



Unaudited condensed consolidated interim results  
for the six months ended 30 September 2021

# Financial highlights

for the six months ended 30 September 2021

		Six months to 30 September 2021	Six months to 30 September 2020
✖ Revenue from continuing operations	(R'000)	<b>1 373 203</b>	1 034 918
✖ Profit	(R'000)	<b>36 965</b>	2 182
✖ Earnings per share	(cents)	<b>8,49</b>	0,60
✖ Headline earnings per share	(cents)	<b>10,09</b>	0,26
✖ Net asset value per share	(cents)	<b>364</b>	337
✖ Distribution	(cents)	<b>–</b>	4

# Condensed consolidated statement of financial position

as at 30 September 2021

	Notes	Unaudited 30 September 2021 R000's	Unaudited 30 September 2020 R000's	Audited 31 March 2021 R000's
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>2 103 904</b>	<b>2 097 725</b>	<b>2 107 289</b>
Property, plant and equipment		722 422	734 509	686 562
Plant and equipment		411 246	390 989	397 175
Right-of-use assets		69 412	86 157	79 262
Owner-occupied property	5.2	241 764	257 363	210 125
Investment property	5.2	1 159 491	1 125 973	1 178 467
Intangible assets and goodwill		50 356	50 216	53 441
Intangible assets		27 595	26 786	30 011
Goodwill		22 761	23 430	23 430
Financial asset at fair value through other comprehensive income		4 237	4 237	4 237
Long-term receivables		9 022	15 949	14 145
Deferred tax assets		158 376	166 841	170 437
<b>Current assets</b>		<b>1 135 363</b>	<b>1 141 681</b>	<b>979 443</b>
Inventories		481 640	484 899	431 460
Trade and other receivables		579 807	613 109	474 105
Current tax assets		2 369	3 006	2 182
Cash and cash equivalents		71 547	40 667	71 696
Non-current assets held for sale	4.2	55 235	58 488	85 304
<b>Total current assets</b>		<b>1 190 598</b>	<b>1 200 169</b>	<b>1 064 747</b>
<b>Total assets</b>		<b>3 294 502</b>	<b>3 297 894</b>	<b>3 172 036</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Total equity</b>		<b>1 585 554</b>	<b>1 463 401</b>	<b>1 576 557</b>
Stated capital		1 459 386	1 461 194	1 459 386
Reserves		126 168	3 532	118 408
Equity attributable to owners of the company		1 585 554	1 464 726	1 577 794
Non-controlling interest		–	(1 325)	(1 237)
<b>Non-current liabilities</b>		<b>950 375</b>	<b>684 990</b>	<b>948 813</b>
Deferred tax liabilities		13 182	5 018	4 692
Post-employment medical aid benefits		78 498	80 719	77 514
Deferred income		109 605	101 685	110 550
Interest-bearing liabilities	6.1	656 066	392 152	657 125
Lease liabilities		93 024	105 416	98 932
<b>Current liabilities</b>		<b>758 573</b>	<b>1 124 908</b>	<b>636 864</b>
Current tax liabilities		3 891	10 321	9 370
Post-employment medical aid benefits		8 333	8 129	7 944
Deferred income		5 186	9 021	7 535
Interest-bearing liabilities	6.1	70 442	473 107	121 922
Lease liabilities		14 323	11 580	16 500
Trade and other payables		487 688	457 573	436 971
Provisions		398	–	6 818
Bank overdraft	6.2	168 312	155 177	29 804
Non-current liabilities held for sale	4.2	–	24 595	9 802
<b>Total current liabilities</b>		<b>758 573</b>	<b>1 149 503</b>	<b>646 666</b>
<b>Total liabilities</b>		<b>1 708 948</b>	<b>1 834 493</b>	<b>1 595 479</b>
<b>Total equity and liabilities</b>		<b>3 294 502</b>	<b>3 297 894</b>	<b>3 172 036</b>

# Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 September 2021

	Notes	Unaudited 30 September 2021 R000's	Unaudited 30 September 2020 R000's
<b>Continuing operations</b>			
Revenue		1 373 203	1 034 918
Cost of sales		(1 033 744)	(770 032)
<b>Gross profit</b>		<b>339 459</b>	264 886
Other income		24 739	17 348
Selling and distribution expenses		(131 990)	(113 067)
Administrative and other expenses		(140 078)	(125 663)
Restructuring expenditure		–	(3 020)
<b>Operating profit before finance costs</b>		<b>92 130</b>	40 484
Finance income		329	1 634
Finance expenses		(32 865)	(41 821)
<b>Profit before taxation</b>		<b>59 594</b>	297
Income tax (expense)/income	4.3	(17 900)	1 258
<b>Profit after tax</b>		<b>41 694</b>	1 555
<b>Discontinued operations</b>			
(Loss)/Profit from discontinued operations, net of tax	4.1	(4 729)	627
<b>Profit</b>		<b>36 965</b>	2 182
<b>Other comprehensive income, net of related tax</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign operations – foreign currency translation differences		1 258	(1 909)
<b>Other comprehensive income/(loss), net of tax</b>		<b>1 258</b>	(1 909)
<b>Total comprehensive income for the year</b>		<b>38 223</b>	273
<b>Profit attributable to:</b>			
Owners of the company		36 965	2 625
Non-controlling interest		–	(443)
		<b>36 965</b>	2 182
<b>Total comprehensive income attributable to:</b>			
Owners of the company		38 223	716
Non-controlling interest		–	(443)
		<b>38 223</b>	273
<b>Basic earnings per share</b>			
	(cents)	<b>8,49</b>	0,60
Basic earnings per share from continuing operations		<b>9,58</b>	0,46
Basic loss per share from discontinued operations		<b>(1,09)</b>	0,14
<b>Diluted earnings per share</b>			
	(cents)	<b>8,38</b>	0,60
Diluted earnings per share from continuing operations		<b>9,45</b>	0,46
Diluted loss per share from discontinued operations		<b>(1,07)</b>	0,14

# Condensed consolidated statement of changes in equity

for the six months ended 30 September 2021

	Stated capital 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 2020	1 457 583	285 998	(279 571)	1 464 010	(882)	1 463 128
<b>Total comprehensive income/(loss)</b>	-	(1 909)	2 625	716	(443)	273
<b>Transactions with owners of the company</b>						
Share scheme – options exercised	3 611	-	(3 611)	-	-	-
<b>Balance at 30 September 2020</b>	<b>1 461 194</b>	<b>284 089</b>	<b>(280 557)</b>	<b>1 464 726</b>	<b>(1 325)</b>	<b>1 463 401</b>
Balance at 1 April 2021	1 459 386	287 786	(169 378)	1 577 794	(1 237)	1 576 557
<b>Total comprehensive income</b>	-	1 258	36 965	38 223	-	38 223
<b>Transactions with owners of the company</b>						
Effect of change in holdings	-	-	-	-	1 237	1 237
Distribution to shareholders	-	-	(30 463)	(30 463)	-	(30 463)
<b>Balance 30 September 2021</b>	<b>1 459 386</b>	<b>289 044</b>	<b>(162 876)</b>	<b>1 585 554</b>	<b>-</b>	<b>1 585 554</b>

	Unaudited 30 September 2021 R000's	Unaudited 30 September 2020 R000's
<b>Composition of other reserves</b>		
Foreign currency translation reserve	2 191	3 076
Common control reserve	(20 219)	(20 219)
Surplus on revaluation	307 072	301 232
	<b>289 044</b>	284 089

