



Unaudited condensed consolidated interim results  
for the six months ended 30 September 2022

# Financial highlights

for the six months ended 30 September 2022

		Six months to 30 September 2022	Six months to 30 September 2021	% change
✖ Revenue	(R'000)	<b>1 576 344</b>	1 333 661*	18,2%
✖ Profit	(R'000)	<b>78 501</b>	36 965	112,4%
✖ Earnings per share	(cents)	<b>17,98</b>	8,49	111,8%
✖ Headline earnings per share	(cents)	<b>16,05</b>	10,09	59,1%
✖ Net asset value per share	(cents)	<b>393</b>	364	8%
✖ Distribution	(cents)	–	–	–

\* Restated, refer to note 8.

# Condensed consolidated statement of financial position

as at 30 September 2022

	Notes	Unaudited 30 September 2022 R000's	Unaudited 30 September 2021 R000's	Audited 31 March 2022 R000's
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>2 036 397</b>	2 103 904	2 049 272
Plant and equipment		450 807	411 246	410 535
Right-of-use assets		63 802	69 412	63 912
Owner-occupied properties	5.2	261 948	241 764	247 545
Investment properties	5.2	1 088 413	1 159 491	1 125 386
Intangible assets		25 422	27 595	26 558
Goodwill		22 760	22 761	22 760
Financial asset at fair value through other comprehensive income		5 155	4 237	4 237
Long-term receivables		4 371	9 022	7 955
Deferred tax assets		113 719	158 376	140 384
<b>Current assets</b>		<b>1 431 828</b>	1 135 363	1 239 658
Inventories		696 006	481 640	596 406
Trade and other receivables		659 850	579 807	563 270
Current tax assets		8 074	2 369	6 490
Cash and cash equivalents		67 898	71 547	73 492
Non-current assets held for sale	4.2	93 000	55 235	43 010
<b>Total current assets</b>		<b>1 524 828</b>	1 190 598	1 282 668
<b>Total assets</b>		<b>3 561 225</b>	3 294 502	3 331 940
<b>EQUITY AND LIABILITIES</b>				
<b>Total equity</b>		<b>1 715 715</b>	1 585 554	1 678 902
Stated capital		1 462 950	1 459 386	1 462 143
Reserves		252 750	126 168	216 759
Equity attributable to owners of the company		1 715 700	1 585 554	1 678 902
Non-controlling interest		15	–	–
<b>Non-current liabilities</b>		<b>789 077</b>	950 375	782 523
Deferred tax liabilities		4 309	13 182	11 201
Post-employment medical aid benefits		75 904	78 498	74 974
Deferred income		86 570	109 605	81 033
Interest-bearing liabilities	6.1	536 379	656 066	528 757
Lease liabilities		85 915	93 024	86 558
<b>Current liabilities</b>		<b>1 056 433</b>	758 573	870 515
Current tax liabilities		5 226	3 891	13 382
Post-employment medical aid benefits		8 170	8 333	7 600
Deferred income		5 531	5 186	13 974
Interest-bearing liabilities	6.1	198 192	70 442	219 118
Lease liabilities		14 396	14 323	14 738
Trade and other payables		566 559	487 688	587 205
Provisions		–	398	–
Bank overdraft		258 359	168 312	14 498
<b>Total liabilities</b>		<b>1 845 510</b>	1 708 948	1 653 038
<b>Total equity and liabilities</b>		<b>3 561 225</b>	3 294 502	3 331 940

