Rex Trueform Group Limited

JSE share codes: RTO - RTN - RTOP **ISIN:** ZAE000250387 – ZAE000250395 – ZAE000250403

(Incorporated in the Republic of South Africa - Registration Number: 1937/009839/06)

("Rex Trueform" 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%)	**624,244**	708,374
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	6.9%	**(373,572)**	(349,340)
Operating (loss) / profit	(398.8%)	**(74,637)**	24,979
Dividend income		**29**	27
Finance income	87.0%	**22,931**	12,261
Finance costs		**(45,056)**	(3,266)
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	(302.0%)	**(101,206)**	50,091
Income tax		**26,183**	(14,604)
(Loss) / profit for the period	(311.4%)	**(75,023)**	35,487
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		**45**	(57)
Other comprehensive income for the year, net of taxation		**45**	(57)
Total comprehensive income for the year		**(74,978)**	35,430
(Loss) / profit attributable to:			
Ordinary and "N" ordinary shareholders of the parent		**(74,177)**	42,568
Preference shareholders		**17**	17
(Loss) / profit attributable to equity holders of the parent		**(74,160)**	42,585
Non-controlling interest		**(863)**	(7,098)
(Loss) / profit for the period		**(75,023)**	35,487
Total comprehensive income attributable to:			
Ordinary and "N" ordinary shareholders of the parent		**(74,132)**	42,511
Preference shareholders		**17**	17
(Loss) / profit attributable to equity holders of the parent		**(74,115)**	42,528
Non-controlling interest		**(863)**	(7,098)
Total comprehensive income for the period		**(74,978)**	35,430
Reconciliation of headline (loss) / earnings			
(Loss) / profit attributable to Ordinary and "N" ordinary shareholders		**(74,177)**	42,568
Adjusted for:			
Profit from disposal of property, plant and equipment, net of taxation		**(7)**	(313)
Impairment on right-of-use asset		**56,304**	-
Dilution loss on investment in associate		**-**	14,811
Gain from bargain purchase of investment in associate		**-**	(10,484)
Non-headline earnings items included in earnings from associate			
Gain from bargain purchase of investment		**-**	(31,507)
(Profit) / loss from disposal of property, plant and equipment, net of taxation		**(1)**	2
Headline (loss) / earnings		**(17,881)**	15,077
Basic (loss) / earnings per ordinary share (cents)	(273.2%)	**(357.4)**	206.4
Headline (loss) / earnings per ordinary share (cents)	(217.9%)	**(86.2)**	73.1
Diluted (loss) / earnings per ordinary share (cents)	(271.9%)	**(354.9)**	206.4
Diluted headline (loss) / earnings per ordinary share (cents)	(217.1%)	**(85.6)**	73.1
Weighted average number of equity shares on which earnings per share is based (000's)		**20,754**	20,623
Weighted average number of equity shares on which diluted earnings per share is based (000's)		**20,902**	20,627
KEY RATIOS			
Gross profit margin	%	**47.8**	52.6
Retail operating costs to turnover	%	**62.6**	48.6
Other operating costs to revenue	%	**59.8**	49.3
Operating (loss) / profit margin	%	**(12.9)**	3.7
Retail segment operating (loss) / profit margin	%	**(14.3)**	4.8
Net (loss) / profit after tax margin	%	**(13.0)**	5.2

