

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")



REX TRUEFORM
GROUP LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS for the six months ended 31 December 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
	% Change			
CONTINUING OPERATIONS				
Revenue	(36.2%)	249,128	390,605	611,263
Turnover	(38.6%)	226,956	369,743	565,765
Cost of sales		(115,315)	(180,906)	(294,720)
Gross profit	(40.9%)	111,641	188,837	271,045
Other income	32.6%	11,956	9,014	22,538
Impairment loss on financial assets		(1,389)	-	-
Other operating costs	(30.6%)	(110,657)	(159,540)	(364,527)
Operating profit / (loss)	(69.8%)	11,551	38,311	(70,944)
Dividend income		28	24	29
Finance income		10,188	11,824	22,931
Finance costs		(20,524)	(21,486)	(44,368)
Share of profit / (loss) of associate, including gain on bargain purchase		1,249	(3,574)	(4,473)
Dilution loss on investment in associate		(32)	-	-
Profit / (loss) before tax	(90.2%)	2,460	25,099	(96,825)
Income tax expense		(393)	(8,369)	26,183
Profit / (loss) for the period from continuing operations	(87.6%)	2,067	16,730	(70,642)
DISCONTINUED OPERATIONS¹				
Profit / (loss) for the period from discontinued operations		111	(664)	(4,381)
PROFIT / (LOSS) FOR THE PERIOD	(86.4%)	2,178	16,066	(75,023)
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		61	2	45
Other comprehensive income for the period, net of taxation		61	2	45
Total comprehensive income for the period		2,239	16,068	(74,978)
Profit / (loss) attributable to:				
Ordinary and "N" ordinary shareholders of the parent		1,015	17,084	(74,177)
Continuing operations		904	17,748	(69,796)
Discontinued operations		111	(664)	(4,381)
Preference shareholders		8	8	17
Profit / (loss) attributable to equity holders of the parent		1,023	17,092	(74,160)
Non-controlling interest		1,155	(1,026)	(863)
Profit / (loss) for the period		2,178	16,066	(75,023)
Total comprehensive income attributable to:				
Ordinary and "N" ordinary shareholders of the parent		1,076	17,086	(74,132)
Preference shareholders		8	8	17
Profit / (loss) attributable to equity holders of the parent		1,084	17,094	(74,115)
Non-controlling interest		1,155	(1,026)	(863)
Total comprehensive income for the period		2,239	16,068	(74,978)
Reconciliation of headline earnings				
Profit / (loss) attributable to ordinary and "N" ordinary shareholders		1,015	17,084	(74,177)
Adjusted for:				
Loss / (profit) from disposal of property, plant and equipment, net of taxation		1,690	(3)	(7)
Impairment on right-of-use asset		-	-	56,304
Dilution loss on investment in associate		32	-	-
Non-headline earnings items included in earnings from associate		5	(1)	(1)
Loss / (profit) from disposal of property, plant and equipment, net of taxation		5	(1)	(1)
Headline earnings / (loss)		2,742	17,080	(17,881)
Basic earnings / (loss) per ordinary share (cents)	(94.1%)	4.9	82.4	(357.4)
Continuing operations	(94.9%)	4.4	85.6	(336.3)
Discontinued operations	115.6%	0.5	(3.2)	(21.1)
Headline earnings / (loss) per ordinary share (cents)	(84.0%)	13.2	82.4	(86.2)
Continuing operations	(85.2%)	12.7	85.6	(65.1)
Discontinued operations	115.6%	0.5	(3.2)	(21.1)
Diluted earnings / (loss) per ordinary share (cents)	(94.1%)	4.8	81.9	(354.9)
Continuing operations	(94.9%)	4.3	85.1	(333.9)
Discontinued operations	115.6%	0.5	(3.2)	(21.0)
Diluted headline earnings / (loss) per ordinary share (cents)	(84.0%)	13.1	81.9	(85.5)
Continuing operations	(85.2%)	12.6	85.1	(64.5)
Discontinued operations	115.6%	0.5	(3.2)	(21.0)
Weighted average number of equity shares on which earnings per share is based (000's)		20,795	20,732	20,754
Weighted average number of equity shares on which diluted earnings per share is based (000's)		20,942	20,863	20,902

