DENEB

INVESTMENTS LIMITED

Unaudited condensed consolidated interim results for the six months ended 30 September 2019

Financial highlights

for the six months ended 30 September 2019

- **Revenue** from continuing operations ↑ R45 million to R1 443 million
- **Revenue** ↑ R39 million to R1 644 million
- **Profit** from continuing operations ↓ R12 million to R8 million
- **Profit** ↓ R20 million to a loss of R16 million
- **Earnings per share** from continuing operations ↓ 3 cents to 2 cents
- **Loss per share** ↓ 5 cents to a loss of 4 cents
- **Headline earnings per share** from continuing operations ↓ 3 cents to 2 cents
- **Headline loss per share** ↓ 5 cents to a loss of 4 cents
- **Net asset value** per share ↓ 18 cents to 363 cents

Condensed consolidated statement of financial position

as at 30 September 2019

	Notes	**Unaudited 30 September 2019 R000's**	Unaudited 30 September 2018 R000's	Audited 31 March 2019 R000's
ASSETS				
Non-current assets		**2 173 057**	2 082 271	2 006 022
Property, plant and equipment		**831 855**	772 595	709 611
Plant and equipment		**377 853**	320 522	358 840
Owner-occupied property		**349 667**	452 073	350 771
Right-of-use assets	6	**104 335**	–	–
Investment property		**1 072 543**	978 323	1 056 095
Intangible assets and goodwill		**89 333**	98 490	91 326
Intangible assets		**57 884**	40 018	59 877
Goodwill		**31 449**	58 472	31 449
Financial asset at fair value through other comprehensive income		**4 237**	4 237	4 237
Long-term receivables		**39 429**	58 411	27 483
Deferred tax assets		**135 660**	170 215	117 270
Current assets		**1 272 761**	1 808 263	1 267 618
Inventories		**579 743**	849 677	616 643
Trade and other receivables		**668 825**	937 835	634 725
Current tax assets		**3 629**	2 947	2 477
Cash and cash equivalents		**20 564**	17 804	13 773
Assets held for sale	4.2	**351 738**	1 080	396 168
Total assets		**3 797 556**	3 891 614	3 669 808
EQUITY AND LIABILITIES				
Total equity		**1 578 048**	1 645 046	1 621 586
Stated capital		**1 457 125**	1 452 802	1 456 237
Reserves		**123 114**	191 792	166 525
Equity attributable to owners of the company		**1 580 239**	1 644 594	1 622 762
Non-controlling interest		**(2 191)**	452	(1 176)
Non-current liabilities		**1 173 033**	939 931	923 917
Deferred tax liabilities		**16 722**	8 870	14 141
Post-employment medical aid benefits		**91 339**	98 398	90 270
Deferred income		**74 704**	136 581	83 727
Interest-bearing liabilities		**870 413**	688 143	728 328
Lease liabilities	6	**119 855**	–	–
Operating lease accruals		**–**	7 939	7 451
Current liabilities		**918 103**	1 306 637	985 794
Current tax liabilities		**4 057**	1 203	4 873
Post-employment medical aid benefits		**8 082**	8 114	7 749
Deferred income		**7 044**	7 440	16 102
Interest-bearing liabilities		**12 752**	152 863	173 319
Lease liabilities	6	**13 084**	–	–
Trade and other payables		**491 982**	770 093	459 843
Bank overdraft		**381 102**	366 924	323 908
Liabilities held for sale	4.2	**128 372**	–	138 511
Total liabilities		**2 219 508**	2 246 568	2 048 222
Total equity and liabilities		**3 797 556**	3 891 614	3 669 808

Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 September 2019

	Notes	Unaudited 30 September 2019 R000's	Unaudited and restated 30 September 2018* R000's
Continuing operations			
Revenue		**1 443 210**	1 398 484
Cost of sales		**(1 103 498)**	(1 061 425)
Gross profit		**339 712**	337 059
Other income		**26 457**	27 057
Selling and distribution expenses		**(152 005)**	(152 307)
Administrative and other expenses		**(140 838)**	(139 841)
Operating profit before finance costs		**73 326**	71 968
Finance income		**1 963**	2 661
Lease finance expenses		**(8 108)**	–
Finance expenses		**(56 774)**	(48 563)
Profit before taxation		**10 407**	26 066
Income tax expense	4.1	**(2 797)**	(6 217)
Profit after tax		**7 610**	19 849
Discontinuing operations			
Loss from discontinuing operations, net of tax	4.2	**(23 994)**	(15 596)
(Loss)/Profit		**(16 384)**	4 253
Other comprehensive income, net of related tax			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**1 107**	4 544
Other comprehensive income, net of tax		**1 107**	4 544
Total comprehensive (loss)/income for the year		**(15 277)**	8 797
(Loss)/Profit attributable to:			
Owners of the company		**(15 369)**	4 091
Non-controlling interest		**(1 015)**	162
		(16 384)	4 253
Total comprehensive (loss)/income attributable to:			
Owners of the company		**(14 262)**	8 635
Non-controlling interest		**(1 015)**	162
		(15 277)	8 797
Basic (loss)/earnings per share	(cents)	**(3,54)**	0,95
Continuing operations		**1,99**	4,56
Discontinuing operations		**(5,53)**	(3,61)
Diluted (loss)/earnings per share	(cents)	**(3,34)**	0,92
Continuing operations		**1,88**	4,43
Discontinuing operations		**(5,22)**	(3,51)

** Restated for discontinuing operations, refer to note 4.2 and note 8.1*

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2019

	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 2018	1 452 264	266 867	(45 917)	1 673 214	1 412	1 674 626
Change in accounting policy (IFRS 9)	–	–	(17 615)	(17 615)	–	(17 615)
Restated balance at 1 April 2018	1 452 264	266 867	(63 532)	1 655 599	1 412	1 657 011
Total comprehensive income for the period	–	4 544	4 091	8 635	162	8 797
Transactions with owners of the company						
Distribution to shareholders	–	–	(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
Balance at 1 April 2019	**1 456 237**	**289 987**	**(123 462)**	**1 622 762**	**(1 176)**	**1 621 586**
Change in accounting policy (IFRS 16)	**–**	**–**	**(15 243)**	**(15 243)**	**–**	**(15 243)**
Restated balance at 1 April 2019	**1 456 237**	**289 987**	**(138 705)**	**1 607 519**	**(1 176)**	**1 606 343**
Total comprehensive income/(loss) for the period	**–**	**1 107**	**(15 369)**	**(14 262)**	**(1 015)**	**(15 277)**
Transactions with owners of the company						
Distribution to shareholders	**–**	**–**	**(13 018)**	**(13 018)**	**–**	**(13 018)**
Share scheme – options exercised	**888**	**–**	**(888)**	**–**	**–**	**–**
Balance at 30 September 2019	**1 457 125**	**291 094**	**(167 980)**	**1 580 239**	**(2 191)**	**1 578 048**

Composition of other reserves	**Unaudited 30 September 2019 R000's**	Unaudited 30 September 2018 R000's
Foreign currency translation reserve	**1 061**	2 240
Common control reserve	**(20 219)**	(20 219)
Surplus on revaluation of land and buildings and financial asset at fair value through other comprehensive income	**310 252**	289 390
	291 094	271 411

Condensed consolidated statement of cash flows

for the six months ended 30 September 2019

	Notes	**Unaudited 30 September 2019 R000's**	Unaudited 30 September 2018 R000's
Net cash flow from operating activities		**42 710**	(177 124)
Cash generated from operating activities before working capital changes		**75 615**	26 152
Cash generated/(outflow) from working capital changes		**45 757**	(143 589)
Finance costs		**(69 247)**	(52 779)
Taxes paid		**(9 415)**	(6 908)
Net cash flow from investing activities		**(62 680)**	(67 360)
Acquisition of property, plant and equipment	5.1	**(52 316)**	(41 893)
Proceeds from disposals of property, plant and equipment		**6 185**	16 334
Acquisition of intangible assets		**(101)**	–
Acquisition of investment property	5.1	**(16 448)**	(41 801)
Net cash flow from financing activities		**(30 433)**	(2 427)
Proceeds of borrowings		**5 073**	17 763
Repayment of borrowings		**(17 099)**	(7 250)
Principal elements of lease payments		**(5 389)**	–
Distribution to shareholders		**(13 018)**	(12 940)
Net decrease in cash and cash equivalents		**(50 403)**	(246 911)
Cash and cash equivalents at the beginning of the period		**(310 135)**	(102 209)
Cash and cash equivalents at the end of the period		**(360 538)**	(349 120)

