

African and Overseas Enterprises Limited

JSE share codes: AOO - AON - AOVF ISIN: ZAE000000485 - ZAE000009718 - ZAE0000000493

(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 2020

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2020

	YoY change	2020 (Audited) R'000	2019 (Audited) R'000
Revenue	(11.9%)	624,083	708,381
Turnover	(14.7%)	578,746	678,873
Cost of sales		(302,349)	(321,767)
Gross profit	(22.6%)	276,397	357,106
Other income	30.9%	22,538	17,213
Other operating costs	6.6%	(375,600)	(352,510)
Operating (loss) / profit	(451.5%)	(76,665)	21,809
Dividend income		29	27
Finance income		22,770	12,268
Finance costs		(45,114)	(3,325)
Share of (loss) / profit of associate, including gain on bargain purchase		(4,473)	30,901
Dilution loss on investment in associate		-	(14,811)
(Loss) / profit before tax	(320.7%)	(103,453)	46,869
Income tax		26,183	(14,605)
(Loss) / profit for the period	(339.5%)	(77,270)	32,264
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Fair value adjustment on assets held at fair value through other comprehensive income		44	(57)
Other comprehensive income for the year, net of taxation		44	(57)
Total comprehensive income for the year		(77,226)	32,207
(Loss) / profit attributable to:			
Ordinary and "N" ordinary shareholders of the parent		(42,790)	20,118
Preference shareholders		33	33
(Loss) / profit attributable to equity holders of the parent		(42,757)	20,151
Non-controlling interest		(34,513)	12,113
(Loss) / profit for the year		(77,270)	32,264
Total comprehensive income attributable to:			
Ordinary and "N" ordinary shareholders of the parent		(42,767)	20,086
Preference shareholders		33	33
(Loss) / profit attributable to equity holders of the parent		(42,734)	20,119
Non-controlling interest		(34,492)	12,088
Total comprehensive income for the year		(77,226)	32,207
Reconciliation of headline (loss) / earnings			
(Loss) / profit attributable to ordinary and "N" ordinary shareholders		(42,790)	20,118
Adjusted for:			
Profit from disposal of property, plant and equipment, net of taxation		(4)	(172)
Impairment on right-of-use asset		30,751	-
Dilution loss on investment in associate		-	8,133
Gain from bargain purchase on investment in associate		-	(5,757)
Non-headline earnings of associate		-	(17,300)
Gain from bargain purchase of investment		-	(17,300)
(Profit) / Loss from disposal of property, plant and equipment, net of taxation		(1)	1
Headline (loss) / earnings		(12,044)	5,023
Basic (loss) / earnings per ordinary share (cents)	(311.5%)	(373.7)	176.7
Headline (loss) / earnings per ordinary share (cents)	(338.5%)	(105.2)	44.1
Diluted (loss) / earnings per ordinary share (cents)	(310.8%)	(372.3)	176.6
Diluted headline (loss) / earnings per ordinary share (cents)	(337.6%)	(104.8)	44.1
Weighted average number of equity shares on which earnings per share is based (000's)		11,450	11,388
Weighted average number of equity shares on which diluted earnings per share is based (000's)		11,492	11,390

KEY RATIOS

Gross profit margin	%	47.8	52.6
Retail operating costs to turnover	%	62.8	48.8
Other operating costs to revenue	%	60.2	49.8
Operating profit margin	%	(13.2)	3.2
Retail segment operating profit margin	%	(14.3)	4.8
Net profit after tax margin	%	(13.4)	4.8