KEY RATIOS

Gross profit margin	%	49.2	51.1	47.9
Retail operating costs to turnover	%	46.4	41.5	62.4
Other operating costs to revenue	%	45.0	40.8	59.6
Operating profit / (loss) margin	%	5.1	10.4	(12.5)
Retail segment operating profit / (loss) margin	%	3.2	9.6	(14.0)
Net profit / (loss) after tax margin	%	1.0	4.3	(13.3)

¹ During the month of December 2020, the third and last remaining store in Namibia was closed. The Namibian segment was therefore classified as a discontinued operation in the current reporting period. Comparative information has been re-presented accordingly. Refer to note 5 for further detail.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2020 Unaudited R'000	As at 31 December 2019 Unaudited R'000	As at 30 June 2020 Audited R'000
Notes				
ASSETS				
Non-current assets				
		538,333	628,180	568,321
Property, plant and equipment		48,383	65,920	58,517
Investment property		62,016	64,411	63,242
Intangible assets		16,786	19,085	18,530
ROU asset	4.1	204,652	305,984	235,488
Investment in associate	4.2	163,515	159,978	153,386
Other investments		1,293	757	814
Loans receivable		3,505	2,400	2,748
Deferred tax asset		38,183	9,645	35,596
Current assets				
		232,830	210,469	216,759
Inventories	4.3	106,116	116,027	111,680
Loan to associate		-	-	15,166
Trade and other receivables		19,120	19,798	11,024
Income tax receivable		5,966	835	5,670
Accrued operating lease asset		1,715	799	809
Cash and cash equivalents		99,052	73,010	72,410
Assets classified as held for sale		861	-	-
Total assets				
		771,163	838,649	785,080
EQUITY AND LIABILITIES				
Capital and reserves				
		256,611	343,117	253,699
Share capital		5,619	4,161	5,619
Share premium		25,836	25,836	25,836
Treasury shares		(117)	(117)	(117)
Share-based payment reserve		7,313	6,743	6,632
Other reserves		2,135	2,030	2,074
Retained earnings		204,789	294,746	203,774
Non-controlling interest		11,036	9,718	9,881
Non-current liabilities				
		379,299	369,179	378,620
Lease Liability	4.4	287,708	280,125	291,124
Post-retirement liability		383	467	425
Loan payable	4.2	78,634	77,645	74,762
Deferred tax liability		12,574	10,942	12,309
Current liabilities				
		135,253	126,353	152,761
Lease liability	4.4	28,257	56,101	60,868
Trade and other payables		94,880	56,059	83,216
Provisions		1,773	5,136	1,252
Loan payable	4.2	-	-	7,425
Forward exchange contracts		1,818	2,244	-
Income tax payable		-	6,813	-
Liabilities directly associated with assets classified as held for sale		8,525	-	-
Total equity and liabilities				
		771,163	838,649	785,080
OTHER INFORMATION AND KEY RATIOS				
Capital commitments				
Authorised - not contracted for	R'000	541	4,112	3,413
Authorised - contracted for	R'000	89	3,905	189
Return on equity	%	(31.2)	7.1	(26.7)
Return on capital	%	(25.4)	16.2	(18.3)
Return on assets	%	(9.4)	8.5	(8.3)
Inventory turn	times	2.1	2.8	2.8
Asset turn	times	0.5	1.1	0.9
Net asset value per share	R	11.79	16.07	11.70

