African and Overseas Enterprises Limited

(Incorporated in the Republic of South Africa - Registration Number: 1947/027461/06)
("AOE" or "the company" or "the group")

SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	YoY change	**2019 (Audited) R'000**	2018 (Audited) R'000
Revenue	16.5%	**708,381**	608,064
Turnover	15.5%	**678,873**	587,632
Cost of sales		**(321,767)**	(267,730)
Gross profit	11.6%	**357,106**	319,902
Other income	9.6%	**17,213**	15,700
Other operating costs	9.2%	**(352,510)**	(322,834)
Operating profit	70.8%	**21,809**	12,768
Dividend income		**27**	45
Finance income		**12,268**	4,687
Finance costs		**(3,325)**	(71)
Share of profit of associate, including gain on bargain purchase		**30,901**	-
Dilution loss on investment in associate		**(14,811)**	-
Profit before tax	168.9%	**46,869**	17,429
Income tax expense		**(14,605)**	(5,897)
Profit for the period	179.8%	**32,264**	11,532
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Fair value adjustment on available-for-sale investments		**-**	245
Fair value adjustment on assets held at fair value through other comprehensive income		**(57)**	-
Other comprehensive (income) for the year, net of taxation		**(57)**	245
Total comprehensive income for the year		**32,207**	11,777
Profit attributable to:			
Ordinary and "N" ordinary shareholders of the parent		**20,118**	5,709
Preference shareholders		**33**	33
Profit attributable to equity holders of the parent		**20,151**	5,742
Non-controlling interest		**12,113**	5,790
Profit for the year		**32,264**	11,532
Total comprehensive income attributable to:			
Ordinary and "N" ordinary shareholders of the parent		**20,086**	5,846
Preference shareholders		**33**	33
Profit attributable to equity holders of the parent		**20,119**	5,879
Non-controlling interest		**12,088**	5,898
Total comprehensive income for the year		**32,207**	11,777
Reconciliation of headline earnings			
Profit attributable to ordinary and "N" ordinary shareholders		**20,118**	5,709
Adjusted for:			
(Profit) / loss from disposal of property, plant and equipment, net of taxation		**(172)**	12
Dilution loss on investment in associate		**8,133**	-
Gain from bargain purchase on investment in associate		**(5,757)**	-
Non-headline earnings of associate			
Gain from bargain purchase of investment		**(17,300)**	-
Loss from disposal of property, plant and equipment, net of taxation		**1**	-
Headline earnings		**5,023**	5,721
Basic earnings per ordinary share (cents)	252.7%	**176.7**	50.1
Headline earnings per ordinary share (cents)	(12.2%)	**44.1**	50.2
Diluted earnings per ordinary share (cents)	252.5%	**176.6**	50.1
Diluted headline earnings per ordinary share (cents)	(12.2%)	**44.1**	50.2
Weighted average number of equity shares on which earnings per share is based (000's)		**11,388**	11,387
Weighted average number of equity shares on which diluted earnings per share is based (000's)		**11,390**	11,387
KEY RATIOS			
Gross profit margin	%	**52.6**	54.4
Retail operating costs to turnover	%	**48.6**	53.8
Other operating costs to revenue	%	**49.8**	53.1
Operating profit margin	%	**3.2**	2.2
Retail segment operating profit margin	%	**4.8**	1.4

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Notes	2019 (Audited) R'000	2018 (Audited) R'000
ASSETS			
Non current assets		**307,917**	156,096
Property, plant and equipment		**62,386**	60,721
Investment property		**65,679**	68,741
Intangible assets		**20,764**	22,980
Investment in associate	4.1	**153,066**	-
Other investments		**762**	835
Loan receivable		**1,874**	-
Deferred tax asset		**3,386**	2,819
Current assets		**178,574**	192,920
Inventories	4.2	**100,637**	92,132
Trade and other receivables		**20,634**	27,521
Forward exchange contracts		**-**	746
Income tax receivable		**6**	163
Accrued operating lease asset		**1,704**	2,859
Cash and cash equivalents		**55,593**	69,499
Total assets		**486,491**	349,016
EQUITY AND LIABILITIES			
Capital and reserves		**319,565**	272,522
Share capital		**3,102**	1,200
Share premium		**6,616**	6,616
Share-based payment reserve		**2,926**	(116)
Other reserves		**1,400**	1,438
Retained earnings		**155,114**	140,227
Non-controlling interest		**150,407**	123,157
Non current liabilities		**98,005**	19,807
Post-retirement liability		**730**	792
Accrued operating lease liability		**13,444**	14,235
Loan payable		**75,200**	-
Deferred tax liability		**8,631**	4,780
Current liabilities		**68,921**	56,687
Trade and other payables		**54,103**	49,674
Provisions		**8,761**	2,145
Accrued operating lease liability		**5,070**	4,849
Forward exchange contracts		**294**	-
Income tax payable		**693**	19
Total equity and liabilities		**486,491**	349,016

