



**REX TRUEFORM GROUP  
LIMITED**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED RESULTS**  
for the six months ended 31 December 2018

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December 2018 Unaudited R'000	Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000	
<b>Revenue</b>	13.9	361 935	317 716	608 540
Turnover	13.5	349 567	307 987	587 632
Cost of sales		(158 739)	(145 578)	(267 730)
<b>Gross profit</b>	17.5	190 828	162 409	319 902
Other income	14.2	9 088	7 955	16 241
Other operating costs	4.3	(167 690)	(160 737)	(322 061)
<b>Operating profit</b>	234.7	32 226	9 627	14 082
Dividend income		23	22	45
Finance income		3 257	1 752	4 622
Finance costs		(46)	(72)	(53)
Share of profit of associate (net of taxation)		26 516	–	–
Dilution loss on investment in associate		(14 811)	–	–
<b>Profit before tax</b>	316.3	47 165	11 329	18 696
Income tax expense		(10 213)	(3 346)	(5 876)
<b>Profit for the period</b>	362.9	36 952	7 983	12 820
<b>Other comprehensive income</b>				
Items that are or may be subsequently reclassified to profit or loss				
Fair value adjustment on available-for-sale financial asset		–	–	240
Fair value adjustment on assets held at fair value through other comprehensive income		10	–	–
<b>Total comprehensive income for the period (net of taxation)</b>		36 962	7 983	13 060
<b>Profit attributable to:</b>				
Ordinary and "N" ordinary shareholders		36 944	7 975	12 803
Preference shareholders		8	8	17
<b>Profit for the period</b>		36 952	7 983	12 820
<b>Total comprehensive income attributable to:</b>				
Ordinary and "N" ordinary shareholders		36 954	7 975	13 043
Preference shareholders		8	8	17
<b>Total comprehensive income for the period</b>		36 962	7 983	13 060
<b>Reconciliation of headline earnings</b>				
Profit attributable to Ordinary and "N" ordinary shareholders		36 944	7 975	12 803
Adjusted for:				
(Profit) / loss from disposal of property, plant and equipment (net of taxation)		(160)	6	21
Dilution loss on investment in associate		14 811	–	–
Non-headline earnings items included in earnings from associate		(31 500)	–	–
Gain from bargain purchase of investment		(31 507)	–	–
Loss from disposal of property, plant and equipment (net of taxation)		7	–	–
<b>Headline earnings</b>		20 095	7 981	12 824
<b>Basic earnings per ordinary share (cents)</b>	363.0	179.2	38.7	62.1
<b>Headline earnings per ordinary share (cents)</b>	151.0	97.4	38.8	62.2
<b>Diluted basic earnings per ordinary share (cents)</b>	363.0	179.2	38.7	62.1
<b>Diluted headline earnings per ordinary share (cents)</b>	151.0	97.4	38.8	62.2
Weighted average number of equity shares on which earnings per share is based ('000's)		20 621	20 584	20 621
Weighted average number of equity shares on which diluted earnings per share is based ('000's)		20 621	20 584	20 621
<b>KEY RATIOS</b>				
Gross profit margin	%	54.6	52.7	54.4
Retail operating costs to turnover	%	46.3	50.5	53.0
Other operating costs to revenue	%	46.3	50.6	52.9
Operating profit margin	%	9.2	3.1	2.4
Retail segment operating profit margin	%	8.4	2.3	1.4

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2018 Unaudited R'000	As at 31 December 2017 Unaudited R'000	As at 30 June 2018 Audited R'000
<b>ASSETS</b>			
Non-current assets	<b>206 697</b>	158 395	156 090
Property, plant and equipment	<b>59 623</b>	60 776	60 721
Investment property	<b>67 195</b>	69 667	68 741
Intangible assets	<b>21 880</b>	23 821	22 980
Investment in associate	4.1 <b>11 705</b>	–	–
Loan to associate	4.1 <b>43 092</b>	–	–
Other investments	<b>842</b>	524	829
Deferred tax asset	<b>2 360</b>	3 607	2 819
<b>Current assets</b>	<b>192 500</b>	175 004	192 409
Inventories	4.2 <b>129 607</b>	67 461	92 132
Trade and other receivables	<b>21 880</b>	28 052	27 475
Accrued operating lease asset	<b>2 525</b>	3 189	2 859
Forward exchange contracts	<b>227</b>	–	746
Income tax receivable	<b>267</b>	134	163
Cash and cash equivalents	<b>37 994</b>	76 168	69 034
<b>Total assets</b>	<b>399 197</b>	333 399	348 499
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves	<b>309 461</b>	267 439	272 507
Share capital	4.3 <b>1 777</b>	1 777	1 777
Share premium	<b>25 836</b>	25 836	25 836
Treasury shares	<b>(117)</b>	(117)	(117)
Share-based payment reserve	<b>(214)</b>	(214)	(214)
Other reserves	<b>2 096</b>	1 846	2 086
Retained earnings	<b>280 083</b>	238 311	243 139
<b>Non-current liabilities</b>	<b>20 608</b>	18 268	19 589
Post-retirement liability	<b>559</b>	660	574
Accrued operating lease liability	<b>13 903</b>	13 816	14 235
Deferred tax liability	<b>6 146</b>	3 792	4 780
<b>Current liabilities</b>	<b>69 128</b>	47 692	56 403
Trade and other payables	<b>56 293</b>	42 665	51 538
Accrued operating lease liability	<b>4 635</b>	5 027	4 849
Income tax payable	<b>8 200</b>	–	16
<b>Total equity and liabilities</b>	<b>399 197</b>	333 399	348 499

