

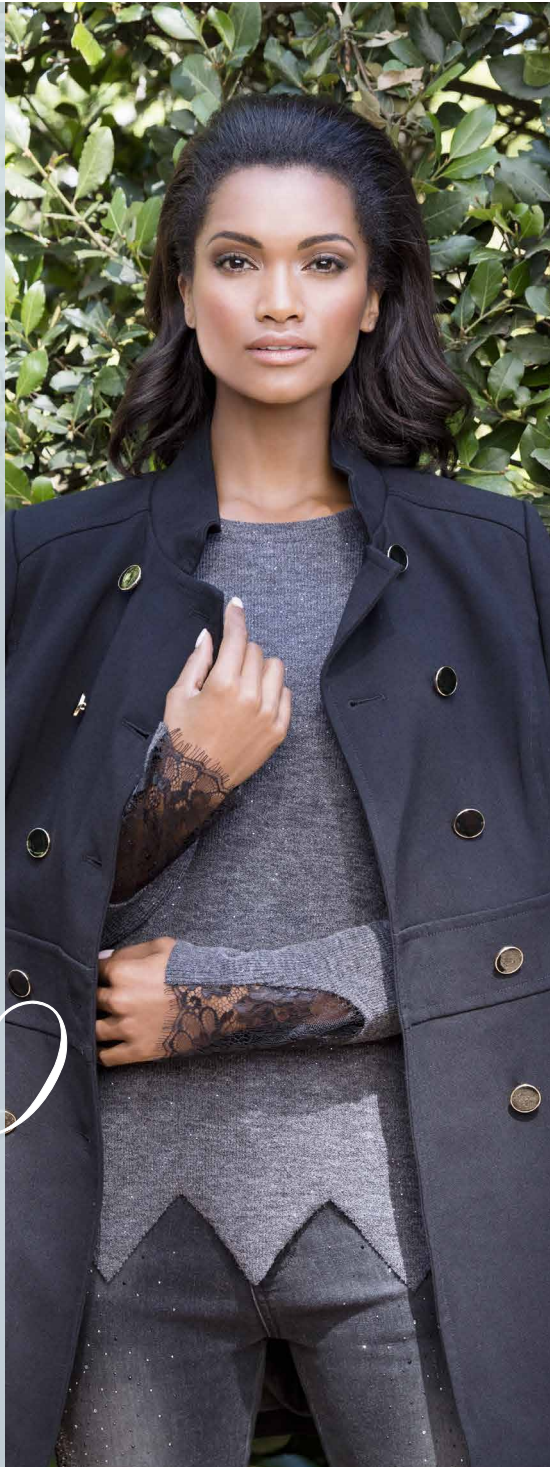


REX TRUEFORM GROUP  
LIMITED

UNAUDITED INTERIM  
CONDENSED  
CONSOLIDATED RESULTS

for the six months ended  
31 December 2017

*Rex  
Trueform*



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	%	Six months ended 31 Dec 2017 Unaudited R'000	Six months ended 31 Dec 2016 Unaudited R'000	Year ended 30 June 2017 Audited R'000
<b>Revenue</b>	13.1	<b>317 716</b>	280 913	549 046
Turnover	13.8	<b>307 987</b>	270 740	528 759
Cost of sales		<b>(145 578)</b>	(121 463)	(237 200)
<b>Gross profit</b>	8.8	<b>162 409</b>	149 277	291 559
Other income	0.1	<b>7 955</b>	7 946	15 826
Other operating costs	5.1	<b>(160 737)</b>	(152 894)	(306 630)
<b>Operating profit</b>	122.4	<b>9 627</b>	4 329	755
Dividend income		<b>22</b>	20	21
Finance income		<b>1 752</b>	2 207	4 440
Finance costs		<b>(72)</b>	(79)	(133)
<b>Profit before tax</b>	74.9	<b>11 329</b>	6 477	5 083
Income tax expense		<b>(3 346)</b>	(2 202)	(1 908)
<b>Profit for the period</b>	86.7	<b>7 983</b>	4 275	3 175
<b>Other comprehensive income</b>				
Fair value adjustment on available-for-sale financial asset		-	-	(52)
Actuarial gain on post-retirement defined benefit plan		-	-	964
<b>Total comprehensive income for the period</b>		<b>7 983</b>	4 275	4 087
<b>Profit attributable to:</b>				
Ordinary and "N" ordinary shareholders		<b>7 975</b>	4 267	3 158
Preference shareholders		<b>8</b>	8	17
<b>Profit for the period</b>		<b>7 983</b>	4 275	3 175
<b>Total comprehensive income attributable to:</b>				
Ordinary and "N" ordinary shareholders		<b>7 975</b>	4 267	4 070
Preference shareholders		<b>8</b>	8	17
<b>Total comprehensive income for the period</b>		<b>7 983</b>	4 275	4 087
<b>Reconciliation of headline earnings</b>				
Profit attributable to ordinary and "N" ordinary shareholders		<b>7 975</b>	4 267	3 158
Adjusted for:				
Loss from disposal of property, plant and equipment		<b>6</b>	398	421
<b>Headline earnings</b>		<b>7 981</b>	4 665	3 579
<b>Basic earnings per ordinary share (cents)</b>	87.0	<b>38.7</b>	20.7	15.3
<b>Headline earnings per ordinary share (cents)</b>	70.9	<b>38.8</b>	22.7	17.4
<b>Diluted basic earnings per ordinary share (cents)</b>	87.0	<b>38.7</b>	20.7	15.3
<b>Diluted headline earnings per ordinary share (cents)</b>	71.7	<b>38.8</b>	22.6	17.4
Weighted average number of equity shares on which earnings per share is based (000's)		<b>20 584</b>	20 582	20 584
Weighted average number of equity shares on which diluted earnings per share is based (000's)		<b>20 584</b>	20 613	20 589