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
Cash flows from operating activities			
Operating profit before working capital changes	54,894	89,869	115,815
Working capital changes	16,418	(9,371)	16,027
Interest received	16,774	1,436	7,658
Interest paid	(24,328)	(20)	(38,069)
Dividends paid	(8)	(8)	(17)
Dividends received	28	24	29
Income tax paid	(3,010)	(7,025)	(8,719)
Net cash inflows from operating activities	60,768	74,905	92,724
Cash flows from investing activities			
Additions to property, plant, equipment and investment property	(1,102)	(13,454)	(16,115)
Additions to intangible assets	(275)	(120)	(1,379)
Additions to investments	(418)	-	-
Proceeds from disposal of property, plant and equipment	-	-	10
Loan advanced	(667)	-	(825)
Investment in associate	(421)	-	-
Net cash outflows from investing activities	(2,883)	(13,574)	(18,309)
Cash flows from financing activities			
Loans receivable repaid	-	4,112	-
Lease liabilities repaid	(31,243)	(45,679)	(57,495)
Loan payable repaid	-	(2,244)	-
Net cash outflows from financing activities	(31,243)	(43,811)	(57,495)
Net increase in cash and cash equivalents	26,642	17,520	16,920
Cash and cash equivalents at the beginning of the period	72,410	55,490	55,490
Cash and cash equivalents at the end of the period	99,052	73,010	72,410

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
Share capital	5,619	4,161	5,619
Opening balance	5,619	4,161	4,161
Shares issued	-	-	1,458
Share premium	25,836	25,836	25,836
Treasury shares	(117)	(117)	(117)
Share-based payment and other reserves	9,448	8,773	8,706
Opening balance	8,706	7,348	7,348
Equity-settled share-based payment	681	1,423	1,313
Fair value adjustment on assets held at fair value through other comprehensive income	61	2	45
Retained earnings	204,789	294,746	203,774
Opening balance	203,774	275,192	275,192
Profit / (loss) for the period	1,023	17,092	(74,160)
Preference dividends paid	(8)	(8)	(17)
Equity-settled share-based payment	-	-	289
Other retained income of associate	-	2,470	2,470
Non-controlling interest	11,036	9,718	9,881
Opening balance	9,881	8,464	8,464
Profit / (loss) for the period	1,155	(1,026)	(863)
Other retained income of associate	-	2,280	2,280
Total capital and reserves	256,611	343,117	253,699

GROUP SEGMENTAL REPORTING

The group has identified the following divisions as the group's reportable segments:

Retail - comprises the retailing of fashion apparel through Queenspark stores in South Africa and Namibia.

Property - comprising of the group's property portfolio based in Cape Town, which includes both investment and owner-occupied properties.

Water infrastructure - comprises an indirect investment made in a private water and wastewater utility group operating in the South African provinces of Mpumalanga and Kwa-Zulu Natal.

Group services - manages the group's corporate responsibilities and includes corporate costs

	Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
Revenue			
Products transferred at a point in time	226,956	369,743	565,765
Retail ¹	226,956	369,743	565,765
Turnover - External	226,956	369,743	565,765
Other revenue	22,172	20,862	45,498
Retail ¹	1,625	2,808	4,526
Finance income - External	641	1,137	1,671
Management fee income - Inter-segment	984	1,666	2,845
Profit on sale of property - External	-	5	10
Property	14,018	12,224	25,196
Rental income - External	10,624	9,009	19,337
Rental income - Inter-segment	3,355	3,106	5,708
Finance income - External	36	98	151
Finance income - Inter-segment	3	11	-
Water infrastructure	9,559	10,318	23,175
Finance income - External	8,490	10,318	20,134
Management fee income - External	1,041	-	3,041
Dividends received - External	28	-	-
Group services	6,029	8,218	16,641
Finance income - External	1,021	271	975
Finance income - Inter-segment	3,045	4,548	8,713
Dividends received - External	-	24	29
Dividends received - Inter-segment	-	3,000	3,000
Management fee income - External	291	-	150
Management fee income - Inter-segment	1,672	375	3,774
Inter-segment eliminations	(9,059)	(12,706)	(24,040)
Total group revenue	249,128	390,605	611,263
Segment operating profit / (loss)			
Retail ¹	7,258	35,516	(79,117)
Property	8,231	5,719	14,204
Water infrastructure	(41)	(57)	(150)
Group services	(3,897)	(2,867)	(5,881)
Total group operating profit	11,551	38,311	(70,944)
Segment net profit / (loss) after tax			
Retail ¹	(6,237)	13,572	(82,305)
Property	5,954	4,196	10,334
Water infrastructure	2,406	(2,138)	(1,799)
Group services	(56)	1,100	3,128
Total group net profit after tax	2,067	16,730	(70,642)
Depreciation and amortisation			
Retail ¹	37,326	47,170	95,340
Property	1,431	1,762	3,194
Total group depreciation and amortisation	38,757	48,932	98,534
Impairment			
Retail ¹	-	-	75,482
Total group impairment	-	-	75,482

