



ANNUAL
FINANCIAL
STATEMENTS

2016

AFRICAN & OVERSEAS
ENTERPRISES LIMITED

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COMPANIES ACT NOTICE

These financial statements have been audited in terms of the Companies Act 71 of 2008 (as amended) ("the Companies Act"). The annual financial statements have been prepared under the supervision of the group financial director, DS Johnson CA (SA).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of African and Overseas Enterprises Limited, comprising the statements of financial position at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The directors are furthermore responsible for the preparation of the Directors' Report, which forms part of the annual financial statements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as preparation of the supplementary schedules included in the annual financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group and company financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group and company annual financial statements

The group and company annual financial statements of African and Overseas Enterprises Limited, as identified in the first paragraph, were approved by the board of directors on 26 September 2016 and signed by:



ML Krawitz
Chairman
Authorised director



CEA Radowsky
Chief executive officer
Authorised director

26 September 2016

COMPANY SECRETARY'S CERTIFICATE

I certify that African and Overseas Enterprises Limited has filed all returns and notices as required by a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.



AT Snitcher
Company secretary

26 September 2016

DIRECTOR'S REPORT

Corporate governance

The directors subscribe to the principles of corporate governance as set out in King III. Specific disclosure requirements are dealt with in the integrated annual report.

Nature of business

The company is a holding company listed on the JSE Limited under the Sector: Consumer Services – Retail – General Retailers – Apparel Retailers. The company and its subsidiary companies are collectively referred to as the "group".

Its business is that of a holding company, in that it holds 72.62% of the ordinary shares and 51.94% of the "N" ordinary shares of Rex Trueform Clothing Company Limited ("Rex Trueform").

The subsidiary of Rex Trueform, Queenspark Proprietary Limited, continued its activity of retailing clothing and fashion accessories in South Africa and the franchising of Queenspark retail stores in Kenya and Namibia.

Rex Trueform has embarked on the development of its property portfolio. The group's approach to development of its properties is a conservative one, having regard to prevailing financial and market conditions.

Financial results

The financial results of the company and the group for the year are set out in the financial statements.

Share capital

The share capital of the company, both authorised and issued, is set out in the notes to the financial statements.

Dividends

Details of dividends paid during the year are as follows:

	2016 R'000	2015 R'000
Dividends on ordinary and "N" ordinary shares:		
Dividend paid in respect of the ordinary shares	437	–
Dividend paid in respect of the "N" ordinary shares	3 548	–
Dividends on 6% cumulative Participating preference shares:		
No. 163 for half-year to 31 December 2015	16	16
No. 164 additional dividend	149	–
No. 165 for half-year to 30 June 2016	17	17
Total	4 167	33

The directors have proposed a distribution of 17 cents per share in respect of the 2016 year (2015: 35 cents) in respect of the ordinary and "N" ordinary shares. Shareholders will be asked to approve this proposal of the board at the annual general meeting of the company to be held on 17 November 2016.

Subsidiaries

The required information relating to subsidiary companies is set out in the notes to the financial statements.

Investments

Full details of the company's investments are set out in the notes to the financial statements.

Directorate

The names of the directors of the company are reflected in the integrated annual report.

The following changes in the composition of the board of directors occurred during the year:

Director	Event	Date
PM Naylor	Retired by rotation	17 November 2015
	Re-appointed	17 November 2015
ML Krawitz	Retired by rotation	17 November 2015
	Re-appointed	17 November 2015
DS Johnson	Retired by rotation	17 November 2015
	Re-appointed	17 November 2015
HJ Borkum	Retired	17 November 2015
	Re-appointed	17 November 2015
PE Shub	Retired	15 August 2016
MJA Golding*	Appointed by the board	2 September 2016

CEA Radowsky, RV Orlin and HJ Borkum will retire at the annual general meeting in accordance with the Memorandum of Incorporation but, being eligible, offer themselves for re-election.

* MJA Golding was appointed as a director of the company by the board of directors in September 2016 in order to fill the vacancy arising from the retirement of PE Shub. MJA Golding will retire as a director and, in accordance with the requirements of the Companies Act, the election by shareholders of MJA Golding as a director of the company will be proposed at the next annual general meeting of the company.

The emoluments of the group executive and group non-executive directors are set out in the financial statements and/or the human capital and remuneration report in the integrated annual report.

DIRECTOR'S REPORT (continued)

Directors' interest in shares

The interest of directors in the shares of the company at 30 June 2016, as recorded in the register, was:

	30 June 2016	30 June 2015
Ordinary and "N" ordinary shares		
Held directly:		
PE Shub	36 281	36 281
CEA Radowsky	263	263
	36 544	36 544
Held indirectly:		
The Stewart and Pat Shub Family Trust*	1 394 101	1 394 101

* The beneficiaries of the Stewart and Pat Shub Family Trust include PE Shub and CEA Radowsky.

There have been no changes in the directors' interest in shares between 30 June 2016 and the date of approval of the financial statements of the company, save that:

- PE Shub retired as a director of the company on 15 August 2016; and
- MJA Golding was appointed as a director of the company by the board of directors on 2 September 2016 to fill the vacancy arising by the retirement of PE Shub.

While MJA Golding does not directly hold any shares in the company, he is a director of Geomer Investments Proprietary Limited, which company is the holder of 2 995 112 ordinary and "N" ordinary shares in the company as at 26 August 2016.

Secretary

The company secretary's business and postal address is that of the company's registered office.

Events subsequent to the reporting date

Prior to the financial year-end of the company a consortium consisting of Geomer Investments Proprietary Limited, The Ceejay Trust, Gingko Trading Proprietary Limited and Gingko Investments No. 2 Proprietary Limited made a mandatory and comparable offer to shareholders to acquire all of the company's ordinary and "N" ordinary shares other than those it already owns ("the mandatory and comparable offer"). The mandatory and comparable offer closed on a date that was subsequent to the financial year-end of the company and a SENS announcement detailing the results of the mandatory and comparable offer was released by the company on 26 July 2016.

Other than as aforesaid, no events material to the understanding of the annual financial statements, have occurred between the financial year-end and the date hereof.

AUDIT COMMITTEE REPORT

The audit committee ("the committee") is pleased to present its report to the shareholders of African and Overseas Enterprises Limited for the financial year ended 30 June 2016.

Introduction

This report is issued in compliance with the requirements of the Companies Act and King III.

Audit committee mandate

The committee is governed by formal terms of reference, delegated to it by the board of directors, which regulates the committee's functioning, processes and procedures.

Members of the audit committee and attendance at meetings

Refer to the corporate governance report in the integrated annual report for information about the members names, qualifications, period of service, and attendance at meetings during the 2016 financial year.

The committee meets at least twice annually. A formal agenda is prepared for each meeting and comprehensive committee packs are provided containing information required in order to assist the committee in fulfilling its duties.

The external auditors, in their capacity as auditors to the company, attended and reported to all meetings of the committee. The group risk management and internal audit function are also represented. Executive directors and relevant senior management employed within the group attended meetings by invitation.

Role of the committee

Responsibilities include the following:

- overseeing integrated reporting;
- ensuring a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- overseeing internal audit;
- acting as an integral part of the risk management process;
- nominating the external auditor and overseeing the external audit process; and
- complying with Companies Act regulations if not already addressed in the above responsibilities.

Internal audit charter and the working relationship with the internal audit manager

A formal internal audit charter governs the internal auditing of the group. The committee has unlimited access to the internal audit manager employed within the group. The formal process of reporting to the committee is managed according to the internal audit charter.

Expertise and experience of financial director

As required by paragraph 3.84(h) of the JSE Listings Requirements, as read with King III, the committee has considered the appropriateness of the expertise and experience of the financial director and the finance function. In this regard the committee is of the view that DS Johnson, the financial director, possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

The committee furthermore considers that the expertise, resources and experience of the group finance function are appropriate to the nature, complexity and size of the company's operations.

External auditor's appointment and independence

The committee confirmed the nomination of KPMG Inc. as the group's external auditor for the past year, and approved the terms of engagement and fees to be paid. KPMG was appointed as the group external auditors in respect of year under review and the designated registered auditor is Mr H du Plessis.

The committee has nominated KPMG Inc. for appointment by shareholders as the company's external auditor at the annual general meeting, the designated registered auditor being Mr H du Plessis for the 2017 financial year.

Due consideration has been given to the independence of the external auditor and in this regard the committee is satisfied that KPMG Inc. is independent of the group and management and is therefore able to express an independent opinion on the group financial statements.

AUDIT COMMITTEE REPORT (continued)

The external auditor is afforded unrestricted access to the group's records and to management. Any significant issues arising from the annual audit (if any) are brought to the committee's attention.

The nature and extent of any non-audit services (when required) which the external auditor provides to the company have been agreed by the committee.

Financial statements, accounting practices and internal financial controls

Following the review by the committee of the annual financial statements for the year ended 30 June 2016, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and with International Financial Reporting Standards and fairly present the group and company financial position at that date and the results of operations and cash flows for the year then ended.

On 11 February 2016 the JSE Limited issued a report on the findings of their process of monitoring financial statements for compliance with International Financial Reporting Standards. The report was tabled at a meeting of the audit committee and considered by it.

The committee is of the opinion that the internal financial controls are effective and accounting practices are appropriate which both form the basis for the preparation of reliable financial statements in respect of the year under review.

Integrated annual report

The committee has also satisfied itself of the integrity of the remainder of the integrated annual report. Having achieved its objectives, the committee has recommended the annual financial statements and integrated annual report for the year ended 30 June 2016 for approval by the board.

The board has subsequently approved the annual financial statements and integrated annual report, which will be open for discussion at the forthcoming annual general meeting.

On behalf of the committee



PM Naylor
Audit committee chairman

26 September 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African and Overseas Enterprises Limited

Report on the group and company financial statements

We have audited the group and company financial statements of African and Overseas Enterprises Limited, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 50.

Directors' responsibility for the group and company financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion these financial statements present fairly, in all material respects, the consolidated and separate financial position of African and Overseas Enterprises Limited as at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of African and Overseas Enterprises Limited for 20 years.

