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

REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

Financial highlights
for the year ended 31 March 2018

- Revenue from continuing operations up R333 million to R3 011 million
- Profit from continuing operations up R17 million to R89 million
- Profit down R43 million to R6 million
- Earnings per share from continuing operations up 6 cents to 21 cents
- Earnings per share down 8 cents to 2 cents
- Headline earnings per share from continuing operations up 4 cents to 14 cents
- Headline earnings per share down 9 cents to a loss of 4 cents
- Net asset value per share unchanged at 388 cents
- Net asset value excluding net deferred income liability unchanged at 415 cents
- Distribution per share of 3 cents declared (2017: 3 cents)

Condensed consolidated statement of financial position
as at 31 March

		Reviewed 2018 R000's	Audited 2017* R000's	Audited 2016* R000's
ASSETS				
Non-current assets		2 044 076	1 779 493	1 711 819
Plant and equipment		440 005	312 077	312 860
Owner-occupied property		373 421	458 641	434 075
Investment property		907 352	759 113	737 507
Intangible assets		41 525	48 466	22 263
Goodwill		58 472	23 764	15 023
Other investments		4 237	3 026	3 391
Long-term receivables		56 780	88 349	74 093
Deferred tax assets		162 284	86 057	112 607
Current assets		1 512 620	1 480 596	1 452 849
Non-current assets held for sale		1 080	1 985	2 175
Inventories		680 935	706 953	683 732
Loan receivables		-	-	83 101
Trade and other receivables		786 672	700 195	654 396
Current tax assets		2 266	705	143
Cash and cash equivalents		41 667	70 758	29 302
Total assets		3 556 696	3 260 089	3 164 668
EQUITY AND LIABILITIES				
Total equity		1 674 626	1 662 980	1 857 615
Stated capital		1 452 264	1 449 653	1 717 286
Reserves		220 950	213 226	139 746
Equity attributable to owners of the company		1 673 214	1 662 879	1 857 032
Non-controlling interest		1 412	101	583
Non-current liabilities		942 059	943 559	206 265
Deferred tax liabilities		7 142	11 882	5 160
Post-employment medical aid benefits		98 896	91 861	90 803
Deferred income		141 754	131 805	105 289
Interest-bearing liabilities		688 533	706 752	4 149
Operating lease accruals		5 734	1 259	864
Current liabilities		940 011	653 550	1 100 788
Current tax liabilities		759	3 615	1 821
Post-employment medical aid benefits		7 619	7 131	6 789
Deferred income		8 908	12 646	10 120
Interest-bearing liabilities		169 972	52 716	38 733
Trade and other payables		604 886	499 094	489 856
Provisions		3 991	224	5 705
Bank overdraft		143 876	78 124	547 764
Total liabilities		1 882 070	1 597 109	1 307 053
Total equity and liabilities		3 556 696	3 260 089	3 164 668
Net asset value		1 673 214	1 662 879	1 857 032
Net asset value per share	(cents)	388	388	331
Net asset value excluding deferred income liability		1 788 664	1 778 329	1 949 763
Net asset value excluding deferred income liability per share (net of taxation)	(cents)	415	415	347

*Restated, refer to note 4.1

Condensed consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March

	Reviewed 2018 R000's	Audited 2017* R000's
Continued operations		
Revenue	3 010 671	2 677 676
Cost of sales	(2 324 922)	(1 960 376)
Gross profit	685 749	717 300
Other income	6 802	(2 795)
Selling and distribution expenses	(344 848)	(333 059)
Administrative and other expenses	(277 993)	(229 458)
Operating profit before impairments, restructuring and revaluation of investment property	69 710	151 988
Revaluation of investment properties	43 715	30 052
Net impairment of assets	(1 436)	-
Restructuring and retrenchment expenses	(3 079)	(1 751)
Operating profit before finance costs	108 910	180 289
Finance income	591	5 986
Finance expenses	(93 733)	(75 930)
Profit before taxation	15 768	110 345
Income tax income/(expense)	73 015	(38 416)
Profit after tax	88 783	71 929
Discontinued operations		
Loss from discontinued operations, net of tax	(82 554)	(22 456)