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

		2020 (Audited) R'000	2019 (Audited) R'000
	Notes		
ASSETS			
Non current assets		566,544	307,917
Property, plant and equipment		58,517	62,386
Investment property		63,242	65,679
Intangible assets		18,530	20,764
Right-of-use asset	6	235,488	-
Investment in associate	4	153,386	153,066
Other investments		818	762
Loan receivable		967	1,874
Deferred tax asset		35,596	3,386
Current assets		217,076	178,574
Inventories		111,680	100,637
Loan to associate	4	15,166	-
Trade and other receivables		11,127	20,634
Income tax receivable		5,670	6
Accrued operating lease asset		809	1,704
Cash and cash equivalents		72,624	55,593
Total assets		783,620	486,491
EQUITY AND LIABILITIES			
Capital and reserves		251,260	319,565
Share capital		3,629	3,102
Share premium		6,616	6,616
Share-based payment reserve		4,157	2,926
Other reserves		1,419	1,400
Retained earnings		114,232	155,114
Non-controlling interest		121,207	150,407
Non current liabilities		378,849	98,005
Lease liability	6	291,124	-
Post-retirement liability		654	730
Accrued operating lease liability		-	13,444
Loan payable		74,762	75,200
Deferred tax liability		12,309	8,631
Current liabilities		153,511	68,921
Lease liability	6	60,868	-
Trade and other payables		83,966	54,103
Provisions		1,252	8,761
Accrued operating lease liability		-	5,070
Loan payable		7,425	-
Forward exchange contracts		-	294
Income tax payable		-	693
Total equity and liabilities		783,620	486,491
OTHER INFORMATION AND KEY RATIOS			
Capital commitments			
Authorised - not contracted for	R'000	3,413	13,779
Authorised - contracted for	R'000	189	16,835
Return on equity	%	(15.0)	6.8
Return on capital	%	(20.4)	17.0
Return on assets	%	(9.2)	12.9
Inventory turn	times	2.8	3.3
Asset turn	times	0.9	1.6
Net asset value per share	R	11.07	14.43

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2020

	2020 (Audited) R'000	2019 (Audited) R'000
Cash flows from operating activities		
Operating profit before working capital changes	114,960	63,069
Working capital changes	15,449	7,459
Interest received	7,560	2,799
Interest paid	(38,127)	(125)
Dividends paid	(50)	(50)
Dividends received	29	27
Income tax paid	(8,719)	(10,475)
Net cash inflows from operating activities	91,102	62,704
Additions to property, plant, equipment and investment property	(16,115)	(18,537)
Additions to intangible assets	(1,379)	(1,194)
Proceeds from disposal of property, plant and equipment	10	502
Loan advanced / (repaid) ¹	908	(126,865)
Investment in associate	-	(2,516)
Net cash outflows from investing activities	(16,576)	(148,610)
Cash flows from financing activities		
Loan received	-	72,000
Lease liabilities repaid	(57,495)	-
Net cash outflows from financing activities	(57,495)	72,000
Net increase / (decrease) in cash and cash equivalents	17,031	(13,906)
Cash and cash equivalents at the beginning of the year	55,593	69,499
Cash and cash equivalents at the end of the year	72,624	55,593

¹ The prior year outflows relating to loans advanced amounting to R126 865 492 have been presented as investing activities whereas these amounts were incorrectly presented as financing activities in the prior year.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	2020 (Audited) R'000	2019 (Audited) R'000
Share capital	3,629	3,102
Opening balance	3,102	1,200
Shares issued	527	1,902
Share premium	6,616	6,616
Opening balance	6,616	6,616
Share-based payment and other reserves	5,576	4,326
Opening balance	4,326	1,322
Equity-settled share-based payment	1,245	3,058
Fair value adjustment on assets held at fair value through other comprehensive income	23	(32)
Change in degree of control	(18)	(22)
Retained earnings	114,232	155,114
Opening balance	155,114	140,227
(Loss) / profit for the year	(42,757)	20,151
Delivery of treasury shares	796	1,309
Equity-settled share-based payment	264	-
Other retained income of associate	1,349	-
Change in degree of control	(501)	(6,540)
Preference dividends paid	(33)	(33)
Non-controlling interest	121,207	150,407
Opening balance	150,407	123,157
(Loss) / profit for the year	(34,513)	12,113
Preference dividends paid	(17)	(17)
Delivery of treasury shares	662	1,074
Equity-settled share-based payment	727	7,543
Other retained income of associate	3,401	-
Change in degree of control	519	6,562
Fair value adjustment on assets held at fair value through other comprehensive income	21	(25)
Total capital and reserves	251,260	319,565