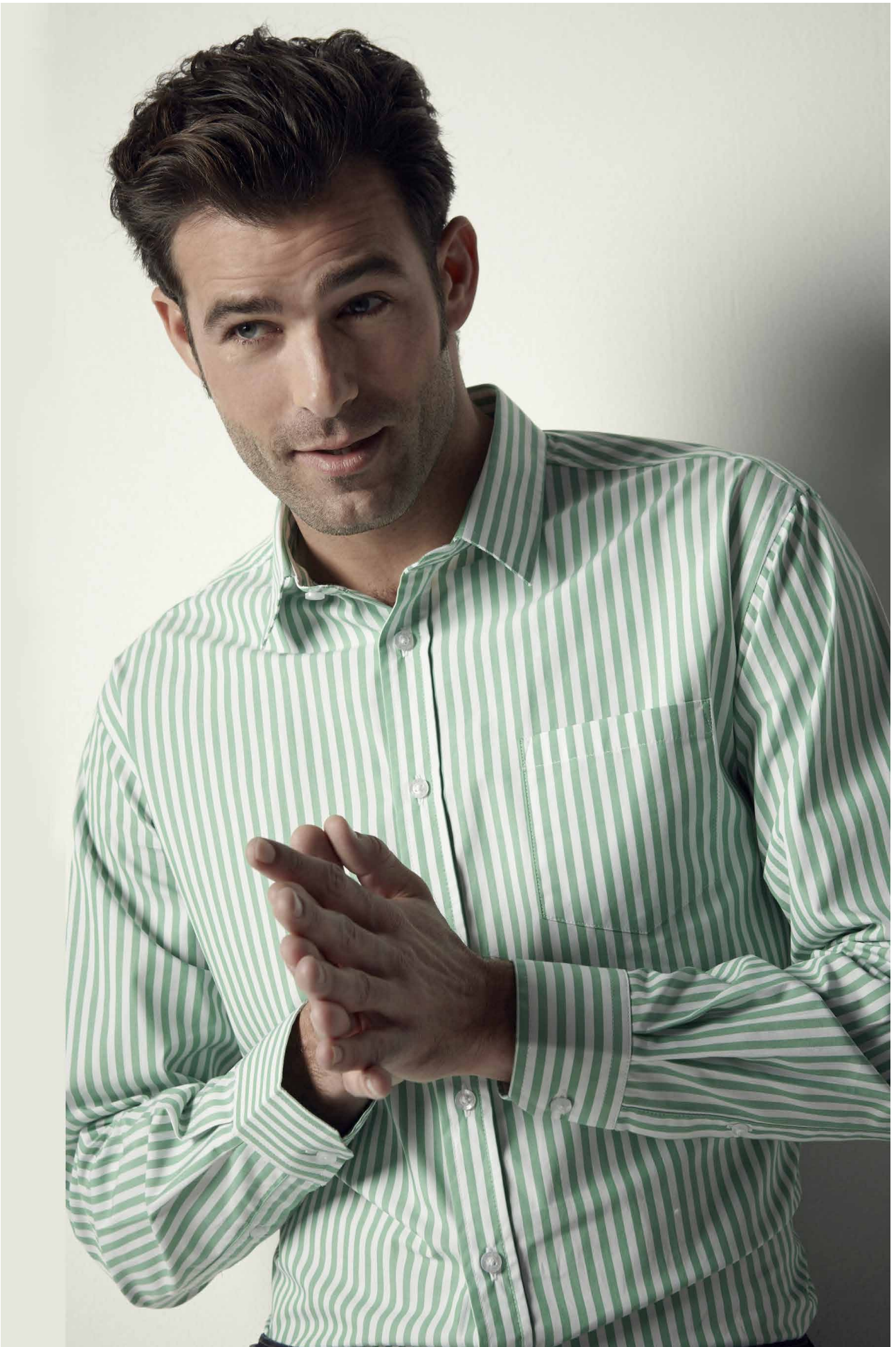


KPMG Inc.

Registered Auditor
Per HV du Plessis
Chartered Accountant (SA)
Registered Auditor
Director

26 September 2016

MSC House
Mediterranean Street
Cape Town
8001



STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

	Note	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	53 355	54 467	–	–
Investment property	3	71 849	72 539	–	–
Intangible assets	4	23 432	17 396	–	–
Investment in subsidiary companies	5	–	–	17 400	17 400
Other investments	6	576	576	–	–
Deferred tax asset	7	6 493	6 168	–	–
		155 705	151 146	17 400	17 400
Current assets					
Inventories	8	61 319	70 084	–	–
Trade and other receivables	9	35 657	20 978	12	–
Forward exchange contracts		–	883	–	–
Income tax receivable		1 114	303	2	–
Accrued operating lease asset		3 219	1 926	–	–
Cash and cash equivalents	10	84 518	81 781	3 062	1 720
		185 827	175 955	3 076	1 720
Total assets		341 532	327 101	20 476	19 120
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	11	650	650	650	650
Preference share capital	11	550	550	550	550
Share premium		6 076	6 076	6 616	6 616
Share-based payment reserve		314	314	–	–
Other reserves	12	731	226	178	(79)
Retained earnings		136 688	136 581	11 099	10 545
Equity attributable to equity holders		145 009	144 397	19 093	18 282
Non-controlling interest		117 401	117 563	–	–
Total equity		262 410	261 960	19 093	18 282
Non-current liabilities					
Post-retirement liability	13	1 991	2 673	377	632
Accrued operating lease liability		18 104	17 084	–	–
Deferred tax liability	7	2 179	1 791	–	–
		22 274	21 548	377	632
Current liabilities					
Trade and other payables	14	54 634	43 573	773	205
Amounts owed to subsidiaries		–	–	233	–
Forward exchange contracts		2 176	–	–	–
Income tax payable		38	20	–	1
		56 848	43 593	1 006	206
Total equity and liabilities		341 532	327 101	20 476	19 120

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revenue	18	558 229	536 217	7 060	111
Turnover		537 588	516 086	–	–
Cost of sales		(248 937)	(225 698)	–	–
Gross profit		288 651	290 388	–	–
Dividend income		–	–	6 907	–
Other income		15 176	16 509	–	–
Other operating expenses		(294 550)	(278 227)	(2 246)	(1 264)
Operating profit/(loss)	19	9 277	28 670	4 661	(1 264)
Dividend income	21	20	18	–	–
Finance income		5 445	3 604	153	111
Finance costs		(222)	(214)	(50)	(51)
Profit/(loss) before tax		14 520	32 078	4 764	(1 204)
Income tax expense	22	(4 946)	(9 501)	(43)	(31)
Profit/(loss) for the year		9 574	22 577	4 721	(1 235)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on post-retirement defined benefit plan		708	(77)	257	5
Items that may be reclassified subsequently to profit or loss					
Fair value adjustment on available-for-sale investments		–	52	–	–
Total comprehensive income for the year		10 282	22 552	4 978	(1 230)
Profit/(loss) attributable to:					
Ordinary and "N" ordinary shareholders of the parent		4 241	11 821	4 688	(1 268)
Preference shareholders		33	33	33	33
Profit/(loss) attributable to equity holders of the parent		4 274	11 854	4 721	(1 235)
Non-controlling interest		5 300	10 723	–	–
Profit/(loss) for the year		9 574	22 577	4 721	(1 235)
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders of the parent		4 746	11 808	4 945	(1 263)
Preference shareholders		33	33	33	33
Profit/(loss) attributable to equity holders of the parent		4 779	11 841	4 978	(1 230)
Non-controlling interest		5 503	10 711	–	–
Total comprehensive income for the year		10 282	22 552	4 978	(1 230)
Basic earnings per ordinary share (cents)	23.2	37.2	103.8		
Diluted earnings per ordinary share (cents)	23.2	37.1	103.6		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Ordinary share capital R'000	Preference share capital R'000
GROUP		
Balance as at 30 June 2014	650	550
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Actuarial loss on post-retirement defined benefit plan	-	-
Fair value adjustment for available-for-sale financial assets	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	-	-
Total contributions by and distributions to owners recognised directly in equity	-	-
Balance as at 30 June 2015	650	550
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Actuarial gain on post-retirement defined benefit plan	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	-	-
Ordinary dividends paid	-	-
Total contributions by and distributions to owners recognised directly in equity	-	-
Balance as at 30 June 2016	650	550
COMPANY		
Balance as at 30 June 2014	650	550
Total comprehensive income for the year		
Loss for the year	-	-
Other comprehensive income for the year		
Actuarial gain on post-retirement defined benefit plan	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	-	-
Total contributions by and distributions to owners recognised directly in equity	-	-
Balance as at 30 June 2015	650	550
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Actuarial gain on post-retirement defined benefit plan	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	-	-
Ordinary dividends paid	-	-
Total contributions by and distributions to owners recognised directly in equity	-	-
Balance as at 30 June 2016	650	550

Share premium R'000	Other reserves R'000	Share-based payments reserve R'000	Retained earnings R'000	Non- controlling interest	Total R'000
6 076	239	314	124 760	106 869	239 458
–	–	–	11 854	10 723	22 577
–	(42)	–	–	(35)	(77)
–	29	–	–	23	52
–	(13)	–	11 854	10 711	22 552
–	–	–	(33)	(17)	(50)
–	–	–	(33)	(17)	(50)
6 076	226	314	136 581	117 563	261 960
–	–	–	4 274	5 300	9 574
–	505	–	–	203	708
–	505	–	4 274	5 503	10 282
–	–	–	(33)	(17)	(50)
–	–	–	(4 134)	(5 648)	(9 782)
–	–	–	(4 167)	(5 665)	(9 832)
6 076	731	314	136 688	117 401	262 410
6 616	(84)	–	11 813	–	19 545
–	–	–	(1 235)	–	(1 235)
–	5	–	–	–	5
–	5	–	(1 235)	–	(1 230)
–	–	–	(33)	–	(33)
–	–	–	(33)	–	(33)
6 616	(79)	–	10 545	–	18 282
–	–	–	4 721	–	4 721
–	257	–	–	–	257
–	257	–	4 721	–	4 978
–	–	–	(33)	–	(33)
–	–	–	(4 134)	–	(4 134)
–	–	–	(4 167)	–	(4 167)
6 616	178	–	11 099	–	19 093

