



REX TRUEFORM
CLOTHING COMPANY
LIMITED

UNAUDITED
INTERIM
CONDENSED
CONSOLIDATED
RESULTS

for the six months ended
31 December 2016

*Rex
Trueform*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Revenue		280 913	296 236	558 626
Turnover	(5.2)	270 740	286 042	537 588
Cost of sales	(5.3)	(121 463)	(128 640)	(248 937)
Gross profit	(5.2)	149 277	157 402	288 651
Other income	4.0	7 946	7 639	15 726
Other operating costs	2.9	(152 894)	(148 611)	(292 854)
Operating profit	(73.7)	4 329	16 430	11 523
Dividend income		20	20	20
Finance income	(12.9)	2 207	2 535	5 292
Finance costs		(79)	(73)	(172)
Profit before tax	(65.8)	6 477	18 912	16 663
Income tax expense		(2 202)	(5 467)	(4 903)
Profit for the period	(68.2)	4 275	13 445	11 760
Other comprehensive income:				
Actuarial gain on post-retirement defined benefit plan		–	–	451
Total comprehensive income for the period		4 275	13 445	12 211
Profit attributable to:				
Ordinary and "N" ordinary shareholders		4 267	13 437	11 743
Preference shareholders		8	8	17
Profit for the period		4 275	13 445	11 760
Total comprehensive income attributable to:				
Ordinary and "N" ordinary shareholders		4 267	13 437	12 194
Preference shareholders		8	8	17
Total comprehensive income for the period		4 275	13 445	12 211
Reconciliation of headline earnings				
Profit attributable to equity holders		4 267	13 437	11 743
Adjusted for:				
Loss/(profit) from disposal of property, plant and equipment		398	–	(50)
Impairment reversal on equipment and shopfittings		–	–	(554)
Headline earnings		4 665	13 437	11 139
Basic earnings per ordinary share (cents)	(68.2)	20.7	65.3	57.1
Headline earnings per ordinary share (cents)	(65.3)	22.7	65.3	54.1
Diluted earnings per ordinary share (cents)		20.7	65.2	57.0
Diluted headline earnings per ordinary share (cents)		22.6	65.2	54.0
Weighted average number of equity shares on which earnings per share is based (000's)		20 582	20 582	20 582
Weighted average number of equity shares on which diluted earnings per share is based (000's)		20 613	20 609	20 613

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2016 Unaudited R'000	As at 31 Dec 2015 Unaudited R'000	As at 30 Jun 2016 Audited R'000
ASSETS			
Non-current assets	158 497	148 602	155 705
Property, plant and equipment	56 061	51 319	53 355
Investment property	72 027	73 177	71 849
Intangible assets	24 600	18 717	23 432
Other investments	576	576	576
Deferred tax asset	5 233	4 813	6 493
Current assets	171 600	185 655	182 984
Inventories	74 003	71 601	61 319
Amounts receivable from holding company	–	37	–
Trade and other receivables (note 4.5)	23 464	16 347	35 878
Accrued operating lease asset	3 438	2 425	3 219
Forward exchange contracts	–	4 383	–
Income tax receivable	1 050	–	1 112
Cash and cash equivalents	69 645	90 862	81 456
Total assets	330 097	334 257	338 689
EQUITY AND LIABILITIES			
Capital and reserves	259 428	261 960	260 718
Share capital (note 4.2)	1 777	1 777	1 777
Share premium	25 836	25 836	25 836
Treasury shares	(1 133)	(1 133)	(1 133)
Other reserves (note 4.3)	1 502	1 051	1 502
Retained earnings	231 446	234 429	232 736
Non-current liabilities	23 736	22 856	21 897
Post-retirement liability	1 614	2 044	1 614
Accrued operating lease liability	19 432	18 677	18 104
Deferred tax liability	2 690	2 135	2 179
Current liabilities	46 933	49 441	56 074
Trade and other payables	46 383	48 895	53 860
Forward exchange contracts	519	–	2 176
Income tax payable	31	546	38
Total equity and liabilities	330 097	334 257	338 689

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Operating profit before working capital changes	16 755	26 828	38 257
Working capital changes	(6 638)	8 981	3 947
Interest income	2 207	2 535	5 292
Interest expense	(79)	(73)	(172)
Dividends paid	(5 557)	(12 555)	(12 571)
Dividends received	20	20	20
Income tax paid	(375)	(2 938)	(5 630)
Net cash inflows from operating activities	6 333	22 798	29 143
Additions to property, plant and equipment	(11 876)	(7 686)	(17 539)
Additions to investment properties	(1 973)	(2 290)	(2 749)
Additions to intangible assets	(1 508)	(2 021)	(7 685)
Proceeds from disposal of property, plant and equipment	152	–	225
Payment for acquisition of business (note 4.1)	(2 939)	–	–
Net cash outflows from investing activities	(18 144)	(11 997)	(27 748)
Net (decrease)/increase in cash and cash equivalents	(11 811)	10 801	1 395
Cash and cash equivalents at the beginning of the period	81 456	80 061	80 061
Cash and cash equivalents at the end of the period	69 645	90 862	81 456

