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
The company's shares are listed under the Financial Services - Speciality Finance sector.

UNAUDITED CONDENSED CONSOLIDATED
INTERIM RESULTS
for the six months ended 30 September 2018

Financial highlights
for the six months ended 30 September 2018

- Revenue up R230 million to R1 596 million

- Profit up R31 million to R4 million

- Earnings per share up 7 cents to 1 cent

- Headline earnings per share up 3 cents to 1 cent

- Net asset value per share up 3 cents to 381 cents

Condensed consolidated statement of financial position
as at 30 September 2018

	Unaudited 30 Sept 2018 R000's	Unaudited and restated 30 Sept 2017* R000's	Audited 31 March 2018 R000's
ASSETS			
Non-current assets	2 082 271	1 848 004	2 044 076
Property, plant and equipment	772 595	839 103	813 426
Plant and equipment	320 522	378 261	440 005
Owner-occupied property	452 073	460 842	373 421
Investment property	978 323	732 266	907 352
Intangible assets and goodwill	98 490	70 494	99 997
Intangible assets	40 018	46 729	41 525
Goodwill	58 472	23 765	58 472
Financial asset at fair value	4 237	3 026	4 237
Long-term receivables	58 411	81 350	56 780
Deferred tax assets	170 215	121 765	162 284
Current assets	1 809 343	1 757 156	1 512 620
Non-current assets held for sale	1 080	1 560	1 080
Inventories	849 677	776 257	680 935
Trade and other receivables	937 835	933 315	786 672
Current tax assets	2 947	2 498	2 266
Cash and cash equivalents	17 804	43 526	41 667
Total assets	3 891 614	3 605 160	3 556 696
EQUITY AND LIABILITIES			
Total equity	1 645 046	1 623 781	1 674 626
Stated capital	1 452 802	1 450 888	1 452 264
Reserves	191 792	173 238	220 950
Equity attributable to owners of the company	1 644 594	1 624 126	1 673 214
Non-controlling interest	452	(345)	1 412
Non-current liabilities	939 931	1 037 711	942 059
Deferred tax liabilities	8 870	12 323	7 142
Post-employment medical aid benefits	98 398	93 081	98 896
Deferred income	136 581	126 533	141 754
Interest-bearing liabilities	688 143	804 334	688 533
Operating lease accruals	7 939	1 440	5 734
Current liabilities	1 306 637	943 668	940 011
Current tax liabilities	1 203	3 646	759
Post-employment medical aid benefits	8 114	7 219	7 619
Deferred Income	7 440	11 945	8 908
Interest-bearing liabilities	152 863	52 010	169 972
Trade and other payables	770 093	629 581	604 886
Provisions	-	15 691	3 991
Bank overdraft	366 924	223 576	143 876
Total liabilities	2 246 568	1 981 379	1 882 070
Total equity and liabilities	3 891 614	3 605 160	3 556 696

* Restated, refer to note 4.2 and note 7.

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018

	Notes	Unaudited 30 Sept 2018 R000's	Unaudited and restated 30 Sept 2017* R000's
Continuing operations			
Revenue		1 595 751	1 365 860
Cost of sales		(1 234 352)	(1 051 041)
Gross profit		361 399	314 819
Operating profit before finance costs		56 587	39 328
Finance expenses		(52 779)	(46 643)
Profit/(Loss) before taxation		3 808	(7 315)
Income tax expense	4.1	(468)	30 411
Profit after tax		3 340	23 096
Discontinued operations			
Profit/(Loss) from discontinued operations, net of tax	4.2	913	(50 358)
Profit/(Loss)		4 253	(27 262)
Other comprehensive income, net of related tax			
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		4 544	1 878
Other comprehensive income, net of tax		4 544	1 878
Total comprehensive income/(loss) for the period		8 797	(25 384)
Profit/(Loss) attributable to:			
Owners of the company		4 091	(26 816)
Non-controlling interest		162	(446)
		4 253	(27 262)
Total comprehensive income/(loss) attributable to:			
Owners of the company		8 635	(24 938)
Non-controlling interest		162	(446)
		8 797	(25 384)
Basic earnings per share	(cents)	0,95	(6,25)
Basic earnings per share from continuing operations	(cents)	0,74	5,49
Basic earnings per share from discontinued operations	(cents)	0,21	(11,74)
Diluted earnings per share	(cents)	0,92	(6,25)
Diluted earnings per share from continuing operations	(cents)	0,71	5,49
Diluted earnings per share from discontinued operations	(cents)	0,21	(11,74)

* Restated, refer to note 4.2 and note 7.