OTHER INFORMATION AND KEY RATIOS

Capital commitments			
Authorised - not contracted for	R'000	**13,779**	21,553
Authorised - contracted for	R'000	**16,835**	7,632
Return on equity	%	**6.8**	2.1
Return on capital	%	**17.0**	6.6
Return on assets	%	**12.0**	5.1
Inventory turn	times	**3.3**	3.2
Asset turn	times	**1.6**	1.7
Net asset value per share	R	**14.43**	12.81

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2019

	2019 (Audited) R'000	2018 (Audited) R'000
Cash flows from operating activities		
Operating profit before working capital changes	**63,069**	38,456
Working capital changes	**7,459**	(7,327)
Interest received	**2,799**	4,687
Interest paid	**(125)**	(71)
Dividends paid	**(50)**	(50)
Dividends received	**27**	45
Income tax paid	**(10,475)**	167
Net cash inflows from operating activities	**62,704**	35,907
Additions to property, plant, equipment and investment property	**(18,537)**	(24,445)
Additions to intangible assets	**(1,194)**	(1,908)
Proceeds from disposal of property, plant and equipment	**502**	-
Investment in associate	**(2,516)**	-
Net cash outflows from investing activities	**(21,745)**	(26,353)
Cash flows from financing activities		
Loan advanced	**(126,865)**	-
Loan received	**72,000**	-
Net cash outflows from financing activities	**(54,865)**	-
Net (decrease) / increase in cash and cash equivalents	**(13,906)**	9,554
Cash and cash equivalents at the beginning of the year	**69,499**	59,945
Cash and cash equivalents at the end of the year	**55,593**	69,499

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	2019 (Audited) R'000	2018 (Audited) R'000
Share capital	**3,102**	1,200
Opening balance	**1,200**	1,200
Shares issued	**1,902**	**-**
Share premium	**6,616**	6,616
Opening balance	**6,616**	6,076
Shares issued	**-**	**-**
Share-based payment and other reserves	**4,326**	1,322
Opening balance	**1,322**	1,185
Equity-settled share-based payment	**3,058**	-
Fair value adjustment on available-for-sale investments	**-**	137
Fair value adjustment on assets held at fair value through other comprehensive income	**(32)**	-
Change in degree of control	**(22)**	-
Retained earnings	**155,114**	140,227
Opening balance	**140,227**	134,518
Profit for the year	**20,151**	5,742
Delivery of treasury shares	**1,309**	-
Change in degree of control	**(6,540)**	-
Preference dividends paid	**(33)**	(33)
Non-controlling interest	**150,407**	123,157
Opening balance	**123,157**	117,276
Profit for the year	**12,113**	5,790
Preference dividends paid	**(17)**	(17)
Delivery of treasury shares	**1,074**	-
Equity-settled share-based payment	**7,543**	-
Change in degree of control	**6,562**	-
Fair value adjustment on available-for-sale investments	**-**	108
Fair value adjustment on assets held at fair value through other comprehensive income	**(25)**	-
Total capital and reserves	**319,565**	272,522