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

for the six months ended 30 September 2022

	Notes	Unaudited 30 September 2022 R000's	Unaudited 30 September 2021 R000's
<b>Continuing operations</b>			
Revenue		1 576 344	1 333 294*
Cost of sales		(1 206 747)	(993 835)*
<b>Gross profit</b>		<b>369 597</b>	339 459
Other income	4.3	79 075	24 739
Selling and distribution expenses		(157 745)	(131 990)
Administrative and other expenses		(144 289)	(140 078)
<b>Operating profit before finance costs and impairments</b>		<b>146 638</b>	92 130
Impairments		(3 400)	–
<b>Profit before finance costs</b>		<b>143 238</b>	92 130
Finance income		208	329
Finance expenses		(38 131)	(32 865)
<b>Profit before taxation</b>		<b>105 315</b>	59 594
Income tax expense	4.4	(26 814)	(17 900)
<b>Profit after tax</b>		<b>78 501</b>	41 694
<b>Discontinued operations</b>			
Loss from discontinued operations, net of tax	4.1	–	(4 729)
<b>Profit</b>		<b>78 501</b>	36 965
<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		6 612	1 258
<b>Other comprehensive income, net of tax</b>		<b>6 612</b>	1 258
<b>Total comprehensive income for the year</b>		<b>85 113</b>	38 223
<b>Profit attributable to:</b>			
Owners of the company		78 486	36 965
Non-controlling interest		15	–
		<b>78 501</b>	36 965
<b>Total comprehensive income attributable to:</b>			
Owners of the company		85 098	38 223
Non-controlling interest		15	–
		<b>85 113</b>	38 223
<b>Basic earnings per share</b>			
	(cents)	<b>17,98</b>	8,49
Basic earning per share from continuing operations		<b>17,98</b>	9,58
Basic loss per share from discontinued operations		–	(1,09)
<b>Diluted earnings per share</b>			
	(cents)	<b>17,35</b>	8,38
Diluted earnings per share from continuing operations		<b>17,35</b>	9,45
Diluted loss per share from discontinued operations		–	(1,07)

\* Restated, refer to note 8.

# Condensed consolidated statement of changes in equity

for the six months ended 30 September 2022

	Stated capital R000's	Other reserves R000's	Retained income R000's	Total reserves R000's	Non-controlling interest R000's	Total R000's
Balance at 1 April 2021	1 459 386	287 786	(169 378)	118 408	(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>126 168</b>	<b>-</b>	<b>1 585 554</b>
Balance at 1 April 2022	1 462 143	288 668	(71 909)	216 759	-	1 678 902
<b>Total comprehensive income</b>	-	6 612	78 486	85 098	15	85 113
<b>Transactions with owners of the company</b>						
Share scheme – options exercised	9 897	-	(9 897)	(9 897)	-	-
Shares bought back	(9 090)	-	-	-	-	(9 090)
Distribution to shareholders	-	-	(39 210)	(39 210)	-	(39 210)
<b>Balance 30 September 2022</b>	<b>1 462 950</b>	<b>295 280</b>	<b>(42 530)</b>	<b>252 750</b>	<b>15</b>	<b>1 715 715</b>

	Unaudited 30 September 2022 R000's	Unaudited 30 September 2021 R000's
<b>Composition of other reserves</b>		
Foreign currency translation reserve	7 793	2 191
Common control reserve	(20 219)	(20 219)
Surplus on revaluation	307 706	307 072
	<b>295 280</b>	289 044

# Condensed consolidated statement of cash flows

for the six months ended 30 September 2022

	Notes	Unaudited 30 September 2022 R000's	Unaudited 30 September 2021 R000's
<b>Net cash flows from operating activities</b>		<b>(88 077)</b>	(18 752)
Cash generated from operating activities before working capital changes		176 121	109 574
Cash outflow from working capital changes		(209 493)	(92 775)
Inventories		(107 685)	(59 091)
Trade and other receivables		(77 641)	(78 139)
Trade and other payables		(24 167)	44 455
Finance costs		(37 923)	(32 536)
Taxes paid		(16 782)	(3 015)
<b>Net cash flow from investing activities</b>		<b>(85 296)</b>	(28 692)
Acquisition of property	5.2	(15 334)	(32 491)
Acquisition of plant and equipment	5.1	(58 665)	(27 534)
Proceeds from disposals of investment property		-	21 985
Proceeds from disposals of plant and equipment		3 956	11 372
Development cost of investment property	5.2	(13 527)	(1 823)
Acquisition of intangible assets	5.1	(808)	(201)
Investment in financial assets at fair value through other comprehensive income		(918)	-
<b>Net cash flow from financing activities</b>		<b>(76 082)</b>	(91 213)
Proceeds from borrowings		3 752	-
Repayment of borrowings		(23 551)	(51 963)
Principal elements of lease payments		(7 984)	(8 787)
Shares bought back		(9 089)	-
Distribution to shareholders		(39 210)	(30 463)
<b>Net decrease in cash and cash equivalents</b>		<b>(249 455)</b>	(138 657)
Cash and cash equivalents at the beginning of the year		58 994	41 892
<b>Cash and cash equivalents at the end of the year</b>		<b>(190 461)</b>	(96 765)