## OTHER INFORMATION AND KEY RATIOS

	As at 31 December 2018 Unaudited R'000	As at 31 December 2017 Unaudited R'000	As at 30 June 2018 Audited / Unaudited R'000
Capital commitments			
Authorised – not contracted for	(R'000) <b>3 046</b>	6 199	12 102
Authorised – contracted for	(R'000) <b>2 273</b>	2 372	5 723
Return on equity <sup>^</sup>	%	6.1	4.8
Return on capital <sup>^</sup>	%	8.7	7.0
Return on assets <sup>^</sup>	%	6.9	5.5
Inventory turn <sup>^</sup>	times	4.0	3.2
Asset turn <sup>^</sup>	times	1.9	1.7
Net asset value per share	R <b>14.99</b>	12.99	13.20

<sup>^</sup> Ratios for December have been annualised

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 31 December 2018 Unaudited R'000</b>	Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
Operating profit before working capital changes	44 210	25 461	40 712
Working capital changes	(26 790)	4 647	(8 195)
Interest received	1 627	1 752	4 622
Interest paid	(46)	(72)	(53)
Dividends paid	(8)	(8)	(17)
Dividends received	23	22	45
Income tax (paid) / received	(311)	1 017	184
<b>Net cash inflows from operating activities</b>	<b>18 705</b>	<b>32 819</b>	<b>37 298</b>
Additions to property, plant and equipment	(7 789)	(13 422)	(22 951)
Additions to investment properties	(311)	(517)	(1 494)
Additions to intangible assets	(533)	(801)	(1 908)
Proceeds from disposal of property, plant and equipment	215	–	–
Loan advanced to associate	(41 327)	–	–
<b>Net cash outflows from investing activities</b>	<b>(49 745)</b>	<b>(14 740)</b>	<b>(26 353)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(31 040)</b>	<b>18 079</b>	<b>10 945</b>
Cash and cash equivalents at the beginning of the period	69 034	58 089	58 089
<b>Cash and cash equivalents at the end of the period</b>	<b>37 994</b>	<b>76 168</b>	<b>69 034</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>Six months ended 31 December 2018 Unaudited R'000</b>	Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
<b>Share capital</b>	<b>1 777</b>	1 777	1 777
<b>Share premium</b>	<b>25 836</b>	25 836	25 836
<b>Treasury shares</b>	<b>(117)</b>	(117)	(117)
<b>Other reserves and share based payment reserve</b>	<b>1 882</b>	1 632	1 872
Opening balance	1 872	1 632	1 632
Fair value adjustment on available-for-sale financial assets	–	–	240
Fair value adjustment on assets held at fair value through other comprehensive income	10	–	–
<b>Retained earnings</b>	<b>280 083</b>	238 311	243 139
Opening balance	243 139	230 336	230 336
Profit for the period	36 952	7 983	12 820
Preference dividends paid / declared	(8)	(8)	(17)
<b>Total capital and reserves</b>	<b>309 461</b>	<b>267 439</b>	<b>272 507</b>