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Share capital (note 4.2)	1 777	1 777	1 777
Share premium	25 836	25 836	25 836
Treasury shares	(1 133)	(1 133)	(1 133)
Other reserves (note 4.3)	1 502	1 051	1 502
Opening balance	1 502	1 051	1 051
Actuarial gain on post-retirement defined benefit plan	–	–	451
Retained earnings	231 446	234 429	232 736
Opening balance	232 736	233 547	233 547
Profit for the period	4 275	13 445	11 760
Preference dividends paid/declared	(8)	(8)	(17)
Ordinary dividends paid	(5 557)	(12 555)	(12 554)
Total capital and reserves	259 428	261 960	260 718

GROUP SEGMENTAL REPORTING

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Revenue	271 310	286 801	539 129
Total external retail revenue	273 418	288 702	542 987
Retail segment revenue	(2 108)	(1 901)	(3 858)
Intersegment revenue earned	7 376	6 880	14 185
Total external property revenue	9 893	9 358	19 277
Property segment revenue	(2 517)	(2 478)	(5 092)
Intersegment revenue earned	20	20	20
Dividends received	2 207	2 535	5 292
Interest income	280 913	296 236	558 626
Total group revenue	280 913	296 236	558 626
Segment operating profit	3 174	14 942	9 372
Retail segment profit	3 958	4 048	8 450
Property segment profit	(2 803)	(2 560)	(6 299)
Group services operating loss	(2 803)	(2 560)	(6 299)
Total group operating profit	4 329	16 430	11 523
Depreciation and amortisation	10 393	11 508	20 118
Retail	1 808	1 678	3 466
Property	12 201	13 186	23 584
Total group depreciation and amortisation	12 201	13 186	23 584
Segment assets	220 493	223 255	223 584
Retail	79 828	80 222	79 042
Property	29 776	30 780	36 063
Group services*	330 097	334 257	338 689
Total group segment assets	330 097	334 257	338 689
Segment liabilities	62 305	64 545	68 856
Retail	5 192	3 412	7 485
Property	3 172	4 340	1 630
Group services*	70 669	72 297	77 971
Total group segment liabilities	70 669	72 297	77 971
Capital expenditure	12 737	9 683	25 100
Retail	2 620	2 314	2 873
Property	15 357	11 997	27 973
Total group capital expenditure	15 357	11 997	27 973

* Group services include corporate costs.

OTHER INFORMATION

	Six months ended 31 Dec 2016 Unaudited	Six months ended 31 Dec 2015 Unaudited	Year ended 30 Jun 2016 Audited
Capital commitments			
Authorised – not contracted for	(R'000) 10 218	16 482	20 786
Authorised – contracted for	(R'000) 7 475	6 803	10 655
Gross profit margin	(%) 55.1	55.0	53.7
Operating profit margin	(%) 1.6	5.7	2.1
Retail segment operating profit margin	(%) 1.2	5.2	1.7
Net asset value per share	(R) 12.59	12.71	12.65

NOTES

1 Basis of presentation of financial statements

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

These financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the annual financial statements for the year ended 30 June 2016.

2 Unaudited results

These results have not been reviewed nor audited by the group's auditors. The unaudited condensed consolidated interim financial statements have been prepared under the supervision of Damian Johnson CA(SA) and were approved by the board of directors on 9 March 2017.

3 Preference dividend

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2016 in the amount of R8 400 was declared by the board of directors on 14 December 2016 and was paid on 16 January 2017.

4 Note to the financial results

4.1 Acquisition of business

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

The purchase price is comprised of the following:

	R'000
Intangible asset	1 100
Fixed assets	500
Inventory	1 339
	2 939

4.2 Share capital is comprised of the following:

	As at 31 Dec 2016 Unaudited R'000	As at 31 Dec 2015 Unaudited R'000	As at 30 Jun 2016 Audited R'000
Ordinary share capital	1 497	1 497	1 497
Preference share capital	280	280	280
	1 777	1 777	1 777

4.3 Other reserves is comprised of the following:

	As at 31 Dec 2016 Unaudited R'000	As at 31 Dec 2015 Unaudited R'000	As at 30 Jun 2016 Audited R'000
Share-based payment reserves	568	568	568
Other reserves	934	483	934
	1 502	1 051	1 502

4.4 Financial instruments

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

4.5 Trade and other receivables

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

COMMENTARY

Group results

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

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

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

Retail (Queenspark)

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

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

Queenspark recently started selling its products on the Spree website with positive results, with products now available on both the Zando and Spree online platforms. A lay-by payment option has been implemented at stores in South Africa since September 2016 and, although still in its infancy, uptake has been pleasing.

Rex Trueform Clothing Company Limited

(Incorporated in the Republic of South Africa – Registration number 1937/009839/06)

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* ¹ Non-executive * Independent non-executive

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

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

Company secretary: AT Snitcher

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

Sponsor: Java Capital

Property

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

Prospects

Retail (Queenspark)

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

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

Property

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

Signed on behalf of the board

ML Krawitz
(Chairman)

Cape Town
10 March 2017

CEA Radowsky
(Chief Executive Officer)

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