Condensed consolidated statement of cash flows for the six months ended 30 September 2018

	Unaudited 30 Sept 2018 R000's	Unaudited 30 Sept 2017 R000's
Net cash flow from operating activities	(177 124)	(114 986)
Cash generated from operating activities before working capital changes	26 152	21 392
Cash outflow from working capital changes	(143 589)	(83 117)
Net finance costs	(52 779)	(46 643)
Taxes paid	(6 908)	(6 618)
Net cash flow from investing activities	(67 360)	(20 822)
Net cash flow from financing activities	(2 427)	(36 876)
Change in borrowings	10 513	(24 017)
Distribution	(12 940)	(12 859)
Net decrease in cash and cash equivalents	(246 911)	(172 684)
Cash and cash equivalents at beginning of period	(102 209)	(7 366)
Cash and cash equivalents at end of period	(349 120)	(180 050)

Condensed consolidated statement of changes in equity for the six months ended 30 September 2018

	Stated capital R000's	Other reserves R000's	Retained income R000's	Total R000's	Non-controlling interest R000's	Total equity R000's

Balance at 1 April 2017	1 449 653	253 456	75 220	1 778 329	101	1 778 430
Correction of error (net of tax)	-	-	(115 450)	(115 450)	-	(115 450)
Restated total equity at the beginning of the financial year	1 449 653	253 456	(40 230)	1 662 879	101	1 662 980
Total comprehensive profit for the period	-	1 878	(26 816)	(24 938)	(446)	(25 384)
Transactions with owners of the company						
Distribution	-	-	(12 859)	(12 859)	-	(12 859)
Share scheme - options exercised	1 235	-	(1 235)	-	-	-
Common control transaction						
Business acquisition under common control	-	(956)	-	(956)	-	(956)
Balance at 30 September 2017	1 450 888	254 378	(81 140)	1 624 126	(345)	1 623 781
Balance at 1 April 2018	1 452 264	266 867	(45 917)	1 673 214	1 412	1 674 626
Change in accounting policy	-	-	(17 615)	(17 615)	-	(17 615)
Restated total equity at the beginning of the financial year	1 452 264	266 867	(63 532)	1 655 599	1 412	1 657 011
Total comprehensive profit for the period	-	4 544	4 091	8 635	162	8 797
Transactions with owners of the Company						
Distribution	-	-	(12 940)	(12 940)	-	(12 940)
Effects of change in holdings	-	-	(6 700)	(6 700)	(1 122)	(7 822)
Share scheme - options exercised	538	-	(538)	-	-	-
Balance at 30 September 2018	1 452 802	271 411	(79 619)	1 644 594	452	1 645 046

	30 Sept 2018 R000's	30 Sept 2017 R000's
Composition of other reserves		
Foreign currency translation reserve	2 240	1 878
Revaluation of investments	1 210	-
Common control reserve	(20 219)	(16 858)
Surplus on revaluation of land and buildings	288 180	269 358
	271 411	254 378

Condensed consolidated segmental report
for the six months ended 30 September 2018

	Properties R000's	Branded Product Distribution R000's	Industrial Manufacturing R000's	Textile Manufacturing R000's	Head Office and Centralised Services R000's	Total R000's
2018						
Segment revenue						
Primary geographical market						
South Africa	83 385	604 423	610 185	253 933	-	1 551 926
Other African countries	-	31 252	13 099	11 243	-	55 594
Europe	-	26 649	6 264	-	-	32 913
South America	-	-	2 534	-	-	2 534
	83 385	662 324	632 082	265 176	-	1 642 967
Major products/service lines						
Woven, knitted and non-woven products	-	-	254 863	265 176	-	520 039
Pressed, roll-formed steel products	-	-	309 793	-	-	309 793
Speciality chemicals	-	-	67 426	-	-	67 426
Rentals	83 385	-	-	-	-	83 385
Toys, electronic games and sports goods	-	541 694	-	-	-	541 694
Stationery, publishing and office supplies	-	120 630	-	-	-	120 630
	83 385	662 324	632 082	265 176	-	1 642 967
Timing of revenue recognition						
At a point in time	83 385	651 236	632 082	265 176	-	1 631 879
Over time	-	11 088	-	-	-	11 088
	83 385	662 324	632 082	265 176	-	1 642 967
Inter-segment sales	(21 940)	-	(12 221)	(3 232)	-	(37 393)
	61 445	662 324	619 861	261 944	-	1 605 574
Less: Revenue attributable to discontinued operations	-	(9 361)	-	(462)	-	(9 823)
Revenue as per statement						