Profit		6 229	49 473
Other comprehensive income, net of related tax			
Items that will never be reclassified to profit or loss			
Revaluation of land and buildings		18 822	21 389
Revaluation		28 574	25 391
Related tax		(9 752)	(4 002)
Post-employment medical aid benefits - actuarial (loss)/gain		(3 679)	941
Actuarial (loss)/gain		(5 110)	1 307
Related tax		1 431	(366)
Items that are or may be reclassified to profit or loss			
Fair value adjustment on available-for-sale financial assets		1 210	-
Foreign operations - foreign currency translation differences		(2 304)	(10)
Other comprehensive income, net of tax		14 049	22 320
Total comprehensive income for the year		20 279	71 793
Profit attributable to:			
Owners of the company		8 130	50 410
Non-controlling interest		(1 901)	(937)
		6 229	49 473
Total comprehensive income attributable to:			
Owners of the company		22 180	72 730
Non-controlling interest		(1 901)	(937)
		20 279	71 793
Basic earnings per share	(cents)	1,89	10,19
Continued operations	(cents)	21,12	14,73
Discontinued operations	(cents)	(19,23)	(4,54)
Diluted earnings per share	(cents)	1,88	10,19
Continued operations	(cents)	21,01	14,73
Discontinued operations	(cents)	(19,13)	(4,54)

*Restated, refer to note 4.1

Condensed consolidated statement of changes in equity
for the year ended 31 March

	Stated capital Total R000's	Other reserves R000's	Retained income R000's	Total R000's	Non-controlling interest R000's	Total R000's
Balance at 1 April 2016, as previously reported	1 717 286	242 999	(10 522)	1 949 763	583	1 950 346
Impact of restatement*	-	-	(92 731)	(92 731)	-	(92 731)
Total comprehensive income	-	21 389	51 341	72 730	(937)	71 793
Profit/(loss)	-	-	50 410	50 410	(937)	49 473
Other comprehensive income, net of tax	-	21 389	931	22 320	-	22 320
Fair value adjustment on available-for-sale financial assets	-	-	(10)	(10)	-	(10)
Revaluation of land and buildings, net of tax	-	21 389	-	21 389	-	21 389
Post-employment medical aid benefits - actuarial gain, net of tax	-	-	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	-
Restated balance at 31 March 2017	1 449 653	253 456	(40 230)	1 662 879	101	1 662 980
Total comprehensive income	-	17 728	4 451	22 179	(1 901)	20 278
Profit/(loss)	-	-	8 130	8 130	(1 901)	6 229
Other comprehensive income/(loss), net of tax	-	17 728	(3 679)	14 049	-	14 049
Fair value adjustment on available-for-sale financial assets	-	1 210	-	1 210	-	1 210
Foreign operations - foreign currency translation differences	-	(2 304)	-	(2 304)	-	(2 304)
Revaluation of land and buildings, net of tax	-	18 822	-	18 822	-	18 822
Post-employment medical aid benefits - actuarial loss, net of tax	-	-	(3 679)	(3 679)	-	(3 679)
Transactions with owners of the company	2 611	-	(9 554)	(6 943)	-	(6 943)
Share scheme - expense	-	-	5 916	5 916	-	5 916
- options exercised	2 611	-	(2 611)	-	-	-
Dividends	-	-	(12 859)	(12 859)	-	(12 859)
Changes in ownership interest	-	(4 317)	(584)	(4 901)	3 212	(1 689)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	2 628	2 628
Acquisition of subsidiary - common control transaction	-	(4 317)	-	(4 317)	-	(4 317)
Acquisition of NCI without a change in control	-	-	(584)	(584)	584	-
Balance at 31 March 2018	1 452 264	266 867	(45 917)	1 673 214	1 412	1 674 626

*Restated, refer to note 4.1

	2018 R000's	2017 R000's
Composition of other reserves		
Revaluation of investments	1 210	-
Foreign currency translation differences	(2 304)	-
Common control reserve	(20 219)	(15 902)
Surplus on revaluation of land and buildings	288 180	269 358
	266 867	253 456