GROUP SEGMENTAL REPORTING
for the year ended 30 June 2020

	2020 (Audited) R'000	2019 (Audited) R'000
Revenue		
Retail	583,272	685,756
Turnover - External	578,746	678,873
Finance income - External	1,671	1,193
Management fee income - Inter-segment	2,845	5,443
Profit on sale of assets - External	10	247
Property	25,196	22,813
Rental income - External	19,337	16,786
Rental income - Inter-segment	5,708	5,828
Finance income - External	151	199
Water infrastructure	23,175	9,469
Finance income - External	20,134	9,469
Management fee income - External	3,041	-
Group services	16,480	9,245
Finance income - External	814	1,407
Finance income - Inter-segment	8,713	5,698
Dividends received - External	29	27
Dividends received - Inter-segment	3,000	-
Management fee income - External	150	-
Management fee income - Inter-segment	3,774	1,933
Profit on sale of property - External	-	180
Inter-segment eliminations	(24,040)	(18,902)
Total group revenue	624,083	708,381
Segment operating (loss) / profit		
Retail	(82,810)	32,566
Property	14,204	9,553
Water infrastructure	(150)	(10,484)
Group services *	(7,909)	(9,826)
Total group operating (loss) / profit	(76,665)	21,809
Segment net (loss) / profit after tax		
Retail	(86,686)	22,780
Property	10,334	7,022
Water infrastructure	(1,799)	7,118
Group services *	881	(4,656)
Total group net (loss) / profit after tax	(77,270)	32,264
Depreciation and amortisation		
Retail	97,296	19,504
Property	3,194	3,768
Total group depreciation and amortisation	100,490	23,272
Impairment		
Retail	77,439	-
Total group impairment	77,439	-
Segment assets		
Retail	511,868	246,679
Property	71,537	74,243
Water infrastructure	169,142	153,094
Group services	31,073	12,475
Total group assets	783,620	486,491
Segment liabilities		
Retail	427,741	73,705
Property	20,952	12,777
Water infrastructure	82,237	75,383
Group services	1,430	5,061
Total group liabilities	532,360	166,926
Capital expenditure		
Retail	17,101	18,298
Property	392	1,433
Total group capital expenditure	17,493	19,731

* Group services include corporate costs.

Geographical segments

Revenue		
South Africa	619,121	702,507
Namibia	12,981	15,286
Inter-segment eliminations	(8,019)	(9,412)
Total group revenue	624,083	708,381
Segment assets		
South Africa	780,438	482,315
Namibia	3,182	4,176
Total group assets	783,620	486,491
Segment liabilities		
South Africa	528,867	165,763
Namibia	3,493	1,163
Total group liabilities	532,360	166,926

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1 Summarised results

These summarised consolidated financial statements of AOE for the year ended 30 June 2020 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 unmodified audit report are available at the company's registered office and on the company's website at www.rextrueform.com. 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 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 Reporting.

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 16 Leases.

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

3 Dividends

A dividend on the 6% cumulative preference shares for the six months ended 30 June 2020 in the amount of 6 cents per share was declared by the board of directors on 22 June 2020 and was paid on 13 July 2020. The directors have not proposed a dividend in respect of the ordinary and 'N' ordinary shares.

4 Investment in associate

	2020 (Audited) R'000	2019 (Audited) R'000
Carrying value at the beginning of the year	18,606	-
Investment at cost	-	2,516
Equity accounted movements in reserves	4,749	-
Equity accounted earnings	(4,473)	20,417
Dilution loss on investment in associate	-	(14,811)
Gain from bargain purchase on investment in associate	-	10,484
Carrying value at the end of the year	18,882	18,606
Loan to associate company - Non-current	134,504	134,460
Loan to associate company - Current	15,166	-
Total	168,552	153,066
Included in Non-current assets	153,386	153,066
Included in Current assets	15,166	-
	168,552	153,066