¹ During the month of December 2020, the third and last remaining store in Namibia was closed. The Namibian segment was therefore classified as a discontinued operation in the current reporting period. Comparative information has been re-presented accordingly. Refer to note 5 for further detail.

GROUP SEGMENTAL REPORTING (continued)

	Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
Segment assets			
Retail	478,040	584,316	511,868
Property	74,775	72,000	71,537
Water infrastructure	161,671	162,317	169,142
Group services	56,677	20,016	32,533
Total group assets	771,163	838,649	785,080
Segment liabilities			
Retail	416,786	402,475	427,741
Property	18,533	11,626	20,952
Water infrastructure	78,687	77,830	82,237
Group services	546	3,601	451
Total group liabilities	514,552	495,532	531,381
Capital expenditure			
Retail	1,326	13,214	17,102
Property	51	360	392
Total group capital expenditure	1,377	13,574	17,494

NOTES
1 Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim 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 Reporting 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.

2 Unaudited results

These results have not been reviewed or audited by the group's auditors. The unaudited condensed consolidated interim financial statements have been prepared under the supervision of D Franklin CA (SA), the company's financial director, and were approved by the board of directors on 24 March 2021.

3 Dividends

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2020 in the amount of 6 cents per share was declared by the board of directors on 22 December 2020 and was paid on 18 January 2021. The directors have not proposed a dividend in respect of the ordinary and 'N' ordinary shares.

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
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4 Notes to the statement of financial position
4.1 Right-of-use asset
Fixed-term store leases

Cost at the beginning of the period	387,383	-	-
Recognition of right-of-use asset on initial application of IFRS 16	-	313,326	313,326
Reallocation of onerous lease provision on initial application of IFRS	-	(2,561)	(2,561)
Additions	616	36,732	81,455
Landlord contributions	-	(697)	(960)
Lease modifications and cancellations	(4,781)	(3,877)	(3,877)
Cost at the end of the period	383,218	342,923	387,383
Accumulated depreciation and impairment at the beginning of the period	151,895	-	-
Depreciation charge for the period	26,671	36,939	74,456
Impairment charge for the period	-	-	77,439
Accumulated amortisation and impairment at the end of the period	178,566	36,939	151,895
Carrying value at the beginning of the period	235,488	-	-
Carrying value at the end of the period	204,652	305,984	235,488

4.2 Investment in associate

Carrying value at the beginning of the period	18,882	18,606	18,606
Investment at cost	421	-	-
Equity accounted movements in reserves	-	4,749	4,749
Equity accounted earnings	1,250	(3,573)	(4,473)
Dilution loss on investment in associate	(32)	-	-
Carrying value at the end of the period	20,521	19,782	18,882
Loan to associate company - Non-current	142,994	140,196	134,504
Loan to associate company - Current	-	-	15,166
Total	163,515	159,978	168,552
Included in Non-current assets	163,515	159,978	153,386
Included in Current assets	-	-	15,166
	163,515	159,978	168,552

NOTES (continued)

4 Notes to the statement of financial position (continued)

4.2 Investment in associate (continued)

Unsecured loan raised to finance investment in associate

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Balance at the beginning of the period	82,187	75,200	75,200
Interest repaid during the period	(7,425)	(2,244)	(2,244)
Interest accrued during the period	3,872	4,689	9,231
Balance at the end of the period	78,634	77,645	82,187
Loan payable - Non-current	78,634	77,645	74,762
Loan payable - Current	-	-	7,425
Total	78,634	77,645	82,187

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 loan repayments are planned for twelve months from the reporting date. The balance of the loan is therefore considered to be long term in nature. 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.