Condensed consolidated statement of cash flows
for the year ended 31 March

	Reviewed 2018 R000's	Audited 2017 R000's
Net cash flows from operating activities	179 964	131 076
Cash generated from operating activities before working capital changes	110 073	234 950
Cash generated from working capital changes	180 148	3 660
Net finance costs	(93 142)	(79 768)
Taxes paid	(17 115)	(27 766)
Net cash flow from investing activities	(213 888)	(66 961)
Net cash flow from financing activities	(60 919)	446 981
Net other financing activities	(48 060)	65 766

Overdraft converted to term loan	-	650 000
Share buyback	-	(268 785)
Distribution	(12 859)	-
Net change in cash and cash equivalents	(94 843)	511 096
Cash and cash equivalents at the beginning of the year	(7 366)	(518 462)
Cash and cash equivalents at the end of the year	(102 209)	(7 366)

Condensed consolidated segmental report
for the year ended 31 March

Year ended 31 March 2018	Property R000's	Branded Product Distribution R000's	Textiles R000's	Industrials R000's	Centralised Services R000's	Total R000's
Gross revenue	157 999	1 377 847	555 912	965 849	102	3 057 709
Inter-segment revenue	(47 038)	-	-	-	-	(47 038)
External revenue - continued operations	110 961	1 377 847	555 912	965 849	102	3 010 671
External revenue - discontinued operations	-	62 236	142 836	-	-	205 072
External revenue	110 961	1 440 083	698 748	965 849	102	3 215 743
Operating profit/(loss) before finance costs - continued operations	155 165	(20 901)	6 300	14 996	(46 650)	108 910
Interest revenue	-	-	-	-	591	591
Interest expense	-	-	-	-	(93 733)	(93 733)
Operating profit before taxation - continued operations	155 165	(20 901)	6 300	14 996	(139 792)	15 768
Operating loss before finance costs - discontinued operations	-	(20 581)	(52 262)	-	-	(72 843)
Interest expense	-	3	(9 714)	-	-	(9 711)
Operating loss before taxation - discontinued operations	-	(20 578)	(61 976)	-	-	(82 554)
Operating profit/(loss) before taxation	155 165	(41 479)	(55 676)	14 996	(139 792)	(66 786)
Segment assets	1 302 590	971 172	435 953	748 736	98 245	3 556 696
Segment liabilities	21 574	282 723	202 221	364 382	1 011 170	1 882 070
Year ended 31 March 2017*						
Gross revenue	150 021	1 322 074	611 394	642 741	113	2 726 343
Inter-segment revenue	(43 856)	(4 811)	-	-	-	(48 667)
External revenue - continued operations	106 165	1 317 263	611 394	642 741	113	2 677 676
External revenue - discontinued operations	-	57 997	-	182 004	-	240 001
External revenue	106 165	1 375 260	611 394	824 745	113	2 917 677
Operating profit/(loss) before finance costs - continued operations	134 519	25 290	(5 929)	49 912	(23 503)	180 289
Interest revenue	-	-	-	-	5 986	5 986
Interest expense	-	-	-	-	(75 930)	(75 930)
Operating profit before taxation - continued operations	134 519	25 290	(5 929)	49 912	(93 447)	110 345
Operating loss before finance costs - discontinued operations	-	(10 705)	(1 927)	-	-	(12 632)
Interest expense	-	-	(9 824)	-	-	(9 824)
Operating loss before taxation - discontinued operations	-	(10 705)	(11 751)	-	-	(22 456)
Operating profit/(loss) before taxation	134 519	14 585	(17 680)	49 912	(93 447)	87 889
Segment assets	1 238 511	904 240	528 245	451 142	137 951	3 260 089
Segment liabilities	19 516	228 275	229 141	174 317	945 860	1 597 109