Ombrecorp Trading (RF) Proprietary Limited, a subsidiary of the group, provided loan funding to SA Water Works Holding Company (RF) Proprietary Limited in the prior year. The loan is unsecured and bears interest at prime plus 5%. The loan is repaid as and when cash resources are available, on a bi-annual basis from distributions received from the underlying operating subsidiaries of the associate. The short term portion of the loan reflects loan repayments received in July 2020. Loan repayments are linked to dividend distributions from the underlying operating subsidiary companies of SA Water Works Holding Company (RF) Proprietary Limited and is subject to board resolution. Ombrecorp Trading (RF) Proprietary Limited has two representatives on the board of directors of SA Water Works Holding Company (RF) Proprietary Limited, and its subsidiaries. No further loan repayments are planned for the next twelve months other than those made in July 2020. The balance of the loan is therefore considered to be long term in nature. Extensive due diligence and independent valuations were conducted on the underlying operating subsidiaries of the associate prior to the group entering into the transaction. The performance of the operations are monitored against expected targets and management plays an active role in managing the investment via board representation on all controlled entities within the investment's group structure.

The independent valuation used to assess the recoverability of the investment was based on the underlying subsidiary companies that are party to the water concessions, which is Siza and Silulumanzi. The valuation was calculated using the discounted dividend model for the remaining period of the water concessions. The discount rate used was based on an independently calculated cost of equity. A liquidity and marketability discount was also calculated and applied to the discounted cash flow value. Based on an independent valuation and the solvency, liquidity and performance of the underlying operations, management is satisfied that the investment (including the loan receivable) is recoverable and no impairment thereof is necessary.

5 Events subsequent to the reporting date

Ombrecorp Trading (RF) Proprietary Limited received a loan repayment of R 15 165 632 on 23 July 2020 of which R 7 740 538 remained within the group. The remainder will be utilised to discharge loan repayment obligations to 27four Life Limited.

On 28 August 2020, Ombrecorp Trading (RF) Proprietary Limited concluded an agreement to acquire an additional effective interest of 0.79% in SA Water Works Holding Company (RF) Proprietary Limited. The purchase consideration amounted to R421 007 and was settled on 1 September 2020.

The group received credit notes for short-term rent concessions in the amount of R14 259 640 post year-end.

Subsequent to the reporting date, countrywide COVID-19 lockdown restrictions were lifted to level 1 meaning that most normal activity can resume provided that all health and safety protocols, including observance of guidelines for social distancing, sanitation and hygiene, and use of appropriate personal protective equipment, are followed at all times. There is a risk that if the infection rate increases to unacceptable levels that this will lead to an increase in the COVID-19 alert level. The uncertainty around COVID-19 is expected to continue into the foreseeable future. The group is adhering to all required protocols and is committed to trading through these challenging times.

There is no other matter or circumstance which is material to the financial affairs of the company, which has occurred between 30 June 2020 and the date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

6 Changes in accounting policies

The adoption of certain new standards, which became effective in the current period, has resulted in minor changes to accounting policies and disclosure, none of which have a material impact on the financial position or performance of the group, except as disclosed below.

Standards effective and adopted in the current year

IFRS 16 Leases

IFRS 16 Leases ("IFRS 16") is effective for the group from 1 July 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases ("IAS 17"), and requires lessees to recognise right-of-use assets and lease liabilities on the statement of financial position for all leases, except short-term and low value asset leases.

Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liabilities, plus any initial direct costs incurred, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight line basis over the lease term. The group determined the lease term as any non-cancellable period of a lease together with reasonably certain termination or extension option periods. Right-of-use assets are tested for impairment when there are any indicators of impairment and periodically reduced by impairment losses, if required.

Lease liabilities are initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate taking into account future basic lease payments. Incremental borrowing rates are based on the prime lending rate and a credit risk adjustment.

Lease liabilities are subsequently measured at amortised cost using the effective interest method, and reduced by future lease payments net of interest charged. It is remeasured, with a corresponding adjustment to right-of-use assets, when there is a change in future lease payments resulting from a rent review, change in relevant index or rate, such as inflation, or change in the group's assessment of whether it is reasonably certain to exercise a renewal or termination option.

The remeasurement results in a corresponding adjustment to the carrying amount of right-of-use assets, with the difference recorded in profit or loss if the carrying amount of right-of-use assets has been reduced to zero.