Condensed consolidated segmental report

for the six months ended 30 September 2019

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manufacturing R000's	Industrial Product Manufacturing R000's	Head Office and Centralised Services R000's	Total R000's
2019						
Segment revenue						
Primary geographical market						
South Africa	**87 148**	**638 104**	**276 709**	**588 707**	**–**	**1 590 668**
Other African countries	**–**	**9 120**	**–**	**50 150**	**–**	**59 270**
Europe	**–**	**10 345**	**5 420**	**–**	**–**	**15 765**
South America	**–**	**–**	**2 293**	**–**	**–**	**2 293**
	87 148	**657 569**	**284 422**	**638 857**	**–**	**1 667 996**
Major products/service lines						
Woven, knitted and non-woven products	**–**	**–**	**–**	**511 999**	**–**	**511 999**
Pressed, roll-formed steel products	**–**	**–**	**284 422**	**65 632**	**–**	**350 054**
Speciality chemicals	**–**	**–**	**–**	**61 226**	**–**	**61 226**
Rentals	**87 148**	**–**	**–**	**–**	**–**	**87 148**
Toys, electronic games and sports goods	**–**	**539 554**	**–**	**–**	**–**	**539 554**
Stationery, publishing and office supplies	**–**	**118 015**	**–**	**–**	**–**	**118 015**
	87 148	**657 569**	**284 422**	**638 857**	**–**	**1 667 996**
Timing of revenue recognition						
At a point in time	**87 148**	**656 557**	**281 402**	**638 857**	**–**	**1 663 964**
Over time:						
Pressed, roll-formed steel products	**–**	**–**	**3 020**	**–**	**–**	**3 020**
Stationery, publishing and office supplies	**–**	**1 012**	**–**	**–**	**–**	**1 012**
	87 148	**657 569**	**284 422**	**638 857**	**–**	**1 667 996**
Inter-segment sales	**(20 136)**	**–**	**–**	**(3 724)**	**–**	**(23 860)**
	67 012	**657 569**	**284 422**	**635 133**	**–**	**1 644 136**
Less: Revenue attributable to discontinuing operations	**–**	**(44 447)**	**–**	**(156 479)**	**–**	**(200 926)**
Revenue as per statement of comprehensive income	**67 012**	**613 122**	**284 422**	**478 654**	**–**	**1 443 210**
Segment results						
Profit from continuing operations before finance cost	**58 200**	**(15 269)**	**29 558**	**18 167**	**(17 330)**	**73 326**
Finance income	**–**	**–**	**–**	**–**	**–**	**1 963**
Lease finance expenses	**–**	**–**	**–**	**–**	**–**	**(8 108)**
Finance expenses	**–**	**–**	**–**	**–**	**–**	**(56 774)**
Profit before taxation	**–**	**–**	**–**	**–**	**–**	**10 407**
Total segment assets	**1 461 945**	**923 135**	**421 098**	**863 051**	**128 327**	**3 797 556**
Total segment liabilities	**23 447**	**564 689**	**273 659**	**437 182**	**920 531**	**2 219 508**

Condensed consolidated segmental report (continued)

for the six months ended 30 September 2019

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manufacturing R000's	Industrial Product 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	237 763	626 355	–	1 551 926
Other African countries	–	31 252	347	23 995	–	55 594
Europe	–	26 649	6 264	–	–	32 913
South America	–	–	2 534	–	–	2 534
	83 385	662 324	246 908	650 350	–	1 642 967
Major products/service lines						
Woven, knitted and non-woven products	–	–	–	520 039	–	520 039
Pressed, roll-formed steel products	–	–	246 908	62 885	–	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	246 908	650 350	–	1 642 967
Timing of revenue recognition						
At a point in time	83 385	651 236	246 908	650 350	–	1 631 879
Over time:						
Pressed, roll-formed steel products	–	–	–	–	–	–
Stationery, publishing and office supplies	–	11 088	–	–	–	11 088
	83 385	662 324	246 908	650 350	–	1 642 967
Inter-segment sales	(21 940)	–	–	(15 451)	–	(37 391)
	61 445	662 324	246 908	634 899	–	1 605 576
Less: Revenue attributable to discontinuing operations	–	(54 758)	–	(152 334)	–	(207 092)
Revenue as per statement of comprehensive income	61 445	607 566	246 908	482 565	–	1 398 484
Segment results						
Profit from continuing operations before finance cost	56 993	(6 593)	22 955	12 268	(13 655)	71 968
Finance income	–	–	–	–	–	2 661
Lease finance expenses	–	–	–	–	–	–
Finance expenses	–	–	–	–	–	(48 563)
Profit before taxation	–	–	–	–	–	26 066
Total segment assets	1 334 044	1 140 079	324 095	970 248	123 148	3 891 614
Total segment liabilities	21 549	673 934	232 952	440 211	877 922	2 246 568