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2016

	Note	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash flows from operating activities					
Operating profit/(loss) before working capital changes	25.1	36 013	50 328	(2 244)	(1 292)
Working capital changes	25.2	4 737	4 849	789	(6)
Cash generated/(utilised) by operating activities		40 750	55 177	(1 455)	(1 298)
Interest received		5 445	3 604	153	111
Interest paid		(222)	(214)	(50)	(51)
Dividends paid	25.3	(9 832)	(50)	(4 167)	(33)
Dividends received		20	18	6 907	–
Taxation paid	25.4	(5 676)	(814)	(46)	(32)
Net cash inflows/(outflows) from operating activities		30 485	57 721	1 342	(1 303)
Cash flows from investing activities					
Additions to property, plant and equipment		(17 539)	(31 775)	–	–
Additions to investment properties		(2 749)	(5 295)	–	–
Additions to intangible assets		(7 685)	(3 823)	–	–
Proceeds from disposal of property, plant and equipment		225	471	–	–
Proceeds from disposal of investment property		–	5 795	–	–
Net cash outflows from investing activities		(27 748)	(34 627)	–	–
Net increase/(decrease) in cash and cash equivalents		2 737	23 094	1 342	(1 303)
Cash and cash equivalents at the beginning of the year		81 781	58 687	1 720	3 023
Cash and cash equivalents at the end of the year	10	84 518	81 781	3 062	1 720

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

1 Accounting policies

REPORTING ENTITY

African and Overseas Enterprises Limited (the "company") is a company domiciled in South Africa (company registration number: 1947/027461/06). The group financial statements of the company for the year ended 30 June 2016 comprise the company and its subsidiaries (together referred to as the "group").

Where reference is made to the "group" in the accounting policies, it should be interpreted as referring to the company where the context requires, and unless otherwise noted.

The company's registered office is at Rex Buildings, 263 Victoria Road, Salt River, 7925.

The financial statements were authorised for issue by the directors on 26 September 2016.

STATEMENT OF COMPLIANCE

These financial statements comprise the financial statements of the company and the group financial statements of the company and its subsidiaries (together referred to as "the group") and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

BASIS OF PREPARATION

The group financial statements are presented in South African rands, which is the company's functional currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern and historical cost bases, unless otherwise stated.

These accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise stated.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements made in applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Trade receivables impairment

Trade receivables are disclosed net of any accumulated impairment losses. The group assesses its trade receivables and loans receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment of trade receivables and loans receivable is calculated on an individual basis, based on payment history, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the individual receivable. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or defaults of payments are considered indicators of impairment.

Inventory valuation

Inventory is valued at the lower of cost and net realisable value. The allowances for mark-down and obsolescence of inventory take into account historic information related to sales trends and represent the expected mark-down between the original cost and the estimated net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (where applicable) and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Other

Further estimates and judgements are made relating to residual values, useful lives and depreciation methods (refer to notes 2 and 3); estimating the fair value of share incentives granted (refer to note 20.2); provisions; and employee obligations (refer to note 13).

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in consolidated structured entities

Rex Trueform Share Trust

The Rex Trueform Share Trust is a consolidated structured entity of the group. The Rex Trueform Share Trust purchased shares in Rex Trueform and holds them for the purpose of the share-based payment. The group is not required to provide any financial assistance. There are no amounts owing by the trust to the group at year-end. Furthermore, the group has no intention to provide financial or other support to this consolidated structured entity.

The company measured its investments in subsidiaries in its separate financial statements at cost less accumulated impairment losses.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

BUSINESS COMBINATIONS AND GOODWILL

Business combinations from 1 January 2010

Business combinations occurring on or after 1 January 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

FINANCIAL INSTRUMENTS

A financial instrument is recognised when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially on the trade date, which is the date the group becomes party to the transactions.

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the group commits itself to purchase or sell the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments recognised on the statement of financial position include cash and cash equivalents, trade and other receivables, amounts receivable from subsidiary companies, investments, and trade and other payables.

Initial measurement

Financial instruments are initially recognised at fair value. For those instruments not measured at fair value through profit and loss, directly attributable transaction costs are included on initial measurement. Subsequent to initial recognition financial instruments are measured as described below.

Investment in equity securities

Investments are classified as available-for-sale assets and are measured at fair value. Changes in fair value other than impairment losses are recognised in other comprehensive income and presented within equity in other reserves. When an investment is derecognised the cumulative gain or loss is transferred to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and amounts held on deposit at financial institutions. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are measured initially at fair value and subsequently at amortised cost using the effective interest method, less impairment losses.

Trade and other payables

Trade and other payables are measured initially at fair value and subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

Derivative financial instruments

The group uses derivative financial instruments to economically hedge its exposure to foreign exchange arising from operational activities. In accordance with its treasury policy the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are subsequently measured at fair value, with the gain or loss on remeasurement being recognised immediately in profit or loss.

Offset

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position when the group and company have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Impairment

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payments status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities the reversal is recognised directly in other comprehensive income or to profit or loss to the extent an impairment was previously recognised.

FOREIGN CURRENCY

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African rands at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When there is a change in intended use the group transfers assets to or from property, plant and equipment to or from investment property. Where investment property is carried at cost, transfers do not change the carrying amount of the asset transferred and they do not change the cost of that asset for measurement and disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

Gains or losses on the disposal of property, plant and equipment are recognised in profit or loss. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

Where significant components of an item of property, plant and equipment have different useful lives they are accounted for as separate items of property, plant and equipment.

Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each significant component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows for the current and comparative periods:

- buildings 30 to 50 years
- plant 5 to 10 years
- equipment and shopfittings 3 to 10 years
- vehicles 3 to 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Buildings are depreciated to their residual values on a straight-line basis over their expected useful lives. The estimated useful lives of buildings are 30 to 50 years for the current and comparative periods.

When there is a change in intended use the group transfers assets to or from property, plant and equipment to or from investment property. Where investment property is carried at cost, transfers do not change the carrying amount of the asset transferred and they do not change the cost of that asset for measurement and disclosure purposes.

For disclosure purposes an external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio regularly. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Rental income from investment property is accounted for as described in the rental income accounting policy. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

INTANGIBLE ASSETS

Computer software

Computer software that is acquired or developed by the group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the useful life of the asset as based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 to 10 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. In the absence of an active market the residual value is presumed to be nil.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less costs of disposal. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" ("CGU")).

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a *pro rata* basis.

In respect of assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

SHARE CAPITAL

Ordinary share capital

Ordinary and "N" ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

Preference share capital

Preference share capital is classified as equity as it is non-redeemable. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared to the extent it remains unpaid at the end of the reporting period.

EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages and salaries represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals for short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

Post-employment benefits

The company and its subsidiaries contribute to several defined benefit and defined contribution plans.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution retirement fund is recognised as an employee benefit expense in profit or loss when it is due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The group's net obligation in respect of a defined benefit plan is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The projected unit credit method is used to determine the present value of the defined benefit post-retirement medical aid and pension obligations and the related current service cost and, where applicable, past service cost. This calculation is performed by a qualified actuary. When the calculation results in a benefit to the group the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the group if it is realisable during the life of the plan or on settlement of the plan liabilities.

Current service cost and interest cost in respect of defined benefit plans are recognised immediately in profit or loss. Actuarial gains and losses are recognised in the year in which they arise in other comprehensive income.

Share-based payment transactions

The group grants equity-settled share instruments to certain employees under an employee share plan. These share options will be settled in shares. The grant date fair value of forfeitable shares granted to employees is recognised as an expense with a corresponding increase in equity in a separate reserve over the period that the employees become unconditionally entitled to the instruments. The fair value is measured at the grant date using a Black-Schöles option pricing model and is spread over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share instruments for which the related service and non-market vesting conditions are met, such that the amount ultimately recognised as an expense is based on the number of share instruments that meet the related service and non-market performance conditions at delivery date. Costs incurred in administering the schemes are expensed as incurred.

PROVISIONS

A provision is recognised in the statement of financial position if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the group recognises any impairment loss on the assets associated with that contract.

REVENUE

Turnover

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. All turnover is measured at the fair value of the consideration received or receivable and is exclusive of value added tax and net of returns, discounts and rebates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Finance income

Finance income is recognised in profit or loss as it accrues, using the effective interest method.

Royalties

Royalties, based on the sale of merchandise by franchisees, is recognised in profit or loss in the period in which they are earned, according to the applicable contractual arrangements.

Dividend income

Dividend income is recognised in profit or loss on the date the entity's right to receive payments is established.

Operating (loss)/profit is the loss or profit incurred or earned from normal business operations.

EXPENSES

Operating lease payments

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Cost of sales

Cost of sales comprises the direct cost of merchandise sold and includes stock losses and allowances for mark-downs.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest method and unwinding of the discount on provisions and long-term employee benefits.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity.

Where tax is withheld on dividends received the dividend is recognised at the gross amount with the related withholding tax recognised as part of tax expense, unless it is otherwise reimbursable in which case it is recognised as an asset.

SEGMENT REPORTING

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the executive members of the board, identified as the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance and for which internal financial information is available.

Segment results that are reported to the board include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The group is organised into two reportable operating divisions:

- Retail trading division – comprising the Queenspark local and franchise divisions.
- Property division – comprises the Rex Trueform group property portfolio, which includes both its investment properties and the properties used in operations.

EARNINGS PER SHARE

The group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Headline earnings per share ("HEPS") is calculated per the requirements of Circular 2/2013, issued by SAICA as required by the JSE Listings Requirements, using the same number of shares as the EPS and diluted EPS calculations.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Prior to the financial year-end of the company a consortium consisting of Geomer Investments Proprietary Limited, The Ceejay Trust, Gingko Trading Proprietary Limited and Gingko Investments No. 2 Proprietary Limited, made a mandatory and comparable offer to shareholders to acquire all of the company's ordinary and "N" ordinary shares other than those it already owns ("the mandatory and comparable offer"). The mandatory and comparable offer closed on a date that was subsequent to the financial year-end of the company and a SENS announcement detailing the results of the mandatory and comparable offer as was released by the company on 26 July 2016.

