



Unaudited condensed consolidated interim results  
for the six months ended 30 September 2020

# Financial highlights

for the six months ended 30 September 2020

- ✘ **Revenue from continuing operations** ▼ R408 million to R1 035 million
- ✘ **Profit** ▲ R18 million from a loss of R16 million to a profit of R2 million
- ✘ **Earnings per share** ▲ 5 cents from a loss of 4 cents to a profit of 1 cent
- ✘ **Headline earnings per share** ▲ 4 cents from a loss of 4 cents to breakeven
- ✘ **Net asset value per share** ▼ 26 cents to 337 cents
- ✘ **Distribution** of 4 cents (2019: Nil)

# Condensed consolidated statement of financial position

as at 30 September 2020

	Notes	Unaudited 30 September 2020 R000's	Unaudited 30 September 2019 R000's	Audited 31 March 2020 R000's
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>2 097 725</b>	2 173 057	2 111 358
Property, plant and equipment		<b>734 509</b>	831 855	783 716
Plant and equipment		<b>390 989</b>	377 853	395 002
Owner-occupied property		<b>257 363</b>	349 667	293 504
Right-of-use assets		<b>86 157</b>	104 335	95 210
Investment property		<b>1 125 973</b>	1 072 543	1 086 964
Intangible assets and goodwill		<b>50 216</b>	89 333	50 219
Intangible assets		<b>26 786</b>	57 884	26 789
Goodwill		<b>23 430</b>	31 449	23 430
Financial asset at fair value through other comprehensive income		<b>4 237</b>	4 237	4 237
Long-term receivables		<b>15 949</b>	39 429	23 408
Deferred tax assets		<b>166 841</b>	135 660	162 814
<b>Current assets</b>		<b>1 141 681</b>	1 272 761	1 087 067
Inventories		<b>484 899</b>	579 743	523 870
Trade and other receivables		<b>613 109</b>	668 825	520 336
Current tax assets		<b>3 006</b>	3 629	3 069
Cash and cash equivalents		<b>40 667</b>	20 564	39 792
Non-current assets held for sale	4.2	<b>58 488</b>	351 738	107 200
<b>Total current assets</b>		<b>1 200 169</b>	1 624 499	1 194 267
<b>Total assets</b>		<b>3 297 894</b>	3 797 556	3 305 625
<b>EQUITY AND LIABILITIES</b>				
<b>Total equity</b>		<b>1 463 401</b>	1 578 048	1 463 128
Stated capital		<b>1 461 194</b>	1 457 125	1 457 583
Reserves		<b>3 532</b>	123 114	6 427
Equity attributable to owners of the company		<b>1 464 726</b>	1 580 239	1 464 010
Non-controlling interest		<b>(1 325)</b>	(2 191)	(882)
<b>Non-current liabilities</b>		<b>684 990</b>	1 173 033	693 091
Deferred tax liabilities		<b>5 018</b>	16 722	4 935
Post-employment medical aid benefits		<b>80 719</b>	91 339	79 572
Deferred income		<b>101 685</b>	74 704	84 155
Interest-bearing liabilities		<b>392 152</b>	870 413	412 446
Lease liabilities		<b>105 416</b>	119 855	111 983
<b>Current liabilities</b>		<b>1 124 908</b>	918 103	1 070 053
Current tax liabilities		<b>10 321</b>	4 057	8 639
Post-employment medical aid benefits		<b>8 129</b>	8 082	7 885
Deferred income		<b>9 021</b>	7 044	14 714
Interest-bearing liabilities		<b>473 107</b>	12 752	457 151
Lease liabilities		<b>11 580</b>	13 084	14 606
Trade and other payables		<b>457 573</b>	491 982	458 024
Bank overdraft		<b>155 177</b>	381 102	109 034
Non-current liabilities held for sale	4.2	<b>24 595</b>	128 372	79 353
<b>Total current liabilities</b>		<b>1 149 503</b>	1 046 475	1 149 406
<b>Total liabilities</b>		<b>1 834 493</b>	2 219 508	1 842 497
<b>Total equity and liabilities</b>		<b>3 297 894</b>	3 797 556	3 305 625