** Restated, refer to notes 4.2, 8.1 and 8.2*

Statistics per share

for the six months ended 30 September 2019

		Unaudited 30 September 2019	Unaudited 30 September 2018*
Weighted average number of shares in issue	('000)	**434 279**	431 453
Number of shares in issue	('000)	**434 662**	431 579
Diluted weighted average number of shares in issue	('000)	**459 888**	444 325
Basic (loss)/earnings per share	(cents)	**(3,54)**	0,95
Continuing operations		**1,99**	4,56
Discontinuing operations		**(5,53)**	(3,61)
Headline (loss)/earnings per share	(cents)	**(3,60)**	1,26
Continuing operations		**2,01**	4,69
Discontinuing operations		**(5,61)**	(3,43)
Diluted (loss)/earnings per share	(cents)	**(3,34)**	0,92
Continuing operations		**1,88**	4,43
Discontinuing operations		**(5,22)**	(3,51)
Diluted headline (loss)/earnings per share	(cents)	**(3,40)**	1,22
Continuing operations		**1,90**	4,55
Discontinuing operations		**(5,30)**	(3,33)
Reconciliation between (loss)/profit and headline (loss)/earnings			
Income attributable to shareholders	(R000's)	**(15 369)**	4 091
Impairment of property, plant and equipment	(R000's)	**–**	1 629
Surplus on disposal of property, plant and equipment	(R000's)	**(578)**	(272)
Surplus of disposal of subsidiary	(R000's)	**–**	(955)
Loss on disposal of property, plant and equipment	(R000's)	**198**	1 846
Total tax effect of adjustments	(R000's)	**106**	(897)
Headline (loss)/earnings	(R000's)	**(15 643)**	5 442
Net asset value per share	(cents)	**363**	381

** Restated for discontinuing operations, refer to note 4.2 and note 8.1*

Notes to the unaudited condensed consolidated financial results for the six months ended 30 September 2019

1. Basis of preparation

The unaudited condensed consolidated results for the six months to September 2019 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 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and are in compliance with the Listing 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 2019.

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 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 2019, except for the adoption of new standards and interpretations effective as at 1 April 2019. 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 first-time adoption of IFRS 16: Leases on the Group's financial statements. The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

3.1 Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17: Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 12,60%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date and resulted in no measurement adjustments. The accounting for lessors did not significantly change.

	R000's
Minimum operating lease commitment at 31 March 2019	**61 957**
Less: Short-term leases recognised on a straight-line basis as expense	**(5 927)**
Less: Low-value leases recognised on a straight-line basis as expense	**–**
Plus: Effect of extension options reasonably certain to be exercised	**169 416**
Undiscounted lease payments	**225 446**
Less: Effect of discounting using the incremental borrowing rate as at the date of initial application	**(110 980)**
Add: Finance lease liabilities recognised as at 1 April 2019	**6 492**
Lease liabilities recognised at 1 April 2019	**120 958**

Right-of-use assets were measured on a retrospective basis as if the new accounting rules had always been applied. There were no onerous lease contracts that would have required any adjustments to the right-of-use assets at the date of initial application.