Other than as aforesaid, no events material to the understanding of the financial statements, have occurred between the financial year-end and the date hereof.

COMPARATIVE FIGURES

Where applicable, the disclosure of comparative figures has been updated in order to align those figures with current period disclosures.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

2 Property, plant and equipment

Land and buildings

Cost at the beginning of the year

Additions

Transfer to investment property

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Transfer to investment property

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Open market value of freehold land and buildings

Plant

Cost at the beginning of the year

Additions

Disposals

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Depreciation on disposals

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Vehicles

Cost at the beginning of the year

Additions

Disposals

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Depreciation on disposals

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cost at the beginning of the year	1 396	48 538	–	–
Additions	124	4 693	–	–
Transfer to investment property	–	(51 835)	–	–
Cost at the end of the year	1 520	1 396	–	–
Accumulated depreciation at the beginning of the year	37	797	–	–
Depreciation charge for the year	27	754	–	–
Transfer to investment property	–	(1 514)	–	–
Accumulated depreciation at the end of the year	64	37	–	–
Carrying value at the beginning of the year	1 359	47 741	–	–
Carrying value at the end of the year	1 456	1 359	–	–
Open market value of freehold land and buildings	21 200	21 300	–	–
Plant				
Cost at the beginning of the year	287	358	–	–
Additions	–	6	–	–
Disposals	–	(77)	–	–
Cost at the end of the year	287	287	–	–
Accumulated depreciation at the beginning of the year	17	77	–	–
Depreciation charge for the year	19	17	–	–
Depreciation on disposals	–	(77)	–	–
Accumulated depreciation at the end of the year	36	17	–	–
Carrying value at the beginning of the year	270	281	–	–
Carrying value at the end of the year	251	270	–	–
Vehicles				
Cost at the beginning of the year	1 954	3 271	–	–
Additions	–	2	–	–
Disposals	(531)	(1 319)	–	–
Cost at the end of the year	1 423	1 954	–	–
Accumulated depreciation at the beginning of the year	1 447	2 195	–	–
Depreciation charge for the year	191	393	–	–
Depreciation on disposals	(376)	(1 141)	–	–
Accumulated depreciation at the end of the year	1 262	1 447	–	–
Carrying value at the beginning of the year	507	1 076	–	–
Carrying value at the end of the year	161	507	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
2 Property, plant and equipment (continued)				
Equipment and shopfittings				
Cost at the beginning of the year	144 654	154 083	–	–
Additions	17 415	27 074	–	–
Disposals	–	(21 099)	–	–
Transfer to investment property	–	(15 404)	–	–
Cost at the end of the year	162 069	144 654	–	–
Accumulated depreciation and impairment at the beginning of the year	92 323	94 419	–	–
Depreciation charge for the year	19 028	19 122	–	–
Impairment (reversal)/loss for the year	(769)	769	–	–
Depreciation on disposals	–	(20 822)	–	–
Transfer to investment property	–	(1 165)	–	–
Accumulated depreciation and impairment at the end of the year	110 582	92 323	–	–
Carrying value at the beginning of the year	52 331	59 664	–	–
Carrying value at the end of the year	51 487	52 331	–	–
Total carrying value at the beginning of the year	54 467	108 762	–	–
Total carrying value at the end of the year	53 355	54 467	–	–

Impairment tests for plant and equipment

The group reviews the carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Carrying values of assets were assessed against the recoverable amounts, being the higher of the value in use and an indicative selling price and impairment reversals of R0.8 million (2015: 0.8 million losses) were recognised during the current year.

Property, plant and equipment

In the prior year assets were transferred from property, plant and equipment to investment property.

Company level

Effective 1 July 2014 identified equipment integral to the building was transferred from property, plant and equipment to investment property.

Group level

The group owns property included in investment property of the subsidiary, Rex Trueform Clothing Company Limited, that is leased to, and occupied by, its subsidiary, Queenspark Proprietary Limited. Prior to 1 January 2015 the Rex Trueform Office Park ("RTOP") property owned by the company was not classified as investment property from a group perspective as a significant portion was owner occupied. Effective 1 January 2015 Queenspark Proprietary Limited moved into a smaller office space within the RTOP building. The portion relating to the new office space which is now occupied by the group was considered insignificant and as a result there was a transfer of the entire building and equipment integral to the building to investment property.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

3 Investment property

Cost at the beginning of the year

Additions

Disposals

Transfer from property, plant and equipment

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Depreciation on disposals

Transfer from property, plant and equipment

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Fair value

Included in profit and loss are the following items:

Rental income from investment property

Direct operating expenses (including repairs and maintenance) relating to rental-generating investment properties

Direct operating expenses (including repairs and maintenance) relating to investment properties which did not generate income

The group leases out certain of its investment properties. The future minimum lease payments under non-cancellable leases are as follows:

Less than one year

Between one and five years

Later than five years

Total

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cost at the beginning of the year	76 045	6 245	–	–
Additions	2 749	5 295	–	–
Disposals	–	(2 734)	–	–
Transfer from property, plant and equipment	–	67 239	–	–
Cost at the end of the year	78 794	76 045	–	–
Accumulated depreciation at the beginning of the year	3 506	805	–	–
Depreciation charge for the year	3 439	825	–	–
Depreciation on disposals	–	(803)	–	–
Transfer from property, plant and equipment	–	2 679	–	–
Accumulated depreciation at the end of the year	6 945	3 506	–	–
Carrying value at the beginning of the year	72 539	5 440	–	–
Carrying value at the end of the year	71 849	72 539	–	–
Fair value	177 900	164 000	–	–
Included in profit and loss are the following items:				
Rental income from investment property	14 185	7 042	–	–
Direct operating expenses (including repairs and maintenance) relating to rental-generating investment properties	6 728	2 554	–	–
Direct operating expenses (including repairs and maintenance) relating to investment properties which did not generate income	424	508	–	–
The group leases out certain of its investment properties. The future minimum lease payments under non-cancellable leases are as follows:				
Less than one year	13 683	14 070	–	–
Between one and five years	31 117	47 644	–	–
Later than five years	455	819	–	–
Total	45 255	62 533	–	–

In the prior year assets were transferred from property, plant and equipment to investment property. Refer to note 2.

Management has considered the following when assessing the owner-occupied portion as insignificant:

- Queenspark Proprietary Limited occupies approximately 10% (2015: 10%) of the RTOP building and in relation to gross lettable area, this is regarded as insignificant.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

3 Investment property (continued)

The group's investment properties include commercial properties that are leased out to third parties. Rental increases vary between 7% and 8% (2015: 7% to 8%). Subsequent renewals may be negotiated with the lessee and the average renewal periods are from two to five years. No contingent rentals are charged.

There are commitments to further develop investment properties by R2.1 million (2015: R5.7 million).

Fair value for financial reporting purposes

The fair value of investment property has been determined on a capitalisation of income basis or applicable bulk rate as at 30 June 2016 by independent valuers, Old Mutual Investment Group: South Africa. In applying this method the professional associated valuers have given consideration to the rental-producing capacity of the properties taking into account their location, structure and the rental-producing capacity of similar buildings.

The fair values of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property has been categorised as a Level 3 fair value based on the inputs of the valuation technique.

Significant unobservable inputs:

Capitalisation rate	9% – 11% (2015: 9% – 11%)
Discount rate	15% (2015: 15%)

4 Intangible assets

Computer software

Cost at the beginning of the year

Additions

Disposals

Cost at the end of the year

Accumulated amortisation at the beginning of the year

Amortisation charge for the year

Amortisation on disposals

Accumulated amortisation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cost at the beginning of the year	25 463	25 105	–	–
Additions	7 685	3 823	–	–
Disposals	–	(3 465)	–	–
Cost at the end of the year	33 148	25 463	–	–
Accumulated amortisation at the beginning of the year	8 067	11 185	–	–
Amortisation charge for the year	1 649	344	–	–
Amortisation on disposals	–	(3 462)	–	–
Accumulated amortisation at the end of the year	9 716	8 067	–	–
Carrying value at the beginning of the year	17 396	13 920	–	–
Carrying value at the end of the year	23 432	17 396	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Issued capital R	Share-holding %	Shares at cost		Indebtedness	
			2016 R'000	2015 R'000	2016 R'000	2015 R'000
5 Investment in subsidiary companies						
Rex Trueform Clothing Company Limited						
Ordinary shares	1 452 903	72.62	2 187	2 187	–	–
"N" ordinary shares	44 341	51.94	15 212	15 212	–	–
6% cumulative preference shares	280 000	0.59	1	1	–	–
			17 400	17 400	–	–

6 Other investments

Unlisted shares in:

Business Partners Limited

– 104 800 shares at fair value

Total available-for-sale investments

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	576	576	–	–
	576	576	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

7 Deferred tax

Balance at the beginning of the year

– Deferred tax assets

– Deferred tax liabilities

Charge to profit or loss

– Current year

– Prior year under/(over) provision

Current year movement in temporary differences recognised in profit or loss

– Provision and accruals

– Property, plant and equipment

– Mark to market

– Lease asset

– Prepaid expense

– Assessed loss

Balance at the end of the year

– Deferred tax assets

– Deferred tax liabilities

Comprising:

Deferred tax assets

– Assessed losses

– Provisions and accruals

– Mark to market

– Property, plant and equipment

Deferred tax liabilities

– Property, plant and equipment

– Lease asset

– Mark to market

– Prepaid expense

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at the beginning of the year	4 377	13 224	–	–
– Deferred tax assets	6 168	13 513	–	–
– Deferred tax liabilities	(1 791)	(289)	–	–
Charge to profit or loss	(63)	(8 847)	–	–
– Current year	(510)	(8 762)	–	–
– Prior year under/(over) provision	447	(85)	–	–
Current year movement in temporary differences recognised in profit or loss	(63)	(8 847)	–	–
– Provision and accruals	1 163	1 498	–	–
– Property, plant and equipment	(1 104)	(2 079)	–	–
– Mark to market	856	(492)	–	–
– Lease asset	(362)	(382)	–	–
– Prepaid expense	(49)	(502)	–	–
– Assessed loss	(567)	(6 890)	–	–
Balance at the end of the year	4 314	4 377	–	–
– Deferred tax assets	6 493	6 168	–	–
– Deferred tax liabilities	(2 179)	(1 791)	–	–
Comprising:				
Deferred tax assets	14 732	13 023	–	–
– Assessed losses	4 317	4 884	–	–
– Provisions and accruals	9 297	8 134	–	–
– Mark to market	609	–	–	–
– Property, plant and equipment	509	5	–	–
Deferred tax liabilities	(10 418)	(8 646)	–	–
– Property, plant and equipment	(6 806)	(5 198)	–	–
– Lease asset	(901)	(539)	–	–
– Mark to market	–	(247)	–	–
– Prepaid expense	(2 711)	(2 662)	–	–

The directors have considered the future profitability and on the basis that taxable income and capital gains are probable in the foreseeable future, deferred tax assets have been recognised.

