 |           |                                      |           |
| 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<br>2017 | Audited<br>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<br>Product<br>Distribution | Textiles | Industrial | Centralised<br>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 |
|                                              |           | Branded Product |          |            |                      |           |
| Rand thousands                               | Property  | 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<br>2017 | Audited<br>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<br>2017    | Audited<br>2016         | Reviewed<br>2017 | Audited<br>2016 |
| Rand thousands        |                     |                         |                  |                 |
| 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:<br>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<br>2017 |
|--------------------------------------------------------|------------------|
| Rand thousands                                         |                  |
| 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

[www.deneb.co.za](http://www.deneb.co.za)