*Restated refer to note 4.1

Statistics per share
for the year ended 31 March

		Reviewed 2018	Audited 2017*
Number of shares in issue	('000)	431 337	428 622
Weighted-average number of shares	('000)	429 358	494 817
Diluted-average number of shares	('000)	431 575	494 817
Basic earnings	(cents)	1,89	10,19
Continued operations		21,12	14,73
Discontinued operations		(19,23)	(4,54)
Diluted earnings	(cents)	1,88	10,19
Continued operations		21,01	14,73
Discontinued operations		(19,13)	(4,54)
Headline (loss)/earnings	(cents)	(3,68)	5,26
Continued operations		13,58	9,80
Discontinued operations		(17,26)	(4,54)
Diluted headline (loss)/earnings	(cents)	(3,67)	5,26
Continued operations		13,51	9,80
Discontinued operations		(17,17)	(4,54)
Reconciliation between profit and headline earnings			
Profit attributable to equity holders of the parent	(R000's)	8 130	50 410
Impairment of assets	(R000's)	9 299	-
Reversal of impairment of assets	(R000's)	(55)	-
Remeasurement of investment property	(R000's)	(33 923)	(23 320)
Surplus on disposal of property, plant and equipment	(R000's)	(277)	(1 089)
Loss on disposal of property, plant and equipment	(R000's)	696	41
Insurance claim for capital asset	(R000's)	(22)	-
Impairment of goodwill	(R000's)	334	-
Headline earnings	(R000's)	(15 818)	26 042
Continued operations		58 286	48 498
Discontinued operations		(74 104)	(22 456)
Diluted headline earnings	(R000's)	(15 818)	26 042
Continued operations		58 286	48 498
Discontinued operations		(74 104)	(22 456)
Adjustment for government grants			
Profit attributable to equity holders of the parent	(R000's)	8 130	50 410
Deferred income released (net of tax)	(R000's)	(30 176)	(15 231)
Government grant benefit for the period	(R000's)	30 176	37 950
	(R000's)	8 130	73 129
Adjusted basic earnings	(cents)	1,89	14,78
Continued operations		23,85	19,61
Discontinued operations		(21,96)	(4,83)
Adjusted headline (loss)/earnings	(cents)	(3,68)	9,85
Continued operations		16,31	14,68
Discontinued operations		(19,99)	(4,83)

*Restated, refer to note 4.1

Notes to the condensed consolidated financial results

1. Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa. The Listings Requirement requires preliminary financial statements 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 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 reviewed 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 2017, except for new standards and interpretations effective as at 1 April 2017.

The new standards have no impact on the financial information.

3. Review report of the independent auditor

The condensed consolidated financial statements for the year ended 31 March 2018 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report. 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. Significant operating activities

4.1 Restatement of prior period

4.1.1 Correction of prior period error relating to the accounting of government grants

Government grants are recognised in profit and loss on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate.

During the prior periods, the grants were deemed to be earned through compliance with their conditions and meeting the envisaged obligations. Where the qualifying conditions gave rise to future envisaged obligations, the benefits were allocated against the historic costs of complying with the conditions as well as the future related obligations. Where no envisaged obligations were identified, the grants were recognised when there was reasonable assurance that the entity will comply with all the conditions attached to the grants and that the grants will be received.

It was concluded that the above accounting treatment is incorrect and that the grants related to depreciable assets are to be recognised in the periods in the proportions in which the depreciation expense on those assets are recognised, with the balance being reflected as deferred income.

The effect of the restatement on the prior-period numbers is as follows:

Consolidated statement of financial position

		Impact of restatement	
	As previously reported	Adjustments	As restated
1 April 2016	R000's	R000's	R000's
Total assets	3 141 990	22 678	3 164 668
Deferred tax asset	89 929	22 678	112 607
Total liabilities	(1 191 644)	(115 409)	(1 307 053)
Deferred income	-	(115 409)	(115 409)
Total equity	(1 950 346)	92 731	(1 857 615)
Reserves	(232 477)	92 731	(139 746)
31 March 2017			
Total assets	3 231 088	29 001	3 260 089
Deferred tax asset	57 056	29 001	86 057
Total liabilities	(1 452 658)	(144 451)	(1 597 109)
Deferred income	-	(144 451)	(144 451)
Total equity	(1 778 430)	115 450	(1 662 980)
Reserves	(328 676)	115 450	(213 226)