Deferred tax assets and liabilities are recognised on the assumption that the assets and liabilities will either be recovered through use in the future or will be realised through sale. A capital gains tax rate of 22.4% (2015: 18.7%) was used to compute deferred tax for assets and liabilities which will be realised through sale, and a rate of 28% (2015: 28%) was used for deferred tax balances to be recovered through use.

The deferred tax asset relating to the group companies has been recognised because it is considered probable that future taxable profits will be available against which the group can utilise the benefits therefrom.

In respect of the subsidiary, Queenspark Proprietary Limited, the following will positively impact profits in the future:

- 1) the implementation of the ERP IT system is expected to deliver substantial benefits going forward; and
- 2) the opening of new stores.

In respect of Rex Trueform Clothing Company Limited rental incomes are expected to increase going forward due to the recent development of the Rex Trueform Office Park building. As at 30 June 2016 approximately 94% (2015: 90%) of the office space has been leased out. The balance of the space not yet let is likely to be let during the 2017 financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
8 Inventories				
Merchandise purchased for resale	61 319	70 084	–	–
Inventories at the end of the year	61 319	70 084	–	–
Inventories carried at net realisable value	229	419	–	–
Inventory write-downs/(provisions reversed) included in profit or loss	1 601	(3 273)	–	–
9 Trade and other receivables				
Trade receivables (refer to note 17.2)	2 688	1 697	–	–
Prepayments	31 270	10 987	12	–
VAT receivable	–	4 585	–	–
Other receivables (refer to note 17.2)	1 699	3 709	–	–
At the end of the year	35 657	20 978	12	–
The carrying amount of financial assets represents the maximum credit exposure.				
10 Cash and cash equivalents				
Bank balances	8 503	5 584	61	120
Call deposits	76 015	76 197	3 001	1 600
At the end of the year (refer to note 17.2)	84 518	81 781	3 062	1 720
11 Share capital				
Authorised share capital				
<i>Ordinary shares</i>				
1 250 000 ordinary shares of 50 cents each	625	625	625	625
20 000 000 "N" ordinary shares of 0.25 cent each	50	50	50	50
	675	675	675	675
<i>Preference shares</i>				
275 000 6% cumulative participating preference shares of R2 each	550	550	550	550
Total authorised share capital	1 225	1 225	1 225	1 225
Issued share capital				
<i>Ordinary shares</i>				
1 250 000 ordinary shares of 50 cents each	625	625	625	625
10 137 441 "N" ordinary shares of 0.25 cent each	25	25	25	25
	650	650	650	650
<i>Preference shares</i>				
275 000 6% cumulative participating preference shares of R2 each	550	550	550	550
Total issued share capital	1 200	1 200	1 200	1 200

The unissued shares are under the control of the directors until the annual general meeting.

The following dividends were declared and paid by the company during the year.

Dividends per ordinary and "N" ordinary shares (cents)	2016	2015
Final	35	–
Total	35	–

The directors have proposed a distribution of 17 cents per share in respect of the 2016 year on ordinary and "N" ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

12 Other reserves

Revaluation of share investment
Actuarial gain/(loss) on post-retirement defined benefit plan
At the end of the year

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
268	268	-	-
463	(42)	178	(79)
731	226	178	(79)

The revaluation of share investment relates to the investment in Business Partners Limited. Refer to note 6.

13 Post-retirement liability

At 30 June 2016, the group had an obligation to provide post-retirement health care to nine members (2015: 11). These members belong to the Discovery Medical Aid Scheme, registered in terms of the Medical Schemes Act No. 131 of 1998, as amended. The obligation is unfunded and any benefits paid are through the company's cash resources.

Reconciliation of liability

At the beginning of the year
Interest cost included in profit or loss
Actuarial (gain)/loss included in other comprehensive income
Benefits paid
At the end of the year

2 673	2 653	632	665
215	198	50	51
(708)	77	(257)	(5)
(189)	(255)	(48)	(79)
1 991	2 673	377	632

Amount included in profit or loss

Interest cost

215	198	50	51
215	198	50	51

Amount included in other comprehensive income

Actuarial (gain)/loss

(708)	77	(257)	(5)
(708)	77	(257)	(5)

The following assumptions have been used in the valuation of the obligation:

Discount rate
Medical aid contribution inflation
Salary and related benefit inflation
Post-retirement mortality

9.0%	8.5%	9.0%	8.5%
8.3%	8.0%	8.3%	8.0%
7.3%	7.0%	7.3%	7.0%
PA(90)	PA(90)	PA(90)	PA(90)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the post-retirement obligation by the amounts shown below.

	GROUP			
	2016		2015	
	Amount R	% change	Amount R	% change
Central assumption	1 991 343		2 673 364	-
Inflation items increase by 1%	2 189 130	9.9	2 941 087	9.9
Inflation items decrease by 1%	1 824 688	(8.4)	2 450 465	(8.5)
10% improvement in mortality	2 091 032	5.0	2 828 305	5.6

Historical information	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
GROUP						
Present value obligation	1 991	2 673	2 653	2 776	3 101	3 996
COMPANY						
Present value obligation	377	632	665	615	720	745

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
14 Trade and other payables				
Trade payables	24 511	18 879	399	–
VAT payable	400	1 300	–	–
Employee benefit accruals	9 288	7 545	–	–
Other payables and accruals	20 435	15 849	374	205
At the end of the year	54 634	43 573	773	205
15 Capital commitments				
Capital commitments include all projects for which specific board approval has been obtained.				
Authorised but not yet contracted for				
Store development	7 894	18 897	–	–
Head office refurbishments	100	100	–	–
Rex Trueform Office Park	1 810	3 925	–	–
Distribution warehouse	3 764	4 200	–	–
Computer infrastructure and software	6 968	8 828	–	–
Motor vehicles	250	–	–	–
Total	20 786	35 950	–	–
Authorised and contracted for (less amounts already incurred)				
Rex Trueform Office Park	319	1 780	–	–
Store development	9 246	3 786	–	–
Computer software	1 090	–	–	–
Total	10 655	5 566	–	–

The capital commitments will be financed by cash resources and cash generated from operations and are expected to be incurred in the following year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

16 Leases

The group leases its store trading premises under operating leases. Leases are contracted for periods of between three and eight years, with certain lease agreements providing for renewal options for similar periods. The lease agreements for certain stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover achieved. Rental escalations vary between 7% and 11% (2015: 6% to 10%) per annum.

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Lessee				
At 30 June 2016 future non-cancellable minimum lease rentals were payable during the following financial years:				
Minimum lease payments				
Cash flows year one	85 158	81 032	–	–
Cash flows years two to five	209 070	228 347	–	–
Cash flows > year five	7 810	20 222	–	–
Total future cash flows	302 038	329 601	–	–
Accrued operating lease liability	(18 104)	(17 084)	–	–
Future expenses	283 934	312 517	–	–

Lessor – refer to note 3.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

17 Financial instruments

17.1 Fair values

The carrying values of financial assets and financial liabilities, which also approximate their fair values, are as follows:

Available-for-sale financial assets

Receivables

Cash and cash equivalents

Trade and other payables

Amounts payable to group companies

Forward exchange contracts

	GROUP		COMPANY	
	Carrying amount		Carrying amount	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	576	576	–	–
	4 387	5 406	–	–
	84 518	81 781	3 062	1 720
	(44 946)	(34 728)	(773)	(205)
	–	–	(233)	–
	(2 176)	883	–	–
	42 359	53 918	2 056	1 515

Valuation of financial instruments

The group measures fair values using the following fair value hierarchy that reflects the significance of each input used in making these measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs.

This category includes all instruments where the valuation technique includes inputs not based on observable data and the observable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Available-for-sale financial assets	–	–	576	576
Forward exchange contract	–	(2 176)	–	(2 176)
	–	(2 176)	576	(1 600)

The fair value of other investments was based on the latest market price of the invested shares.

Fair values of the forward exchange contract was determined by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.

Level 3 reconciliation

Opening balance

Fair value adjustments on available-for-sale instruments

Closing balance

Other
investments
R'000

576

–

576

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

17 Financial instruments (continued)

17.2 Credit risk

Credit risk is the risk of financial loss to the group or company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises on trade and other receivables, cash and inter-company receivables.

The risk arising on accounts receivable is managed through a group policy on the granting of credit, continual review and monitoring of all receivables balances and includes applying payment terms and monitoring of any overdue amounts.

Credit risk is minimised through an initial new client acceptance procedure whereby potential customers are individually assessed.

Listings of overdue customer balances are reviewed monthly. Any customer exceeding their credit terms must settle their overdue balances before any further credit is extended. Appropriate action is taken to recover long overdue debts. An impairment provision is raised if there is objective evidence that the outstanding debt may not be collectible.

The material recurring trade debtors relate to receivables due from franchise stores, online retailer and rentals due from third-party tenants as detailed below.

There are securities in place where required for each franchisee in the form of bank guarantees or personal suretyships signed by the individual franchisees.

Tenants are required to provide deposits or guarantees and where required a directors' suretyship may be obtained. The tenant credit rating process includes obtaining references, obtaining copies of tax compliance certificates (or other related documents), assessment of financial results to establish its financial standing, and reviewing credit reports.

