



UNAUDITED
INTERIM
CONDENSED
CONSOLIDATED
RESULTS

for the six months ended
31 December 2016

AFRICAN & OVERSEAS
ENTERPRISES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Revenue	(5.2)	280 656	296 097	558 229
Turnover	(5.3)	270 740	286 042	537 588
Cost of sales		(121 463)	(128 640)	(248 937)
Gross profit	(5.2)	149 277	157 402	288 651
Other income	2.2	7 616	7 452	15 176
Other operating costs	2.8	(153 309)	(149 065)	(294 550)
Operating profit	(77.3)	3 584	15 789	9 277
Dividend income		20	20	20
Finance income	(11.7)	2 280	2 583	5 445
Finance costs		(111)	(115)	(222)
Profit before tax	(68.4)	5 773	18 277	14 520
Income tax expense		(2 222)	(5 480)	(4 946)
Profit for the period	(72.3)	3 551	12 797	9 574
Other comprehensive income:				
Actuarial gain on post-retirement defined benefit plan		–	–	708
Total comprehensive income for the period		3 551	12 797	10 282
Profit attributable to:				
Ordinary and "N" ordinary shareholders of the parent		1 539	6 579	4 241
Preference shareholders		85	165	33
Profit attributable to equity holders of the parent		1 624	6 744	4 274
Non-controlling interest		1 927	6 053	5 300
Profit for the period		3 551	12 797	9 574
Total comprehensive income attributable to:				
Ordinary and "N" ordinary shareholders of the parent		1 539	6 579	4 746
Preference shareholders		85	165	33
Profit attributable to equity holders of the parent		1 624	6 744	4 779
Non-controlling interest		1 927	6 053	5 503
Total comprehensive income for the period		3 551	12 797	10 282
Reconciliation of headline earnings				
Profit attributable to equity holders		1 539	6 579	4 241
Adjusted for:				
Loss/(profit) from disposal of property, plant and equipment and investment property		219	–	(28)
Impairment reversal on equipment and shopfittings		–	–	(305)
Headline earnings		1 758	6 579	3 908
Basic earnings per ordinary share (cents)	(76.6)	13.5	57.8	37.2
Headline earnings per ordinary share (cents)	(73.3)	15.4	57.8	34.3
Diluted basic earnings per ordinary share (cents)		13.5	57.6	37.1
Diluted headline earnings per ordinary share (cents)		15.4	57.6	34.2
Weighted average number of equity shares on which earnings per share is based ('000's)		11 387	11 387	11 387
Weighted average number of equity shares on which diluted earnings per share is based ('000's)		11 418	11 414	11 418

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2016 Unaudited R'000	As at 31 Dec 2015 Unaudited R'000	As at 30 Jun 2016 Audited R'000
ASSETS			
Non-current assets	158 498	148 602	155 705
Property, plant and equipment	56 061	51 319	53 355
Investment property	72 027	73 177	71 849
Intangible assets	24 600	18 717	23 432
Other investments	576	576	576
Deferred tax asset	5 234	4 813	6 493
Current assets	174 030	189 585	185 827
Inventories	74 003	71 601	61 319
Trade and other receivables (note 4.5)	23 267	16 347	35 657
Forward exchange contracts	–	4 383	–
Income tax receivable	1 052	2	1 114
Accrued operating lease asset	3 438	2 425	3 219
Cash and cash equivalents	72 270	94 827	84 518
Total assets	332 528	338 187	341 532
EQUITY AND LIABILITIES			
Capital and reserves	261 432	264 950	262 410
Share capital (note 4.2)	1 200	1 200	1 200
Share premium	6 076	6 076	6 076
Other reserves (note 4.3)	1 045	540	1 045
Retained earnings	136 291	139 174	136 688
Non-controlling interest	116 820	117 960	117 401
Non-current liabilities	24 128	23 515	22 274
Post-retirement liability	2 006	2 703	1 991
Accrued operating lease liability	19 432	18 677	18 104
Deferred tax liability	2 690	2 135	2 179
Current liabilities	46 968	49 722	56 848
Trade and other payables	46 418	49 176	54 634
Forward exchange contracts	519	–	2 176
Income tax payable	31	546	38
Total equity and liabilities	332 528	338 187	341 532

