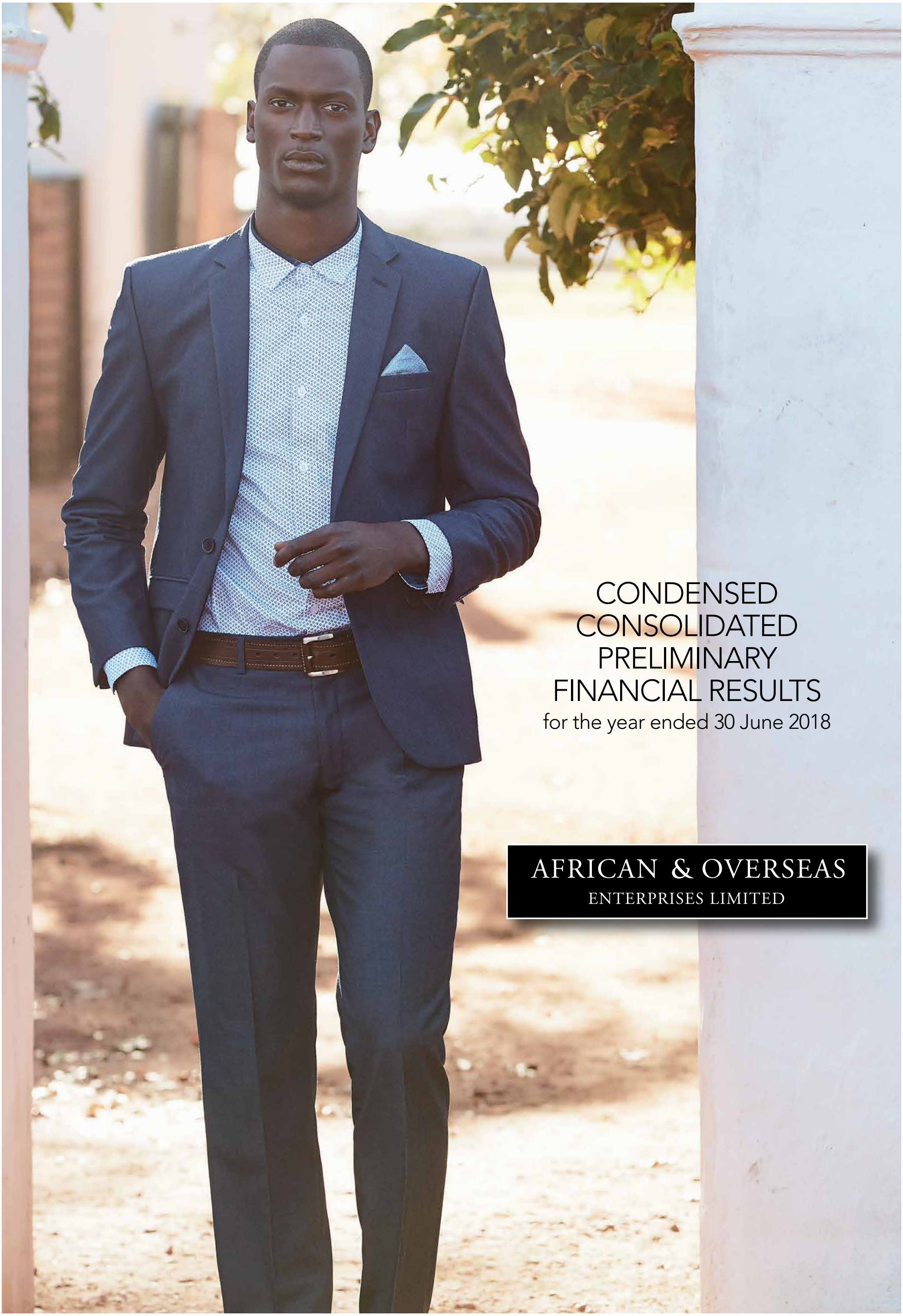

CONDENSED CONSOLIDATED PRELIMINARY FINANCIAL RESULTS

for the year ended 30 June 2018

AFRICAN & OVERSEAS
ENTERPRISES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Year ended 30 June 2018 Reviewed R'000	Year ended 30 June 2017 Audited R'000
Revenue	10.8	**608 064**	548 572
Turnover	11.1	**587 632**	528 759
Cost of sales		**(267 730)**	(237 200)
Gross profit	9.7	**319 902**	291 559
Other income	3.0	**15 700**	15 243
Other operating costs	5.0	**(322 834)**	(307 583)
Operating profit/(loss)	1 734.8	**12 768**	(781)
Dividend income		**45**	21
Finance income		**4 687**	4 549
Finance costs		**(71)**	(163)
Profit before tax	380.7	**17 429**	3 626
Income tax expense		**(5 897)**	(1 939)
Profit for the period	583.6	**11 532**	1 687
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on post-retirement defined benefit plan		**–**	1 072
Items that are or may be subsequently reclassified to profit or loss			
Fair value adjustment on available-for-sale investments		**245**	(52)
Total comprehensive income for the period (net of taxation)		**11 777**	2 707
Profit attributable to:			
Ordinary and "N" ordinary shareholders of the parent		**5 709**	147
Preference shareholders		**33**	102
Profit attributable to equity holders of the parent		**5 742**	249
Non-controlling interest		**5 790**	1 438
Profit for the year		**11 532**	1 687
Total comprehensive income attributable to:			
Ordinary and "N" ordinary shareholders of the parent		**5 846**	756
Preference shareholders		**33**	102
Profit attributable to equity holders of the parent		**5 879**	858
Non-controlling interest		**5 898**	1 849
Total comprehensive income for the year		**11 777**	2 707
Reconciliation of headline earnings			
Profit attributable to ordinary and "N" ordinary shareholders		**5 709**	147
Adjusted for:			
Loss from disposal of property, plant and equipment (net of taxation and non-controlling interest)		**12**	232
Headline earnings		**5 721**	379
Basic earnings per ordinary share (cents)	3 753.8	**50.1**	1.3
Headline earnings per ordinary share (cents)	1 421.2	**50.2**	3.3
Diluted earnings per ordinary share (cents)	3 753.8	**50.1**	1.3
Diluted headline earnings per ordinary share (cents)	1 421.2	**50.2**	3.3
Weighted average number of equity shares on which earnings per share is based (000's)		**11 387**	11 387
Weighted average number of equity shares on which diluted earnings per share is based (000's)		**11 387**	11 393