The credit risk on cash and cash equivalents is managed through dealing with well-established financial institutions with high credit standings.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

Trade receivables (refer to note 9)
Other receivables (refer to note 9)
Cash and cash equivalents (refer to note 10)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade receivables	2 688	1 697	–	–
Other receivables	1 699	3 709	–	–
Cash and cash equivalents	84 518	81 781	3 062	1 720
	88 905	87 187	3 062	1 720

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Rentals to be received from tenants
Amounts receivable from franchisees
Online retailer
Other

Rentals to be received from tenants	113	350	–	–
Amounts receivable from franchisees	599	890	–	–
Online retailer	1 662	–	–	–
Other	314	457	–	–
	2 688	1 697	–	–

Impairment losses

The ageing of trade receivables at the reporting date was:

	GROUP				COMPANY			
	Gross 2016 R'000	Impair- ment 2016 R'000	Gross 2015 R'000	Impair- ment 2015 R'000	Gross 2016 R'000	Impair- ment 2016 R'000	Gross 2015 R'000	Impair- ment 2015 R'000
Not past due	1 404	–	1 218	–	–	–	–	–
Past due 0 – 30 days	1 026	(19)	78	(41)	–	–	–	–
Past due 31 – 60 days	192	(15)	179	(9)	–	–	–	–
Past due > 61 days	116	(16)	272	–	–	–	–	–
	2 738	(50)	1 747	(50)	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

17 Financial instruments (continued)

17.2 Credit risk (continued)

An analysis of the credit quality of trade and other receivables that are neither past due nor impaired is as follows:

Tenants

Tenants with greater than two years trading history with the group

Tenants with less than two years of trading history with the group

Franchise stores

Franchise stores with greater than two years trading history with the group

Franchise stores with less than two years of trading history with the group

Online retailer

Other customers

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	82	5	–	–
	–	308	–	–
	147	460	–	–
	–	103	–	–
	870	–	–	–
	305	342	–	–
	1 404	1 218	–	–
	50	50	–	–
	24 511	18 879	399	–
	20 435	15 849	374	205
	44 946	34 728	773	205
	44 946	34 728	773	205
	2 176	(883)	–	–
	53 617	63 578	–	–
	53 617	63 578	–	–

There was no movement in the impairment allowance in respect of trade receivables during the year.

Balance as at the end of the year

Trade and other receivables that are past due, not impaired are considered recoverable. Certain customers have a long-standing credit history with the group and/or have provided the group with guarantees.

17.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due both under normal and stressed conditions, without incurring unacceptable losses to the group.

The risk is managed through cash flow forecasts and the optimisation of daily cash management.

Note 16 discloses cash flows relating to non-cancellable minimum lease rentals.

The expected cash flow related to the trade payable and other payables and accruals will occur as follows:

Trade payables

Other payables and accruals

Contractual cash flows

Less than one year

The expected cash flows related to forward exchange contracts will occur as follows:

Carrying amount

Contractual cash flows

Less than one year

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

17 Financial instruments (continued)

17.4 Interest rate risk

The group and company are exposed to interest rate risk as they invest funds. The financial assets that are sensitive to interest rate risk are cash and cash equivalents. The risk is managed by maintaining an appropriate mix of fixed and daily call placements with reputable financial institutions.

The interest rates applicable to these financial instruments are keenly negotiated and generally vary in response to the prime overdraft rate. The current effective interest rate is 6.9% (2015: 5.6%). Floating rate financial assets include cash at bank and cash equivalents. The group has no fixed rate financial assets or liabilities.

Sensitivity analysis

A 1% movement in the effective interest rate would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes all other variables remain constant.

The analysis is performed on the same basis as for 2015.

	GROUP	
	2016 R'000	2015 R'000
Profit or loss before taxation	845	818

17.5 Currency risk

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group's functional currency.

The settlement of these transactions takes place within a normal business cycle. The group has policies for the management of foreign currency risks. No uncovered foreign exchange commitments exist at the reporting date.

This risk is covered by entering into forward foreign exchange contracts. These contracts are matched with anticipated future cash outflows in foreign currencies. The group does not use forward foreign exchange contracts for speculative purposes. No hedge accounting is applied. The currency in which the group primarily deals is the US dollars.

	GROUP		COMPANY	
	2016 '000	2015 '000	2016 '000	2015 '000
Included in trade payables:				
Foreign suppliers – US dollar	1 096	3 193	–	–
	1 096	3 193	–	–

The principal or contract amounts of foreign exchange contracts outstanding at the reporting date relating to foreign purchases are reflected below:

	Currency	Foreign amount R'000	Average forward cover rate	Rand amount R'000
2016				
Imports	US dollar	3 370	R15.91	53 617
2015				
Imports	US dollar	5 250	R12.11	63 578

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

17 Financial instruments (continued)

17.5 Currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Spot rate	
	2016	2015	2016	2015
US dollar	R14.49	R11.45	R14.76	R12.12

The group is primarily exposed to US dollar currency. The following analysis indicates the group's sensitivity at year-end to the indicated movements in this currency on financial instruments, assuming all variables, in particular interest rates, remain constant.

Sensitivity analysis

A 10% strengthening/weakening in the rand against the US dollar at 30 June would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2015.

	Profit or loss R'000
2016	
US dollar	5 362
2015	
US dollar	6 358

17.6 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure the group may adjust the amount of dividends paid to shareholders or return capital. At 30 June 2016 the ordinary shareholders' interest (total equity less preference share capital) to total assets was 76.6% (2015: 79.9%).

18 Revenue

Turnover
Rental income
Interest income
Dividends received
Royalties
Profit on sale of property

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Turnover	537 588	516 086	–	–
Rental income	14 185	11 417	–	–
Interest income	5 445	3 604	153	111
Dividends received	20	18	6 907	–
Royalties	991	1 228	–	–
Profit on sale of property	–	3 864	–	–
	558 229	536 217	7 060	111

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

19 Operating profit/(loss) is stated after the following:

Expenses

Net profit on disposal of property, plant and equipment, intangible assets and investment property

– investment property

– equipment and shopfitting

– vehicles

Net foreign exchange gain

– realised gain

– unrealised loss/(gain)

Amortisation

Depreciation

– land and buildings and investment property

– plant

– vehicles

– equipment and shopfittings

Impairment (reversal)/loss on equipment and shopfittings

Leasing charges

– operating leases – properties

Lease amortisation

Managerial, technical, administrative and secretarial fees

Employment costs

Directors' emoluments

– non-executive – for services as directors

– for consultancy services

– executive – paid for managerial services

– retirement fund contributions

– management fees

– other benefits

– bonuses and performance-related payments

Employment costs – other

Employee costs

Retirement funding costs

Total employment costs

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	(70)	(3 877)	–	–
	–	(3 864)	–	–
	–	208	–	–
	(70)	(221)	–	–
	(6 520)	(5 389)	–	–
	(8 696)	(4 506)	–	–
	2 176	(883)	–	–
	1 649	344	–	–
	22 704	21 111	–	–
	3 466	1 579	–	–
	19	17	–	–
	191	393	–	–
	19 028	19 122	–	–
	(769)	769	–	–
	92 979	90 060	–	–
	92 979	90 060	–	–
	1 020	4 251	–	–
	6 347	3 773	1 840	778
	7 738	7 208	263	294
	2 271	1 925	–	–
	515	444	–	–
	4 334	4 425	–	–
	261	231	–	–
	–	–	263	294
	110	183	–	–
	247	–	–	–
	92 250	86 576	–	–
	88 060	82 928	–	–
	4 190	3 648	–	–
	99 988	93 784	263	294

Operating profit is the profit earned from normal business operations, except for the profit on sale of investment property.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Directors' fees R'000	Fees for other services ⁴ R'000	Basic salary R'000	Per- formance- related payments R'000	Value of other benefits ⁵ R'000	Retire- ment fund contri- butions R'000	Total 2016 R'000
20 Directors' emoluments							
20.1 Directors' remuneration							
Executive directors							
DS Johnson ¹	-	-	1 681	97	42	101	1 921
CEA Radowsky ¹	-	-	2 653	150	68	160	3 031
	-	-	4 334	247	110	261	4 952
Non-executive directors							
ML Krawitz ¹	962	172	-	-	-	-	1 134
PM Naylor ¹	355	141	-	-	-	-	496
RV Orlin ¹	318	61	-	-	-	-	379
HJ Borkum ¹	318	141	-	-	-	-	459
MJA Golding ²	-	-	-	-	-	-	-
PE Shub ³	318	-	-	-	-	-	318
	2 271	515	-	-	-	-	2 786
Total	2 271	515	4 334	247	110	261	7 738
Summary							
Paid by company	-	-	242	-	6	15	263
Paid by subsidiary company	2 271	515	4 092	247	104	246	7 475
	2 271	515	4 334	247	110	261	7 738

¹ Director on the board of African and Overseas Enterprises Limited, Rex Trueform Clothing Company Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

² Appointed 2 September 2016.

³ PE Shub retired as a non-executive director on 15 August 2016.

⁴ These are fees rendered in respect of the audit, risk, social and ethics, and retirement fund committees.

⁵ Other benefits include insurance policies paid on behalf of the directors.

No financial assistance was provided to any current, past or future director during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Directors' fees R'000	Fees for other services ³ R'000	Basic salary R'000	Performance-related payments R'000	Value of other benefits ⁴ R'000	Retirement fund contributions R'000	Total 2015 R'000
20 Directors' emoluments (continued)							
20.1 Directors' remuneration (continued)							
Executive							
DS Johnson ¹	–	–	1 554	–	38	93	1 685
CEA Radowsky ¹	–	–	2 303	–	59	138	2 500
PE Shub ¹	–	–	568	–	86	–	654
	–	–	4 425	–	183	231	4 839
Non-executive directors							
ML Krawitz ¹	899	160	–	–	–	–	1 059
PM Naylor ¹	332	132	–	–	–	–	464
RV Orlin ¹	297	57	–	–	–	–	354
HJ Borkum ¹	149	66	–	–	–	–	215
M Segal ¹	149	29	–	–	–	–	178
PE Shub ²	99	–	–	–	–	–	99
	1 925	444	–	–	–	–	2 369
Total	1 925	444	4 425	–	183	231	7 208
Summary							
Paid by company	–	–	267	–	14	13	294
Paid by subsidiary company	1 925	444	4 158	–	169	218	6 914
	1 925	444	4 425	–	183	231	7 208

¹ Director on the board of African and Overseas Enterprises Limited, Rex Trueform Clothing Company Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

² PE Shub ceased to be an executive director on 1 March 2015 and was recategorised as a non-executive director.