of comprehensive income	61 445	652 963	619 861	261 482	-	1 595 751
Segment results						
Profit from continuing operations before finance cost	56 993	(17 027)	27 831	2 445	(13 655)	56 587
Finance expenses	-	-	-	-	-	(52 779)
Profit before taxation	-	-	-	-	-	3 808
Total segment assets	1 334 044	1 140 079	804 631	489 712	123 149	3 891 614
Total segment liabilities	21 549	673 934	451 662	221 501	877 922	2 246 568
2017						
Segment revenue						
Primary geographical market						
South Africa	78 149	593 682	400 132	367 480	-	1 439 443
Other African countries	-	9 981	12 460	23 498	-	45 939
Europe	-	37 231	2 460	-	-	39 691
South America	-	-	3 354	-	-	3 354
	78 149	640 894	418 406	390 978	-	1 528 427
Major products/service lines						
Woven, knitted and non-woven products	-	-	235 909	390 978	-	626 887
Pressed, roll-formed steel products	-	-	121 444	-	-	121 444
Speciality chemicals	-	-	61 053	-	-	61 053
Rentals	78 149	-	-	-	-	78 149
Toys, electronic games and sports goods	-	471 440	-	-	-	471 440
Stationery, publishing and office supplies	-	169 454	-	-	-	169 454
	78 149	640 894	418 406	390 978	-	1 528 427
Timing of revenue recognition						
At a point in time	78 149	628 156	418 406	390 978	-	1 515 689
Over time	-	12 738	-	-	-	12 738
	78 149	640 894	418 406	390 978	-	1 528 427
Inter-segment sales	(25 887)	-	(12 878)	(4 697)	-	(43 462)
	52 262	640 894	405 528	386 281	-	1 484 965
Less: Revenue attributable to discontinued operations	-	(42 377)	-	(76 728)	-	(119 105)
Revenue as per statement of comprehensive income	52 262	598 517	405 528	309 553	-	1 365 860
Segment results						
Profit from continuing operations before finance cost	56 530	(16 050)	18 047	3 604	(22 803)	39 328
Finance expenses	-	-	-	-	-	(46 643)
Loss before taxation	-	-	-	-	-	(7 315)
Total segment assets	1 240 740	1 039 691	654 527	575 964	94 237	3 605 160
Total segment liabilities	18 988	442 515	380 521	272 299	867 057	1 981 379

Statistics per share
for the six months ended 30 September 2018

		Unaudited 30 Sept 2018 Six months	Unaudited 30 Sept 2017* Six months
Weighted average number of shares in issue	('000)	431 453	428 789
Number of shares in issue	('000)	431 579	429 559
Diluted weighted average number of shares in issue	('000)	444 325	428 789
Basic earnings	(cents)	0,95	(6,25)
Continuing operations	(cents)	0,74	5,49
Discontinued operations	(cents)	0,21	(11,74)
Headline earnings	(cents)	1,26	(1,47)
Continuing operations	(cents)	1,05	5,56
Discontinued operations	(cents)	0,21	(7,03)
Diluted earnings	(cents)	0,92	(6,25)
Continuing operations	(cents)	0,71	5,49
Discontinued operations	(cents)	0,21	(11,74)
Diluted headline earnings	(cents)	1,22	(1,47)
Continuing operations	(cents)	1,01	10,27
Discontinued operations	(cents)	0,21	(11,74)
Reconciliation between profit and headline earnings			
Income attributable to shareholders	(R000's)	4 091	(26 816)

Impairment of property plant and equipment	(R000's)	1 629	20 223
Surplus on disposal of property, plant and equipment	(R000's)	(272)	(219)
Surplus of disposal of subsidiary	(R000's)	(955)	-
Loss on disposal of property, plant and equipment	(R000's)	1 846	645
Total tax effect of adjustments	(R000's)	(897)	(119)
Headline earnings	(R000's)	5 442	(6 286)
Net asset value per share	(cents)	381	378

*Restated, refer to note 4.2 and note 7.