Variable lease payments that do not depend on an index or rate are not included in the measurement of right-of-use assets and lease liabilities. These related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur.

The group has adopted IFRS 16 using the modified retrospective approach. The adopted approach resulted in no change to opening equity. At the date of initial application, the group elected to use the practical expedient provided by IFRS 16, which allows the group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. In addition the group has elected to apply the following practical expedients provided by IFRS 16:

- Management has followed the portfolio approach and categorised leases in three portfolios being metro, town and township in determining the discount rate to be used;
- Excluded initial direct costs from measuring right-of-use assets at the transition date;
- Renewal and termination options that existed at 1 July 2019 were taken into account in determining the lease term;
- The group also elected to apply the short-term lease expedients.

When measuring lease liabilities on transition to IFRS 16, the group discounted its lease payments using the following rates:

Metro - prime
Town - prime + 0.5%
Township - prime + 1.0%

At transition date, the adoption of IFRS 16 for the group resulted in the recognition of right-of-use assets to the value of R310 766 105 and lease liabilities of R333 304 525. This, together with the derecognition of accrued operating lease liabilities of R18 513 035, the derecognition of an onerous lease provision of R2 560 468 and the derecognition of deferred income related to landlord contributions of R1 464 917 resulted in no adjustment to retained income on transition date.

An amendment to IFRS 16 Leases was issued on 28 May 2020 which exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021. The group has elected to apply this expedient in the current financial year.

The amendment is effective 1 June 2020, with early adoption applicable and thus lessees can apply the amendment immediately in any financial statements not yet authorised for issue. The group has early adopted this amendment in the current financial year. This has resulted in any rent concession as a direct result of COVID-19 not being treated as lease modifications but rather as a credit to the income statement where it meets criteria per paragraph 46B of IFRS 16. The amount credited to the income statement amounted to R1 530 236.

Comparative information has not been restated and has been reported under IAS 17. To provide more a meaningful comparison of the current period's financial performance with the prior period, the current period has been adjusted to illustrate the impact should IFRS 16 not have been applied. Refer to note 7.1.

	2020 (Audited) R'000	2019 (Audited) R'000
Reconciliation of Lease liability		
Fixed-term store leases		
At the beginning of the year	-	-
Recognition of lease liability on initial application of IFRS 16	333,305	-
New leases	81,455	-
Lease cancellations	(5,273)	-
Finance cost	35,617	-
Finance cost paid	(35,617)	-
Capital repaid	(57,495)	-
At the end of the year	351,992	-
Included in Non-current liabilities	291,124	-
Included in Current liabilities	60,868	-
	351,992	-