# Condensed consolidated segmental report

for the six months ended 30 September 2022

	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>2022</b>						
<b>Segment revenue</b>						
Gross revenue	83 658	608 182	310 999	611 647	–	1 614 486
Less: Inter-segment sales	(16 275)	–	–	(21 867)	–	(38 142)
<b>Revenue as per statement of profit or loss and other comprehensive income</b>	<b>67 383</b>	<b>608 182</b>	<b>310 999</b>	<b>589 780</b>	<b>–</b>	<b>1 576 344</b>
<b>Primary geographical market</b>						
South Africa	83 658	590 177	307 637	593 989	–	1 575 461
Other African countries	–	11 847	–	17 658	–	29 505
Asia	–	2 556	–	–	–	2 556
Europe	–	2 845	1 556	–	–	4 401
South America	–	757	1 806	–	–	2 563
North America	–	–	–	–	–	–
	<b>83 658</b>	<b>608 182</b>	<b>310 999</b>	<b>611 647</b>	<b>–</b>	<b>1 614 486</b>
<b>Major products/service lines</b>						
Woven, knitted and non-woven products	–	–	–	444 372	–	444 372
Pressed, roll-formed steel products	–	–	310 999	84 187	–	395 186
Speciality chemicals	–	–	–	83 088	–	83 088
Rentals	83 658	–	–	–	–	83 658
Toys, electronic games and sports goods	–	481 188	–	–	–	481 188
Stationery, publishing and office supplies	–	126 994	–	–	–	126 994
	<b>83 658</b>	<b>608 182</b>	<b>310 999</b>	<b>611 647</b>	<b>–</b>	<b>1 614 486</b>
<b>Timing of revenue recognition</b>						
At a point in time	83 658	608 182	273 292	611 647	–	1 576 779
Over time:						
Pressed, roll-formed steel products	–	–	37 707	–	–	37 707
	<b>83 658</b>	<b>608 182</b>	<b>310 999</b>	<b>611 647</b>	<b>–</b>	<b>1 614 486</b>
<b>Segment results</b>						
Profit before finance costs	48 393	28 728	20 267	59 744	(13 894)	143 238
Finance expenses						(37 923)
<b>Profit before taxation</b>						<b>105 315</b>
<b>Total segment assets</b>	<b>1 487 532</b>	<b>817 685</b>	<b>446 522</b>	<b>761 877</b>	<b>47 609</b>	<b>3 561 225</b>
<b>Total segment liabilities</b>	<b>23 344</b>	<b>372 508</b>	<b>254 320</b>	<b>321 903</b>	<b>873 435</b>	<b>1 845 510</b>

# Condensed consolidated segmental report

## for the six months ended 30 September 2022 (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>2021</b>						
<b>Segment revenue</b>						
<b>Gross revenue</b>	84 697	487 047	254 087	539 345*	–	1 365 176
Less: Inter-segment sales	(18 126)	(1 888)	–	(11 501)	–	(31 515)
	66 571	485 159	254 087	527 844	–	1 333 661
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	527 477	–	1 333 294
<b>Primary geographical market</b>						
South Africa	84 697	452 616	245 837	531 789*	–	1 314 939
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	539 345	–	1 365 176
<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	–	–	–	62 357*	–	62 357
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	539 345	–	1 365 176
<b>Timing of revenue recognition</b>						
At a point in time	84 697	487 047	228 484	539 345*	–	1 339 573
Over time:	–	–	–	–	–	–
Pressed, roll-formed steel products	–	–	25 603	–	–	25 603
	84 697	487 047	254 087	539 345	–	1 365 176
<b>Segment results</b>						
<b>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

\* Restated, refer to note 8.