Notes to the unaudited condensed consolidated
interim results for the for the six months ended 30 September 2018

1. Basis of preparation

The unaudited condensed consolidated interim results for the six months to September 2018 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 for the year ended 31 March 2018.

These results have been prepared under the supervision of the Financial Director, Gys Wege (CA)SA, and have not been audited or reviewed by the Group's auditors, PwC Inc.

2. Significant accounting policies

The unaudited condensed consolidated interim 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 2018, except for the adoption of new standards and interpretations effective as at 1 April 2018. Refer to note 3 for an explanation on the impact of the new standards on the condensed consolidated financial statements.

3. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3.1 IFRS 9 Financial Instruments - Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in this note. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	2018 R000's
Closing retained earnings 31 March - IAS 39	(45 917)
Adjustment to retained earnings from adoption of IFRS 9 on 1 April 2018	(17 615)
Increase in provision for trade receivables (refer to note below)	(24 466)
Increase in deferred tax assets relating to impairment provisions	6 851
Opening retained earnings 1 April - IFRS 9	(63 532)

Impairment of financial assets

The Group has trade receivables that are subject to IFRS 9's new expected credit loss model and was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table below.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses all trade receivables have been grouped based on shared credit characteristics and the days past due.

The loss allowance for trade receivables as at 31 March 2018 reconciles to the opening loss allowance on 1 April 2018 as follows:

Trade

	receivables R000's
At 31 March 2018 - calculated under IAS 39	28 817
Amounts restated through opening retained earnings	24 466
Opening allowance as at 1 April 2018 - calculated under IFRS 9	53 283

The loss allowances increased by a further R1,6 million to R54,9 million for trade receivables during the six months to 30 September 2018.

Trade receivables are written off when there is no reasonable expectation of recovery.

Accounting policies applied from 1 April 2018:

Trade, long-term and other receivables

Trade and other receivables originated by the Group continue to be stated at amortised cost less impairment losses. Interest income from long-term receivables are included in finance income using the effective interest rate method.

Impairment

The Group applies the simplified approach permitted by IFRS 9 in determining provision on impairment allowances for receivables. This approach requires expected losses to be recognised from initial recognition of all receivables.

3.2 IFRS 15 Revenue from Contracts with Customers - Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in additional disclosures required and changes in accounting policy. However, there were no significant changes to amounts recognised in the financial statements.

The Group manufactures and sells a range of goods and services across its different segments. Revenue from these sales are recognised when goods or services are transferred to the customer, being when control is passed.

Some products are sold with volume rebates, rights of returns and trade discounts. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated returns and discounts to the extent that it is highly probable.

3.3 IFRIC 22 Foreign Currency Transactions and Advance Consideration - Impact of adoption

The Group has adopted IFRIC 22 from 1 April 2018. The standard affects transactions which include the receipt or payment of advance consideration. The spot rate used to translate a non-monetary asset or liability is the earlier of the date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability and the date the asset, expense or income is recognised in the financial statements. The Group has applied this accounting prospectively.

3.4 IFRS 16

The standard is effective for the year commencing 1 April 2019. The Group has decided not to early adopt. There has been no significant change in the Group's assessment of the impact of IFRS 16 since the 31 March 2018 annual financial statement disclosures that were made.

4. Significant operating activities

4.1 Taxation and deferred taxation

Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, which we expect to be fairly consistent in the near term. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. The table below provides a reconciliation between our applicable tax to the effective tax from continued operations:

Reconciliation of the applicable tax to the effective tax:

	30 Sept 2018 R000's	30 Sept 2017 R000's
Continued operations		
Profit/(Loss) before tax from continued operations	3 808	(7 315)
Tax (expense)/income using the statutory rate of 28%	(1 066)	2 048
Difference in tax rate from foreign jurisdiction	686	310
Non-deductible expenses	(1 186)	(438)
Recognition of deferred tax asset on tax losses	1 098	28 491
Effective tax	(468)	30 411

4.2 Discontinued operations

The Group discontinued certain textile and office automation businesses and sold its interest in Limtech Biometric Solutions. Accordingly their results have been separately disclosed on the face of the statement of profit or loss and other comprehensive income. Where practical these results have been restated.