Consolidated statement of profit or loss and other comprehensive income

			Impact of restatement	
For the year ended		As previously reported**	Adjustments	As restated
31 March 2017		R000's	R000's	R000's
Other income		27 714	(30 509)	(2 795)
Income tax		(44 739)	6 323	(38 416)
Loss from discontinued operations, net of tax		(23 923)	1 467	(22 456)
Profit		72 192	(22 719)	49 473
Total comprehensive income		94 512	(22 719)	71 793

**Restated for discontinued operations

Basic earnings per share	(cents)	14,78	(4,59)	10,19
Diluted earnings per share	(cents)	14,78	(4,59)	10,19
Headline earnings per share	(cents)	9,85	(4,59)	5,26
Diluted headline earnings per share	(cents)	9,85	(4,59)	5,26

There is no impact on the total operating, investing or financing cash flows for the year ended 31 March 2017.

4.1.2 Discontinued operations

Operations classified as discontinued operations relate to the following three businesses:

- Berg River Textiles, a division of Winelands Textiles;
- Outlying branches of the office automation business;
- International leg of the branded sporting goods business.

Results of discontinued operations

	2018	2017

	R000's	R000's
Revenue	205 072	240 001
Cost of revenue	(191 821)	(213 617)
Gross profit	13 251	26 384
Other income	11 649	5 437
Distribution costs	(30 467)	(30 284)
Administrative and other expenses	(39 815)	(14 169)
Operating loss before impairments and restructuring and retrenchment costs	(45 382)	(12 632)
Impairment of assets	(11 736)	-
Restructuring and retrenchment costs	(15 725)	-
Operating loss before finance costs	(72 843)	(12 632)
Finance expenses	(9 711)	(9 824)
Loss before taxation	(82 554)	(22 456)
Income tax expense	-	-
Loss for the period from discontinued operations	(82 554)	(22 456)
Cash flows used in discontinued operations		
Net cash used in operating activities	(37 536)	(9 581)
Net cash used in discontinued operations	(37 536)	(9 581)

4.2 Taxation and deferred taxation

	2018 R000's	2017* R000's
Income tax		
South African normal taxation		
- current	(14 688)	(19 341)
- prior year	24	1 079
Deferred taxation	87 679	(20 154)
	73 015	(38 416)

Reconciliation between actual and normal taxation rates**	%	%
Taxation as a percentage of (loss)/profit before taxation	109,3	43,7
Prior period	-	1,2
Non-deductible items expenses	9,4	(3,5)
Specific tax-deductible expenses	(1,7)	0,7
Capital gains tax on revaluation of investment property	(3,7)	1,9
Foreign entities with different tax rate	0,9	-
Recognition of previous unrecognised tax losses	(86,2)	(16,0)
Normal taxation rate	28,0	28,0

* Restated, refer to note 4.1
**Reconciliation is disclosed on a consolidated basis from both continued and discontinued operations.

4.3 Government grants

Government grants in the Group relates to the Production Incentive Programme (PIP). The programme is an incentive offered to the qualifying companies operating within the clothing and textile manufacturing industry.

	2018 R000's	2017* R000's
Deferred amounts, to be recognised in more than 12 months' time	141 754	131 805
Deferred amounts, to be recognised in the next 12 months, included in trade and other payables	8 908	12 646
Total deferred income liability	150 662	144 451
Reconciliation of carrying amount		
Opening carrying value	144 451	115 409
Government receivable recognised during the period	30 176	37 950
Deferred income released during the period	(23 965)	(8 908)
Closing carrying value	150 662	144 451

* Restated, refer to note 4.1

5. Significant investing activities

5.1 Capital expenditure and commitments

	Capital expenditure		Contractual commitments	
	2018 R000's	2017 R000's	2018 R000's	2017 R000's
Investment property	-	5 889	40 000	-
Land and buildings	610	3 279	-	-
Plant and equipment	110 873	34 973	33 072	9 609
Intangible assets	138	1 838	-	-
Business combinations	61 672	77 897	-	-
	173 293	123 876	73 072	9 609

The capital commitments are expected to be incurred during the next 12 months. Commitments will be funded through banking facilities.