# Condensed consolidated statement of cash flows

for the six months ended 30 September 2021

	Notes	Unaudited 30 September 2021 R000's	Unaudited 30 September 2020 R000's
<b>Net cash flows from operating activities</b>		<b>(18 752)</b>	(10 390)
Cash generated from operating activities before working capital changes		109 574	72 807
Cash outflow from working capital changes		(92 775)	(41 933)
Finance costs		(32 536)	(40 323)
Taxes paid		(3 015)	(941)
<b>Net cash flows from investing activities</b>		<b>(28 692)</b>	(17 840)
Acquisition of property	5.2	(32 491)	–
Acquisition of plant and equipment	5.1	(27 534)	(20 188)
Proceeds from disposals of investment property		21 985	–
Proceeds from disposals of plant and equipment		11 372	7 377
Development cost of investment property	5.2	(1 823)	(3 909)
Acquisition of intangible assets	5.1	(201)	(1 120)
<b>Net cash flows from financing activities</b>		<b>(91 213)</b>	(17 038)
Repayment of borrowings		(51 963)	(10 552)
Principal elements of lease payments		(8 787)	(6 486)
Distribution to shareholders		(30 463)	–
<b>Net decrease in cash and cash equivalents</b>		<b>(138 657)</b>	(45 268)
Cash and cash equivalents at the beginning of the period		41 892	(69 242)
<b>Cash and cash equivalents at the end of the period</b>		<b>(96 765)</b>	(114 510)

# Condensed consolidated segmental report

for the six months ended 30 September 2021

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manu- facturing R000's	Industrial Product Manu- facturing R000's	Head Office and Centralised Services R000's	Total R000's
<b>2021</b>						
<b>Segment revenue</b>						
<b>Gross revenue</b>	84 697	487 047	254 087	579 254	–	1 405 085
Less: Inter-segment sales	(18 126)	(1 888)	–	(11 501)	–	(31 515)
	66 571	485 159	254 087	567 753	–	1 373 570
Less: Revenue attributable to discontinued operations	–	–	–	(367)	–	(367)
<b>Revenue as per statement of profit or loss and other comprehensive income</b>	66 571	485 159	254 087	567 386	–	1 373 203
<b>Primary geographical market</b>						
South Africa	84 697	452 616	245 837	571 698	–	1 354 848
Other African countries	–	10 653	–	7 556	–	18 209
Asia	–	2 130	–	–	–	2 130
Europe	–	16 549	408	–	–	16 957
South America	–	–	7 842	–	–	7 842
North America	–	5 099	–	–	–	5 099
	84 697	487 047	254 087	579 254	–	1 405 085
<b>Major products/service lines</b>						
Woven, knitted and non-woven products	–	–	–	391 137	–	391 137
Pressed, roll-formed steel products	–	–	254 087	79 248	–	333 335
Speciality chemicals	–	–	–	102 266	–	102 266
Rentals	84 697	–	–	–	–	84 697
Toys, electronic games and sports goods	–	387 277	–	–	–	387 277
Stationery, publishing and office supplies	–	99 770	–	6 603	–	106 373
	84 697	487 047	254 087	579 254	–	1 405 085
<b>Timing of revenue recognition</b>						
At a point in time	84 697	487 047	228 484	579 254	–	1 379 482
Over time:						
Pressed, roll-formed steel products	–	–	25 603	–	–	25 603
	84 697	487 047	254 087	579 254	–	1 405 085
<b>Segment results</b>						
<b>Operating profit before finance costs</b>	56 209	2 619	19 396	35 005	(21 099)	92 130
Finance expenses						(32 536)
<b>Profit before taxation</b>						59 594
<b>Total segment assets</b>	1 516 325	627 166	406 000	719 207	25 804	3 294 502
<b>Total segment liabilities</b>	19 844	249 770	227 672	320 382	891 280	1 708 948

# Condensed consolidated segmental report

for the six months ended 30 September 2021 (continued)

