



AFRICAN & OVERSEAS
ENTERPRISES LIMITED

UNAUDITED CONDENSED
CONSOLIDATED INTERIM
GROUP RESULTS for the
six months ended 31 December 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December 2015	Six months ended 31 December 2014	Year ended 30 June 2015
%	Unaudited R'000	Unaudited R'000	Audited R'000
Revenue	296 097	276 336	536 217
Turnover	6.5	268 660	516 086
Cost of sales	(128 640)	(121 537)	(225 698)
Gross profit	157 402	147 123	290 388
Other income	7 452	10 198	16 509
Other operating costs	4.8	(142 248)	(278 227)
Operating profit	15 789	15 073	28 670
Dividend income	20	18	18
Finance income	2 583	1 324	3 604
Finance costs	(115)	(140)	(214)
Profit before tax	18 277	16 275	32 078
Income tax expense	(5 480)	(4 741)	(9 501)
Profit for the period	12 797	11 534	22 577
Other comprehensive income			
Actuarial loss on post-retirement defined benefit plan	–	–	(77)
Fair value adjustment on available-for-sale financial assets	–	–	52
Total comprehensive income for the period	12 797	11 534	22 552
Profit attributable to:			
Ordinary and 'N' ordinary shareholders	6 579	5 957	11 821
Preference shareholders	165	17	33
Profit attributable to equity holders of the parent	6 744	5 974	11 854
Non-controlling interest	6 053	5 560	10 723
Profit for the period	12 797	11 534	22 577
Total comprehensive income attributable to:			
Ordinary and 'N' ordinary shareholders of the parent	6 579	5 957	11 808
Preference shareholders	165	17	33
Profit attributable to equity holders of the parent	6 744	5 974	11 841
Non-controlling interest	6 053	5 560	10 711
Total comprehensive income for the period	12 797	11 534	22 552
Reconciliation of headline earnings			
Profit attributable to equity holders	6 579	5 957	11 821
Adjusted for:			
Profit from disposal of property, plant and equipment and investment property	–	(1 780)	(1 840)
Impairment loss on equipment and shopfittings	–	–	305
Headline earnings	6 579	4 177	10 286
Basic earnings per ordinary share (cents)	57.8	52.3	103.8
Headline earnings per ordinary share (cents)	57.8	36.7	90.3
Diluted basic earnings per ordinary share (cents)	57.6	52.2	103.6
Diluted headline earnings per ordinary share (cents)	57.6	36.6	90.1
Weighted average number of equity shares on which earnings per share is based (000's)	11 387	11 387	11 387
Weighted average number of equity shares on which diluted earnings per share is based (000's)	11 414	11 418	11 414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2015 Unaudited R'000	As at 31 December 2014 Unaudited R'000	As at 30 June 2015 Audited R'000
ASSETS			
Non-current assets	148 602	148 689	151 146
Property, plant and equipment	4.1 51 319	118 207	54 467
Investment property	4.1 73 177	3 510	72 539
Intangible assets	4.4 18 717	16 039	17 396
Other investments	576	524	576
Deferred tax asset	4 813	10 409	6 168
Current assets	189 585	164 406	175 955
Inventories	71 601	68 334	70 084
Trade and other receivables	16 347	24 635	20 978
Forward exchange contracts	4.3 4 383	1 498	883
Income tax receivable	2	264	303
Accrued operating lease asset*	2 425	–	1 926
Cash and cash equivalents	94 827	69 675	81 781
Total assets	338 187	313 095	327 101
EQUITY AND LIABILITIES			
Capital and reserves	264 950	250 967	261 960
Share capital	4.5 1 200	1 200	1 200
Share premium	6 076	6 076	6 076
Other reserves	4.6 540	553	540
Retained earnings	139 174	130 717	136 581
Non-controlling interest	117 960	112 421	117 563
Non-current liabilities	23 515	19 831	21 548
Post-retirement liability	2 703	2 675	2 673
Accrued operating lease liability	18 677	15 533	17 084
Deferred tax liability	2 135	1 623	1 791
Current liabilities	49 722	42 297	43 593
Trade and other payables	49 176	42 259	43 573
Income tax payable	546	38	20
Total equity and liabilities	338 187	313 095	327 101