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

for the six months ended 30 September 2020

		Unaudited 30 September 2020 R000's	Unaudited 30 September 2019 R000's
	Notes		
<b>Continuing operations</b>			
Revenue		1 034 918	1 443 210
Cost of sales		(770 032)	(1 103 498)
<b>Gross profit</b>		<b>264 886</b>	339 712
Other income		17 348	26 457
Selling and distribution expenses		(113 067)	(152 005)
Administrative and other expenses		(125 663)	(140 838)
Restructuring and retrenchment expenses		(3 020)	–
<b>Operating profit before finance costs</b>		<b>40 484</b>	73 326
Finance income		1 634	1 963
Finance expenses		(41 821)	(64 882)
<b>Profit before taxation</b>		<b>297</b>	10 407
Income tax income/(expense)	4.1	1 258	(2 797)
<b>Profit after tax</b>		<b>1 555</b>	7 610
<b>Discontinuing operations</b>			
Profit/(Loss) from discontinuing operations, net of tax	4.2	627	(23 994)
<b>Profit/(Loss)</b>		<b>2 182</b>	(16 384)
<b>Other comprehensive (loss)/income, net of related tax items that are or may be reclassified to profit or loss</b>			
Foreign operations – foreign currency translation differences		(1 909)	1 107
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(1 909)</b>	1 107
<b>Total comprehensive income/(loss) for the year</b>		<b>273</b>	(15 277)
<b>Profit/(Loss) attributable to:</b>			
Owners of the company		2 625	(15 369)
Non-controlling interest		(443)	(1 015)
		<b>2 182</b>	(16 384)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the company		716	(14 262)
Non-controlling interest		(443)	(1 015)
		<b>273</b>	(15 277)
Basic earnings/(loss) per share	(cents)	<b>0,60</b>	(3,54)
Basic earnings per share from continuing operations	(cents)	<b>0,46</b>	1,99
Basic earnings/(loss) per share from discontinuing operations	(cents)	<b>0,14</b>	(5,53)
Diluted earnings/(loss) per share	(cents)	<b>0,60</b>	(3,34)
Diluted earnings per share from continuing operations	(cents)	<b>0,46</b>	1,88
Diluted earnings/(loss) per share from discontinuing operations	(cents)	<b>0,14</b>	(5,22)

# Condensed consolidated statement of changes in equity

for the six months ended 30 September 2020

	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 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)
<b>Restated balance at 1 April 2019</b>	<b>1 456 237</b>	<b>289 987</b>	<b>(138 705)</b>	<b>1 607 519</b>	<b>(1 176)</b>	<b>1 606 343</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>–</b>	<b>1 107</b>	<b>(15 369)</b>	<b>(14 262)</b>	<b>(1 015)</b>	<b>(15 277)</b>
<b>Transactions with owners of the company</b>						
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
Balance at 1 April 2020	<b>1 457 583</b>	<b>285 998</b>	<b>(279 571)</b>	<b>1 464 010</b>	<b>(882)</b>	<b>1 463 128</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>–</b>	<b>(1 909)</b>	<b>2 625</b>	<b>716</b>	<b>(443)</b>	<b>273</b>
<b>Transactions with owners of the company</b>						
Share scheme – options exercised	<b>3 611</b>	<b>–</b>	<b>(3 611)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<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>

	Unaudited 30 September 2020 R000's	Unaudited 30 September 2019 R000's
<b>Composition of other reserves</b>		
Foreign currency translation reserve	<b>3 076</b>	1 061
Common control reserve	<b>(20 219)</b>	(20 219)
Surplus on revaluation	<b>301 232</b>	310 252
	<b>284 089</b>	291 094