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2018 Reviewed R'000	As at 30 June 2017 Audited R'000
ASSETS		
Non-current assets	**156 096**	159 628
Property, plant and equipment	**60 721**	57 150
Investment property	**68 741**	71 032
Intangible assets	**22 980**	24 773
Other investments	**835**	524
Deferred tax asset	**2 819**	6 149
Current assets	**192 920**	170 987
Inventories	**92 132**	77 842
Trade and other receivables	**27 521**	28 300
Forward exchange contracts	**746**	38
Income tax receivable	**163**	1 304
Accrued operating lease asset	**2 859**	3 558
Cash and cash equivalents	**69 499**	59 945
Total assets	**349 016**	330 615
EQUITY AND LIABILITIES		
Capital and reserves	**272 522**	260 795
Share capital	**1 200**	1 200
Share premium	**6 616**	6 616
Share-based payment reserve	**(116)**	(116)
Other reserves	**1 438**	1 301
Retained earnings	**140 227**	134 518
Non-controlling interest	**123 157**	117 276
Non-current liabilities	**19 807**	19 979
Post-retirement liability	**792**	899
Accrued operating lease liability	**14 235**	15 966
Deferred tax liability	**4 780**	3 114
Current liabilities	**56 687**	49 841
Trade and other payables	**51 819**	47 245
Accrued operating lease liability	**4 849**	2 570
Income tax payable	**19**	26
Total equity and liabilities	**349 016**	330 615

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2018 Reviewed R'000	Year ended 30 June 2017 Audited R'000
Cash flows from operating activities		
Operating profit before working capital changes	**39 367**	25 640
Working capital changes	**(8 238)**	(17 731)
Interest received	**4 687**	4 549
Interest paid	**(71)**	(163)
Dividends paid	**(50)**	(4 556)
Dividends received	**45**	21
Income tax paid	**167**	(862)
Net cash inflows from operating activities	**35 907**	6 898
Cash flows from investing activities		
Additions to property, plant, equipment and investment property	**(24 445)**	(25 555)
Additions to intangible assets	**(1 908)**	(3 410)
Proceeds from disposal of property, plant, equipment and investment property	**–**	199
Acquisition of business	**–**	(2 939)
Net cash outflows from investing activities	**(26 353)**	(31 705)
Cash flows from financing activities		
Proceeds from delivery of employee share options	**–**	234
Net cash inflows from financing activities	**–**	234
Net increase/(decrease) in cash and cash equivalents	**9 554**	(24 573)
Cash and cash equivalents at the beginning of the year	**59 945**	84 518
Cash and cash equivalents at the end of the year	**69 499**	59 945