* Trade and other receivables as at 31 December 2014 included an amount of R1 160 000 relating to an accrued operating lease asset.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2015 Unaudited R'000	Six months ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
Operating profit before working capital changes	26 214	23 029	50 328
Working capital changes	8 929	9 340	4 849
Interest income	2 583	1 324	3 604
Interest expense	(115)	(140)	(214)
Dividends paid	(9 634)	–	(50)
Dividends received	20	18	18
Normal tax paid	(2 954)	(405)	(814)
Net cash inflow from operations	25 043	33 166	57 721
Additions to property, plant and equipment	(7 686)	(20 321)	(31 775)
Additions to investment property	(2 290)	–	(5 295)
Additions to intangible assets	(2 021)	(2 295)	(3 823)
Proceeds from disposal of property, plant and equipment	–	438	471
Proceeds from disposal of investment property	–	–	5 795
Net cash outflow from investing activities	(11 997)	(22 178)	(34 627)
Net increase in cash and cash equivalents	13 046	10 988	23 094
Cash and cash equivalents at the beginning of the period	81 781	58 687	58 687
Cash and cash equivalents at the end of the period	94 827	69 675	81 781

GROUP SEGMENTAL REPORTING

	Six months ended 31 December 2015 Unaudited R'000	Six months ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
Revenue			
Total external retail revenue	286 614	269 577	517 314
Retail segment revenue	288 515	272 687	521 822
Intersegment revenue earned	(1 901)	(3 110)	(4 508)
Total external property revenue	6 880	5 417	11 417
Property segment revenue	9 358	7 585	15 942
Intersegment revenue earned	(2 478)	(2 168)	(4 525)
Dividends received	20	18	18
Interest income	2 583	1 324	3 604
Profit on sale of property	–	–	3 864
Total group revenue	296 097	276 336	536 217
Segment operating profit			
Retail segment profit	14 942	13 912	26 807
Property segment profit	4 048	4 479	7 825
Group services operating loss	(3 201)	(3 318)	(5 962)
Total group operating profit	15 789	15 073	28 670
Segment profit before tax			
Retail segment profit before tax	14 942	13 912	26 807
Property segment profit before tax	4 048	4 479	7 825
Group services loss before tax	(713)	(2 116)	(2 554)
Total group profit before tax	18 277	16 275	32 078
Depreciation and amortisation			
Retail	11 508	9 619	20 121
Property	1 678	1 251	2 103
Total group depreciation and amortisation	13 186	10 870	22 224
Segment assets			
Retail	223 255	220 345	216 705
Property	80 222	78 001	79 204
Group services*	34 710	14 749	31 192
Total group segment assets	338 187	313 095	327 101
Segment liabilities			
Retail	64 545	54 556	55 895
Property	3 412	4 039	4 987
Group services*	5 280	3 533	4 259
Total group segment liabilities	73 237	62 128	65 141
Capital expenditure			
Retail	9 683	8 552	21 433
Property	2 314	14 064	19 460
Total group capital expenditure	11 997	22 616	40 893

* Group services include corporate costs.

OTHER INFORMATION

	Six months ended 31 December 2015 Unaudited	Six months ended 31 December 2014 Unaudited	Year ended 30 June 2015 Audited
Capital commitments			
Authorised – not contracted for	(R'000) 16 482	16 929	35 950
Authorised – contracted for	(R'000) 6 803	18 193	5 566
Gross profit margin	(%) 55.0	54.8	56.3
Operating profit/(loss) margin	(%) 5.5	5.6	5.6
Retail segment operating profit/(loss) margin	(%) 5.2	5.2	5.2
Net asset value	(R) 12.60	11.88	12.38

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 31 December 2015 Unaudited R'000	Six months ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
Share capital	4.5	1 200	1 200	1 200
Share premium		6 076	6 076	6 076
Other reserves	4.6			
Opening balance		540	553	553
Fair value adjustment on available-for-sale financial assets		–	–	29
Actuarial loss on post-retirement defined benefit plan		–	–	(42)
Closing balance		540	553	540
Retained earnings				
Opening balance		136 581	124 760	124 760
Profit for the period		6 744	5 974	11 854
Preference dividends declared/paid		(165)	(17)	(33)
Ordinary dividends paid		(3 986)	–	–
Closing balance		139 174	130 717	136 581
Non-controlling interest				
Opening balance		117 563	106 869	106 869
Profit for the period		6 053	5 560	10 723
Preference dividends declared/paid		(8)	(8)	(17)
Ordinary dividends paid		(5 648)	–	–
Actuarial loss on post-retirement defined benefit plan		–	–	(35)
Fair value adjustment on available-for-sale financial assets		–	–	23
Closing balance		117 960	112 421	117 563
Total capital and reserves		264 950	250 967	261 960

NOTES

1 Basis of presentation of financial statements

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2015 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and include disclosure as required by IAS 34: Interim Financial Reporting, the Companies Act of South Africa 2008 and the JSE Listings Requirements.

The financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the financial statements for the year ended 30 June 2015.