# Statistics per share

for the six months ended 30 September 2022

		Unaudited 30 September 2022	Unaudited 30 September 2021	Audited 31 March 2022
Number of shares in issue (refer to note 7)	('000)	436 605	435 181	435 643
Weighted average number of shares	('000)	436 488	435 181	435 552
Diluted average number of shares	('000)	452 468	441 335	445 403
<b>Basic earnings per share</b>	(cents)	<b>17,98</b>	8,49	28,56
Continuing operations		17,98	9,58	29,45
Discontinued operations		–	(1,09)	(0,89)
<b>Headline earnings per share</b>	(cents)	<b>16,05</b>	10,09	32,54
Continuing operations		16,05	9,66	31,41
Discontinued operations		–	0,43	1,13
<b>Diluted earnings per share</b>	(cents)	<b>17,35</b>	8,38	27,93
Continuing operations		17,35	9,45	28,80
Discontinued operations		–	(1,07)	(0,87)
<b>Diluted headline earnings per share</b>	(cents)	<b>15,49</b>	9,95	31,82
Continuing operations		15,49	9,52	30,71
Discontinued operations		–	0,43	1,11
<b>Reconciliation between profit and headline earnings</b>				
Income attributable to shareholders	(R'000)	78 486	36 965	124 393
Impairment of assets	(R'000)	3 400	7 352	7 352
Remeasurement of investments property	(R'000)	–	–	17 133
Changes in the deferred tax balance resulting from the corporate tax rate change that relates to previous remeasurements of investment property	(R'000)	–	–	(4 088)
Surplus on disposal of property, plant and equipment	(R'000)	(996)	(1 206)	(2 092)
Surplus on disposal of investment property	(R'000)	–	(1 186)	–
Loss on sale of subsidiary	(R'000)	–	–	1 467
Loss on disposal of property, plant and equipment	(R'000)	4	1 650	1 324
Loss on disposal of intangible assets	(R'000)	–	–	9
Insurance claim for capital asset	(R'000)	(12 939)	–	(193)
Total tax effect of adjustments	(R'000)	2 117	347	(3 579)
<b>Headline earnings</b>	(R'000)	<b>70 072</b>	43 922	141 726
Net asset value per share	(cents)	393	364	385

## 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 2022

## 1. Basis of preparation

The 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 and 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 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 2022.

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 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 2022.

## 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 2022 (continued)

## 4. Significant operating activities

### 4.1 Discontinued operations

In the prior year, discontinued operations consist of Frame Knitting Manufacturers which was concluded by December 2021.

Discontinued operations in the prior year fall under the Industrial Product Manufacturing reportable segment.

#### 4.1.1 Results of discontinued operations

	30 September 2022 R000's	30 September 2021 R000's
Revenue	-	367
Operating profit before finance costs and impairments	-	2 623
Impairment of assets	-	(7 352)
Operating loss before finance costs	-	(4 729)
Finance expenses	-	-
Loss from discontinued operations, net of tax	-	(4 729)

#### 4.1.2 Cash flows from discontinued operations

Net cash from operating activities	-	1 124
Net cash from investing activities	-	4 838
Net cash from financing activities	-	-
Net cash used in discontinued operations	-	5 962

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 2022 (continued)

## 4. Significant operating activities (continued)

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

	30 September 2022 R000's	30 September 2021 R000's
<b>Assets classified as held for sale</b>		
Opening carrying value	43 010	57 335
Disposals	(510)	(2 100)
Transfer from investment property (Note 5.2.2)	50 500	–
<b>Closing carrying value</b>	<b>93 000</b>	55 235

Assets held for sale relate to investment property in Worcester and Mobeni, Durban.

### 4.3 Other income

Other income includes an amount of R74,1 million which relates to the insurance payout of the Group's business interruption claims due to Covid-19. After deducting associated costs, the net benefit of the insurance claim included in other income, totals R59,9 million.

### 4.4 Taxation and deferred taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 September 2022 is 25%, compared to 30% for the six months ended 30 September 2021. The tax rate is lower in the current year due to the change in the corporate tax rate from 28% to 27% and the recognition of previously unrecognised deferred tax assets.