	Properties R000's	Branded Product Distribution R000's	Automotive Parts Manu- facturing R000's	Industrial Product Manu- facturing R000's	Head Office and Centralised Services R000's	Total R000's
<b>2020</b>						
<b>Segment revenue</b>						
<b>Gross revenue</b>	92 096	396 518	172 932	431 850	–	1 093 396
Less: Inter-segment sales	(18 075)	–	–	(11 160)	–	(29 235)
	74 021	396 518	172 932	420 690	–	1 064 161
Less: Revenue attributable to discontinued operations	–	(11 249)	–	(17 994)	–	(29 243)
<b>Revenue as per statement of profit or loss and other comprehensive income</b>	74 021	385 269	172 932	402 696	–	1 034 918
<b>Primary geographical market</b>						
South Africa	92 096	353 989	164 414	415 948	–	1 026 447
Other African countries	–	8 965	–	15 902	–	24 867
Europe	–	33 564	5 142	–	–	38 706
South America	–	–	3 376	–	–	3 376
	92 096	396 518	172 932	431 850	–	1 093 396
<b>Major products/service lines</b>						
Woven, knitted and non-woven products	–	–	–	313 371	–	313 371
Pressed, roll-formed steel products	–	–	172 932	68 550	–	241 482
Speciality chemicals	–	–	–	49 929	–	49 929
Rentals	92 096	–	–	–	–	92 096
Toys, electronic games and sports goods	–	328 159	–	–	–	328 159
Stationery, publishing and office supplies	–	68 359	–	–	–	68 359
	92 096	396 518	172 932	431 850	–	1 093 396
<b>Timing of revenue recognition</b>						
At a point in time	92 096	396 518	154 957	431 850	–	1 075 421
Over time:						
Pressed, roll-formed steel products	–	–	17 975	–	–	17 975
	92 096	396 518	172 932	431 850	–	1 093 396
<b>Segment results</b>						
<b>Operating profit before finance costs</b>	64 471	(20 562)	11 473	585	(15 483)	40 484
Finance expenses						(40 187)
<b>Profit before taxation</b>						297
<b>Total segment assets</b>	1 434 291	622 516	402 007	645 124	193 956	3 297 894
<b>Total segment liabilities</b>	25 197	330 073	222 496	367 962	888 765	1 834 493



# Statistics per share

for the six months ended 30 September 2021

		Unaudited 30 September 2021	Unaudited 30 September 2020
<b>Number of shares in issue</b>	('000)	<b>435 181</b>	434 965
<b>Weighted average number of shares</b>	('000)	<b>435 181</b>	435 181
<b>Diluted average number of shares</b>	('000)	<b>441 335</b>	436 607
<b>Basic earnings per share</b>	(cents)	<b>8,49</b>	0,60
Continuing operations		<b>9,58</b>	0,46
Discontinued operations		<b>(1,09)</b>	0,14
<b>Headline earnings per share</b>	(cents)	<b>10,09</b>	0,26
Continuing operations		<b>9,66</b>	0,45
Discontinued operations		<b>0,43</b>	(0,19)
<b>Diluted earnings per share</b>	(cents)	<b>8,38</b>	0,60
Continuing operations		<b>9,45</b>	0,46
Discontinued operations		<b>(1,07)</b>	0,14
<b>Diluted headline earnings per share</b>	(cents)	<b>9,95</b>	0,26
Continuing operations		<b>9,52</b>	0,45
Discontinued operations		<b>0,43</b>	(0,19)
<b>Reconciliation between profit and headline earnings</b>			
Income attributable to shareholders	(R'000)	<b>36 965</b>	2 625
Impairment of plant and equipment	(R'000)	<b>7 352</b>	–
Surplus on disposal of investment property	(R'000)	<b>(1 186)</b>	–
Surplus on disposal of plant and equipment	(R'000)	<b>(1 206)</b>	(1 621)
Loss on disposal of plant and equipment	(R'000)	<b>1 650</b>	108
Total tax effect of adjustments	(R'000)	<b>347</b>	20
<b>Headline earnings</b>	(R'000)	<b>43 922</b>	1 132
Net asset value per share	(cents)	<b>364</b>	337

## 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.

# Notes to the unaudited condensed consolidated financial results

for the six months ended 30 September 2021

## 1. Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the previous consolidated annual financial statements.

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 2021.

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 and estimates

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 2021.