Results of discontinued operations	30 Sept 2018 R000's	30 Sept 2017 R000's
Revenue	9 825	119 105
Operating profit/(loss) before impairments and restructuring and retrenchment costs	1 060	(14 444)
Impairment of assets	-	(20 223)
Restructuring and retrenchments costs	(147)	(15 691)
Operating profit/(loss) before finance costs	913	(50 358)
Finance expense	-	-
Profit/(loss) before taxation	913	(50 358)
Income tax expense	-	-
Profit/(loss) for the period from discontinued operations	913	(50 358)
Cash flows used in discontinued operations		
Net cash used in operating activities	(3 611)	(14 444)
Net cash used in investing activities	-	(964)
Net cash used in discontinued operations	(3 611)	(15 408)

The loss from discontinued operations is attributable entirely to equity holders of the parent.

4.3 Relates parties

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intra-group transactions are similar to those in the prior period and have been eliminated in the condensed interim financial statements on consolidation.

5. Significant investing activities

5.1 Capital expenditure and commitments

	Capital expenditure		Contractual commitments	
	30 Sept 2018 R000's	30 Sept 2017 R000's	30 Sept 2018 R000's	30 Sept 2017 R000's
Investment property	41 801	-	-	21 000
Land and buildings	-	277	-	-
Plant and equipment	41 893	29 111	35 383	7 602
Total capital expenditure	83 694	29 388	35 383	28 602

5.2 Business combinations

Current period

Sale of subsidiary

The Group has sold its interest in Limtech Biometric Solutions Proprietary Limited for a total consideration of R2,2 million on 30 June 2018, of which R1,5 million was paid upfront in cash and the remaining balance shall be paid in equal instalments commencing on 1 July 2019.

The following table summarises proceeds on disposal, net cash flow on disposal and analysis of assets and liabilities disposed.

	30 Sept 2018 R000's
Property, plant and equipment	109
Trade and other receivables	3 843
Inventory	903
Cash and cash equivalents	153
Long-term borrowings	(219)
Trade and other payables	(2 210)
Provisions	(960)
Other current liabilities	(201)
Net asset value disposed of	1 418
Gain on disposal of subsidiary	955
Disposal proceeds set off against repurchase consideration	
Deferred disposal proceeds	(720)
Cash and cash equivalents disposed of	(153)
Net cash inflow on disposal	1 500

5.3 Purchase additional shares in subsidiary

On 5 April 2018, the Group subscribed for 930 shares following a rights issue in Oops Global SA, increasing its shareholding from 60% to 66,2%. On 16 May 2018, the Group purchased 1 220 additional shares in Oops Global SA for a consideration of R7,8 million, further increasing its shareholding to 86,4%.

5.4 Investment property/property, plant and equipment

The fair value of investment property as at 30 September 2018 is R978,3 million. Movements since 31 March 2018 comprise an addition of R41,8 million and a transfer from property, plant and equipment of R29,1 million. The fair value has not significantly changed since year-end.

Movements in property, plant and equipment since 31 March 2018 comprise disposals to the value of R101,3 million, acquisitions of R41,9 million and a transfer to investment property of R29,1 million.

6. Diluted weighted average number of shares

The dilutive effect is due to the impact of the Group's incentive scheme on the weighted average number of shares in the period under review.

7. Change in comparatives

7.1 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:

	Impact of restatement		
	As previously reported	Adjustments	As restated
30 September 2017	R000's	R000's	R000's
Total assets	3 577 277	27 883	3 605 160
Deferred tax asset	93 882	27 883	121 765
Total liabilities	(1 842 901)	3 824 280	1 981 379
Deferred income	-	(138 478)	(138 478)
Total equity	(1 734 376)	110 595	(1 623 781)
Reserves	(283 833)	110 595	(173 238)

		Impact of restatement		
		As previously reported	Adjustments	As restated
For the period ended 30 September 2017		R000's	R000's	R000's
Profit before taxation		1 374	(8 689)	(7 315)
Income tax		31 529	(1 118)	30 411
Loss from discontinued operations, net of tax		(65 020)	14 662	(50 358)
Total comprehensive income		(30 239)	4 855	(25 384)
Basic earnings per share	(cents)	(7,40)	1,15	(6,25)
Diluted earnings per share	(cents)	(7,40)	1,15	(6,25)

There is no impact on the total operating, investing or financing cash flows for the six-month period ending 30 September 2018.