³ These are fees rendered in respect of the audit, risk, social and ethics, and retirement fund committees.

⁴ Other benefits include, among other benefits, use of a company car and insurance policies paid on behalf of the directors.

No financial assistance was provided to any current, past or future director during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Directors' fees R'000	Fees for other services ⁴ R'000	Value of other benefits ⁵ R'000	Retirement fund contributions R'000	Management fee ⁶ R'000	Total 2016 R'000
20 Directors' emoluments (continued)						
20.1 Directors' remuneration (continued)						
Directors' remuneration for services to the company paid by the company						
Executive directors						
DS Johnson ¹	-	-	-	-	150	150
CEA Radowsky ¹	-	-	-	-	113	113
	-	-	-	-	263	263
Non-executive directors						
ML Krawitz ¹	-	-	-	-	-	-
PM Naylor ¹	-	-	-	-	-	-
RV Orlin ¹	-	-	-	-	-	-
HJ Borkum ¹	-	-	-	-	-	-
MJA Golding ²	-	-	-	-	-	-
PE Shub ³	-	-	-	-	-	-
	-	-	-	-	-	-
Total	-	-	-	-	263	263

¹ Director on the board of African and Overseas Enterprises Limited, Rex Trueform Clothing Company Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

² Appointed 2 September 2016.

³ PE Shub retired as a non-executive director on 15 August 2016.

⁴ These are fees rendered in respect of the audit, risk, social and ethics, and retirement fund committees.

⁵ Other benefits include insurance policies paid on behalf of the directors.

⁶ Management fee is paid by African and Overseas Enterprises Limited to Queenspark Proprietary Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Directors' fees R'000	Fees for other services ³ R'000	Value of other benefits ⁴ R'000	Retirement fund contributions R'000	Management fee ⁵ R'000	Total 2015 R'000
20 Directors' emoluments (continued)						
20.1 Directors' remuneration (continued)						
Directors' remuneration paid for services to the company paid by the company (continued)						
Executive						
DS Johnson ¹	-	-	-	-	128	128
CEA Radowsky ¹	-	-	-	-	99	99
PE Shub ¹	-	-	-	-	67	67
	-	-	-	-	294	294
Non-executive directors						
ML Krawitz ¹	-	-	-	-	-	-
PM Naylor ¹	-	-	-	-	-	-
RV Orlin ¹	-	-	-	-	-	-
HJ Borkum ¹	-	-	-	-	-	-
M Segal ¹	-	-	-	-	-	-
PE Shub ²	-	-	-	-	-	-
	-	-	-	-	-	-
Total	-	-	-	-	294	294

¹ Director on the board of African and Overseas Enterprises Limited, Rex Trueform Clothing Company Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

² PE Shub ceased to be an executive director on 1 March 2015 and was recategorised as a non-executive director.

³ These are fees rendered in respect of the audit, risk, social and ethics, and retirement fund committees.

⁴ Other benefits include, among other benefits, use of a company car and insurance policies paid on behalf of the directors.

⁵ Management fee is paid by African and Overseas Enterprises Limited to Queenspark Proprietary Limited.

No financial assistance was provided to any current, past or future director during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Directors' fees R'000	Fees for other services ⁴ R'000	Basic salary R'000	Performance-related payments R'000	Value of other benefits ⁵ R'000	Retirement fund contributions R'000	Management fee ⁶ R'000	Total 2016 R'000
20 Directors' emoluments (continued)								
20.1 Directors' remuneration (continued)								
Directors' remuneration for services to other group companies paid by other group companies								
Executive directors								
DS Johnson ¹	-	-	933	97	24	56	661	1 771
CEA Radowsky ¹	-	-	2 006	150	52	120	590	2 918
	-	-	2 939	247	76	176	1 251	4 689
Non-executive directors								
ML Krawitz ¹	962	172	-	-	-	-	-	1 134
PM Naylor ¹	355	141	-	-	-	-	-	496
RV Orlin ¹	318	61	-	-	-	-	-	379
HJ Borkum ¹	318	141	-	-	-	-	-	459
MJA Golding ²	-	-	-	-	-	-	-	-
PE Shub ³	318	-	-	-	-	-	-	318
	2 271	515	-	-	-	-	-	2 786
Total	2 271	515	2 939	247	76	176	1 251	7 475

¹ Director on the board of African and Overseas Enterprises Limited, Rex Trueform Clothing Company Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

² Appointed 2 September 2016.

³ PE Shub retired as a non-executive director on 15 August 2016.

⁴ These are fees rendered in respect of the audit, risk, social and ethics, and retirement fund committees.

⁵ Other benefits include insurance policies paid on behalf of the directors.

⁶ Management fee is paid by other group companies to Queenspark Proprietary Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Directors' fees R'000	Fees for other services ³ R'000	Basic salary R'000	Per- formance- related payments R'000	Value of other benefits ⁴ R'000	Retire- ment fund contri- butions R'000	Manage- ment fee ⁵ R'000	Total 2015 R'000
20 Directors' emoluments (continued)								
20.1 Directors' remuneration (continued)								
Directors' remuneration for services to other group companies paid by other group companies (continued)								
Executive								
DS Johnson ¹	–	–	782	–	19	47	709	1 557
CEA Radowsky ¹	–	–	1 736	–	45	104	516	2 401
PE Shub ¹	–	–	440	–	67	–	80	587
	–	–	2 958	–	131	151	1 305	4 545
Non-executive directors								
ML Krawitz ¹	899	160	–	–	–	–	–	1 059
PM Naylor ¹	332	132	–	–	–	–	–	464
RV Orlin ¹	297	57	–	–	–	–	–	354
HJ Borkum ¹	149	66	–	–	–	–	–	215
M Segal ¹	149	29	–	–	–	–	–	178
PE Shub ²	99	–	–	–	–	–	–	99
	1 925	444	–	–	–	–	–	2 369
Total	1 925	444	2 958	–	131	151	1 305	6 914

¹ Director on the board of African and Overseas Enterprises Limited, Rex Trueform Clothing Company Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

² PE Shub ceased to be an executive director on 1 March 2015 and was reclassified as a non-executive director.

³ These are fees rendered in respect of the audit, risk, social and ethics and retirement fund committees.

⁴ Other benefits include, among other benefits, use of a company car and insurance policies paid on behalf of the directors.

⁵ Management fee is paid by other group companies to Queenspark Proprietary Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

20 Directors' emoluments (continued)

20.2 Share options allocated during the year

	Number of share options as at 30 June 2015	Option price (c)	Shares transferred to grantee during the year	Shares lapsed during the year	Date option granted	Date option exercised, subject to future delivery	Number of share options as at 30 June 2016	Share option gains* R'000
Executive directors								
CEA Radowsky	12 135	575	–	–	27/06/2007	28/06/2007	12 135	–
DS Johnson	26 667	575	–	–	27/06/2007	28/06/2007	26 667	–
	12 216	700	–	–	05/06/2009	08/06/2009	12 216	–
Total	51 018		–	–			51 018	–
Average price of option (R)	6.05						6.05	

* Share option gain is the difference between the subscription price and the company share price on the date of ownership of the share passing to the director or executive.

All of the option shares are held in the Rex Trueform Share Trust which retains ownership of the shares until payment of the full purchase price is affected. Payment of the purchase price against delivery of the shares may take place in respect of not more than one-third of the shares only after the expiry of three years from the option date, not more than two-thirds of the shares after the expiry of four years from the option date and any balance only after the expiry of five years from the option date. The total purchase price shall be paid not later than ten years after the option date. As at 30 June 2016 all options had vested.

As at 30 June 2016 the share trust held 8 144 (2015: 8 144) shares in reserve for future utilisation.

	2016	2015
Directors' interests in shares		
Ordinary and "N" ordinary shares		
Held directly:		
CEA Radowsky	263	263
PE Shub	36 281	36 281
	36 544	36 544
Held indirectly:		
The Stewart and Pat Shub Family Trust*	1 394 101	1 394 101

* The beneficiaries of The Stewart and Pat Shub Family Trust ("the Trust") include PE Shub and CEA Radowsky.

There has been no change in the interest in shares between 30 June 2016 and the date of approval of the financial statements of the company, save that:

- PE Shub retired as a director of the company on 15 August 2016; and
- MJA Golding was appointed as a director of the company by the board of directors on 2 September 2016 to fill the vacancy arising by the retirement of PE Shub. While MJA Golding does not directly hold any shares in the company, he is a director of Geomer Investments Proprietary Limited, which company is the holder of 2 995 112 ordinary and "N" ordinary shares in the company as at 26 August 2016.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
21 Dividends received				
Dividends from subsidiaries	–	–	6 907	–
Dividends from investments	20	18	–	–
	20	18	6 907	–
22 Income tax expense				
South African income tax	4 883	654	43	31
– current year	4 638	654	43	31
– prior year	245	–	–	–
Deferred tax	63	8 847	–	–
– current year	510	8 762	–	–
– prior year	(447)	85	–	–
Total income tax	4 946	9 501	43	31
Reconciliation of South African income tax rate	%	%	%	%
Statutory tax rate	28.0	28.0	28.0	28.0
Exempt income	–	–	(40.6)	–
Expenses disallowed – non-deductible expenses	7.0	2.1	13.5	(30.6)
Capital gains tax	–	(0.8)	–	–
Change in capital gains tax rate	0.5	–	–	–
Prior year adjustments	(1.4)	0.3	–	–
Effective tax rate	34.1	29.6	0.9	(2.6)

23 Earnings per share

Basic earnings per share is derived by dividing profit for the year attributable to ordinary and "N" ordinary shareholders of the parent by the weighted average number of ordinary shares.