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Operating profit before working capital changes	16 022	26 214	36 013
Working capital changes	(7 466)	8 929	4 737
Interest income	2 280	2 583	5 445
Interest expense	(111)	(115)	(222)
Dividends paid	(4 453)	(9 634)	(9 832)
Dividends received	20	20	20
Normal tax paid	(396)	(2 954)	(5 676)
Net cash inflow from operating activities	5 896	25 043	30 485
Additions to property, plant and equipment	(11 876)	(7 686)	(17 539)
Additions to investment property	(1 973)	(2 290)	(2 749)
Additions to intangible assets	(1 508)	(2 021)	(7 685)
Proceeds from disposal of property, plant and equipment	152	–	225
Acquisition of business	(2 939)	–	–
Net cash outflow from investing activities	(18 144)	(11 997)	(27 748)
Net (decrease)/increase in cash and cash equivalents	(12 248)	13 046	2 737
Cash and cash equivalents at the beginning of the period	84 518	81 781	81 781
Cash and cash equivalents at the end of the period	72 270	94 827	84 518

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Share capital (note 4.2)	1 200	1 200	1 200
Share premium	6 076	6 076	6 076
Other reserves (note 4.3)	1 045	540	1 045
Opening balance	1 045	540	540
Actuarial gain on post-retirement defined benefit plans	–	–	505
Retained earnings	136 291	139 174	136 688
Opening balance	136 688	136 581	136 581
Profit for the period	1 624	6 744	4 274
Preference dividends declared/paid	(85)	(165)	(33)
Ordinary dividends paid	(1 936)	(3 986)	(4 134)
Non-controlling interest	116 820	117 960	117 401
Opening balance	117 401	117 563	117 563
Profit for the period	1 927	6 053	5 300
Preference dividends declared/paid	(8)	(8)	(17)
Ordinary dividends paid	(2 500)	(5 648)	(5 648)
Actuarial gain on post-retirement defined benefit plan	–	–	203
Total capital and reserves	261 432	264 950	262 410

GROUP SEGMENTAL REPORTING

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Revenue			
Total external retail revenue	270 980	286 614	538 579
Retail segment revenue	273 088	288 515	542 437
Intersegment revenue earned	(2 108)	(1 901)	(3 858)
Total external property revenue	7 376	6 880	14 185
Property segment revenue	9 893	9 358	19 277
Intersegment revenue earned	(2 517)	(2 478)	(5 092)
Dividends received	20	20	20
Interest income	2 280	2 583	5 445
Total group revenue	280 656	296 097	558 229
Segment operating profit			
Retail segment profit	3 174	14 942	9 372
Property segment profit	3 958	4 048	8 450
Group services operating loss	(3 548)	(3 201)	(8 545)
Total group operating profit	3 584	15 789	9 277
Depreciation and amortisation			
Retail	10 393	11 508	20 118
Property	1 808	1 678	3 466
Total group depreciation and amortisation	12 201	13 186	23 584
Segment assets			
Retail	220 493	223 255	223 584
Property	79 828	80 222	79 042
Group services*	32 207	34 710	38 906
Total group segment assets	332 528	338 187	341 532
Segment liabilities			
Retail	62 305	64 545	68 856
Property	5 192	3 412	7 485
Group services*	3 599	5 280	2 781
Total group segment liabilities	71 096	73 237	79 122
Capital expenditure			
Retail	12 737	9 683	25 100
Property	2 620	2 314	2 873
Total group capital expenditure	15 357	11 997	27 973

* Group services include corporate costs.

OTHER INFORMATION

		Six months ended 31 Dec 2016 Unaudited	Six months ended 31 Dec 2015 Unaudited	Year ended 30 Jun 2016 Audited
Capital commitments				
Authorised – not contracted for	(R'000)	10 218	16 482	20 786
Authorised – contracted for	(R'000)	7 475	6 803	10 655
Gross profit margin	(%)	55.1	55.0	53.7
Operating profit margin	(%)	1.3	5.5	1.7
Retail segment operating profit margin	(%)	1.2	5.2	1.7
Net asset value per share	(R)	12.40	12.60	12.43

NOTES

1 Basis of presentation of financial statements

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited 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 2016.

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 Damian Johnson CA(SA) and were approved by the board of directors on 9 March 2017.

3 Preference dividends

Dividends on the 6% cumulative participating preference shares for the six months ended 31 December 2016 in the aggregate amount of R85 250 were declared by the board of directors on 14 December 2016 and were paid on 16 January 2017.

4 Note to the financial results

4.1 Acquisition of business

A payment of R2 939 000 was made for the acquisition of the business operated by Queenspark Proprietary Limited's Namibian franchisee effective 2 October 2016.