7.2 Discontinued operations

The results of discontinued operations have been separately disclosed on the face of the statement of profit or loss and other comprehensive income. Where practical these results for the prior period have been restated. Operations classified as discontinued operations relate to the following three businesses:

- Berg River Textiles, a division of Winelands Textiles, has been discontinued in the previous period.
- Automation business - all branches, other than Gauteng and the central administration office, are accounted for as discontinued operations.
- Limtech Biometric Solutions Proprietary Limited, which was sold during the period under review.

Refer to note 4.2 for further information on discontinued operations.

8. Events after the reporting period

There have been no material events after the reporting period-end.

9. Dividends/distribution

The directors have resolved not to declare an interim dividend/distribution for the six months ended 30 September 2018.

Commentary

Good progress has been made in the period under review. Turnover is up 17% to R1 596 million derived largely from the new acquisitions. Two of the businesses recently acquired, namely Formex Industries, a component automotive manufacturer based in Port Elizabeth, and HTIC (Hong Kong), which sources and distributes branded products, have shown good growth on a like-for-like basis with turnover up 83% and 31% respectively.

Gross margin was down by 40 basis points to 23,6% as a result of margin pressure in some of the manufacturing businesses. Reduced turnover in these businesses put margins under pressure due to reduced fixed-cost absorption. Furthermore, the revenue growth at Formex and HTIC weighs on the overall gross margin as these businesses operate high volume, low margin models.

The increased turnover and good cost containment saw operating profit up 44% to R57 million. Finance expenses are up 13% to R53 million on the back of increased debt levels due to the recent acquisitions and the debt acquired as part of the Formex transaction.

Overall, the results reflect that the good businesses have performed solidly whilst the restructuring initiatives have ensured that the losses have been curtailed in the more challenging businesses. There is more work to be done to get these businesses to make a return but we believe good progress has been made. It should also be borne in mind that some of the Group's businesses are very seasonal with results in the second half of the year usually stronger than the first.

Properties

We have mentioned previously that we are focused on growing our property portfolio, but were struggling to find properties within our target pricing. The recent softening of the property market has seen some opportunities arise. During the period we acquired an industrial property in Parow, Cape Town and have approved the acquisition of another industrial property in Epping, Cape Town. The total spend on these two properties is some R85 million. In addition to these two properties, we have approved capital expenditure of some R24 million for the redevelopment of a property in Paarl which was previously occupied by Berg River Textiles. Countering this, we sold a commercial property in Johannesburg, which was previously occupied by our office automation business, for R25 million.

Our property portfolio delivered revenue growth of 7% to R83 million with revenue from external tenants increasing by 18% to R61 million. Operating profit remained flat at R57 million due to increased repairs and maintenance costs in line with our planned maintenance programmes. In the current financial year, these costs are more heavily weighted to the first half of the year and should normalise by year-end.

Branded Products

It was a difficult period for the businesses that interface into retail given the tough retail environment. Revenue was up 9% to R653 million due to the new acquisitions and good growth at HTIC. However, the operating loss from continuing operations grew by 6% to R17 million. The Branded Product division is heavily seasonal and the second half of the year is typically far more profitable than the first.

Industrial Manufacturing

On the whole the industrial manufacturing businesses performed solidly with Formex the standout performer. Revenue was up 53% to R620 million largely driven by the growth within Formex and the fact that it was accounted for six months in the current period as opposed to two months in the prior period. Operating profit is up 53% to R28 million.

Textile Manufacturing

Our textile manufacturing businesses have struggled to get turnover through the businesses with turnover from continuing operations down 16% to R261 million. This has had a negative effect on margins but cost savings ensured that operating profit was only down R1 million.

Signed for and on behalf of the board.

Stuart Queen	Gys Wege
Chief Executive Officer	Financial Director

Cape Town
21 November 2018

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

www.deneb.co.za