GROUP SEGMENTAL REPORTING
for the year ended 30 June 2019

	2019 (Audited) R'000	2018 (Audited) R'000
Revenue		
Retail	**685,756**	594,194
Turnover - External	**678,873**	587,632
Finance income - External	**1,193**	2,009
Management fee income - Inter-segment	**5,443**	4,553
Profit on sale of property - External	**247**	-
Property	**22,813**	21,566
Rental income - External	**16,786**	15,700
Rental income - Inter-segment	**5,828**	5,681
Finance income - External	**199**	185
Water infrastructure	**9,469**	-
Finance income - External	**9,469**	-
Group services	**9,245**	33,021
Finance income - External	**1,407**	2,493
Finance income - Inter-segment	**5,698**	-
Dividends received - External	**27**	45
Dividends received - Inter-segment	**-**	30,000
Management fee income - Inter-segment	**1,933**	483
Profit on sale of property - External	**180**	-
Inter-segment eliminations	**(18,902)**	(40,717)
Total group revenue	**708,381**	608,064
Segment operating profit / (loss)		
Retail	**32,566**	8,171
Property	**9,553**	9,984
Water infrastructure	**(10,484)**	-
Group services	**(9,826)**	(5,387)
Total group operating profit	**21,809**	12,768
Segment net profit / (loss) after tax		
Retail	**22,780**	6,659
Property	**7,022**	7,325
Water infrastructure	**7,118**	-
Group services	**(4,656)**	(2,452)
Total group net profit / (loss) after tax	**32,264**	11,532
Depreciation and amortisation		
Retail	**19,504**	22,791
Property	**3,768**	4,046
Total group depreciation and amortisation	**23,272**	26,837
Segment assets		
Retail	**246,679**	213,844
Property	**74,243**	78,475
Water infrastructure	**153,094**	-
Group services	**12,475**	56,697
Total group assets	**486,491**	349,016
Segment liabilities		
Retail	**73,705**	67,805
Property	**12,777**	7,019
Water infrastructure	**75,383**	-
Group services	**5,061**	1,670
Total group liabilities	**166,926**	76,494
Capital expenditure		
Retail	**18,298**	22,734
Property	**1,433**	3,619
Total group capital expenditure	**19,731**	26,353

* Group services include corporate costs

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1 Summarised results

These summarised consolidated financial statements of AOE for the year ended 30 June 2019 have been extracted from audited information but have not themselves been audited nor reviewed by the group's auditors, KPMG Inc. The audited annual financial statements and the audit report are available at the company's registered office. The directors of the company take full responsibility for the preparation of the summarised condensed financial statements which have been correctly extracted from the underlying annual financial statements.

2 Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Report.

The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. Neither standards however had a material impact on these results or comparative information.

Comparative figures are regrouped or restated where necessary in accordance with current year classifications.

This report was prepared under the supervision of the financial director, WD Nel CA (SA).

3 Dividends

A dividend on the 6% cumulative participating preference shares for the six months ended 30 June 2018 in the amount of 6 cents per preference share was declared by the board of directors on 24 June 2019 and was paid on 15 July 2019. The directors have not proposed a dividend in respect of the ordinary and "N" ordinary shares.

4 Notes to the statement of financial position

4.1 Investment in associate

During the period under review the group acquired 30% of the issued share capital of SA Water Works Holding Company (RF) Proprietary Limited ("SAWW") for a nominal consideration via Ombrecorp Trading (RF) Proprietary Limited ("Ombrecorp"), a subsidiary which was acquired as a shelf company for the purpose of the investment. A total of R 125 000 000 in funding was provided to SAWW consisting of share capital of R 300 and loan funding of R 124 999 700.

SAWW was specifically incorporated in order to acquire controlling interests in two water concession businesses:
(i) Siza Water (RF) (Pty) Ltd ("Siza"); and
(ii) Silulumanzi (RF) (Pty) Ltd and SA Water Works Utilities (RF) (Pty) Ltd (collectively "Silulumanzi").

Siza conducts a water concession business operating predominantly in the municipal boundaries of the Ilembe District Municipality and surrounding areas in Kwazulu-Natal. Founded in 1998, it provides water and water services to residential, industrial and commercial consumers pursuant to a concession agreement executed between the Ilembe District Municipality and Siza.

Silulumanzi has been in existence since 1998 and conducts a water concession business, operating in the municipal boundaries of the City of Mbombela Local Municipality and the greater parts of Nelspruit and, since 1999, has provided water and water services to residential, commercial and industrial consumers pursuant to the concession agreement executed between the City of Mbombela Local Municipality and Silulumanzi.