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2018 Reviewed R'000	Year ended 30 June 2017 Audited R'000
Share capital	**1 200**	1 200
Share premium	**6 616**	6 616
Opening balance	**6 616**	6 076
Reallocation relating to share options	**–**	540
Share-based payment and other reserves	**1 322**	1 185
Opening balance	**1 185**	1 045
Actuarial gains on post-retirement defined benefit plans	**–**	638
Fair value adjustment on available-for-sale investments	**137**	(29)
Delivery of treasury shares	**–**	(430)
Change in degree of control	**–**	(39)
Retained earnings	**140 227**	134 518
Opening balance	**134 518**	136 688
Profit for the year	**5 742**	249
Change in degree of control	**–**	(381)
Preference dividends paid	**(33)**	(102)
Ordinary dividends paid	**–**	(1 936)
Non-controlling interest	**123 157**	117 276
Opening balance	**117 276**	117 401
Profit for the year	**5 790**	1 438
Preference dividends paid	**(17)**	(17)
Ordinary dividends paid	**–**	(2 501)
Delivery of treasury shares	**–**	430
Reallocation relating to share options	**–**	(540)
Proceeds from delivery of employee share options	**–**	234
Change in degree of control	**–**	420
Other comprehensive income	**108**	411
Total capital and reserves	**272 522**	260 795

GROUP SEGMENTAL REPORTING

	Year ended 30 June 2018 Reviewed R'000	Year ended 30 June 2017 Audited R'000
Revenue		
Total external retail revenue	**587 632**	528 972
Retail segment revenue	**591 644**	532 746
Intersegment revenue earned	**(4 012)**	(3 774)
Total external property revenue	**15 700**	15 030
Property segment revenue	**21 381**	20 359
Intersegment revenue earned	**(5 681)**	(5 329)
Dividends received	**45**	21
Interest income	**4 687**	4 549
Total group revenue	**608 064**	548 572
Segment operating profit/(loss)		
Retail segment profit/(loss)	**8 171**	(1 923)
Property segment profit	**9 984**	7 951
Group services operating loss	**(5 387)**	(6 809)
Total group operating profit/(loss)	**12 768**	(781)
Depreciation and amortisation		
Retail	**22 791**	21 742
Property	**4 046**	3 720
Total group depreciation and amortisation	**26 837**	25 462
Segment assets		
Retail	**213 844**	216 059
Property	**78 475**	80 797
Group services*	**56 697**	33 759
Total group assets	**349 016**	330 615
Segment liabilities		
Retail	**67 805**	61 737
Property	**7 019**	5 884
Group services*	**1 670**	2 199
Total group liabilities	**76 494**	69 820
Capital expenditure		
Retail	**22 734**	23 904
Property	**3 619**	5 061
Total group capital expenditure	**26 353**	28 965

* Group services include corporate costs.

OTHER INFORMATION

		Year ended 30 June 2018 Reviewed	Year ended 30 June 2017 Audited
Capital commitments			
Authorised – not contracted for	(R'000)	**12 102**	21 553
Authorised – contracted for	(R'000)	**5 723**	7 632
Gross profit margin	(%)	**54.4**	55.1
Operating profit/(loss) margin	(%)	**2.2**	(0.1)
Retail segment operating profit/(loss) margin	(%)	**1.4**	(0.4)

NOTES

1 Review of the independent auditors

These condensed consolidated preliminary financial statements of African and Overseas Enterprises Limited for the year ended 30 June 2018 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion thereon. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial statements from the issuer's registered office.

2 Basis of preparation

The condensed consolidated preliminary financial statements are prepared in accordance with the requirements of 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 condensed preliminary financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. Comparative figures are regrouped or restated where necessary in accordance with current year classifications. This report was prepared under the supervision of the financial director, WD Nel CA (SA).

3 Dividends

A dividend on the 6% cumulative participating preference shares for the six months ended 30 June 2018 in the amount of 6 cents per preference share was declared by the board of directors on 15 June 2018 and was paid on 9 July 2018. The directors have not proposed a dividend in respect of the ordinary and "N" ordinary shares.

4 Notes to the financial statements

4.1 Acquisition of business

The group acquired the Queenspark Namibian franchise business, previously operated by a third party, in the prior year for a cash consideration of R2 939 000. The rationale for the acquisition was to implement an expansion strategy in Namibia. The assets acquired are listed below and represent their fair value. No liabilities were acquired.

	R'000
Intangible asset	**1 100**
Property, plant and equipment	**500**
Inventory	**1 339**
	2 939

4.2 Financial instruments

Financial instruments included in trade and other receivables, trade and other payables and forward exchange contract assets/liabilities are short term in nature, settled within 12 months, and the carrying value substantially approximates the fair value.