	30 September 2022 R000's	30 September 2021 R000's
Current normal tax	10 515	5 188
Deferred normal tax	16 299	12 712
	<b>26 814</b>	17 900

# Notes to the condensed consolidated financial results

## for the six months ended 30 September 2022 (continued)

### 5. Significant investing activities

#### 5.1 Capital expenditure and commitments

	Capital expenditure		Contractual commitments	
	30 September 2022 R000's	30 September 2021 R000's	30 September 2022 R000's	30 September 2021 R000's
Investment properties	13 527	1 823	–	38 234
Land and buildings	15 334	32 491	–	–
Plant and equipment	58 665	27 534	144 410	23 790
Intangible assets	808	201	–	–
	<b>88 334</b>	<b>62 049</b>	<b>144 410</b>	<b>62 024</b>

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

#### 5.2 Properties

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

At 31 March 2022 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 2022 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 properties

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

	30 September 2022 R000's	30 September 2021 R000's	31 March 2022 R000's
Opening carrying value	247 545	210 125	210 125
Additions	15 334	32 491	39 448
Depreciation	(931)	(852)	(1 796)
Fair value adjustments	–	–	(232)
<b>Closing carrying value</b>	<b>261 948</b>	<b>241 764</b>	<b>247 545</b>

##### 5.2.2 Investment properties

The movement in investment properties for the six months ended 30 September 2022:

Opening carrying value	1 125 386	1 178 467	1 178 467
Development cost	13 527	1 823	27 352
Fair value adjustments	–	–	(17 133)
Transfer to held for sale	(50 500)	–	(42 500)
Disposal	–	(20 799)	(20 800)
<b>Closing carrying value</b>	<b>1 088 413</b>	<b>1 159 491</b>	<b>1 125 386</b>

Property type	%	%	%
Retail/Commercial	10,9	10	8,3
Industrial	89,1	90	91,7

##### 5.2.3 Valuation technique and significant unobservable inputs

There have been no changes since 31 March 2022.

# Notes to the condensed consolidated financial results for the six months ended 30 September 2022 (continued)

## 6. Significant financing activities

### 6.1 Interest-bearing liabilities

During the current year the Group has repaid interest-bearing liabilities of R23,6 million.

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

	30 September 2022 R'000	30 September 2021 R'000
<b>Secured</b>		
Loans from financial institutions	726 112	720 728
Instalment sale agreements	8 459	5 780
<b>Total interest-bearing liabilities</b>	<b>734 571</b>	<b>726 508</b>
Current portion of interest-bearing liabilities	198 192	70 442
Non-current portion of interest-bearing liabilities	536 379	656 066
<b>6.2 Working capital facilities</b>		
Available facility	573 000	600 000
Net utilised	(270 239)	(185 766)
Bank overdraft	(258 359)	(168 312)
Letter of credits	(11 880)	(17 454)

#### 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 during six month period ending 30 September 2022 and is not close to breach. Based on the latest forecast there appears to be limited risk of not adhering to the loan covenants for the year ending 31 March 2023.

## 7. Shares in issue

	30 September 2022 000's	30 September 2021 000's
Balance at the beginning of the year	435 643	435 181
Share buy-back during the year*	(4 288)	–
Issued during the year	5 250	–
<b>Closing carrying value</b>	<b>436 605</b>	<b>435 181</b>

\* During the year, the Group repurchased and cancelled shares from the open market on the JSE. Of the shares repurchased, 51 384 shares were cancelled in the subsequent reporting period.

# Notes to the condensed consolidated financial results for the six months ended 30 September 2022 (continued)

## 8. Change in comparatives

### Correction of prior period error relating to recognition of revenue

During the prior year, Gold Reef Speciality Chemicals discontinued its manufacturing arm and changed its business model to outsourced toll manufacturing. In accordance with IFRS 15, revenue is recognised when the performance obligations are satisfied and control of goods transfers to the customers.

In the prior period, raw materials sold to toll manufacturers were incorrectly reported as revenue and it was concluded, as prescribed by IFRS 15, that control did not transfer with the sale of raw materials to the manufacturers and that revenue should only be recognised when finished goods are sold to the end customer. Therefore, revenue and cost of sales is restated as set out below.