Timeline of key dates for the investment:

• 26 September 2018: A 33.78% interest in SAWW was acquired via Ombrecorp (a wholly-owned subsidiary at the time) for a nominal value of R 125. R 41 326 850 is lent to SAWW for the acquisition of Siza. The Siza transaction closed on this date;

• 21 December 2018: A new SAWW shareholder was introduced necessitating the issuance of additional shares reducing the groups interest in SAWW from 33.78% to 15.16%. A dilution loss on investment is recognised amounting to R 14 811 423. The Silulumanzi transaction closed on this date;

• 31 December 2018: SAWW group financial year end; and

• 28 February 2019: An additional interest in SAWW is acquired for a nominal value of R 175 increasing the groups interest from 15.16% to 30%. R 10 484 414 is recognised as a gain on bargain purchase. Ombrecorp acquires R72 000 000 in funding from 27four Life Limited and utilising the funding together with own resources advances R 83 672 850 to SAWW for the acquisition of Silulumanzi. Additional Ombrecorp shares are issued resulting in the transfer of 48% of the issued shares to certain not-for-profit organisations. The group’s share in Ombrecorp reduces to 52% and the effective interest in SAWW reduces to 15.6%. The Ombrecorp share issue results in an IFRS2 equity-settled share-based payment expense amounting to R 10 514 720.

As outlined above, Ombrecorp's interest in SAWW reduced from 33.78% to 15.16% on 21 December 2018 and then later increased to 30% on 28 February 2019. Management considered the events giving rise to the changes in shareholding to be part of one indivisible transaction and in line with the purchase agreements originally entered into which also afforded certain minority protections as well as guaranteed board representation on SAWW and subsidiary boards. MA Golding and CL Lloyd currently occupy these board positions. As a result, the investment in SAWW was therefore consistently accounted for as an investment in associate throughout the financial year.

Refer to SENS announcements issued by Rex Trueform Group Limited on 28 September 2018, 24 January 2019 and 25 February 2019 for further detailed information.

4.2 Inventory

Inventories increased in line with the increased store foot print and the strategic acceleration of new store roll outs in conjunction with a drive to increase turnover per store.

5 Events subsequent to the reporting date

No events material to the understanding of the condensed consolidated preliminary financial statements have occurred between the financial year-end and the date hereof.

COMMENTARY

The principal operating subsidiary, Rex Trueform Group Limited reports as follows:

"**Group profile**

Rex Trueform is an investment holding company and is currently invested in retail, property and water infrastructure. Its interest in retail is through its wholly-owned subsidiary company, Queenspark Proprietary Limited ("Queenspark"), and its subsidiary. Rex Trueform's interest in property includes direct property ownership as well as indirect property investment through a subsidiary. Rex Trueform's investment in water infrastructure is through its subsidiary, Ombrecorp, and its investment in SAWW. During the prior period, Rex Trueform changed its name from Rex Trueform Clothing Company Limited to Rex Trueform Group Limited to better reflect the diverse nature of its business.

The group managed to secure a solid performance for the financial year under review amidst a challenging and unpredictable economic environment. Revenue, mainly driven by the retail segment, increased by 16.4% to R708.4 million (2018: R608.5 million). Other income included in revenue, which mainly comprises of rental income, increased by 6.0%. Finance income included in revenue increased by 165.3% to R12.3 million (2018: R4.6 million) due to loan funding granted to an associate entity.

The improved performance resulted in operating profit increasing by 77.4% to R25.0 million (2018: R14.1 million). Profit after tax increased by 176.8% to R35.5 million (2018: R12.8 million) resulting in earnings per share increasing by 232.4% to 206.4 cents per share (2018: 62.1 cents per share). Headline earnings per share increased by 17.5 to 73.1 cents per share (2018: 62.2 cents per share) due to certain once off items emanating from the groups investment in SAWW.

The group's capital and reserves increased by R48.4 million to R320.9 million (2018: R272.5 million). Net asset value per share increased by 14.09% to R15.06 (2018: R13.20).

Retail

The Queenspark store growth strategy progressed well with the opening of eight new stores and the closure of one in the period bringing the total number of walk-in stores in South Africa and Namibia to seventy-seven, excluding one franchise store in Kenya. Where feasible and the risk of cannibalisation is low, Queenspark continues to introduce new brands to complement the existing ranges.