5.2 Business combinations

Current period

Measurement of fair values

The assets and liabilities acquired have been measured on a provisional basis and in accordance with IFRS 3. 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.

In the current period the Group acquired the following entities:

Subsidiary name	Acquisition date	Segment	Description	% voting interest acquired
Formex Industries Proprietary Limited ("Formex")	1 Aug 2017	Industrials	Formex Industries is an entity focusing on the development, manufacturing and supply of pressed and tubular components for the automotive market.	100%
New Just Fun Group Proprietary Limited ("New Just Fun")	13 Dec 2017	Branded Product Distribution	New Just Fun is a South African toy distributer.	100%
Oops Global SA	31 Dec 2017	Branded Product Distribution	Oops Global SA is based in Switzerland and specialises in the design, conception and sale of toys for kids.	60%

Branded Product Distribution R000's	Industrials R000's	Total R000's

Total identifiable net assets acquired	29 258	20 740	49 998
Less non-controlling interest	(2 628)	-	(2 628)
Goodwill	35 042	-	35 042
Goodwill directly to equity as transaction with owners	-	4 317	4 317
Total consideration	61 672	25 057	86 729
Cash paid	61 672	-	61 672
Hosken Consolidated Investments Limited loan	-	25 057	25 057
Cash outflow from this investing activity			-
Cash consideration transferred	(61 672)	-	(61 672)
Add cash and cash equivalents in the business acquired	320	3 090	3 410
Less overdraft in the business acquired	(38 599)	(22 723)	(61 322)
Net cash inflow from investing operations	(99 951)	(19 633)	(119 584)

Prior period

The Group acquired the entire issued share capital of Premier Rainwatergoods Proprietary Limited ("Premier"). Premier is a manufacturer of galvanised steel roofing accessories.

	Industrials R000's	Total R000's
Total identifiable net assets acquired	69 156	69 156
Goodwill	8 741	8 741
Total consideration	77 897	77 897
Cash paid	67 897	67 897
Contingent consideration	10 000	10 000
Cash outflow from this investing activity		
Cash consideration transferred	(67 897)	(67 897)
Add cash and cash equivalents in the business acquired	24 307	24 307
Net cash inflow from investing operations	(43 590)	(43 590)

5.3 Investment properties

Reconciliation of carrying amount

	2018 R000's	2017 R000's
Opening carrying value	759 113	737 507
Transfer from owner-occupied property	110 456	-
Additions	20 968	-
Development cost	-	5 889
Fair value adjustments	43 715	30 052
Disposals	(26 900)	(14 335)
Closing carrying value	907 352	759 113

6. Significant financing activities

6.1 Significant related-party transactions

Current period

The Group acquired 100% of the shares in Formex from Hosken Consolidated Investments Limited ("HCI") with effect from 1 August 2017 for an amount of R25 million. The transaction was announced on SENS on 10 July 2017 and 21 July 2017 and funded through a loan from HCI.

Prior period

In the prior period the company acquired 133 507 226 Deneb shares from the Southern African Clothing and Textile Workers' Union ("SACTWU") for a consideration of R267 014 452. The shares were delisted and cancelled on 30 September 2016.

6.2 Banking facilities

Current period

R50 million of short-term facility has been renegotiated to term funding in the current period.

Prior period

The Group renegotiated its banking facilities in the prior period whereby R650 million of short-term overdraft facilities were converted to long-term funding.

7. 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 2018 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 23 May 2018
Last day to trade cum distribution	Tuesday 12 June 2018
Shares trade ex distribution	Wednesday 13 June 2018
Record date	Friday 15 June 2018
Payment date	Monday 18 June 2018

Share certificates may not be dematerialised or rematerialised between Wednesday 13 June 2018 and Friday 15 June 2018, 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 431 337 345 as at the date of this declaration.