7 Pro forma financial information
7.1 Excluding the impact of IFRS 16

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change (like for like)	2020 (Audited) R'000	Adjustments 2020 (Unaudited) R'000	Pro forma under IAS 17 2020 (Unaudited) R'000	2019 (Audited) R'000
Revenue		624,083	-	624,083	708,381
Turnover		578,746	-	578,746	678,873
Cost of sales		(302,349)	-	(302,349)	(321,767)
Gross profit		276,397	-	276,397	357,106
Other income		22,538	-	22,538	17,213
Other operating costs		(375,600)	(17,678)	(393,278)	(352,510)
Operating (loss) / profit		(76,665)	(17,678)	(94,343)	21,809
Dividend income		29	-	29	27
Finance income		22,770	-	22,770	12,268
Finance costs		(45,114)	35,617	(9,497)	(3,325)
Share of (loss) / profit of associate, including gain on bargain purchase		(4,473)	-	(4,473)	30,901
Dilution loss on investment in associate		-	-	-	(14,811)
(Loss) / profit before tax		(103,453)	17,939	(85,514)	46,869
Income tax		26,183	(4,991)	21,192	(14,605)
(Loss) / profit for the period		(77,270)	12,948	(64,322)	32,264
Other comprehensive income:					
Items that are or may be subsequently reclassified to profit or loss					
Fair value adjustment on assets held at fair value through other comprehensive income		44	-	44	(57)
Other comprehensive income for the year, net of taxation		44	-	44	(57)
Total comprehensive income for the year		(77,226)	12,948	(64,278)	32,207
(Loss) / profit attributable to:					
Ordinary and "N" ordinary shareholders of the parent		(42,790)	7,072	(35,718)	20,118
Preference shareholders		33	-	33	33
(Loss) / profit attributable to equity holders of the parent		(42,757)	7,072	(35,685)	20,151
Non-controlling interest		(34,513)	5,876	(28,637)	12,113
(Loss) / profit for the period		(77,270)	12,948	(64,322)	32,264
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders of the parent		(42,767)	7,072	(35,695)	20,086
Preference shareholders		33	-	33	33
(Loss) / profit attributable to equity holders of the parent		(42,734)	7,072	(35,662)	20,119
Non-controlling interest		(34,492)	5,876	(28,616)	12,088
Total comprehensive income for the period		(77,226)	12,948	(64,278)	32,207
Reconciliation of headline (loss) / earnings					
(Loss) / profit attributable to Ordinary and "N" ordinary shareholders		(42,790)	7,072	(35,718)	20,118
Adjusted for:					
Profit from disposal of property, plant and equipment, net of taxation		(4)	-	(4)	(172)
Impairment on right-of-use asset		30,751	(30,751)	-	-
Dilution loss on investment in associate		-	-	-	8,133
Gain from bargain purchase of investment in associate		-	-	-	(5,757)
Non-headline earnings items included in earnings from associate		-	-	-	(17,300)
Gain from bargain purchase of investment		-	-	-	-
Profit from disposal of property, plant and equipment, net of taxation		(1)	-	(1)	1
Headline (loss) / earnings		(12,044)	(23,679)	(35,723)	5,023
Basic (loss) / earnings per ordinary share (cents)	(276.5%)	(373.7)		(311.9)	176.7
Headline (loss) / earnings per ordinary share (cents)	(807.5%)	(105.2)		(312.0)	44.1
Diluted (loss) / earnings per ordinary share (cents)	(276.0%)	(372.3)		(310.8)	176.6
Diluted headline (loss) / earnings per ordinary share (cents)	(805.0%)	(104.8)		(310.9)	44.1
Weighted average number of equity shares on which earnings per share is based (000's)					
		11,450		11,450	11,388
Weighted average number of equity shares on which diluted earnings per share is based (000's)					
		11,492		11,492	11,390
KEY RATIOS					
Gross profit margin	%	47.8		47.8	52.6
Retail operating costs to turnover	%	62.8		65.9	48.8
Other operating costs to revenue	%	60.2		63.0	49.8
Operating profit margin	%	(13.2)		(16.3)	3.2
Retail segment operating profit margin	%	(14.3)		(17.4)	4.8
Net profit after tax margin	%	(13.4)		(11.1)	4.8

7 Pro forma financial information (continued)
7.1 Excluding the impact of IFRS 16 (continued)

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Adjustments	Pro forma	
	2020	2020	under IAS 17	2019
	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	R'000	R'000	R'000	R'000
ASSETS				
Right-of-use asset	235,488	(235,488)	-	-
Deferred tax asset	35,596	(4,991)	30,605	3,386
Total assets	783,620	(240,479)	543,141	486,491
EQUITY AND LIABILITIES				
Capital and reserves	251,260	12,948	264,208	319,565
Retained earnings	114,232	7,072	121,304	155,114
Non-controlling interest	121,207	5,876	127,083	150,407
Non-current liabilities	378,849	(230,384)	148,465	98,005
Lease liability	291,124	(291,124)	-	-
Provisions	-	50,674	50,674	-
Accrued operating lease liability	-	10,066	10,066	13,444
Current liabilities	153,511	(23,043)	130,468	68,921
Lease liability	60,868	(60,868)	-	-
Provisions	1,252	26,765	28,017	8,761
Trade and other payables	83,966	2,778	86,744	54,103
Accrued operating lease liability	-	8,282	8,282	5,070
Total equity and liabilities	783,620	(240,479)	543,141	486,491