An independent valuation was performed in 2020. Based on this 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.

Ombrecorp received loan funding from 27four Life Limited for the sole purpose of acquiring the group's interest in SA Water Works Holding Company (RF) (Pty) Ltd ("SAWW"). The loan is unsecured and bears interest at the 6 month Jibar interest rate plus 5%. Accrued interest is capitalised on a bi-annual basis. The loan is repayable on a bi-annual basis from distributions received from the underlying operating subsidiaries of SAWW.

4.3 Inventories

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Inventories at cost	120,788	126,184	134,794
Provision for net realisable value	(14,672)	(10,157)	(23,114)
Provision for net realisable value as percentage of inventory	% (12.1)	(8.0)	(17.1)

Due to the negative impact of COVID-19 on consumer spending and gross profit margins, management reassessed the provision for net realisable value at 30 June 2020 and 31 December 2020 based on the latest gross profit margin and sales information as well as future expectations. Management continues to monitor the impact of seasonality on the net realisable value provision and future buying plans of inventory will be adjusted as necessary.

4.4 Lease liability

Fixed-term store leases

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Balance at the beginning of the period	351,992	-	-
Recognition of lease liability on initial application of IFRS 16	-	333,305	333,305
New leases	616	36,731	81,455
Lease cancellations and modifications	(5,400)	(5,273)	(5,273)
Finance cost	16,626	17,142	35,617
Finance cost paid	(16,626)	(17,142)	(35,617)
Capital repaid	(31,243)	(28,537)	(57,495)
Balance at the end of the period	315,965	336,226	351,992
Included in Non-current liabilities	287,708	280,125	291,124
Included in Current liabilities	28,257	56,101	60,868
	315,965	336,226	351,992

5 Discontinued operations

During the month of December 2020, the third and last remaining store in Namibia was closed. The Namibian segment was therefore classified as a discontinued operation in the current reporting period. Comparative information has been re-presented accordingly.

Financial performance

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Revenue	2,878	8,432	12,981
Turnover	2,878	8,432	12,981
Cost of sales	(1,480)	(4,455)	(7,629)
Gross profit	1,398	3,977	5,352
Gain on lease cancellations	1,724	-	-
Loss on disposal of fixed assets	(1,332)	-	-
Other operating costs	(1,429)	(4,276)	(9,045)
Operating profit	361	(299)	(3,693)
Finance costs	(250)	(365)	(688)
Profit / (loss) before tax	111	(664)	(4,381)
Income tax expense	-	-	-
Profit / (loss) for the period from discontinued operations	111	(664)	(4,381)

NOTES (continued)

5 Discontinued operations (continued)

Cash flow information

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Net cash inflows from operating activities	2,193	168	1,344
Net cash outflows from financing activities	(2,447)	-	(1,267)
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(254)	168	77

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2020.

	As at 31 December 2020 R'000	As at 31 December 2019 R'000	As at 30 June 2020 R'000
Assets classified as held for sale			
Trade and other receivables	861	-	-
Total assets classified as held for sale	861	-	-
Liabilities directly associated with assets classified as held for sale			
Amounts payable to group companies	6,989		
Trade and other payables	1,536	-	-
Total liabilities directly associated with assets classified as held for sale	8,525	-	-

6 Acquisition: Investment in Telemedia (Pty) Ltd

Telemedia is a broad-based media broadcast facility manufacturer and supplier, founded in 1981. Telemedia's services include: the installation of satellite transmission and radio and television signal distribution. In addition, Telemedia is a supplier of microwave and satellite news gathering services including broadcasting; studio recording and services ancillary thereto. In November 2020, the Rex Trueform together with its holding company, African and Overseas Enterprises, entered into a sale of shares agreement subject to certain conditions precedent, to acquire 75% of Telemedia for a consideration of R67.5 million to be settled in cash and shares, with Rex Trueform acquiring a 63.71% stake.