8. New standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on of after 1 April 2018, and have not been applied in preparing these condensed consolidated financial statements.

We have undertaken an initial assessment of the financial impact of the new standards and assessed that only the below statements will impact the financial statements in the periods these standards are adopted:

Financial Instruments (IFRS 9)

The standard is effective for financial periods beginning on or after 1 January 2018. The measurement of provisions against receivables will be revised to comply with the expected credit loss method. The Group will disclose the full impact of this statement in its annual financial statements.

Leases (IFRS 16)

The standard is effective for financial periods beginning on or after 1 January 2019. The standard is expected to have a material impact due to the significant number of leases, and will result in changes to the statement of financial position, whereby a right-of-use asset and lease liability will be recognised. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and associated finance costs. The Group will disclose the expected impact of this statement in its annual financial statements.

On behalf of the board

Stuart Queen Chief Executive Officer	Gys Wege Financial Director

Cape Town
23 May 2018

Commentary

Although we have had some strong performers in the Group, most notably Vega Properties, Prima Interactive, Formex, Romatex Home Textiles and the Empire Group, it's safe to say that the year ended 31 March 2018 proved to be a difficult year.

We mentioned in our results to 31 March 2017 that the Group had a number of loss-making businesses that were weighing on the Group's results. We have taken decisive action with regard to these businesses and a number of restructuring processes have been completed during the current financial year. The results for the current financial year are significantly influenced by these restructuring initiatives. In certain instances, the restructuring affects separately identifiable pieces of businesses and where this is the case, the results for these pieces are reflected as discontinuing operations. There are other processes that affect certain product ranges and parts of continuing businesses, and in these cases the costs of exiting these areas remain within the continuing operations.

The restructuring processes affected the following three businesses in the main:

- Winelands Textiles - This business comprised two manufacturing facilities in the Western Cape: one in Paarl and one in Worcester. During the course of the year we have completed a restructuring process that resulted in these two facilities being consolidated into a single facility in Worcester. The consolidation significantly reduces the overheads and breakeven point, which will allow the business to focus on more viable product lines. The restructure will also release around R50 million of capital that was tied up in unproductive working capital;

- The Group's office automation business - The Group has decided to concentrate this business on the Gauteng market. We have made good progress with the orderly disposal of the outlying branches. At the time of writing, only the Cape Town branch remained to be sold and we are confident of wrapping this up shortly. The restructure allows the businesses to unlock better efficiencies and it will release a significant amount of capital that was tied up in the long-term debtors book; and

- Our branded sporting goods business - This business has been placed under the control of new management that has been working on discontinuing loss-making brands, improving operational efficiencies and effectiveness and optimising management structures. The result of these initiatives has seen the break-even point drop significantly. The focus now is to grow the brands that remain.

Continuing operations

Although turnover grew by 12% to just over R3 billion, this growth was derived from the following acquisitions:

- Formex Industries was acquired from our holding company HCI with effect from 1 August 2017. This business manufactures specialised pressing and tubing components for the automotive market;

- New Just Fun Group was acquired with effect from 13 December 2017. New Just Fun is a South African toy distributor and holds the distribution rights to some of the world's leading toy brands; and

- The formation of HTIC (Hong Kong). This business sources goods from Asian manufacturers primarily for its South African client base, including our own Group companies. The business has a long association with the Group, but in prior years it acted as a sourcing agent. As from January 2017, it is classified as a subsidiary. The effect of this is that we now account for all the revenue and all the costs as opposed to just accounting for commissions earned as was the case previously.

If one excludes the revenue from these acquisitions, the remaining businesses saw revenues decline by 2%. Most of this decline is attributable to our own decisions to discontinue unprofitable product lines, but it does reflect some of the difficulties experienced in the retail and construction markets in particular.

Gross margins also came under pressure and declined by 400 basis points to 22,8%. This decline is due in part to the new revenue streams from HTIC and the acquisition of Formex, both of which operate a high volume, low margin business model. Furthermore, certain of the businesses experienced quite significant increases in raw material prices which could not be entirely passed on to customers. These price increases came about through international shortages in the underlying raw materials. The situation started to normalise towards the end of the financial year.