2 Unaudited results

These results have not been reviewed nor audited by the group's auditors. The unaudited condensed consolidated interim financial statements have been prepared under the supervision of Damian Johnson CA(SA) and were approved by the board of directors on 3 March 2016.

3 Preference dividend

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2015 in the amount of R165 000 was declared by the board of directors on 14 December 2015 and paid on 11 January 2016.

4 Note to the financial results

4.1 Property, plant and equipment – During the prior year there was a reclassification from property, plant and equipment to investment property. This property was previously owner occupied, but was reclassified on 1 January 2015 when Queenspark Proprietary Limited moved to a smaller space within the building, resulting in the previously occupied space being rented out to third parties.

4.2 Financial instruments – The carrying value of financial instruments which are short term in nature, settled within 12 months, substantially approximates the fair value.

The carrying value of financial instruments which are long term in nature, settled after 12 months, substantially approximates the fair value.

4.3 Forward exchange contracts – The increase in forward exchange contracts is due to the significant weakening in the Rand.

4.4 Intangible assets – The increase relates to the implementation of a new ERP system.

	31 December 2015 R'000	31 December 2014 R'000	30 June 2015 R'000
4.5 Share capital is comprised of the following:			
Ordinary share capital	650	650	650
Preference share capital	550	550	550
	1 200	1 200	1 200
4.6 Other reserves is comprised of the following:			
Share-based payment reserves	314	314	314
Other reserves	226	239	226
	540	553	540

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

“Group results

The group produced satisfactory results for the six months ended 31 December 2015. Revenue increased by 7.1% to R296.2 million (2014: R276.6 million). The gross profit which is generated from the retail segment increased by 7.0% to R157.4 million (2014: R147.1 million).

Other income increased by 15.0%, if the previous year's once-off profit of R3.9 million from the sale of the property situated in Atlantis is excluded from such other income. Trading expenses, which were a key area of focus, were contained and increased by 4.9%.

The above resulted in the operating profit increasing by 3.4% to R16.4 million (2014: R15.9 million). Excluding the prior period profit on sale of the property, the operating profit increased by 36.6%. This increase was mainly due to the improvement in the trading performance of the property segment.

Profit after tax increased by 8.9% to R13.4 million (2014: R12.3 million), resulting in the basic earnings per share increasing by 8.9%. Headline earnings per share (which does not take into account the once-off profit on sale of the property in the prior period) increased by 47.7%.

Retail (Queenspark)

Queenspark, while operating in a challenging market, increased turnover during the period by 6.5% to R286.0 million (2014: R268.7 million). The gross profit margin increased marginally to 55% (2014: 54.8%). This, together with the containment of costs, contributed to the 7.4% increase in operating profit which increased to R14.9 million (2014: R13.9 million).

Key business initiatives being introduced include the recent implementation of the new enterprise resource planning

(“ERP”) system at the head office and distribution centre. Queenspark is in the process of rolling out the new point-of-sale system (connected to the ERP system) at its retail stores.

Property

The operating profit of this segment amounted to R4.0 million. The previous period's operating profit of R4.5 million includes the R3.9 million profit on the sale of the property.

Prospects

Retail (Queenspark)

The clothing retail market is expected to remain under pressure due to various factors that include the sluggish economy. The cost of goods imported is subject to the weakening of the Rand. Going forward the weaker Rand will likely put pressure on gross margins.

Initiatives being considered and introduced mainly focus on turnover growth and are predominantly aimed at improving the performance over the medium to long term. The recent implementation of the ERP system is expected to provide benefits in the 2017 financial year and thereafter. The company recently started selling its product online through the Zando website. This is part of the company's strategy towards servicing a larger customer base and is showing signs of potential.

Property

The group continues to focus on the development of the feasibility studies in respect of the undeveloped investment properties located in Salt River (Cape Town).“

Signed on behalf of the board

ML Krawitz
(Chairman)

CEA Radowsky
(Chief Executive Officer)

Cape Town
4 March 2016

African and Overseas Enterprises Limited

(Incorporated in the Republic of South Africa – Registration number 1947/027461/06)
 (“the company” or “the group” or “African and Overseas”)

JSE share codes: AOO – AON – AOVF ISIN: ZAE000000485 – ZAE000009718 – ZAE000000493

Non-executive directors: ML Krawitz (Chairman), HJ Borkum*, PM Naylor*, RV Orlin* and PE Shub
* Independent non-executive director

Executive directors: CEA Radowsky (Chief Executive Officer) and DS Johnson (Financial Director)

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

Secretary: AT Snitcher

Transfer secretaries: Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001

Sponsor: Java Capital

QUEENSPARK
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