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2017 Unaudited R'000	As at 31 Dec 2016 Unaudited R'000	As at 30 June 2017 Audited R'000
<b>ASSETS</b>			
Non-current assets	<b>158 395</b>	158 497	159 628
Property, plant and equipment	<b>60 776</b>	56 061	57 150
Investment property	<b>69 667</b>	72 027	71 032
Intangible assets	<b>23 821</b>	24 600	24 773
Other investments	<b>524</b>	576	524
Deferred tax asset	<b>3 607</b>	5 233	6 149
Current assets	<b>175 004</b>	171 600	169 120
Inventories	<b>67 461</b>	74 003	77 842
Trade and other receivables	<b>28 052</b>	23 464	28 292
Accrued operating lease asset	<b>3 189</b>	3 438	3 558
Forward exchange contracts	<b>–</b>	–	38
Income tax receivable	<b>134</b>	1 050	1 301
Cash and cash equivalents	<b>76 168</b>	69 645	58 089
<b>Total assets</b>	<b>333 399</b>	330 097	328 748
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves	<b>267 439</b>	259 428	259 464
Share capital	<b>1 777</b>	1 777	1 777
Share premium	<b>25 836</b>	25 836	25 836
Treasury shares	<b>(117)</b>	(1 133)	(117)
Share-based payment reserve	<b>(214)</b>	568	(214)
Other reserves	<b>1 846</b>	934	1 846
Retained earnings	<b>238 311</b>	231 446	230 336
Non-current liabilities	<b>23 295</b>	23 736	22 301
Post-retirement liability	<b>660</b>	1 614	650
Accrued operating lease liability	<b>18 843</b>	19 432	18 537
Deferred tax liability	<b>3 792</b>	2 690	3 114
Current liabilities	<b>42 665</b>	46 933	46 983
Trade and other payables	<b>40 616</b>	46 383	46 959
Forward exchange contracts	<b>2 049</b>	519	–
Income tax payable	<b>–</b>	31	24
<b>Total equity and liabilities</b>	<b>333 399</b>	330 097	328 748

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2017 Unaudited R'000	Six months ended 31 Dec 2016 Unaudited R'000	Year ended 30 June 2017 Audited R'000
Operating profit before working capital changes	<b>25 461</b>	16 755	27 197
Working capital changes	<b>4 647</b>	(6 638)	(17 014)
Interest received	<b>1 752</b>	2 207	4 440
Interest paid	<b>(72)</b>	(79)	(133)
Dividends paid	<b>(8)</b>	(5 557)	(5 575)
Dividends received	<b>22</b>	20	21
Income tax paid	<b>1 017</b>	(375)	(832)
<b>Net cash inflows from operating activities</b>	<b>32 819</b>	6 333	8 104
Additions to property, plant and equipment	<b>(13 422)</b>	(11 876)	(22 745)
Additions to investment properties	<b>(517)</b>	(1 973)	(2 810)
Additions to intangible assets	<b>(801)</b>	(1 508)	(3 410)
Proceeds from disposal of property, plant and equipment	<b>–</b>	152	199
Acquisition of business	<b>–</b>	(2 939)	(2 939)
<b>Net cash outflows from investing activities</b>	<b>(14 740)</b>	(18 144)	(31 705)
Proceeds from delivery of employee share options	<b>–</b>	–	234
<b>Net cash inflow from financing activities</b>	<b>–</b>	–	234
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>18 079</b>	(11 811)	(23 367)
Cash and cash equivalents at the beginning of the period	<b>58 089</b>	81 456	81 456
<b>Cash and cash equivalents at the end of the period</b>	<b>76 168</b>	69 645	58 089

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2017 Unaudited R'000	Six months ended 31 Dec 2016 Unaudited R'000	Year ended 30 June 2017 Audited R'000
<b>Share capital</b>	<b>1 777</b>	1 777	1 777
<b>Share premium</b>	<b>25 836</b>	25 836	25 836
<b>Treasury shares</b>	<b>(117)</b>	(1 133)	(117)
<b>Other reserves and share-based payment reserve</b>	<b>1 632</b>	1 502	1 632
Opening balance	1 632	1 502	1 502
Actuarial gain on post-retirement defined benefit plan	–	–	964
Delivery of treasury shares	–	–	(782)
Loss on available-for-sale instrument	–	–	(52)
<b>Retained earnings</b>	<b>238 311</b>	231 446	230 336
Opening balance	230 336	232 736	232 736
Profit for the period	7 983	4 275	3 175
Preference dividends paid/declared	(8)	(8)	(17)
Ordinary dividends paid	–	(5 557)	(5 558)
<b>Total capital and reserves</b>	<b>267 439</b>	259 428	259 464