The purchase price comprises the following:

	R'000
Intangible asset	1 100
Fixed assets	500
Inventory	1 339
	<u>2 939</u>

4.2 Share capital is comprised of the following:

	As at 31 Dec 2016 Unaudited R'000	As at 31 Dec 2015 Unaudited R'000	As at 30 Jun 2016 Audited R'000
Ordinary share capital	650	650	650
Preference share capital	550	550	550
	<u>1 200</u>	<u>1 200</u>	<u>1 200</u>

4.3 Other reserves is comprised of the following:

	As at 31 Dec 2016 Unaudited R'000	As at 31 Dec 2015 Unaudited R'000	As at 30 Jun 2016 Audited R'000
Share-based payment reserves	314	314	314
Other reserves	731	226	731
	<u>1 045</u>	<u>540</u>	<u>1 045</u>

4.4 Financial instruments

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

4.5 Trade and other receivables

The balance of trade and other receivables has increased when compared to the corresponding period partly due to an increase in the online partner trade accounts receivable.

COMMENTARY

The principal operating subsidiary Rex Trueform Clothing Company Limited reports as follows:

"Group results

Rex Trueform Clothing Company Limited ("the company") and its subsidiaries (collectively, "the group") performance was negatively influenced by the difficult trading conditions, which mainly impacted the retail segment. Retail consumer confidence and spending continued to be adversely impacted by, amongst other things, the sluggish economy, the increase in living costs and regulatory changes to credit legislation.

Revenue decreased by 5.2% to R280.9 million (2015: R296.2 million). The gross profit generated from the retail segment decreased, in line with the decline in turnover, by 5.2% to R149.3 million (2015: R157.4 million). Other income, which includes rental income, increased by 4%. Trading expenses were contained and increased by 2.9%.

The above resulted in the operating profit decreasing by 73.7% to R4.3 million (2015: R16.4 million). Profit after tax decreased by 68.2% to R4.3 million (2015: R13.4 million) resulting in the earnings per share decreasing by 68.2%.

Retail (Queenspark)

Queenspark Proprietary Limited ("Queenspark") (through a wholly-owned subsidiary) has, during the period, acquired the Queenspark retail store business operated by its Namibian franchisee and has opened a further store in Namibia. The retail segment comprises Queenspark and its Namibian subsidiary.

The retail segment, while operating in a challenging market, produced an operating profit of R3.2 million (2015: R14.9 million). Turnover, impacted by the tough trading environment, decreased by 5.3%. The gross profit margin remained stable at 55.1% (2015: 55.0%). Costs were contained and increased by 1.9%.

Queenspark recently started selling its products on the Spree website with positive results, with products now available on both the Zando and Spree online platforms. A lay-by payment option has been implemented at stores in

South Africa since September 2016 and, although still in its infancy, uptake has been pleasing.

Property

The operating profit of this segment amounted to R4.0 million (2015: R4.0 million), being impacted by certain once-off costs incurred during the period.

Prospects

Retail (Queenspark)

Queenspark will continue to be under severe pressure during the second half of the year, as economic and market conditions are likely to remain difficult. Shareholders are reminded that the second six months of the year are generally worse than the first six months.

Queenspark will continue to focus on store growth. Further product categories are to be added to existing ranges in an endeavour to improve performance. As a result of Queenspark products being offered on both the Zando and Spree websites, Queenspark is now able to service a larger client base. Knowledge gained from Queenspark's online exposure will be leveraged in an endeavour to refine the offerings going forward. The new IT Enterprise Resource Planning system caters, amongst other things, for the improved capturing and analyses of customer and product data, which would inform business decisions going forward. It is anticipated that these initiatives will improve performance in the next financial year.

Property

The Rex Trueform Office Park will, as from 1 April 2017, be fully let. The group has yet to develop two further properties. The one property is classified as a heritage site, which limits development opportunities. Development options will continue to be considered in respect of these properties."

Signed on behalf of the board

ML Krawitz
(Chairman)

Cape Town
10 March 2017

CEA Radowsky
(Chief Executive Officer)

African and Overseas Enterprises Limited

(Incorporated in the Republic of South Africa – Registration number 1947/027461/06)

JSE share codes: AOO – AON – AOVF **ISIN:** ZAE000000485 – ZAE0000009718 – ZAE000000493

Directors: ML Krawitz¹ (Chairman), CEA Radowsky (Chief Executive Officer), DS Johnson (Financial Director), MJA Golding¹, HJ Borkum^{*}, PM Naylor^{*} and RV Orlin^{*} ¹ Non-executive ^{*} Independent non-executive

PE Shub was a non-executive director of the company until her retirement on 15 August 2016. On 2 September 2016 MJA Golding was appointed as a non-executive director of the company in order to fill the vacancy arising from the retirement of PE Shub. MJA Golding retired as a director at the annual general meeting of the company held on 17 November 2016 and was duly elected as a director by the shareholders.

Registered office: Rex Buildings, 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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