# Condensed consolidated statement of cash flows

for the six months ended 30 September 2020

		<b>Unaudited 30 September 2020</b>	Unaudited 30 September 2019
	Notes	<b>R000's</b>	R000's
<b>Net cash flow from operating activities</b>		<b>(10 390)</b>	42 710
Cash generated from operating activities before working capital changes		<b>72 807</b>	75 615
Cash (outflow)/generated from working capital changes		<b>(41 933)</b>	45 757
Finance costs		<b>(40 323)</b>	(69 247)
Taxes paid		<b>(941)</b>	(9 415)
<b>Net cash flow from investing activities</b>		<b>(17 840)</b>	(62 680)
Acquisition of property, plant and equipment	5.1	<b>(20 188)</b>	(52 316)
Proceeds from disposals of property, plant and equipment		<b>7 377</b>	6 185
Acquisition of intangible assets	5.1	<b>(1 120)</b>	(101)
Acquisition of investment property	5.1	<b>(3 909)</b>	(16 448)
<b>Net cash flow from financing activities</b>		<b>(17 038)</b>	(30 433)
Proceeds from borrowings		<b>-</b>	5 073
Repayment of borrowings		<b>(10 552)</b>	(17 099)
Principal elements of lease payments		<b>(6 486)</b>	(5 389)
Distribution to shareholders		<b>-</b>	(13 018)
<b>Net decrease in cash and cash equivalents</b>		<b>(45 268)</b>	(50 403)
Cash and cash equivalents at the beginning of the period		<b>(69 242)</b>	(310 135)
<b>Cash and cash equivalents at the end of the period</b>		<b>(114 510)</b>	(360 538)

# Condensed consolidated segmental report

for the six months ended 30 September 2020

	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
<b>2020</b>						
<b>Segment revenue</b>						
<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
	<b>92 096</b>	<b>396 518</b>	<b>172 932</b>	<b>431 850</b>	<b>-</b>	<b>1 093 396</b>
<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
	<b>92 096</b>	<b>396 518</b>	<b>172 932</b>	<b>431 850</b>	<b>-</b>	<b>1 093 396</b>
<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
Stationery, publishing and office supplies	-	-	-	-	-	-
	<b>92 096</b>	<b>396 518</b>	<b>172 932</b>	<b>431 850</b>	<b>-</b>	<b>1 093 396</b>
Inter-segment sales	(18 075)	-	-	(11 160)	-	(29 235)
	<b>74 021</b>	<b>396 518</b>	<b>172 932</b>	<b>420 690</b>	<b>-</b>	<b>1 064 161</b>
Less: Revenue attributable to discontinuing operations	-	(11 249)	-	(17 994)	-	(29 243)
<b>Revenue as per statement of comprehensive income</b>	<b>74 021</b>	<b>385 269</b>	<b>172 932</b>	<b>402 696</b>	<b>-</b>	<b>1 034 918</b>
<b>Segment results</b>						
<b>Operating profit/(loss) from continuing operations before finance cost</b>	<b>64 471</b>	<b>(20 562)</b>	<b>11 473</b>	<b>585</b>	<b>(15 483)</b>	<b>40 484</b>
Finance income						1 634
Finance expenses						(41 821)
<b>Profit before taxation</b>						<b>297</b>
<b>Total segment assets</b>	<b>1 434 291</b>	<b>622 516</b>	<b>402 007</b>	<b>645 124</b>	<b>193 956</b>	<b>3 297 894</b>
<b>Total segment liabilities</b>	<b>25 197</b>	<b>330 073</b>	<b>222 496</b>	<b>367 962</b>	<b>888 765</b>	<b>1 834 493</b>

# Condensed consolidated segmental report (continued)

for the six months ended 30 September 2020

	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
<b>2019</b>						
<b>Segment revenue</b>						
<b>Primary geographical market</b>						
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
<b>Major products/service lines</b>						
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
<b>Timing of revenue recognition</b>						
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)
<b>Revenue as per statement of comprehensive income</b>	67 012	613 122	284 422	478 654	–	1 443 210
<b>Segment results</b>						
<b>Operating profit/(loss) from continuing operations before finance cost</b>						
	58 200	(15 269)	29 558	18 167	(17 330)	73 326
Finance income						1 963
Finance expenses						(64 882)
<b>Profit before taxation</b>						10 407
<b>Total segment assets</b>	1 461 945	923 135	421 098	863 051	128 327	3 797 556
<b>Total segment liabilities</b>	23 447	564 689	273 659	437 182	920 531	2 219 508