The recognised right-of-use assets are classified in the following categories:

	30 September 2019 R000's	1 April 2019 R000's
Property leases	**97 320**	86 761
Plant and machinery leases	**3 511**	3 983
Motor vehicle leases	**4 469**	5 362
Total right-of-use assets	**105 300**	96 106
Transferred to assets held for sale	**(965)**	(1 341)
	104 335	94 765

The impact on adoption of IFRS 16: Leases affected the following items in the condensed consolidated statement of financial position on 1 April 2019:

- property, plant and equipment – decrease by R6,1 million;
- right-of-use assets – increase by R96 million;
- deferred tax assets – increase by R6,8 million;
- interest-bearing liabilities – decrease by R6,5 million;
- lease liabilities – increase by R121 million; and
- retained earnings – decrease by R15,2 million.

The impact on adoption of IFRS 16: Leases affected the following items in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2019:

	R000's
Reduction of lease rental expense	**13 525**
Depreciation of right-of-use asset	**(8 824)**
Finance costs in respect of lease liability	**(8 451)**
Reduction in profit before tax	**(3 750)**

3.2 Practical expedients applied

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a Lease.

3.3 The Group's leasing activities and policies applied from 1 April 2019

The Group leases various offices, warehouses, retail stores, machinery and motor vehicles. Rental contracts are typically made for fixed periods of one to eight years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the entity. Each lease payment is allocated between the capital commitment and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments as per lease contract; and
- variable lease payment that are based on an index or a rate.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Group recognised expenditure relating to these at R4,1 million and R0,5 million respectively. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture. The Group applies a threshold of R75 000 for capitalising right-of-use assets.

3.4 Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone selling prices. The standalone selling prices of each component are based on available market prices. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

3.5 Lease period

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

3.6 Impairment

The right-of-use asset is tested for impairment when there is an indication of impairment in terms of IAS 36: Impairment of Assets.

3.7 Significant judgements

In determining the lease period, management considers all facts and circumstances pertaining to the lease such as the non-cancellable period and any periods covered by an option to extend or terminate. Extension options are only included in the lease period if the lease is reasonably certain to be extended or terminated.

The Group applies judgement in assessing whether a lease is reasonably certain to be extended or terminated. Factors considered include future business plans and past behaviour.

4. Significant operating activities

4.1 Taxation and deferred taxation

	30 September 2019 R000's	30 September 2018* R000's
Current normal tax	**(1 568)**	(1 619)
Continuing operations	**(1 568)**	(1 619)
Discontinuing operations	**–**	–
Deferred normal tax	**(1 229)**	(4 598)
Continuing operations	**(9 730)**	(10 347)
Discontinuing operations	**8 501**	5 749
	(2 797)	(6 217)

** Restated for discontinuing operations, refer to note 4.2 and note 8.1*

4.2 Discontinuing operations

The following businesses as are still in the process of being sold:

- Winelands Textiles;
- Frame Knitting Manufacturers;
- First Factory Shops; and
- Brand ID.

Management has initiated active programmes to dispose of these businesses which are available for sale in their current condition and expects to conclude the disposals within the next 12 months. The assets and liabilities have consequently been classified as held for sale and remeasured in accordance with IFRS 5. The decision to dispose of these businesses was made as a result of the businesses not meeting their return on capital hurdle rates.

Accordingly, the results of the discontinuing operations 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.

The discontinuing operations fall under the Industrial Product Manufacturing and Branded Product Distribution reportable segments.

In addition to the businesses above, the prior-year numbers include Limtech Biometric Solutions, which was sold on 30 June 2018.

	30 September 2019 R000's	30 September 2018 R000's
Revenue	**200 926**	207 092
Operating loss before restructuring and retrenchment costs	**(24 644)**	(13 983)
Restructuring and retrenchments costs	**(1 523)**	(485)
Operating loss before finance costs	**(26 167)**	(14 468)
Finance expenses	**(6 328)**	(6 877)
Loss before taxation	**(32 495)**	(21 345)
Income tax	**8 501**	5 749
Loss for the period from discontinuing operations	**(23 994)**	(15 596)
Cash flows used in discontinuing operations		
Net cash used in operating activities	**(27 178)**	(15 336)
Net cash from investing activities	**(5 985)**	(6 877)
Net cash from financing activities	**(1 189)**	–
Net cash used in discontinuing operations	**(34 352)**	(22 213)

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

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinuing operations:

	30 September 2019 R000's	30 September 2018 R000's
Property, plant and equipment	**89 947**	–
Right-of-use assets	**965**	–
Intangible assets	**6 055**	–
Deferred tax assets	**28 190**	–
Inventories	**130 587**	–
Trade and other receivables	**95 484**	–
Total assets of disposal group held for sale	**351 228**	–
Other non-current assets held for sale	**510**	1 080
Assets held for sale	**351 738**	1 080
Liabilities directly associated with assets classified as held for sale		
Deferred income	**34 589**	–
Trade and other payables	**88 029**	–
Lease liabilities	**5 754**	–
Total liabilities of disposal group held for sale	**128 372**	–

4.3 Related 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 year 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 September 2019 R000's	30 September 2018 R000's	**30 September 2019 R000's**	30 September 2018 R000's
Investment property	**16 448**	41 801	**1 700**	–
Intangible assets	**101**	–	**–**	–
Property, plant and equipment	**52 316**	41 893	**5 378**	35 383
Total capital expenditure	**68 865**	83 694	**7 078**	35 383

5.2 Business combinations

Current period

There have been no acquisitions or sale of subsidiaries for the period ended 30 September 2019.

Prior 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 is payable in equal instalments which commenced on 1 July 2019.

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

	30 September 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

Notes to the unaudited condensed consolidated financial results for the for the six months ended 30 September 2019

6. Significant financing activities

Reconciliation of opening to closing carrying value: Right-of-use assets	R000's
Recognised on adoption of IFRS 16 (1 April 2019)	96 106
Additions	23 389
Disposals	(517)
Depreciation	(8 824)
Impairment	(4 854)
Transferred to assets held for sale	(965)
Carrying value as at 30 September 2019	**104 335**

Reconciliation of opening to closing carrying value: Lease liabilities	R000's
Recognised on adoption of IFRS 16 (1 April 2019)	120 958
Additions	23 389
Disposals	(580)
Finance costs	8 451
Lease payments	(13 525)
Transferred to liabilities held for sale	(5 754)
Carrying value as at 30 September 2019	**132 939**
Of which:	
Current lease liabilities	13 084
Non-current lease liabilities	119 855
Carrying value as at 30 September 2019	**132 939**

7. 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.

8. Change in comparatives

8.1 Discontinuing operations

The results of discontinuing 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 year have been restated for comparative purposes. Refer to note 4.2 for further information.

For the year ended 30 September 2018		As previously reported R000's	Impact of restatement Re-allocation to discontinuing R000's	As restated R000's
Profit before taxation from continuing operations		3 808	22 258	26 066
Income tax		(468)	(5 749)	(6 217)
Profit/(Loss) from discontinuing operations, net of tax		913	(16 509)	(15 596)
Total comprehensive income		8 797	–	8 797
Basic earnings per share	(cents)	0,95	–	0,95
Continuing operations		0,74	3,82	4,56
Discontinuing operations		0,21	(3,82)	(3,61)
Diluted earnings per share	(cents)	0,92	–	0,92
Continuing operations		0,71	3,72	4,43
Discontinuing operations		0,21	(3,72)	(3,51)

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

8.2 Changes to segmental report

The industrials and textiles segments have been merged due to many businesses within the textiles segment being classified as discontinued. Furthermore, companies operating within the Automotive Parts Manufacturing segment do not share similar economic characteristics to the other manufacturing segments and meet the quantitative threshold for being reported separately. Accordingly, prior period figures have been restated.

The segmental reporting has not changed since the previous annual financial reporting period.

9. Events after the reporting period

There have been no material events after the reportable period.

10. Dividends/distribution

The directors have resolved not to declare an interim dividend/distribution for the six months ended 30 September 2019 (2018: Nil).

Commentary

The overall economic environment has remained challenging, which is reflected in turnover growth from continuing operations of just 3,2%. Within this, the businesses that did deliver good turnover growth were our lower margin automotive and sourcing businesses. This, together with general pressure on the margins and some work on clearing excess inventory saw gross margins decline by 60 basis points.