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	2020 (Audited) R'000	2019 (Audited) R'000
ASSETS			
Non-current assets		**568,321**	307,897
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		**814**	756
Loans receivable		**2,748**	1,860
Deferred tax asset		**35,596**	3,386
Current assets		**216,759**	178,390
Inventories		**111,680**	100,637
Loan to associate	4	**15,166**	-
Trade and other receivables		**11,024**	20,553
Income tax receivable		**5,670**	6
Accrued operating lease asset		**809**	1,704
Cash and cash equivalents		**72,410**	55,490
Total assets		**785,080**	486,287
EQUITY AND LIABILITIES			
Capital and reserves		**253,699**	320,884
Share capital		**5,619**	4,161
Share premium		**25,836**	25,836
Treasury shares		**(117)**	(117)
Share-based payment reserve		**6,632**	5,319
Other reserves		**2,074**	2,029
Retained earnings		**203,774**	275,192
Non-controlling interest		**9,881**	8,464
Non-current liabilities		**378,620**	97,787
Lease liability	6	**291,124**	-
Post-retirement liability		**425**	512
Accrued operating lease liability		**-**	13,444
Loan payable		**74,762**	75,200
Deferred tax liability		**12,309**	8,631
Current liabilities		**152,761**	67,616
Lease liability	6	**60,868**	-
Trade and other payables		**83,216**	52,798
Provisions		**1,252**	8,761
Loan payable		**7,425**	-
Accrued operating lease liability		**-**	5,070
Forward exchange contracts		**-**	294
Income tax payable		**-**	693
Total equity and liabilities		**785,080**	486,287

OTHER INFORMATION AND KEY RATIOS

		2020	2019
Capital commitments			
Authorised - not contracted for	R'000	**3,413**	13,779
Authorised - contracted for	R'000	**189**	16,835
Return on equity	%	**(26.7)**	14.6
Return on capital	%	**(19.5)**	18.0
Return on assets	%	**(8.8)**	12.0
Inventory turn	times	**2.8**	3.3
Asset turn	times	**0.9**	1.6
Net asset value per share	R	**11.70**	15.06

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	**115,815**	64,318
Working capital changes	**16,027**	6,470
Interest received	**7,658**	2,792
Interest paid	**(38,069)**	(66)
Dividends paid	**(17)**	(17)
Dividends received	**29**	27
Income tax paid	**(8,719)**	(10,471)
Net cash inflows from operating activities	**92,724**	63,053
Cash flows from investing activities		
Additions to property, plant, equipment and investment property	**(16,115)**	(18,538)
Additions to intangible assets	**(1,379)**	(1,194)
Proceeds from disposal of property, plant and equipment	**10**	502
Loan advanced [1]	**(825)**	(126,851)
Investment in associate	**-**	(2,516)
Net cash outflows from investing activities	**(18,309)**	(148,597)
Cash flows from financing activities		
Loan received	**-**	72,000
Lease liabilities repaid	**(57,495)**	-
Net cash inflows from financing activities	**(57,495)**	72,000
Net increase / (decrease) in cash and cash equivalents	**16,920**	(13,544)
Cash and cash equivalents at the beginning of the year	**55,490**	69,034
Cash and cash equivalents at the end of the year	**72,410**	55,490

[1] The prior year outflows relating to loans advanced amounting to R126 851 184 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 R'000	2019 R'000
Share capital	**5,619**	4,161
Opening balance	**4,161**	1,777
Shares issued	**1,458**	2,384
Share premium	**25,836**	25,836
Opening balance	**25,836**	25,836
Treasury shares	**(117)**	(117)
Share-based payment and other reserves	**8,706**	7,348
Opening balance	**7,348**	1,872
Equity-settled share-based payment	**1,313**	5,533
Fair value adjustment on assets held at fair value through other comprehensive income	**45**	(57)
Retained earnings	**203,774**	275,192
Opening balance	**275,192**	243,139
(Loss) / profit for the year	**(74,160)**	42,585
Preference dividends paid	**(17)**	(17)
Equity-settled share-based payment	**289**	-
Other retained income of associate	**2,470**	-
Change in degree of control	**-**	(10,515)
Non-controlling interest	**9,881**	8,464
Opening balance	**8,464**	-
Loss for the year	**(863)**	(7,098)
Equity-settled share-based payment	**-**	5,047
Other retained income of associate	**2,280**	-
Change in degree of control	**-**	10,515
Total capital and reserves	**253,699**	320,884