OTHER INFORMATION AND KEY RATIOS

Return on equity	%	(15.0)	(12.2)	6.8
Return on capital	%	(20.4)	(26.0)	17.0
Return on assets	%	(9.2)	(14.8)	12.9
Inventory turn	times	2.8	2.8	3.3
Asset turn	times	0.9	1.1	1.6
Net asset value per share	R	11.07	11.57	14.43

PRO FORMA RETAIL SEGMENT REPORT

		Adjustments	Pro forma	
	%	2020	under IAS 17	2019
	Change	(Audited)	(Unaudited)	(Audited)
	(like for like)	R'000	R'000	R'000
Segment operating (loss) / profit	(408.6%)	(82,810)	(17,678)	(100,488)
Segment net (loss) / profit after tax	(423.7%)	(86,686)	12,948	(73,738)
Depreciation and amortisation	(379.9%)	97,296	(151,895)	(54,599)
Segment assets	10.0%	511,868	(240,479)	271,389
Segment liabilities	136.5%	427,741	(253,427)	174,314

7.2 Notes to the pro forma financial information

The pro forma financial information, which is the responsibility of the group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information.

The accounting policies adopted by the group in the latest Annual Financial Statements for the period ended 30 June 2019, which have been prepared in accordance with IFRS, have been used in preparing the pro forma financial information.

The pro forma financial information is derived by excluding IFRS 16 adjustments and including IAS 17 adjustments. The adjustments made relate to the reversal of the depreciation of right-of-use assets of R74 456 000, the reversal of finance costs of R35 617 661 relating to the amortisation of lease liabilities, and a lease cancellation gain of R1 395 331. Occupancy costs of R93 112 458 have been included to reflect the accounting for leases under IAS 17 had the standard still been in effect from 1 July 2019, with an adjustment for the unwinding of unfavourable leases and lease smoothing in the amount of R2 373 128. Right-of-use assets impairment of R77 438 885 has been reclassified to occupancy costs as an onerous lease expense under IAS 17, adjusted within Headline earnings at R30 750 500, net of tax and non-controlling interest. All information has been extracted from the group's accounting records.

The calculation of earnings per share, headline earnings per share and other share measures for the pro forma information is based on the weighted average number of shares in issue for the year ended 30 June 2020.

These accounts have been prepared on the basis stated, for illustrative purposes only, to show the impact of the IFRS 16 adjustments on the unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated statement of financial position, the unaudited interim retail segment report and selected key ratios. Due to their nature, the pro forma financial information may not fairly present the financial position and the results of the group in terms of IFRS.

The pro forma financial information has not been reviewed or reported on by the group's external auditors.

COMMENTARY

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

"Financial review

Adoption of IFRS 16: The statutory results for this period include the first time adoption of IFRS 16 on a modified retrospective basis, with no restatement of the prior period reported results. The key financial metrics reflect the results on both a post and pre IFRS 16 basis; however, to aid comparability, the commentary that follows excludes the impact of IFRS 16.

The financial year under review was very challenging for the group. The South African economy was already in a technical recession before the State of Disaster which commenced on 15 March 2020. Once the hard lockdown commenced on 27 March 2020 the primary objective of the group was to ensure the safety and well being of employees and customers. The secondary objective was to ensure cash preservation and liquidity so that the group has the ability to trade through this difficult period as well as the preservation of jobs across all business segments.

As a consequence of the unprecedented trading conditions, group revenue decreased by 11.9% to R624.2 million (2019: R708.4 million), mainly due to a decrease in retail segment turnover. Other income included in revenue, comprising of rental income, increased by 30.9%. Finance income included in revenue increased by 87.0% to R22.9 million (2019: R12.3 million).

The group suffered an operating loss of R92.3 million in the current year compared to an operating profit of R25.0 million in the prior year. The net loss after tax was R62.1 million (2019: net profit after tax of R35.5 million) resulting in a loss per share of 295.0 cents (2019: earnings per share of 206.4 cents). Headline loss per share was 295.1 cents (2019: headline earnings per share of 73.1 cents). Refer to the reconciliation of headline earnings in note 7.1 for reasons for the movement between earnings per share and headline earnings per share.