Profit before taxation from continuing operations was down R16 million to R10 million. However, there were some mitigating factors in the current period, most notably:

- The Group's first-half performance is generally weaker than the second half. As with other years, the ongoing shift in retailer orders to later in the cycle has made the first half more challenging than the previous year.
- The Group incurred some R10 million of expenditure (R8 million in interest and approximately R2 million in operating costs), ahead of revenue generation:
  - In the Property segment, we have been developing two properties and have expensed all the interest and holding costs for these properties with virtually no revenue being generated in the first half of the year. One of the properties is fully let from 1 November 2019 whilst the other is currently one-third let with encouraging interest in the remaining portion; and
  - In our Automotive business we have installed additional press capacity to alleviate capacity constraints. The interest and rental costs associated with these presses have been fully expensed in the first half of the year. The long lead times to project ramp-up within the automotive industry means that revenue associated with this investment will only start to reflect in the next financial year.
- We have incurred an additional R4 million expense due to the first-time implementation of IFRS 16, effective from the beginning of the reporting period. Deneb selected the modified retrospective implementation approach and therefore prior-year numbers were not restated for this change in the accounting rules. This will reverse over the period of the leases.
- A significant amount of work has gone into improving the working capital cycles in continuing businesses and releasing working capital from the discontinuing operations. This is reflected in the net cash generated from operating activities of R43 million in the current six-month period as opposed to net cash utilised of R177 million in the corresponding period. The working capital release has had a negative effect on margins in the current period but should result in lower warehousing and interest costs going forward.

Property segment

The Property segment continued its strong performance and maintained operating profit levels, despite the expenses associated with the development of two of its Western Cape-based properties. The Paarl redevelopment (Winelands Industrial Park) was completed in June and at the reporting date, is one-third let. The redevelopment of the property acquired in Epping Industria was completed in September 2019 and is 100% let from 1 November 2019. Excluding these two properties, the remaining property portfolio measured at 30 September 2019, was 99% (2018: 98%) let.

Branded Product Distribution segment

The Branded Product Distribution segment marginally increased revenue by 1%. Our toy businesses recorded satisfactory year-on-year revenue growth, but it has not yet fully exploited the available opportunities from the new acquisitions which should see cost-savings in the new financial year. Interactive gaming activity was considerably down due to the timing of new game launches and promotions, which were only executed after the end of this reporting period.

The segment contains several start-ups which have a negative effect on its profitability, particularly in the less profitable first half. Operating losses in the start-up businesses totalled R13 million in the current period and R12 million in the previous period. The growth in losses in the current period is due to extra costs being incurred to open operations in additional territories and expand product ranges. Revenue growth and margin growth in the start-ups remain strong. The nature of start-ups is that they are inherently risky, but we believe that all but one have the potential to become contributors to the Group. The one business that we believe is not commercially viable will be absorbed into an existing business, where the e-commerce capability that has been developed will be used to provide a better and more efficient service to the existing customers.

Automotive Parts Manufacturing segment

The businesses in this segment continued to invest in people, product and manufacturing capacity. The period under review has seen satisfactory revenue and operating profit growth underpinned by a strong order book. We have invested some R70 million in new press capacity in order to service the growing demand. As stated above, the long lead times inherent in the automotive sector means that the revenue associated with this new capacity will only begin to be realised in the new financial year.

Industrial Product Manufacturing segment

Similar to the Branded Product Distribution segment, the performance of this segment reflects the tough trading conditions of the businesses which interface with construction, agriculture, mining and retail. Revenue is marginally up on the prior year but good margin management and cost control mean that profitability improved from R12 million in the prior period to R18 million in the current period. Capital investment in plant and equipment totalling some R15 million should assist in consolidating our position in areas where we have a competitive advantage.

Discontinued operations

Our decision to divest from those businesses which do not provide the minimum return on capital was communicated to shareholders in our March results. We have continued to actively engage with potential investors to this effect.

We can report that our sporting goods distribution business is being discontinued with the individual brands being taken over by various parties. We have incurred significant losses (R21 million) in this business due to inventory clearance and restructuring costs. It is anticipated that this process will have been completed by financial year-end and the losses associated with this business will cease.

To date we have not finally concluded any of the other disposals but have made good progress and remain confident of a divestment conclusion for the majority of the for-sale businesses by year-end.

On behalf of the board

Stuart Queen
Chief Executive Officer

Gys Wege
Financial Director

Cape Town
21 November 2019

Corporate information

DENEB
INVESTMENTS LIMITED

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*^, K F Mahloma*^, A M Ntuli, S A Queen (Chief Executive Officer), Y Shaik*, G D T Wege (Financial Director) *(* Non-executive ^ Independent)*
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