Retail segment turnover increased by 15.5% to R678.9 million (2018: R587.6 million). Discounting and increased promotional activity negatively impacted the gross profit margin which decreased to 52.6% (2018: 54.4%). Despite the decrease in the gross profit margin, increased sales volumes drove gross profit upward by 9.7% to R357.1 million (2018: R319.9 million). The group continued to focus on containing trading costs, this was evident by the subdued increase in operating costs which increased by 4.4% to R330.2 million (2018: R316.3 million). Employee costs, occupancy costs, other trading costs and depreciation all decreased year on year as a percentage of turnover. Operating profit for the segment increased by 298.6% to R32.6 million (2018: R8.2 million).

Property

The Rex Trueform Office Park complex in Salt River is the main income generating operation within the group's property segment. There are a further two undeveloped properties in the Salt River precinct: one has heritage significance and the other is vacant land. One further property is situated in the Wynberg precinct in Cape Town and is leased to Queenspark as a distribution centre

Property segment revenue increased 5.8% to R22.8 million (2018: R21.6 million). Operating profit decreased by 4.3% to R9.6 million (2018: R10 million) due to above-inflation increases in operating and inter-segment costs.

Water infrastructure

The investment in water infrastructure was made during the period under review and contributed R7.1 million to the profit of the group. Please refer to note 4.1 to the results for further details of the acquisition.

Group services

During the year, the group concluded its first new investment in line with its diversification and growth strategy, the details of which are outlined in note 4.1. The equity-accounted investment contributed R7.1 million to after tax earnings for the financial year.

Prospects

Retail

Difficult trading conditions is expected to continue over the short to medium-term. The Queenspark team is focused on the task at hand and capable of tackling the challenges that lie ahead. Queenspark continually evaluates both existing and new brands with the intention of providing customers with a portfolio which caters for all their needs. Coupled with a consistent strategy of paying stringent attention to the efficiency of cost centres; right sizing stores and maximizing space utilization Queenspark continues to make headway in understanding the evolving requirements of a retail enterprise engaging a diverse customer profile. Fresh opportunities to roll out new stores and to take advantage of a tenant friendly property environment remain key to ensuring growth which, even in challenging times, is a key component of the group's business resolve.

Property

The commercial property sector is facing challenging economic times. This is evidenced by the disappointing financial results in the listed property sector. Notwithstanding this, the Salt River and Woodstock nodes have seen a remarkable rejuvenation over the last decade as many seek to live and work closer to the Cape Town CBD. The rejuvenation has been aided by the fact that the area falls within a designated Urban Development Zone (UDZ) resulting in attractive tax benefits for developers. Many old buildings (predominantly redundant factories) have been revamped into mixed-use developments. With the current property portfolio, the group is well positioned to both contribute and benefit from future development in the area. Given the large capital outlay required and long term nature of any property development, the group continues to seek opportunities that will yield a satisfactory return on any capital employed.

Water infrastructure

Our recent investment into water infrastructure sector was not only an important milestone in the diversification of the group. The sustainable management of the country's water resources is inextricably linked to the macro economy. A combination of poor infrastructure, mismanagement of state funds, lack of accountability and low rainfall patterns have seen the increased prevalence of drought-stricken areas across the country. Together with our consortium partners and the skills and experience inherent in the SAWW group, we are ready to play a key role in water security across the country. The SAWW group's operating subsidiaries are performing optimally and are successful working examples of private-public partnerships within the water infrastructure sector

MR Molosiwa
(Chairman)

MA Golding
(Chief Executive Officer)

Cape Town
30 September 2019

JSE share codes: AOO - AON - AOVP **ISIN:** ZAE000000485 - ZAE000009718 - ZAE000000493

Directors: MR Molosiwa* (Chairman), MA Golding (Chief Executive Officer), WD Nel (Financial Director), HB Roberts*, PM Naylor*, LK Sebatane*

*Independent non-executive
CEA Radowsky resigned as the Chief Executive Officer of the company with effect from 31 August 2018. MA Golding was appointed the Chief Executive Officer of the company with effect from 3 September 2018.

Registered office: 263 Victoria Road, Salt River, Cape Town, 7925

Company secretary: AT Snitcher

Transfer secretaries: Computershare Investor Services Proprietary Limited; Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Sponsor: Java Capital
Websites: www.queenspark.com - www.rextrueform.com