The group's capital and reserves decreased by R54.3 million to R266.6 million (2019: R320.9 million). Net asset value per share decreased by 18.2% to R12.32 (2019: R15.06).

Retail

Prior to the government imposed lockdown, the Queenspark store growth strategy was progressing satisfactorily. Six (6) new stores were opened during the period bringing the total number of walk-in stores in South Africa and Namibia to eighty-three (83).

Under the level 5 lockdown period, 27 March 2020 to 30 April 2020, no retail clothing sales were allowed. Lost turnover over this period is estimated to be at least R57 million. Limited trade was allowed from 1 May 2020 under level 4 restrictions and full trade was allowed from 1 June 2020 under level 3 restrictions. The overall negative impact on turnover for the period through to 30 June 2020 is estimated to be at least R135 million.

As a consequence of the trading environment in the last quarter of the financial year, retail segment turnover decreased by 14.7% to R578.7 million (2019 R678.9 million). Extraordinary discounting and promotional activity negatively impacted the gross profit margin which decreased to 47.8% (2019: 52.6%). This resulted in gross profit decreasing by 22.6% to R276.4 million (2019: R357.1 million). Operating costs increased by 15.0% to R379.7 million (2019: R330.2 million). The segment realised an operating loss of R100.5 million (2019: profit of R32.6 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.

The property segment saw minimal impact as a result of COVID-19 lockdown regulations. Some rental relief was granted to tenants who were worst affected but the majority of tenants were able to operate throughout all levels of the government imposed lockdown. Revenue increased by 10.4% to R25.2 million (2019: R22.8 million) resulting in operating profit for the segment increasing by 48.7% to R14.2 million (2019: R9.6 million).

Water infrastructure

Whilst the equity-accounted investment contributed a loss of R1.8 million (2019: R7.1 million profit) to after tax earnings it positively contributed to the groups cash reserves for the financial year. The underlying operating subsidiaries are profitable and cash generative. The water and sanitation sector proved to be resilient during the COVID-19 lockdown period and is vital in maintaining hygiene and preventing the further spread of COVID-19. This segment of the group therefore did not experience a significant negative COVID-19 impact.

Group services

The net cost of group services decreased by 11.6% to R5.9 million (2019: R6.7 million).

Outlook

The retail business segment is focused on the challenges and opportunities that lie ahead in the post COVID-19 lockdown trading environment. Ecommerce has emerged as a vital sales channel in the retail environment. Queenspark launched its own ecommerce platform in June 2020 and will be a key part of the retail strategy moving forward. Existing and new brands will be continually assessed with the intention of providing customers with a portfolio which caters for their changing needs during this time. Cash preservation, liquidity and business continuity will continue to be a top priority.

The groups' property assets will undoubtedly be impacted by changes in tenant's space requirements necessitated by social distancing and the advent of remote working. The tenant base proved to be resilient during the period of the lockdown. With respect to undeveloped properties, the group will continue to seek opportunities that will yield a satisfactory return on any capital employed taking into consideration the large capital requirements and the long term nature of any property development.

COMMENTARY (continued)

The group's water assets are performing and are successful working examples of private-public partnerships within the water and sanitation sector. South Africa is classified as a water-stressed country and can not afford a water crisis. It is therefore of utmost importance that water security is ensured across the country. SAWW, with its skills and experience, is ready to play a key role in meeting this objective in the sector.

Notwithstanding the current trading conditions and many uncertainties which lie ahead, the group will strive to achieve reasonable targets within current operations. We will also continue to utilise our entrepreneurial flexibility to seek opportunities in other sectors of the economy and by doing so further diversify our portfolio of investments.

References to future financial performance has not been reviewed or reported on by the group's external auditors and does not constitute an earnings forecast."

MR Molosiwa
(Chairman)

MA Golding
(Chief Executive Officer)

Cape Town
29 October 2020

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

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Transfer secretaries: Computershare Investor Services Proprietary Limited; Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Sponsor: Java Capital

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