## GROUP SEGMENTAL REPORTING

	<b>Six months ended 31 December 2018 Unaudited R'000</b>	Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
<b>Revenue</b>			
Total external retail revenue	349 852	308 229	588 173
Retail segment revenue	352 399	310 220	592 185
Intersegment revenue earned	(2 547)	(1 991)	(4 012)
Total external property revenue	8 667	7 713	15 700
Property segment revenue	11 543	10 518	21 381
Intersegment revenue earned	(2 876)	(2 805)	(5 681)
Water infrastructure revenue	136	–	–
Dividend income	23	22	45
Finance income	3 257	1 752	4 622
Total group revenue	361 935	317 716	608 540
<b>Segment operating profit</b>			
Retail segment profit	29 364	7 003	8 171
Property segment profit	5 566	4 894	9 984
Water infrastructure profit	98	–	–
Group services loss*	(2 802)	(2 270)	(4 073)
Total group operating profit	32 226	9 627	14 082
<b>Depreciation and amortisation</b>			
Retail	10 317	11 409	22 791
Property	2 032	2 013	4 046
Total group depreciation and amortisation	12 349	13 422	26 837
<b>Segment assets</b>			
Retail	242 492	222 619	213 844
Property	76 885	75 234	78 475
Water infrastructure	54 797	–	–
Group services*	25 023	35 546	56 180
Total group segment assets	399 197	333 399	348 499
<b>Segment liabilities</b>			
Retail	79 123	58 573	67 805
Property	8 889	5 854	7 019
Water infrastructure	583	–	–
Group services*	1 141	1 533	1 168
Total group segment liabilities	89 736	65 960	75 992
<b>Capital expenditure</b>			
Retail	8 193	13 198	22 734
Property	440	1 542	3 619
Total group capital expenditure	8 633	14 740	26 353

\* Group services include corporate costs

## 1. Basis of presentation of financial statements

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 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.

These financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the annual financial statements for the year ended 30 June 2018, except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. Neither standards however had a material impact on these results or comparative information.

## 2. Unaudited results

These results have not been reviewed nor 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 25 March 2019.

## 3. Preference dividend

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2018 in the amount of R8 400 was declared by the board of directors on 14 December 2018 and was paid on 14 January 2019.

## 4. Notes to the financial results

### 4.1. Investment in and loan to associate:

During the period under review the group subscribed for 33.78% of the issued share capital of SA Water Works Holding Company (RF) (Pty) Ltd (formerly SA Water Works Holding Company (Pty) Ltd) ("SAWW") for a nominal consideration through its wholly-owned subsidiary, Ombrecorp Trading (RF) (Pty) Ltd (formerly Ombrecorp Trading (Pty) Ltd) ("Ombrecorp") which was acquired as a shelf company for this purpose.

SAWW was specifically incorporated to house the water business interests of the group and is accounted for as an associate within the group. Simultaneously with the subscription, SAWW acquired, through a wholly-owned subsidiary, a majority equity interest in Sembcorp Siza Water (RF) (Pty) Ltd ("Sembcorp Siza") through shareholder and external loan funding.

Sembcorp Siza conducts a water concession business operating predominantly in the municipal boundaries of the Ilembe District Municipality and surrounding areas in KwaZulu-Natal, South Africa.

Founded in 1998, it provides water and water services to residential, industrial and commercial consumers pursuant to a concession agreement executed between the Ilembe District Municipality and Sembcorp Siza's predecessors-in-title.

Subsequent to the aforementioned acquisition, SAWW acquired, via the same wholly-owned subsidiary, [i] 100% of the ordinary issued share capital of SA Water Works Utilities Proprietary Limited (formerly Sembcorp Utilities South Africa Proprietary Limited) ("SA Water Works Utilities") which holds 52% of the ordinary issued shares in Silulumanzi – and [ii] 48% of the ordinary issued shares in the share capital of Silulumanzi, from Sembcorp Utilities (Netherlands) NV.

SA Water Works Utilities has been in existence since 1998 and provides operation and maintenance services to Silulumanzi. Silulumanzi conducts a water concession business, operating in the municipal boundaries of the City of Mbombela Local Municipality and the greater parts of Nelspruit and, since 1999, has provided water and water services to residential, commercial and industrial consumers pursuant to the concession agreement executed between the City of Mbombela Local Municipality and Silulumanzi's predecessors-in-title.

Persuant to the introduction of a new SAWW shareholder, Ombrecorp's shareholding in SAWW was subsequently diluted from 33.78% to 15.16%.

Subsequent to the reporting date, Rex Trueform entered into a subscription agreement with certain not-for-profit organisations (being The Community Chest of the Western Cape, Cornerstone Institute (RF) NPC, Desmond Tutu HIV Foundation NPC, the Trustees for the time being of the District Six Museum Foundation Trust and the Trustees for the time being of the Wheatfield Estate Foundation Trust) (collectively, the "new Ombrecorp Shareholders") and Ombrecorp whereby Rex Trueform and each of the new Ombrecorp shareholders subscribed for new shares in Ombrecorp. Rex Trueform's shareholding in Ombrecorp was consequently diluted from 100% to 52% due to the introduction of the new Ombrecorp shareholders.