## 3. New and amended standards

A number of new or amended standards became applicable for the current reporting period, which did not have a material impact on the Group. Therefore, the Group did not have to change its accounting policies or make retrospective adjustments as a result of these standards.

# Notes to the unaudited condensed consolidated financial results

for the six months ended 30 September 2021 (continued)

## 4. Significant operating activities

### 4.1 Discontinued operations

Discontinued operations consist of Frame Knitting Manufacturers. In the prior year, the discontinued operations also included the sports good division. Their results have been disclosed separately on the face of the statement of profit or loss and other comprehensive income.

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

#### 4.1.1 Results of discontinued operations

	30 September 2021 R000's	30 September 2020 R000's
<b>Revenue</b>	367	29 243
<b>Operating profit before finance costs and impairments</b>	2 623	763
Impairment of assets	(7 352)	–
<b>Operating loss before finance costs</b>	(4 729)	763
Finance expenses	–	(136)
<b>(Loss)/Profit from discontinued operations, net of tax</b>	(4 729)	627
<b>4.1.2 Cash flows from/(used in) discontinued operations</b>		
Net cash from/(used in) operating activities	1 124	(8 581)
Net cash from investing activities	4 838	6 487
Net cash used in financing activities	–	(726)
<b>Net cash used in discontinued operations</b>	5 962	(2 820)

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

# Notes to the condensed consolidated financial results for the six months ended 30 September 2021 (continued)

## 4. Significant operating activities (continued)

### 4.2 Assets and liabilities of disposal group classified as held for sale

	30 September 2021 R000's	30 September 2020 R000's
<b>Assets classified as held for sale</b>		
Property, plant and equipment	–	24 792
Inventories	–	11 846
Trade and other receivables	–	21 340
<b>Total assets of disposal group held for sale from discontinued operations</b>	–	57 978
Other non-current assets held for sale*	55 235	510
<b>Total assets of disposal group held for sale</b>	<b>55 235</b>	<b>58 488</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Lease liability	–	3 195
Deferred income	–	16 689
Trade and other payables	–	4 711
<b>Total assets of disposal group held for sale from discontinued operations</b>	–	24 595

\* Other non-current assets held for sale consist of property totalling R55 million. The transfer is expected to be concluded within the next few months.

### 4.3 Taxation and deferred taxation

Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of profit generated in those jurisdictions. It is also affected by specific items that may occur in any given year but are not consistent from year to year.

	30 September 2021 R000's	30 September 2020 R000's
<b>Current normal tax</b>	<b>5 188</b>	<b>(2 425)</b>
– Continuing	5 188	(2 425)
– Discontinued	–	–
<b>Deferred normal tax</b>	<b>12 712</b>	<b>3 683</b>
– Continuing	12 712	3 683
– Discontinued	–	–
	<b>17 900</b>	<b>1 258</b>

# Notes to the condensed consolidated financial results for the six months ended 30 September 2021 (continued)

## 5. Significant investing activities

### 5.1 Capital expenditure and commitments

	Capital expenditure		Contractual commitments	
	30 September 2021 R000's	30 September 2020 R000's	30 September 2021 R000's	30 September 2020 R000's
Investment property	1 823	3 909	38 234	493
Land and buildings	32 491	–	–	784
Plant and equipment	27 534	20 188	23 790	36 590
Intangible assets	201	1 120	–	–
	<b>62 049</b>	<b>25 217</b>	<b>62 024</b>	<b>37 867</b>

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

### 5.2 Properties

The Group fair-values its investment properties and owner-occupied property on a bi-annual basis.

At 31 March 2021 the fair value of properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer has reviewed the fair value of the Group's investment property portfolio as at 30 September 2021 and confirmed there have been no material changes to the fair value.

The directors confirm that there have been no material changes to the information used and assumptions applied by the registered valuer in the current and prior year.