# Statistics per share

for the six months ended 30 September 2020

		<b>Unaudited 30 September 2020</b>	Unaudited 30 September 2019
<b>Weighted average number of shares in issue</b>	('000)	<b>434 965</b>	434 279
<b>Number of shares in issue</b>	('000)	<b>435 181</b>	434 662
<b>Diluted weighted average number of shares in issue</b>	('000)	<b>436 607</b>	459 888
<b>Basic earnings/(loss) per share</b>	(cents)	<b>0,60</b>	(3,54)
Continuing operations		<b>0,46</b>	1,99
Discontinuing operations		<b>0,14</b>	(5,53)
<b>Headline earnings/(loss) per share</b>	(cents)	<b>0,26</b>	(3,60)
Continuing operations		<b>0,45</b>	2,01
Discontinuing operations		<b>(0,19)</b>	(5,61)
<b>Diluted earnings/(loss) per share</b>	(cents)	<b>0,60</b>	(3,34)
Continuing operations		<b>0,46</b>	1,88
Discontinuing operations		<b>0,14</b>	(5,22)
<b>Diluted headline earnings/(loss) per share</b>	(cents)	<b>0,26</b>	(3,40)
Continuing operations		<b>0,45</b>	1,90
Discontinuing operations		<b>(0,19)</b>	(5,30)
<b>Reconciliation between profit/(loss) and headline earnings/(loss)</b>			
Income/(Loss) attributable to shareholders	(R000's)	<b>2 625</b>	(15 369)
Surplus on disposal of property, plant and equipment	(R000's)	<b>(1 621)</b>	(578)
Loss on disposal of property, plant and equipment	(R000's)	<b>108</b>	198
Total tax effect of adjustments	(R000's)	<b>20</b>	106
<b>Headline earnings/(loss)</b>	(R000's)	<b>1 132</b>	(15 643)
Net asset value per share	(cents)	<b>337</b>	363

# Notes to the unaudited condensed consolidated financial statements

for the for the six months ended 30 September 2020

## 1. Basis of preparation

The unaudited condensed consolidated results for the six months ended 30 September 2020 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 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. 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 2020.

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 2020.

## 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.

## 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.

	30 September 2020 R000's	30 September 2019 R000's
<b>Current normal tax</b>	<b>(2 425)</b>	(1 568)
– Continuing operations	(2 425)	(1 568)
– Discontinuing operations	–	–
<b>Deferred normal tax</b>	<b>3 683</b>	(1 229)
– Continuing operations	3 683	(9 730)
– Discontinuing operations	–	8 501
	<b>1 258</b>	(2 797)

### 4.2 Discontinuing operations

Discontinuing operations consist of Frame Knitting Manufacturers and Brand ID in the current year. In the prior year, the discontinuing operations also included Winelands Textiles and First Factory Stores. All of these businesses have been disposed of, other than Frame Knitting Manufacturers, which is in the process of disposing of the remainder of the business.

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.

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

	<b>30 September 2020</b>	30 September 2019
	<b>R000's</b>	R000's
<b>Revenue</b>	<b>29 243</b>	200 926
Operating profit/(loss) before restructuring and retrenchment costs	<b>763</b>	(24 644)
Restructuring and retrenchments costs	-	(1 523)
<b>Operating profit/(loss) before finance costs</b>	<b>763</b>	(26 167)
Finance expenses	<b>(136)</b>	(6 328)
<b>Profit/(Loss) before taxation</b>	<b>627</b>	(32 495)
Income tax income	-	8 501
<b>Profit/(Loss) from discontinuing operations</b>	<b>627</b>	(23 994)
<b>Cash flows used in discontinuing operations</b>		
Net cash used in operating activities	<b>(8 581)</b>	(27 178)
Net cash from/(used in) investing activities	<b>6 487</b>	(5 985)
Net cash used in financing activities	<b>(726)</b>	(1 189)
<b>Net cash used in discontinuing operations</b>	<b>(2 820)</b>	(34 352)

