



CONDENSED
CONSOLIDATED
PRELIMINARY FINANCIAL
RESULTS

for the year ended 30 June 2017

Rex
Trueform



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2017	Year ended 30 June 2016
	Reviewed R'000	Audited R'000
	%	
	change	
Revenue		
Turnover	(1.7)	549 046
Cost of sales	(1.6)	537 588
Gross profit		(248 937)
Other income	1.0	291 559
Other operating costs	0.6	288 651
Operating profit	4.7	15 826
Dividend income	(93.4)	(306 630)
Finance income		755
Finance costs		21
Profit before tax		4 440
Income tax expense	(69.5)	5 292
Profit for the period		(133)
Other comprehensive income:		
Actuarial gain on post-retirement defined benefit plan		5 083
Fair value adjustment on available-for-sale financial assets	(73.0)	(1 908)
Total comprehensive income for the period		3 175
Profit attributable to:		11 760
Ordinary and "N" ordinary shareholders		964
Preference shareholders		451
Profit for the period		(52)
Total comprehensive income attributable to:		–
Ordinary and "N" ordinary shareholders		4 087
Preference shareholders		12 211
Total comprehensive income for the period		4 087
Reconciliation of headline earnings		12 211
Profit attributable to ordinary and "N" ordinary shareholders		3 158
Adjusted for:		11 743
Loss/(profit) from disposal of property, plant and equipment		421
Impairment reversal on equipment and shopfittings		(50)
Headline earnings		–
		(554)
		3 579
		11 139
Basic earnings per ordinary share (cents)	(73.2)	15.3
Headline earnings per ordinary share (cents)	(67.8)	17.4
Diluted earnings per ordinary share (cents)	(73.2)	15.3
Diluted headline earnings per ordinary share (cents)	(67.8)	17.4
Weighted average number of equity shares on which earnings per share is based (000's)		20 584
Weighted average number of equity shares on which diluted earnings per share is based (000's)		20 582
		20 589
		20 613

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2017 Reviewed R'000	As at 30 June 2016 Audited R'000
ASSETS		
Non-current assets	159 628	155 705
Property, plant and equipment	57 150	53 355
Investment property	71 032	71 849
Intangible assets	24 773	23 432
Other investments	524	576
Deferred tax asset	6 149	6 493
Current assets	169 120	182 984
Inventories	77 842	61 319
Trade and other receivables (note 5.2)	28 292	35 878
Forward exchange contracts	38	–
Income tax receivable	1 301	1 112
Accrued operating lease asset	3 558	3 219
Cash and cash equivalents (note 5.3)	58 089	81 456
Total assets	328 748	338 689
EQUITY AND LIABILITIES		
Capital and reserves	259 464	260 718
Share capital	1 777	1 777
Share premium	25 836	25 836
Treasury shares	(117)	(1 133)
Share-based payment reserve	(214)	568
Other reserves	1 846	934
Retained earnings	230 336	232 736
Non-current liabilities	22 301	21 897
Post-retirement liability	650	1 614
Accrued operating lease liability	18 537	18 104
Deferred tax liability	3 114	2 179
Current liabilities	46 983	56 074
Trade and other payables	46 959	53 860
Forward exchange contracts	–	2 176
Income tax payable	24	38
Total equity and liabilities	328 748	338 689

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2017 Reviewed R'000	Year ended 30 June 2016 Audited R'000
Operating profit before working capital changes	27 197	38 257
Working capital changes	(17 014)	3 947
Interest received	4 440	5 292
Interest paid	(133)	(172)
Dividends paid	(5 575)	(12 571)
Dividends received	21	20
Income tax paid	(832)	(5 630)
Net cash inflows from operating activities	8 104	29 143
Additions to property, plant, equipment and investment property	(25 555)	(20 288)
Additions to intangible assets	(3 410)	(7 685)
Proceeds from disposal of property, plant, equipment and investment property	199	225
Acquisition of business (note 5.1)	(2 939)	–
Net cash outflows from investing activities	(31 705)	(27 748)
Cash flows from financing activities		
Proceeds from delivery of employee share options	234	–
Net cash inflows from financing activities	234	–
Net (decrease)/increase in cash and cash equivalents	(23 367)	1 395
Cash and cash equivalents at the beginning of the year	81 456	80 061
Cash and cash equivalents at the end of the year	58 089	81 456