5 Standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the group are set out below. The group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

Effective for the financial year commencing 1 July 2018

IFRS 15: Revenue from Contracts with Customers

IFRS 9: Financial Instruments

Effective for the financial year commencing 1 July 2019

IFRS 16: Leases

IFRS 15: Revenue

IFRS 15, published in May 2014, introduces a new revenue recognition model for contracts with customers.

It replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. IFRS 15 includes extensive new disclosure requirements. The standard is effective for the financial year ending June 2019.

Sales of goods
For the sale of goods, revenue is currently recognised when the goods are purchased, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. The value of returned goods is considered immaterial.

Effectively under IFRS 15 revenue will be recognised when a customer obtains control of the goods.

Under IFRS 15 revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The group does not have a loyalty programme. Lay-byes and gift cards only generate turnover when a customer takes possession of the goods. In all cases this will only occur when the full purchase price has been received. The group provides a small amount of goods to certain online retailers on consignment basis. Revenue in this case is only recognised when the product is sold to the end customer.

Based on its current and ongoing assessment, management is of the opinion that the requirements of IFRS 15 will not have a material impact on the financial statements, as currently the revenue recognition is in line with the IFRS principles.

Transition
However small the impact of the new standard, the group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result, the group will not apply the requirements of IFRS 15 to the comparative period presented.

Disclosure
The group has assessed the impact of the new disclosure requirements on its financial statements and management believes that current disclosures of accounting policies, significant judgement and estimates and related notes will not change materially as a result of the implementation of the new standard. No significant changes are expected to systems and processes.

The audit committee will be reviewing and monitoring the group's transition to the new accounting standards and to ensure proactively promoted compliance to the newly effective accounting standards.

IFRS 9: Financial Instruments
On 24 July 2014 the IASB issued the final IFRS 9: Financial Instruments Standards, which replaces earlier versions of IFRS 9 as well as IAS 39: Financial Instruments – Recognition and Measurement.

Classification – financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. The three principal classification categories for financial assets are: measured at amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the group does not believe that the new classification requirements will have a material impact on its accounting for financial assets.

Measurement – Financial assets
IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which is required to be determined on a probability-weighted basis. Under IFRS 9 loss allowances will be measured on the lifetime ECLs basis. These are ECLs that result from all possible default events over the expected life of a financial instrument. The group is in the process of refining its impairment model under IFRS 9.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

The group's trade receivables arise solely from online sales through two contracted online platforms and which amount to a very small portion of revenue. The trade receivable book (comprising the two online platforms) is monitored on a monthly basis for any trends. The group has not experienced any bad or doubtful debt with its current receivable book and is not expecting any to arise in the future. Therefore, regardless of the judgement that will be required referred to above, based on its ongoing assessment, the group believes that impairment losses (if any) are not likely to increase in terms of the scope of the IFRS 9 impairment model.

Classification – financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Disclosure
IFRS 9 will require extensive new disclosures, in particular with regard to credit risk and ECLs. The group's assessment included an analysis to identify data gaps against current processes and the group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application (1 July 2018):
  - the determination of the business model within which a financial asset is held;
  - the designation and revocation of previous designations of certain financial assets as measured at FVTPL; and
  - the designation of certain investments in equity instruments not held for trading as at FVOCI.

The impact assessment on systems and processes is currently under way and management is evaluating whether any changes to systems and processes are warranted.

IFRS 16: Leases
IFRS 16 replaces the existing lease standard, IAS 17 Leases, and related interpretations. The standard will be adopted for the first time by the group for the financial year ending 30 June 2020.

The group's property segment will not be significantly impacted as lessor accounting will remain largely unchanged.

The standard will significantly impact the group's retail segment in which there are currently seventy store operating leases. Based on the new standard the group will no longer be required to straight-line operating lease payments, as a result, occupancy costs will decrease. The new standard will require the recognition of a right of use asset and a corresponding lease liability resulting in increased depreciation and finance costs. Key metrics in the statement of financial position and statement of comprehensive income will be affected. Optional exemptions for short-term leases and leases of low-value items will lessen the impact of the standard.

The group continues to assess the potential impact of the new standard on its consolidated financial statements, including the assessment of the practical application of the principles contained in the new standard. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on, inter alia, future economic conditions including the group's borrowing rate at 1 July 2019, the criteria that meet the definition of a lease, the composition of the store lease portfolio and the group's assessment of its intent to exercise lease renewal options. Once the new standard is adopted, the group will either apply the standard on a full or modified, with practical expedients allowed per IFRS 16, retrospective basis.