The profit/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 classified as held for sale in relation to the discontinuing operations:

	<b>30 September 2020</b>	30 September 2019
	<b>R000's</b>	R000's
Property, plant and equipment	<b>24 792</b>	89 947
Right-of-use assets	-	965
Intangible assets	-	6 055
Deferred tax assets	-	28 190
Inventories	<b>11 846</b>	130 587
Trade and other receivables	<b>21 340</b>	95 484
<b>Total assets of disposal group held for sale</b>	<b>57 978</b>	351 228
Other non-current assets held for sale	<b>510</b>	510
<b>Total non-current assets held for sale</b>	<b>58 488</b>	351 738
<b>Liabilities directly associated with assets classified as held for sale</b>		
Deferred income	<b>16 689</b>	34 589
Trade and other payables	<b>4 711</b>	88 029
Lease liabilities	<b>3 195</b>	5 754
<b>Total liabilities of disposal group held for sale</b>	<b>24 595</b>	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.

The Group has a loan of R75,6 million (2019: R82,6 million) from Hosken Consolidated Investments Limited ("HCI"). The loan has been settled subsequent to the reporting date.

# Notes to the unaudited condensed consolidated financial statements (continued)

for the for the six months ended 30 September 2020

## 5. Significant investing activities

### 5.1 Capital expenditure and commitments

	Capital expenditure		Contractual commitment	
	30 September 2020 R000's	30 September 2019 R000's	30 September 2020 R000's	30 September 2019 R000's
Investment property	3 909	16 448	493	1 700
Land and buildings	–	52 316	784	–
Plant and equipment	20 188	–	36 590	5 378
Intangible assets	1 120	101	–	–
<b>Total capital expenditure</b>	<b>25 217</b>	<b>68 865</b>	<b>37 867</b>	<b>7 078</b>

## 6. Significant financing activities

A property loan of R450 million is repayable in March 2021, which the Group has refinanced on similar terms subject to completion of the legal documentation.

## 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. Events after the reporting period

In addition to the refinancing of the loan referred to in note 6 above, all amounts owing to the Group arising from the sale of Winelands Textiles, and which amounted to R65 million plus interest, was settled on 18 October 2020. There have been no other material events after the reportable period.

## 9. Distribution

Notice is hereby given that a final distribution of 4 cents (gross) per ordinary share in respect of the six months ended 30 September 2020 has been declared and approved by the board of directors out of stated capital through the reduction of contributed tax capital ("distribution").

In compliance with the requirements of Strate and the JSE Limited, the following dates are applicable:

Distribution declared	Thursday, 19 November 2020
Last day to trade cum distribution	Tuesday, 12 January 2021
Shares trade ex distribution	Wednesday, 13 January 2021
Record date	Friday, 15 January 2021
Payment date	Monday, 18 January 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 January 2021 and Friday, 15 January 2021, both days inclusive.

### Additional information

The directors have determined that this capital reduction distribution will be paid out of qualifying contributed tax capital as contemplated in the definition of "contributed tax capital" in section 1 of the Income Tax Act, 1962.

As the distribution will be regarded as a return of capital and may have potential capital gains tax consequences, Deneb shareholders are advised to consult their tax advisors regarding the impact of the distribution.

The directors have reasonably concluded that the company will satisfy the solvency and liquidity requirements of sections 4 and 46 of the Companies Act, 2008, immediately after the capital distribution.

The number of issued ordinary shares is 435 181 373 as at the date of this declaration.

# Commentary

Given the challenges faced in the six months ended September 2020, we are pleased to be reporting a small profit.