The initial purchase consideration of R30 million is to be discharged as follows:

- The issue of 368 750 new African and Overseas Enterprises ordinary shares at an issue price of R27 per share;
- The issue of 857 212 new Rex Trueform ordinary shares at an issue price of R18 per share; and
- A cash payment of R4.6 million by Rex Trueform.

The balance of the purchase consideration of R37.5 million shall be discharged by Rex Trueform in cash should the profit undertakings given by the sellers for the years ending 30 June 2021, 30 June 2022 and 30 June 2023 be met, on a 20%, 20% and 60% basis. Refer to the JSE SENS announcement issued on 13 November 2020 for further detailed information.

The last outstanding condition precedent is the Independent Communications Authority of South Africa (ICASA) providing its written consent to the transaction.

7 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

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. The commentary is based on results from continuing operations.

Group revenue decreased by 36.2% to R249.1 million (2019: R390.6 million), mainly due to a decrease in retail segment turnover. Other income included in revenue, which mainly comprises of rental income, increased by 32.6% to R12.0 million (2019: R9.0 million). Finance income included in revenue decreased by 13.8% to R10.2 million (2019: R11.8 million).

Gross profit decreased by 40.9% with a decrease of 30.6% in other operating costs. The result was that operating profit decreased by 69.8% to R11.6 million (2019: R38.3 million). Profit after tax decreased by 86.4% to R2.2 million (2019: R16.1 million) due to lower operating profits. As a result, earnings per share decreased by 94.1% to 4.9 cents per share (2019: 82.4 cents per share) whereas the headline earnings per share decreased by 84.0% to 13.2 cents per share (2019: 82.4 cents per share).

The group's capital and reserves decreased by R86.5 million to R256.6 million (2019: R343.1 million). Net asset value per share decreased by 26.7% to R11.79 (2019: R16.07).

Retail

The COVID-19 pandemic and its effect on consumer spending and behaviour continues to negatively impact the retail segment. During the period there were seven (7) store closures and two (2) new store openings bringing the total number of walk-in stores to seventy-eight (78). All three (3) Namibian stores were closed by the end of the period and the Namibia business has therefore been reported as a discontinued operation.

Retail segment turnover decreased by 38.6% to R227.0 million (2019: R369.7 million). Gross profit margins have decreased to 49.2% (2019: 51.1%) resulting in gross profit decreasing by 40.9% to R111.6 million (2019: R188.8 million). Operating costs decreased by 31.3% to R105.4 million (2019: R153.3 million). The segment incurred a net loss after tax of R6.2 million (2019: profit after tax of R13.6 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. Property segment revenue increased by 14.7% to R14.0 million (2019: R12.2 million). Operating profit increased by 43.9% to R8.2 million (2019: R5.7 million) due to decreases in operating and inter-segment costs.

COMMENTARY (continued)

Water infrastructure

The segment contributed a profit of R2.4 million (2019: R2.1 million loss) to after tax earnings, which includes equity accounted earnings from associate of R1.2 million (2019: R3.6 million loss). The underlying operating subsidiaries are profitable and cash generative.

Group services

Group services incurred an operating loss of R3.9 million (2019: R2.9 million operating loss).

Prospects

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 sector. Queenspark launched its own ecommerce platform in June 2020 and this 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 and liquidity continue to be a top priority. Cost reduction and operating efficiencies will be key focus areas going forward, the most important of which includes reducing occupancy costs to acceptable levels.

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

(Chairman)

CL Lloyd

(Chief Executive Officer)

Cape Town
26 March 2021

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

† Non-executive * Independent non-executive

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Sponsor: Java Capital

Websites: www.rextrueform.com - www.queenspark.com