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2017 Reviewed R'000	Year ended 30 June 2016 Audited R'000
Share capital	1 777	1 777
Share premium	25 836	25 836
Treasury shares	(117)	(1 133)
Share-based payment and other reserves	1 632	1 502
Opening balance	1 502	1 051
Actuarial gain on post-retirement defined benefit plans	964	451
Delivery of treasury shares	(782)	–
Loss on available-for-sale instruments	(52)	–
Retained earnings	230 336	232 736
Opening balance	232 736	233 547
Profit for the year	3 175	11 760
Preference dividends paid	(17)	(17)
Ordinary dividends paid	(5 558)	(12 554)
Total capital and reserves	259 464	260 718

GROUP SEGMENTAL REPORTING

	Year ended 30 June 2017 Reviewed R'000	Year ended 30 June 2016 Audited R'000
Revenue		
Total external retail revenue	529 555	539 129
Retail segment revenue	533 329	542 987
Intersegment revenue earned	(3 774)	(3 858)
Total external property revenue	15 030	14 185
Property segment revenue	20 359	19 277
Intersegment revenue earned	(5 329)	(5 092)
Dividends received	21	20
Interest income	4 440	5 292
Total group revenue	549 046	558 626
Segment operating profit		
Retail segment profit/(loss)	(1 923)	9 372
Property segment profit	7 951	8 450
Group services operating loss	(5 273)	(6 299)
Total group operating profit	755	11 523
Depreciation and amortisation		
Retail	21 742	20 118
Property	3 720	3 466
Total group depreciation and amortisation	25 462	23 584
Segment assets		
Retail	216 059	223 584
Property	80 797	79 042
Group services*	31 892	36 063
Total group assets	328 748	338 689
Segment liabilities		
Retail	61 737	68 856
Property	5 884	7 485
Group services*	1 663	1 630
Total group liabilities	69 284	77 971
Capital expenditure		
Retail	23 904	25 100
Property	5 061	2 873
Total group capital expenditure	28 965	27 973

* Group services include corporate costs.

OTHER INFORMATION

		Year ended 30 June 2017 Reviewed	Year ended 30 June 2016 Audited
Capital commitments			
Authorised – not contracted for	(R'000)	21 553	20 786
Authorised – contracted for	(R'000)	7 632	10 655
Gross profit margin	(%)	55.1	53.7
Operating profit margin	(%)	0.1	2.1
Retail segment operating (loss)/profit margin	(%)	(0.4)	1.7

NOTES

1 Review of the independent auditor

These condensed consolidated preliminary financial statements of Rex Trueform Clothing Company Limited for the year ended 30 June 2017 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial statements from the issuer's registered office.

2 Basis of preparation

The condensed consolidated preliminary financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. This report was compiled under the supervision of the group financial director, DS Johnson CA (SA).

3 Accounting policies

The accounting policies applied in the preparation of the condensed consolidated preliminary financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

4 Dividends

A dividend on the 6% cumulative preference shares for the six months ended 30 June 2017 in the amount of R8 400 was declared by the board of directors on 15 June 2017 and was paid on 10 July 2017.

The directors have not proposed a dividend in respect of the ordinary and "N" ordinary shares in the six-month period ended 30 June 2017.

5 Notes to the financial statements

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

The purchase price is comprised of the following:

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

5.2 Trade and other receivables – Trade and other receivables decreased at 30 June 2017 due to prepayments being lower than the corresponding period.

5.3 Cash and cash equivalents – The reduction in cash and cash equivalents was largely the result of the increase in inventory held at 30 June 2017.

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

6 Events subsequent to the reporting date

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

COMMENTARY

Group profile

Rex Trueform Clothing Company Limited ("Rex") is invested in property and retail segments. Its interest in retail is through its South African subsidiary company Queenspark Proprietary Limited ("Queenspark"). During the 2017 financial year Queenspark has expanded its operations by way of, amongst other things, investing in a wholly-owned subsidiary company incorporated and operating in Namibia ("QP Nam"). Rex's interest in property includes direct property ownership and indirect property investment through a wholly-owned subsidiary.