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	**16,641**	9,238
Finance income - External	**975**	1,400
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 assets - External	**-**	180
Inter-segment eliminations	**(24,040)**	(18,902)
Total group revenue	**624,244**	708,374
Segment operating (loss) / profit		
Retail	**(82,810)**	32,566
Property	**14,204**	9,553
Water infrastructure	**(150)**	(10,484)
Group services *	**(5,881)**	(6,656)
Total group operating (loss) / profit	**(74,637)**	24,979
Segment net (loss) / profit after tax		
Retail	**(86,686)**	22,780
Property	**10,334**	7,022
Water infrastructure	**(1,799)**	7,118
Group services *	**3,128**	(1,433)
Total group net (loss) / profit after tax	**(75,023)**	35,487
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	**32,533**	12,271
Total group assets	**785,080**	486,287
Segment liabilities		
Retail	**427,741**	73,705
Property	**20,952**	12,777
Water infrastructure	**82,237**	75,383
Group services	**451**	3,538
Total group liabilities	**531,381**	165,403
Capital expenditure		
Retail	**17,102**	18,299
Property	**392**	1,433
Total group capital expenditure	**17,494**	19,732

* Group services include corporate costs.

Geographical segments

	2020	2019
Revenue		
South Africa	**619,282**	702,500
Namibia	**12,981**	15,286
Inter-segment eliminations	**(8,019)**	(9,412)
Total group revenue	**624,244**	708,374
Segment assets		
South Africa	**781,898**	482,111
Namibia	**3,182**	4,176
Total group assets	**785,080**	486,287
Segment liabilities		
South Africa	**527,888**	164,240
Namibia	**3,493**	1,163
Total group liabilities	**531,381**	165,403

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1 Summarised results

These summarised consolidated financial statements of Rex Trueform 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 consolidated 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, D Franklin 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 R15 165 632 on 23 July 2020 of which R7 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 R 421 007 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 concessions received 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		**624,244**	-	**624,244**	708,374
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		**(373,572)**	(17,678)	**(391,250)**	(349,340)
Operating (loss) / profit		**(74,637)**	(17,678)	**(92,315)**	24,979
Dividend income		**29**	-	**29**	27
Finance income		**22,931**	-	**22,931**	12,261
Finance costs		**(45,056)**	35,617	**(9,439)**	(3,266)
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		**(101,206)**	17,939	**(83,267)**	50,091
Income tax expense		**26,183**	(4,991)	**21,192**	(14,604)
(Loss) / profit for the period		**(75,023)**	12,948	**(62,075)**	35,487
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		**45**	-	**45**	(57)
Other comprehensive income for the year, net of taxation		**45**	-	**45**	(57)
Total comprehensive income for the year		**(74,978)**	12,948	**(62,030)**	35,430
(Loss) / profit attributable to:					
Ordinary and "N" ordinary shareholders of the parent		**(74,177)**	12,948	**(61,229)**	42,568
Preference shareholders		**17**	-	**17**	17
(Loss) / profit attributable to equity holders of the parent		**(74,160)**	12,948	**(61,212)**	42,585
Non-controlling interest		**(863)**	-	**(863)**	(7,098)
(Loss) / profit for the period		**(75,023)**	12,948	**(62,075)**	35,487
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders of the parent		**(74,132)**	12,948	**(61,184)**	42,511
Preference shareholders		**17**	-	**17**	17
(Loss) / profit attributable to equity holders of the parent		**(74,115)**	12,948	**(61,167)**	42,528
Non-controlling interest		**(863)**	-	**(863)**	(7,098)
Total comprehensive income for the period		**(74,978)**	12,948	**(62,030)**	35,430
Reconciliation of headline earnings					
(Loss) / profit attributable to Ordinary and "N" ordinary shareholders		**(74,177)**	12,948	**(61,229)**	42,568
Adjusted for:					
(Profit) / loss from disposal of property, plant and equipment, net of taxation		**(7)**	-	**(7)**	(313)
Impairment on right-of-use asset		**56,304**	(56,304)	**-**	-
Dilution loss on investment in associate		**-**	-	**-**	14,811
Gain from bargain purchase of investment in associate		**-**	-	**-**	(10,484)
Non-headline earnings items included in earnings from associate					
Gain from bargain purchase of investment		**-**	-	**-**	(31,507)
(Profit) / loss from disposal of property, plant and equipment, net of taxation		**(1)**	-	**(1)**	2
Headline (loss) / earnings		**(17,881)**	(43,356)	**(61,237)**	15,077
Basic (loss) / earnings per ordinary share (cents)	(242.9%)	**(357.4)**		**(295.0)**	206.4
Headline (loss) / earnings per ordinary share (cents)	(503.7%)	**(86.2)**		**(295.1)**	73.1
Diluted (loss) / earnings per ordinary share (cents)	(241.9%)	**(354.9)**		**(292.9)**	206.4
Diluted headline (loss) / earnings per ordinary share (cents)	(500.8%)	**(85.5)**		**(293.0)**	73.1
Weighted average number of equity shares on which earnings per share is based (000's)		**20,754**		**20,754**	20,623
Weighted average number of equity shares on which diluted earnings per share is based (000's)		**20,902**		**20,902**	20,627
KEY RATIOS					
Gross profit margin	%	**47.8**		**47.8**	52.6
Retail operating costs to turnover	%	**62.6**		**65.6**	48.6
Other operating costs to revenue	%	**59.8**		**62.7**	49.3
Operating profit margin	%	**(12.9)**		**(16.0)**	3.7
Retail segment operating profit margin	%	**(14.3)**		**(17.4)**	4.8
Net profit after tax margin	%	**(13.0)**		**(10.7)**	5.2