#### 5.2.1 Owner-occupied property

The movement in owner-occupied property for the year is as follows:

	30 September 2021 R000's	30 September 2020 R000's	31 March 2021 R000's
<b>Opening carrying value as at 31 March 2021</b>	<b>210 125</b>	293 504	293 504
Additions	32 491	–	1 192
Transfer to investment property	–	(35 100)	(35 100)
Transfer to held for sale	–	–	(54 950)
Depreciation	(852)	(1 041)	(2 047)
Fair value adjustments	–	–	7 526
<b>Closing carrying value</b>	<b>241 764</b>	257 363	210 125

#### 5.2.2 Investment property

The movement in investment property for the period is as follows:

	30 September 2021 R000's	30 September 2020 R000's	31 March 2021 R000's
<b>Opening carrying value as at 31 March 2021</b>	<b>1 178 467</b>	1 086 964	1 086 964
Transfer from owner-occupied property	–	35 100	35 100
Development cost and capitalised borrowing cost	1 823	3 909	6 574
Fair value adjustments	–	–	49 829
Disposal	(20 799)	–	–
<b>Closing carrying value</b>	<b>1 159 491</b>	1 125 973	1 178 467
<b>Property type</b>	<b>%</b>	<b>%</b>	<b>%</b>
Retail/Commercial	10	10	10
Industrial	90	90	90

#### 5.2.3 Valuation technique and significant unobservable inputs

There have been no changes since 31 March 2021.

# Notes to the condensed consolidated financial results for the six months ended 30 September 2021 (continued)

## 6. Significant financing activities

### 6.1 Interest-bearing liabilities

During the current year the Group has repaid interest-bearing liabilities of R52 million.

The carrying value of interest-bearing liabilities comprises the following:

	30 September 2021 R'000	30 September 2020 R'000
<b>Secured</b>		
Loans from financial institutions	720 728	778 190
Instalment sale agreements	5 780	11 391
	<b>726 508</b>	789 581
<b>Unsecured</b>		
HCI Treasury Proprietary Limited	–	75 678
<b>Total interest-bearing liabilities</b>	<b>726 508</b>	865 259
Current portion of interest-bearing liabilities	70 442	473 107
Non-current portion of interest-bearing liabilities	656 066	392 152
<b>6.2 Working capital facilities</b>		
Maximum available facility	600 000	581 000
Net utilised	(185 766)	(171 492)
Bank overdraft	(168 312)	(155 177)
Letter of credits	(17 454)	(16 315)

#### Compliance with loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants for the property-backed facilities:

- Loan-to-property-value ratio to not exceed 60%;
- Interest cover ratio for property division to not be less than 1,65; and
- If rentals from owner-occupied properties exceed 30% of total rentals received, the excess will be disregarded in calculating the interest cover ratio.

Deneb Investments Limited has complied with the financial covenants of its borrowing facilities for the six-month period ended 30 September 2021 and based on the latest forecast there appears to be no risk of not adhering to the loan covenants for the year ending 31 March 2022.

## 7. Events after the reporting period

The directors are not aware of any other material fact or circumstances arising between the end of the six-month period ended 30 September 2021 and the date of this report.

## 8. Distribution

The directors have resolved not to declare an interim dividend/distribution for the six months ended 30 September 2021 (2020: 4 cents per ordinary share).

# Commentary

We are pleased to report relatively solid results for the six months ended September 2021, reflecting the growing resilience of the Group's underlying businesses.

Comparisons with the prior year period are not entirely meaningful due to the restrictions imposed to combat the Covid-19 pandemic in the prior period. That said, the period under review has not been without its own challenges:

- The Group has had to cope with volatile raw material pricing and supply chain disruptions. Raw material prices have more than doubled in some cases;
- Shipping costs have ballooned affecting all the Group's businesses. In addition to the escalating costs, shipping delays have also caused significant disruption;
- The global microchip shortage has negatively affected some of our businesses, most notably the automotive businesses as well as gaming consoles and electronic toys;
- The civil unrest in KwaZulu-Natal ("KZN") meant that our facilities in the area had to close for the period. Fortunately, we came through the period largely unscathed insofar as direct damage was concerned. However, the unrest did result in the loss of a prospective tenant in one of our KZN properties and the closure of facilities belonging to our customers continues to have an impact on trading post the unrest as repairs and rebuilding are undertaken.