Group results

The group's retail performance during the 2017 financial year was impacted by the weak economic environment which, together with other factors, negatively influenced consumer confidence and disposable income. Revenue, mainly impacted by the retail segment, decreased by 1.7% to R549.0 million (2016: R558.6 million). The gross profit generated from the retail segment increased by 1.0% to R291.6 million (2016: R288.7 million). Other group income, including rental and royalty income, increased by 0.6% and was impacted by the reduction of third party royalty income. Trading expenses were contained and increased by 4.7%.

The above resulted in the operating profit decreasing by 93.4% to R0.8 million (2016: profit of R11.5 million). Profit after tax decreased by 73.0% to R3.2 million (2016: profit of R11.8 million) resulting in the earnings per share decreasing by 73.2%.

Retail (Queenspark)

The retail segment now includes the wholly-owned Queenspark subsidiary company operating in Namibia. This new group company operates two Queenspark-branded retail stores in Namibia. During the 2017 financial year Queenspark started selling its products on the Spree website. The Queenspark product is therefore now available on two online platforms (being Zando and Spree). Queenspark continues to open stores where feasible and close unprofitable stores.

Trading in both South Africa and Namibia has been challenging. While turnover decreased by 1.6% the gross profit margin increased to 55.1% (2016: 53.7%). Retail operating costs (which included the additional operating costs of the Namibian operation) increased by a conservative 4.1%. The above resulted in an operating loss of R1.9 million compared to a R9.4 million operating profit in the prior period.

Property

Rex Trueform Office Park complex is the main income-generating operation within the group's property segment. The operating profit of this segment amounted to R8.0 million (2016: R8.5 million). This reduction in operating profit was mainly due to exceptional once-off maintenance costs incurred during the 2017 financial year.

Group services

Group services' costs decreased by 16.3% to R5.3 million (2016: R6.3 million, which included once-off corporate costs relating to the comparable offer made by a consortium to Rex's ordinary and "N" ordinary shareholders). Excluding the prior year once-off costs the group's service costs increased by 3.9%.

Prospects

Retail (Queenspark)

The Queenspark strategy includes the introduction of new brands to complement the existing ranges. These new brands, together with new product categories, are expected to provide an improved offering to customers. Although a few new brands were introduced towards the end of the 2017 financial year most of these new initiatives will be phased in during the 2018 financial year.

The online offering through both the Zando and Spree websites will continue to allow Queenspark to service a larger client base. The product offering will be improved to suit the needs of the online customers. Queenspark and its Namibian subsidiary will also continue to open new stores where feasible.

The initiatives above are to be introduced with a view to improving turnover, however the tough economic trading and market conditions are still likely to continue to impact the business in the short term.

Property

Rex has the intention to develop two further properties in the medium term, both situated in the Cape Town area, and is continuing to consider development options in this regard. The one property is classified as a heritage site, which limits the development opportunities and has caused a delay in the development process.

ML Krawitz
(Chairman)

CEA Radowsky
(Chief Executive Officer)

Cape Town
8 September 2017

Rex Trueform Clothing Company Limited

(Incorporated in the Republic of South Africa – Registration number 1937/009839/06)
("the company" or "the group" or "Rex Trueform")

JSE share codes: RTO – RTN – RTPOT ISIN: ZAE000006144 – ZAE000009700 – ZAE000006151

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

PE Shub was a non-executive director of the company until her retirement on 15 August 2016. On 2 September 2016 MJA Golding was appointed as a non-executive director of the company in order to fill the vacancy arising from the retirement of PE Shub. MJA Golding retired as a director at the annual general meeting of the company held on 17 November 2016 and was duly elected as a director by the shareholders. ML Krawitz will retire as chairman and as a non-executive director of the company and RV Orlin and HJ Borkum will retire as independent non-executive directors of the company with effect from 30 September 2017.

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

Company secretary: AT Snitcher

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

Sponsor: Java Capital

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