Overhead costs remain tightly controlled. The 11% increase in total costs, as reflected, is largely due to the costs in the businesses acquired. Excluding the new acquisitions, overhead costs increased by just 3% year-on-year.

The net interest expense increased by R23 million to R93 million as a result of higher debt levels from the share buyback completed in September 2016 and the interest-bearing debt assumed with the acquisitions of Formex and New Just Fun Group.

Certain of our subsidiaries have moved from being loss-making to having realistic expectations of being sustainably profitable. This has meant that the Group is required to recognise deferred tax assets on historic tax losses, which resulted in the Group reporting taxation income of R73 million in the current period.

Overall, although the year under review proved to be difficult, we believe that the actions taken see the Group emerge in a stronger position than it began. As we continue to find solutions for the underperforming businesses, it will result in improved operating margins going forward or further capital releases.

Accounting for government grants

Shareholders are advised that the Group's results contain a prior-year adjustment relating to a change in the accounting treatment of government grants.

During the prior periods, the grants were deemed to be earned through compliance with their conditions and meeting the envisaged obligations. Where the qualifying conditions gave rise to future envisaged obligations, the benefits were allocated against the historic costs of complying with the conditions as well as the future related obligations. Where no envisaged obligations were identified, the grants were recognised in other income when there was reasonable assurance that the Group would comply with all the conditions attached to the grants and that the grants would be received.

The Group's new auditors believe that the relevant statement should be interpreted differently and that the above accounting treatment was incorrect. It is their view that if the benefit derived from the grant is used to acquire a depreciable asset, the benefit should simply be matched against the depreciation expense related to the asset acquired.

The new accounting treatment has the effect of taking the income derived from the government grants that had previously been released through the income statement and placing it back on the balance sheet by creating a R116 million (net of taxation) deferred income "liability".

The new accounting treatment has the consequence that our results as presented deviate from the underlying commercial reality. We hold this view as the result of the following:

- The acquisition of an asset is not a primary condition of the scheme. In any given year, the Group has a variety of expenditures that could qualify to be refunded by the applicable government grant. These expenses include staff training, spend on process improvement initiatives, equipment upgrades, etc. It is administratively more efficient for the Group to claim the government grants for equipment upgrades and this has been the chosen route. A different administration choice would lead to the grant being recognised in different periods;

- The assets acquired have been tested for impairments on an annual basis. As there has been no indication of any impairments, we can conclude that the assets meet the general definition of an asset productively employed and that there are no onerous obligations attached to holding and operating the assets in the future;

- The deferred income "liability", on the other hand, does not meet the general definition of a liability in that there is no current obligation that is likely to result in an outflow of economic benefit in the future. The "liability" is not owed to anybody nor is there any future onerous obligations to which this benefit could be matched; and

- This "liability" will be released into the income statement by matching it against the relevant depreciation charge associated with the applicable asset acquired. The Group's assets have varying useful lives with the longest being 25 years.

The result of this is that the deferred income "liability" can be expected to grow for the next few years and then will be unwound through the income statement over quite a long period. All things remaining equal, the Group's results will continue to deviate from the underlying commercial reality for many years into the future. In order to provide shareholders with more useful information we will include adjusted earnings, adjusted headline earnings and adjusted net asset value calculations in each year. The different accounting treatments have no effect on cash flows.

Corporate information

DENEB INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
("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
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
Contact details:	info@deneb.co.za www.deneb.co.za
Directors:	J A Copelyn* (Non-executive Chairperson), M H Ahmed*^ (Lead Independent Director), D Duncan, T G 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) L Govender resigned as a non-executive director on 17 April 2018.
Company Secretary:	C Philip
Transfer Secretaries:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 PO Box 61051, Marshalltown 2107
Auditors:	PricewaterhouseCoopers Inc.
Sponsors:	PSG Capital Proprietary Limited

Cape Town
23 May 2018