Given the above, we are pleased with the overall result. Indeed, some of the factors listed above have been helpful. Raw material supply has been difficult for many suppliers in our industries and in the main, we were fortunate that we had strategic stocks. The high shipping costs has seen many businesses look to localise production, which has helped some of our manufacturing businesses.

Revenue was up 33% to R1,37 billion. Margins came under some pressure from escalating raw material prices, which saw gross margins decline from 25,6% to 24,7%. The Group managed to hold onto some of the cost-cutting measures implemented in the prior year, which meant that operating profit more than doubled to R92 million. Lower finance costs due to the reduced debt levels resulted in a profit before tax of R60 million compared to a break-even in the prior period.

## Properties

Revenue was down R8 million to R84 million. The reasons for the decline in revenue are:

- Two properties have been sold during the past 12 months, one of which has been transferred to the purchaser and the other is in process. The two properties represent 55 000 m<sup>2</sup> in extent and have been sold for R77 million in aggregate. We have received the proceeds for one property (R22 million) while the second property (R55 million) is still in the process of being transferred;
- A property in Parow, Cape Town is being redeveloped and 13 500 m<sup>2</sup> was taken off the market for this purpose. The development should be completed by financial year-end and letting activities are progressing well;
- The civil unrest in KwaZulu-Natal saw a prospective tenant withdraw from final negotiations. This property measuring 17 000 m<sup>2</sup> remains unlet but we have had some reasonable interest of late. It is almost the first time we have had any significant vacancy across the portfolio.

Operating profit is down R8 million to R56 million due to the reduced revenue and increased maintenance costs. Maintenance costs have returned to normal levels whereas in the prior year, Covid-19 restrictions meant that our preventative maintenance programmes were delayed and phased into the second half of the year.

# Commentary

(continued)

## Branded Product Distribution

The Branded Product Distribution businesses have been affected by supply chain and shipping constraints. Although revenue is up by R90 million to R487 million, this could have been stronger had we received goods on time. Although most of this turnover will be caught up post the reporting period, it does restrict our ability to replenish successful lines. Despite these problems we are pleased with the improvement and for the first six months of the year, this segment reported an operating profit of R3 million, a R24 million improvement over the prior Covid-19-affected period. It should be noted that the businesses in this segment are usually very seasonal with the second half of the financial year typically being stronger than the first.

## Automotive Parts and Industrial Manufacturing

Manufacturing revenue is up R228 million (38%) and operating profit is up R42 million on the prior Covid-19 affected period. Supply chain disruptions and escalating raw material costs have created certain challenges and opportunities. The automotive manufacturing businesses have been quite severely affected by the global shortage of microchips. We are working well below capacity in these businesses and have had to implement strict cost controls. We have no clear view as to when the situation will be resolved but expect the restrictions to remain in place through to financial year-end. On the other hand, shipping delays and escalating shipping costs have made imports more expensive and in several of our manufacturing businesses we have seen customers look to localise supplies where possible. This has seen demand increase for some of our manufacturers.

We are making progress on our insurance claim for business interruption due to the Covid-19 lockdowns. We do not have too much more that we can say at this stage but will keep shareholders informed as and when it is appropriate to do so.

On behalf of the board

**Stuart Queen**

Chief Executive Officer

**Gys Wege**

Financial Director

Cape Town

25 November 2021



# Corporate information



## **DENE B 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 – Diversified Financial Services Section**.

**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, Cape Town 7925  
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**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\*^, S A Queen (Chief Executive Officer),  
Y Shaik\*, G D T Wege (Financial Director)  
(\* Non-executive ^ Independent)

**Company Secretary:** C L Philip

**Transfer Secretaries:** Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196  
Private Bag X9000, Saxonwold 2132

**Auditors:** PricewaterhouseCoopers Inc.

**Sponsors:** PSG Capital Proprietary Limited

**Announcement date:** 25 November 2021

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