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

	Impact of restatement		
	As previously reported R'000	Adjustments R'000	As restated R'000
<b>For the year ended 30 September 2021</b>			
Revenue	1 373 203	(39 909)	1 333 294
Cost of sales	(1 033 744)	39 909	(993 835)

There is no impact on profit, total comprehensive income and cash flows for the six-month period ended 30 September 2021.

The restatement impacts revenue for the Industrial Product Manufacturing segment for the six-month period ended 30 September 2021, as disclosed on page 7.

## 9. 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 2022 and the date of this report.

## 10. Distribution

The directors have resolved not to declare an interim dividend/distribution for the six months ended 30 September 2022 (2021: Nil).

# Commentary

The results for the six-months ended 30 September 2022, are significantly influenced by the finalisation of the Group's Covid-19 business interruption insurance claim, relating to the March 2021 financial year. This claim was finalised, and the benefits brought to book in the period under review. The total proceeds received on the claim was R74 million. However, after adjusting for all direct costs, including taxation, the net benefit included in this period is R44 million. If one excludes the insurance benefit, then total comprehensive profit for the period is marginally up by R3 million (8%).

The period had its challenges, we were fortunate that the severe flooding in KwaZulu-Natal in April did not directly affect our KwaZulu-Natal based operations, but they did result in operational challenges and did affect some of our suppliers and customers more severely. Load shedding continued to be very disruptive, and although in the main we can operate on generators, they are significantly more costly to run. Supply chains continued to be disrupted by microchip shortages and significant shipping delays. We have combatted these disruptions by placing orders earlier and holding additional inventories as buffers.

Revenue is up R243 million (18%). The growth mostly came from increases in volumes which reflects market share growth as a direct result of having inventory available to be converted and sold.

Gross profit is up R30 million (9%). The businesses in our Branded Product Distribution segment did well to retain margins at a level that was slightly above the prior period. However, the businesses in the Manufacturing Segments, saw margins come under pressure. In the main, this is because of raw material price reductions. Certain of our manufacturing businesses have an automatic price adjustment mechanism in terms of which, monthly selling prices are adjusted for movements in the base raw material prices. As prices rise, our margins benefit as the supply chain is filled with cheaper raw materials but when prices drop, it has the opposite effect. Raw material prices (steel and various polymers) have been very volatile over the past 18 months. In the prior year, raw material prices rose significantly, doubling in some instances. In the current period, these raw materials have given up their previous gains, which has seen price reductions of up to 30% in a short space of time. This has weighed on margins. It is important to note, that margins should return to more normal levels once the expensive inventory has been worked through over the next few months. The Group has not chased volume at the expense of margin. Margins were affected to a lesser extent, by the increased energy costs due to Eskom tariff increases and the additional cost of running on generator power in times of load shedding.

Administration and selling costs were up R30 million (11%). The cost increases were the result of increased sales activity, inflationary adjustments and rising fuel costs that were not able to be fully passed on to customers.

Finance expenses were up by R5 million (16%) mostly due to rising interest rates, although average debt levels are slightly higher than in the prior period as we invested heavily in working capital to combat supply chain disruptions.

The growth in working capital resulted in a net cash outflow from operating activities of R88 million, a R69 million increase from the R19 million outflow in the comparative period. The Group generally utilises cash in the first half of the year as it builds towards peak season. The working capital is then released in the second half.

A net cash outflow from investing activities of R85 million reflects the progress on our investment activities as mentioned in the prior report. We have acquired a property occupied by Premier Rainwatergoods located in Polokwane. The purchase price was R15 million and gives the business more secure tenure. We have completed the development of Radnor Industrial Park situated in Parow Industria, Cape Town with a further R14 million being spent in the period under review. The development has been successful and is already 94% let. The Group spent R59 million on plant and equipment which relates to progress payments on various capital projects. We have commitments to spend a further R144 million, the bulk of which should be expended in the second half of this financial year. These investments will only begin to benefit the Group in the financial year ending March 2024.

On behalf of the board

**Stuart Queen**  
Chief Executive Officer

**Gys Wege**  
Financial Director

Cape Town  
23 November 2022



# Corporate information



## DENE 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  
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\*^, 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:** 23 November 2022

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