7 Pro forma financial information (continued)

7.1 Excluding the impact of IFRS 16 (continued)

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 (Audited) R'000	Adjustments 2020 (Unaudited) R'000	Pro forma under IAS 17 2020 (Unaudited) R'000	2019 (Audited) R'000
ASSETS				
Right-of-use asset	**235,488**	(235,488)	**-**	-
Deferred tax asset	**35,596**	(4,991)	**30,605**	3,386
Total assets	**785,080**	(240,479)	**544,601**	486,287
EQUITY AND LIABILITIES				
Capital and reserves	**253,699**	12,948	**266,647**	320,884
Retained earnings	**203,774**	12,948	**216,722**	275,192
Non-current liabilities	**378,620**	(230,384)	**148,236**	97,787
Lease liability	**291,124**	(291,124)	**-**	-
Provisions	**-**	50,674	**50,674**	-
Accrued operating lease liability	**-**	10,066	**10,066**	13,444
Current liabilities	**152,761**	(23,043)	**129,718**	67,616
Lease liability	**60,868**	(60,868)	**-**	-
Provisions	**1,252**	26,765	**28,017**	8,761
Trade and other payables	**83,216**	2,778	**85,994**	52,798
Accrued operating lease liability	**-**	8,282	**8,282**	5,070
Total equity and liabilities	**785,080**	(240,479)	**544,601**	486,287

OTHER INFORMATION AND KEY RATIOS		2020 (Audited)	Pro forma under IAS 17 2020 (Unaudited)	2019 (Audited)
Return on equity	%	**(26.7)**	**(21.5)**	14.6
Return on capital	%	**(19.5)**	**(25.1)**	18.0
Return on assets	%	**(8.8)**	**(14.3)**	12.0
Inventory turn	times	**2.8**	**2.8**	3.3
Asset turn	times	**0.9**	**1.1**	1.6
Net asset value per share	R	**11.70**	**12.32**	15.06

PRO FORMA RETAIL SEGMENT REPORT

	% 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
Segment operating (loss) / profit	(408.6%)	**(82,810)**	(17,678)	**(100,488)**	32,566
Segment net (loss) / profit after tax	(423.7%)	**(86,686)**	12,948	**(73,738)**	22,780
Depreciation and amortisation	17.1%	**97,296**	(74,456)	**22,840**	19,504
Segment assets	10.0%	**511,868**	(240,479)	**271,389**	246,679
Segment liabilities	136.5%	**427,741**	(253,427)	**174,314**	73,705

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 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 R56 303 890, net of tax. 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

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.

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.

MA Golding	**CL Lloyd**
(Chairman)	(Chief Executive Officer)

Cape Town
29 October 2020

Directors: MA Golding† (Chairman), CL Lloyd (Chief Executive Officer), D Franklin (Financial Director), HB Roberts*, PM Naylor*, LK Sebatane*, MR Molosiwa*
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