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

COMMENTARY

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

"Group profile

Rex Trueform Group Limited ("Rex") is invested in the property and retail segments. Its interest in retail is through its South African subsidiary, Queenspark Proprietary Limited ("Queenspark"), which operates fashion retail stores across South Africa and Namibia. Rex's interest in property includes direct property ownership and indirect property investment through a wholly-owned subsidiary, Queenspark Distribution Centre Proprietary Limited. During the period under review Rex changed its name to Rex Trueform Group Limited to better reflect the diverse nature of its business.

Group results

The group's performance during the 2018 financial year improved significantly compared to the prior financial year notwithstanding the weak economic environment. Revenue, mainly driven by the retail segment, increased by 10.8% to R608.5 million (2017: R549.0 million). The gross profit generated from the retail segment increased by 9.7% to R319.9 million (2017: R291.6 million). Other group income, including rental and royalty income, increased by 2.6% and was negatively impacted by the reduction of third party royalty income. Trading expenses were contained and increased by 5.0%.

The above resulted in the operating profit increasing by 1 765.2% to R14.1 million (2017: R0.8 million). Profit after tax increased by 303.8% to R12.8 million (2017: R3.2 million) resulting in the earnings per share increasing by 305.9% to 62.1 cents per share (2017: 15.3 cents per share).

Retail (Queenspark)

The Queenspark strategy includes the introduction of new brands to complement the existing ranges. A number of new brands, together with new product categories, were introduced during the period under review in an endeavour to provide an improved offering to customers. This new strategy, although in its infancy, is progressing well. In line with its longer-term strategy Queenspark opened ten new stores and closed one store during the financial year, bringing its total number of stores to 70, excluding one franchise store in Kenya and two online sales platforms.

Retail comparable period

As a result of the implementation of its strategy, the Retail segment turnover increased by 11.1% to R587.6 million (2017: R528.8 million). Its gross margin decreased marginally to 54.4% (2017: 55.1%) partly due to more aggressive markdowns. Retail operating costs, which included additional store costs, increased by 6.2%. The above resulted in a retail operating profit of R8.2 million compared to an operating loss of R1.9 million in the prior financial year.

Property

The Rex Trueform Office Park complex is the main income-generating operation within the group's property segment. The operating profit of this segment increased by 25.6% to R10.0 million (2017: R8.0 million). This improvement in operating profit was largely due to the containment of operating costs.

Group services

Group services costs decreased by 22.8% to R4.1 million (2017: R5.3 million) in line with the strategy to reduce the cost base of the group.

Prospects

Retail (Queenspark)

Queenspark is making progress on its strategic initiatives to build new channels of growth and increase brand awareness. The introduction of third party brands has been well received by the customer and our new house brands continue to grow and complement our existing ranges. Customer relationship management has been, and continues to be, a major focus, and we are beginning to reap the rewards of enhanced customer knowledge and understanding. The introduction of lay-by as a form of payment has been well received and continues to gain traction. We will continue to open new stores that are considered feasible, with a view to expanding our footprint both in South Africa and Namibia.

The first seven weeks of the new financial year have exceeded management's expectations and whilst we are fully aware that we are trading in difficult economic times, we remain confident in our future and in our ability to deliver sustainable growth and value creation for shareholders.

Property

Rex has the intention to develop two further properties in the medium term, both situated in the Cape Town area, and is continuing to consider development options in this regard. One of the undeveloped properties is classified as a heritage site which will limit development opportunities and has caused a delay in the development process."

MR Molosiwa
(Chairman)

MA Golding
(Chief Executive Officer)

Cape Town
7 September 2018

African and Overseas Enterprises Limited
(Incorporated in the Republic of South Africa –
Registration number: 1947/027461/06)
("the company")

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

ML Krawitz retired as chairman and as a non-executive director of the company, and RV Orlin and HJ Borkum retired as independent non-executive directors of the company, with effect from 30 September 2017. MA Golding was elected as the chairman of the board of directors of the company with effect from 30 September 2017. HB Roberts, LK Sebatane and MR Molosiwa were elected by shareholders as directors of the company at the annual general meeting of the company held on 17 November 2017. DS Johnson resigned as the financial director of the company with effect from 31 March 2018, at which point a vacancy arose on the board. On 12 June 2018 WD Nel was appointed as financial director of the company by the board in order to fill such vacancy. MA Golding resigned as the chairman of the board of directors of the company with effect from 31 August 2018 with MR Molosiwa being appointed as the independent non-executive chairman in his stead. CEA Radowsky resigned as the chief executive officer of the company with effect from 31 August 2018 with MA Golding being appointed as the chief executive officer of the company in her stead.

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

Company secretary: AT Snitcher

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

Sponsor: Java Capital

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