The national lockdown imposed in response to the Covid-19 pandemic resulted in the Group only operating at 10% of capacity in April and 40% of capacity in May. From June onwards the businesses could theoretically operate fully, but capacity was restricted due to processes to ensure the health and well-being of employees and subdued customer demand. The restrictions meant that at the end of the first quarter of this financial year, the Group had recorded a loss before taxation of R42 million. The fact that the Group can report a small profit for the six months to September is rather pleasing and reflects quite a strong bounceback in the second quarter. It also demonstrates the Group's growing resilience to external shocks.

Most pleasing is the fact the Group has managed to hold onto the cash generated towards the end of the previous financial year. Net interest-bearing debt at 30 September 2020 is some R264 million below the comparative period. In addition, the R65 million plus interest owed to the Group for the sale of the Winelands Textile business has been collected after half-year-end, which will further improve the debt position. We have been informed by the Group's funders that the R450 million property-backed loan, which was due for repayment in March 2021, has been refinanced subject to completion of the legal documentation.

The first half of the year is traditionally the slowest, with most of the Group's businesses geared towards the second half. The challenges in the period under review saw revenue from continuing operations drop off by R408 million (28%). However, a combination of better gross margins and significant cost savings saw the Group deliver an operating profit of R40 million. While it is true that the operating profit is R33 million down on the prior year, given the circumstances and the dramatic unplanned drop-off in revenue, we are pleased with the overall result. Lower interest rates and reduced debt levels saw net finance expense reduce by R23 million. This, together with a R25 million positive swing in the result from the discontinued operations, saw the Group end the period R18 million better off than the prior year, delivering a profit of R2 million as opposed to a loss of R16 million.

The property portfolio has been very resilient and has performed well, with some 98% of rentals due having been collected. We have arrangements in place to collect the remaining portion. Revenue is up R5 million (6%) and revenue from external tenants comprises 80% of the total, up from 77% in the corresponding period. Operating profit is up R6 million (11%), mostly due to lower repairs and maintenance costs as maintenance projects were delayed due to the lockdown restrictions.

The Branded Product Distribution segment has found the first six months challenging, reflective of the pressures on consumer spending and the fact that most of the businesses in this segment were unable to operate in April and May. Revenue from continuing operations is down R228 million (37%) and the operating loss widened by R5 million to R21 million. These businesses are largely geared towards the second half of the year and we are hopeful that the performance will improve during this period.

Our manufacturing businesses also had a very difficult first quarter with most businesses only able to operate from June and even then, at reduced capacity. As a result, revenue for the six months is down R318 million (34%). Strict cost controls meant that despite the dramatic drop-off in revenue, these businesses were still able to deliver a profit of R12 million, albeit R36 million below last year. The performance of these businesses has improved quite strongly in the second quarter.

As indicated in the March 2020 commentary, the Group does have insurance in place for business interruption. The Group's insurers have indicated that the circumstances around the Covid-19 lockdown fall wide of our policy. The Group has taken advice on the matter and has a contradictory viewpoint. The Group is currently weighing up its options and will keep shareholders informed as and when it is appropriate to do so. There are several court cases currently being heard both in South Africa and abroad, which should give the matter some more clarity.

Due to the uncertain economic conditions prevalent at the time, we decided not to declare a distribution at the prior year-end. The fact that we have managed to further reduce debt levels during the period under review, enables us to declare a 4-cent distribution to shareholders in lieu of the distribution missed at year-end.

## Commentary (continued)

During the period under review, two of our executive directors announced their retirements. Amon Ntuli and Dave Duncan have both served the Group for over 40 years and their respective contributions to the Group's success have been immense. We will miss their day-to-day interaction but are happy that we will not be losing out on their experience entirely as they have both agreed to remain on the Board in a non-executive capacity. We wish them well with their well-deserved retirements.

On behalf of the board

**Stuart Queen**

Chief Executive Officer

**Gys Wege**

Financial Director

Cape Town

19 November 2020

# 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 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)

*Mr AM Ntuli stepped down as an executive director and was appointed as a non-executive director of the board effective 6 August 2020.*

**Company Secretary:** C 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:** 19 November 2020

www.deneb.co.za