In addition, Ombrecorp subscribed for further SAWW ordinary shares and advanced further funding to SAWW such that Ombrecorp now holds 30% of the issued share capital of SAWW. Further detail in this regard is contained in the SENS announcement issued by Rex Trueform on 25 February 2019.

### 4.2. Inventories:

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

## NOTES CONTINUED

4.3 Share capital is comprised of the following:

	<b>As at 31 December 2018 Unaudited R'000</b>	As at 31 December 2017 Unaudited R'000	As at 30 June 2018 Audited R'000
Ordinary share capital	<b>1 497</b>	1 497	1 497
Preference share capital	<b>280</b>	280	280
	<b>1 777</b>	1 777	1 777

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.

### **IFRIC Interpretation 23: Uncertainty over Income Tax Treatment.**

*Effective for annual periods beginning on or after 1 January 2019*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Management is in the process of assessing the potential impact of this new interpretation on the group.

## **5. Standards and interpretations issued but not yet effective**

The following standard and interpretation that are relevant to the group have been issued but are not effective for the period under review.

### **IFRS 16: Leases**

*Effective for annual period beginning on or after 1 January 2019*

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 commencing 1 July 2019.

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 operating from leased premises. 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.

## COMMENTARY

### Group profile

Rex Trueform Group Ltd ("Rex Trueform") is an investment holding company and is currently invested in property, retail and water infrastructure. Its interest in retail is through its wholly-owned subsidiary company, Queenspark (Pty) Ltd ("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 wholly-owned subsidiary Ombrecorp Trading (RF) (Pty) Ltd and its investments. During the prior period, Rex Trueform changed its name from Rex Trueform Clothing Company Ltd to Rex Trueform Group Ltd to better reflect the diverse nature of its business.

### Group results

The group produced a pleasing performance during the first half of the financial year. Revenue, mainly impacted by the retail segment, increased by 13.9% to R361.9 million (2017: R317.7 million). The gross profit generated from the retail segment increased by 17.5% to R190.8 million (2017: R162.4 million). Other group income which includes rental income increased by 14.2%. Operating costs were contained and increased by 4.3%.

The result is that operating profit has increased by 234.7% to R32.2 million (2017: R9.6 million). Profit before tax has increased by 316.3% to R47.2 million (2017: R11.3 million) resulting in the basic earnings per share increasing by 363.0%. Headline earnings per share has increased by 151.0%, mainly due to the exclusion of the gain from bargain purchase of the investment in the water infrastructure business, amounting to R31.5 million.

Net asset value per share increased to R14.99 per share (2017: R12.99 per share).

### Retail

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

As a result of the implementation of its strategy, Queenspark's turnover increased by 13.5% and it achieved a gross profit margin of 54.6% (2017: 52.7%). Retail operating costs, which included additional store costs, were well contained and increased by a modest 3.9%. This resulted in a retail operating profit of R29.4 million (2017: R7.0 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 operating profit of this segment for the period amounted to R5.6 million (2017: R4.9 million). This improvement in operating profit was partly due to the containment of operating costs.

### Water infrastructure

The investment in water infrastructure was made during the period under review and contributed R11.8 million to the profit for the period of the group.

Please refer to note 4.1 to the results for further details of the acquisition.

### Group services

Costs for group services increased by 25.1% to R2.8 million (2017: R2.3 million). This was largely due to costs incurred in setting up an employee share incentive scheme as well as printing and publication costs pertaining to the water infrastructure investment.

### Prospects

#### Retail

While the Queenspark strategy and initiatives are delivering the required result, management is cognisant of the difficult trading environment (including having regard to the recent recurrence of load-shedding in South Africa) and subdued economy.

Management however remains confident in the retail segment's future and in its ability to deliver sustainable growth and value creation for shareholders.

### Property

Rex Trueform has the intention to develop the two undeveloped 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 has heritage significance. As a result, decisions regarding the development of the property have been delayed in order to consider the significance of the property in this regard and heritage guidelines more fully, whilst also ensuring that any development is sustainable and economically viable. Financing is also being carefully considered in relation to all development options.

### MA Golding

(Chairman)

### CL Lloyd

(Chief Executive Officer)

Cape Town

25 March 2019



**Rex Trueform Group Limited**

(Incorporated in the Republic of South Africa - Reg No. 1937/009839/06)  
("the company" or "Rex Trueform")

**JSE share codes:**

RTO - RTN - RTOF

**ISIN:**

ZAE000250387 - ZAE000250395 - ZAE000250403

**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

CEA Radowsky resigned as the Chief Executive Officer of the company with effect from 12 March 2019 with CL Lloyd 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

**Websites:**

[www.queenspark.com](http://www.queenspark.com)  
[www.rextrueform.com](http://www.rextrueform.com)

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