	2016		2015	
	Gross R'000	Net of taxation R'000	Gross R'000	Net of taxation R'000
23.1 Basic and headline earnings per ordinary share				
Earnings attributable to equity holders		4 241		11 821
Adjusted for:				
Profit from disposal of property, plant and equipment	(39)	(28)	(2 133)	(1 840)
Impairment (reversal)/loss on equipment and shopfittings	(423)	(305)	423	305
Headline earnings	(462)	3 908	(1 710)	10 286

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	Number of shares	
	2016	2015
23 Earnings per share (continued)		
23.2 Weighted average number of ordinary and "N" ordinary shares in issue	11 387 441	11 387 441
Basic earnings per ordinary share (cents)	37.2	103.8
Headline earnings per ordinary share (cents)	34.3	90.3
Diluted basic and headline earnings per ordinary share		
Weighted average number of ordinary and "N" ordinary shares in issue	11 387 441	11 387 441
Dilution effect of share options	30 528	26 623
Weighted average number of diluted ordinary and "N" ordinary shares	11 418 274	11 414 064
Diluted earnings per ordinary share (cents)	37.1	103.6
Diluted headline earnings per ordinary share (cents)	34.2	90.1

24 Related party transactions

The group has disclosed all significant related party transactions in terms of IAS 24: Related Party Disclosure.

Shareholders

The group holding company is African and Overseas Enterprises Limited, registered in South Africa. An analysis of the principal shareholders of the company is provided in the shareholders' information section on page 51. Directors' shareholding is disclosed in the directors' report and in note 20.2.

Subsidiaries

These intragroup transactions have been eliminated on consolidation for subsidiary companies. Subsidiaries are listed in note 5.

	GROUP	
	2016 R'000	2015 R'000
Merchandise sold to subsidiary company	12 288	130 797
Inter-company receivables	990	13 512
Inter-company payables	(233)	–
Amounts payable to controlled entity	(328)	(297)
Management and administration fees paid to subsidiary companies	(3 766)	(5 203)
Management and administration fees paid to fellow subsidiary companies	(643)	(566)
Distribution fee received from fellow subsidiaries	5 609	5 361
Rentals received from subsidiary companies	1 750	1 497
Rentals received from fellow subsidiaries	3 387	3 107

There are contingent liabilities in respect of guarantees furnished by Rex Trueform Clothing Limited for leases and normal business commitments of Queenspark Proprietary Limited approximating R30.1 million (2015: R40.9 million).

Directors

Details relating to executive and non-executive directors' remuneration is disclosed in note 20.1 and directors' shares and share options in note 20.2.

No loans have been made to directors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

24 Related party transactions (continued)

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the group, directly or indirectly, being the non-executive and executive directors of the company and its subsidiary companies as listed in note 20.

No key management personnel other than already disclosed had a material interest in any contract of significance with any group company during the year under review or in the prior year.

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Legal and consultancy fees paid	120	313	50	29
These are legal fees paid to the chairman in his capacity as legal adviser.				
Spouse of executive director for services rendered	884	770	–	–

25 Notes to the statements of cash flows

25.1 Operating profit/(loss) before working capital changes

Profit/(loss) before taxation	14 520	32 078	4 764	(1 204)
Adjusted for:				
Amortisation	1 649	344	–	–
Depreciation	22 704	21 111	–	–
Impairment (reversal)/loss	(769)	769	–	–
Dividends received	(20)	(18)	(6 907)	–
Interest income	(5 445)	(3 604)	(153)	(111)
Interest expense	222	214	50	51
Profit on disposal of property, plant and equipment	(70)	(3 877)	–	–
Accrued operating lease liability movement	1 020	4 251	–	–
Unrealised foreign exchange loss/(gain)	2 176	(883)	–	–
Movement in post-retirement liability	26	(57)	2	(28)
	36 013	50 328	(2 244)	(1 292)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
25 Notes to the statements of cash flows (continued)				
25.2 Working capital changes				
Decrease in inventories	8 765	12 040	–	–
Increase in trade and other receivables	(15 972)	(9 233)	(12)	–
Movement in forward exchange contracts	883	(927)	–	–
Increase in trade and other payables	11 061	2 969	568	37
Increase/(decrease) in amount owed to subsidiary company	–	–	233	(43)
	4 737	4 849	789	(6)
25.3 Dividends paid				
Dividend on ordinary and "N" ordinary shares	(9 782)	–	(4 134)	–
Dividend on 6% cumulative preference shares	(50)	(50)	(33)	(33)
	(9 832)	(50)	(4 167)	(33)
25.4 Taxation paid				
Amounts unpaid at the beginning of the year	(20)	(92)	(1)	(2)
Amounts overpaid at the beginning of the year	303	215	–	–
Amounts charged to profit or loss	(4 883)	(654)	(43)	(31)
Amounts unpaid at the end of the year	38	20	–	1
Amounts overpaid at the end of the year	(1 114)	(303)	(2)	–
	(5 676)	(814)	(46)	(32)
Comprising:				
Income tax paid	(5 676)	(814)	(46)	(32)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

26 Segmental analysis

Revenue

Total external retail revenue	
Retail segment revenue	
Intersegment revenue earned	
Total external property revenue	
Property segment revenue	
Intersegment revenue earned	
Dividends received	
Interest received	
Profit on sale of property	
Total group revenue	

Segment operating profit

Retail segment loss	
Property segment profit	
Group services operating loss	
Total group operating profit	

Depreciation and amortisation

Retail	
Property	
Total group depreciation and amortisation	

Segment assets

Retail	
Property	
Group services	
Total group segment assets	

Segment liabilities

Retail	
Property	
Group services	
Total group segment liabilities	

Capital expenditure

Retail	
Property	
Total group capital expenditure	

GROUP	
2016 R'000	2015 R'000
538 579	517 314
542 437	521 822
(3 858)	(4 508)
14 185	11 417
19 277	15 942
(5 092)	(4 525)
20	18
5 445	3 604
–	3 864
558 229	536 217
9 372	26 807
8 450	7 825
(8 545)	(5 962)
9 277	28 670
20 118	20 121
3 466	2 103
23 584	22 224
223 584	216 705
79 042	79 204
38 906	31 192
341 532	327 101
68 856	55 895
7 485	4 987
2 781	4 259
79 122	65 141
25 100	21 433
2 873	19 460
27 973	40 893

Finance income and expenses are not attributable to operating segments.

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

- **Retail trading division** – comprises the Queenspark local and franchise stores
- **Property division** – comprises the Rex Trueform group property portfolio, which includes both its investment properties and the properties used in operations
- **Group services** – manages the group's corporate responsibilities and includes corporate costs

The executive members of the board, identified as the chief operating decision-maker, reviews the results of these business divisions on a monthly basis for the purpose of allocating resources and evaluating performance.

Performance is measured based on segmental operating profit, as included in the monthly management reports reviewed by the chief operating decision-maker.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

27 Adoption of accounting standards and interpretations

27.1 Accounting standards and interpretations to be adopted in future years

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ended 30 June 2017 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have an impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. This new standard will most likely have a significant impact on the Group

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

UNAUDITED SHAREHOLDERS' INFORMATION

Analysis of shareholders as at 30 June 2016

	Ordinary		"N" ordinary		Preference	
	Number of share-holders	% of share-holders	Number of share-holders	% of share-holders	Number of share-holders	% of share-holders
Public	38	86.4	110	93.2	38	95.0
Insurance companies, nominees and trusts	6	13.6	11	9.3	6	15.0
Individuals	23	52.3	78	66.1	29	72.5
Companies and close corporations	9	20.5	19	16.1	2	5.0
Mutual funds and pension funds	–	–	2	1.7	1	2.5
Non-public	6	13.6	8	6.8	2	5.0
Stewart and Pat Shub Family Trust	1	2.3	1	0.8	–	–
Geomer Investments Proprietary Limited	1	2.3	1	0.8	–	–
Directors	2	4.5	3	2.5	–	–
Ceejay Trust	2	4.5	1	0.8	1	2.5
Ginko Investments 2 Proprietary Limited	–	–	1	0.8	–	–
Sentinel Retirement Fund	–	–	1	0.8	1	2.5
	44	100.0	118	100.0	40	100.0
	Number of shares	% of share capital	Number of shares	% of share capital	Number of shares	% of share capital
Public	176 275	14.1	1 215 085	12.0	108 594	39.5
Insurance companies, nominees and trusts	29 902	2.4	141 474	1.4	19 202	7.0
Individuals	24 030	1.9	270 142	2.7	71 408	26.0
Companies and close corporations	122 343	9.8	791 752	7.8	11 059	4.0
Mutual funds and pension funds	–	–	11 717	0.1	6 925	2.5
Non-public	1 073 725	85.9	8 922 356	88.0	166 406	60.5
Stewart and Pat Shub Family Trust	718 000	57.4	676 101	6.7	–	–
Geomer Investments Proprietary Limited	177 888	14.2	2 579 050	25.4	–	–
Directors	8 600	0.7	27 944	0.3	–	–
Ceejay Trust	169 237	13.6	4 026 311	39.7	120 400	43.8
Sentinel Retirement Fund	–	–	507 643	5.0	46 006	16.7
Ginko Investments 2 Proprietary Limited	–	–	1 105 307	10.9	–	–
	1 250 000	100.0	10 137 441	100.0	275 000	100.0
Shareholder holding in excess of 5% of share capital at 30 June 2016						
Stewart and Pat Shub Family Trust	718 000	57.4	676 101	6.7	–	–
Geomer Investments Proprietary Limited	177 888	14.2	2 579 050	25.4	–	–
Ceejay Trust	168 923	13.5	4 026 311	39.7	120 400	43.8
Ginko Investments 2 Proprietary Limited	76 238	6.1	1 105 307	10.9	–	–
Sentinel Retirement Fund	–	–	507 643	5.0	46 006	16.7
DK Dreyer	–	–	–	–	16 900	6.1
	1 141 049	91.2	8 894 412	87.7	183 306	66.7

The supplementary information presented does not form part of the financial statements and is unaudited.

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