## GROUP SEGMENTAL REPORTING

	Six months ended 31 Dec 2017 Unaudited R'000	Six months ended 31 Dec 2016 Unaudited R'000	Year ended 30 June 2017 Audited R'000
<b>Revenue</b>			
Total external retail revenue	308 229	271 310	529 555
Retail segment revenue	310 220	273 418	533 329
Intersegment revenue earned	(1 991)	(2 108)	(3 774)
Total external property revenue	7 713	7 376	15 030
Property segment revenue	10 518	9 893	20 359
Intersegment revenue earned	(2 805)	(2 517)	(5 329)
Dividends received	22	20	21
Interest income	1 752	2 207	4 440
Total group revenue	317 716	280 913	549 046
<b>Segment operating profit</b>			
Retail segment profit	7 003	3 174	(1 923)
Property segment profit	4 894	3 958	7 951
Group services operating loss	(2 270)	(2 803)	(5 273)
Total group operating profit	9 627	4 329	755
<b>Depreciation and amortisation</b>			
Retail	11 409	10 393	21 742
Property	2 013	1 808	3 720
Total group depreciation and amortisation	13 422	12 201	25 462
<b>Segment assets</b>			
Retail	222 619	220 493	216 059
Property	75 234	79 828	80 797
Group services*	35 546	29 776	31 892
Total group segment assets	333 399	330 097	328 748
<b>Segment liabilities</b>			
Retail	58 573	62 305	61 737
Property	5 854	5 192	5 884
Group services*	1 533	3 172	1 663
Total group segment liabilities	65 960	70 669	69 284
<b>Capital expenditure</b>			
Retail	13 198	12 737	23 904
Property	1 542	2 620	5 061
Total group capital expenditure	14 740	15 357	28 965

\* Group services include corporate costs.

## OTHER INFORMATION

		Six months ended 31 Dec 2017 Unaudited	Six months ended 31 Dec 2016 Unaudited	Year ended 30 June 2017 Audited
Capital commitments				
Authorised – not contracted for	(R'000)	6 199	10 218	21 553
Authorised – contracted for	(R'000)	2 372	7 475	7 632
Gross profit margin	(%)	52.7	55.1	55.1
Operating profit margin	(%)	3.1	1.6	0.1
Retail segment operating profit/(loss) margin	(%)	2.3	1.2	(0.4)
Net asset value per share	(R)	12.99	12.59	12.57

## 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 2017.

### 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), the company's financial director and were approved by the board of directors on 8 March 2018.

### 3 Preference dividend

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2017 in the amount of R8 400 was declared by the board of directors on 18 December 2017 and was paid on 15 January 2018.

### 4 Notes 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
	<b>2 939</b>

#### 4.2 Share capital is comprised of the following:

	As at 31 Dec 2017 Unaudited R'000	As at 31 Dec 2016 Unaudited R'000	As at 30 June 2017 Audited R'000
Ordinary share capital	1 497	1 497	1 497
Preference share capital	280	280	280
	<b>1 777</b>	<b>1 777</b>	<b>1 777</b>

#### 4.3 Financial instruments

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

### 5 Standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the group are set out below. The group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

#### Effective for the financial year commencing 1 July 2018

IFRS 15: Revenue from Contracts with Customers  
IFRS 9: Financial Instruments

#### Effective for the financial year commencing 1 July 2019

IFRS 16: Leases

#### IFRS 15: Revenue

IFRS 15, published in May 2014, introduces a new revenue recognition model for contracts with customers. It replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. IFRS 15 includes extensive new disclosure requirements.

The standard is effective for the financial year ending June 2019 and will be applied using the cumulative effect method.

## NOTES CONTINUED

### *Sales of goods*

For the sale of goods, revenue is currently recognised when the goods are purchased, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. The value of returned goods is considered immaterial.

Effectively under IFRS 15 revenue will be recognised when a customer obtains control of the goods.

Under IFRS 15 revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Based on its preliminary assessment, management is of the opinion that the requirements of IFRS 15 will not have a material impact on the financial statements, as currently the revenue recognition is in line with the IFRS principles.

### **IFRS 9: Financial Instruments**

On 24 July 2014 the IASB issued the final IFRS 9: Financial Instruments Standards, which replaces earlier versions of IFRS 9.

IFRS 9 contains a new classification and measurement approach for financial instruments that reflects the business model in which the assets and liabilities are managed and their cash flow characteristics.

The three principal classification categories for financial instruments are: measured at amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

Based on its preliminary assessment, the group believes that the new classification requirements will not have a material impact on its accounting for financial instruments.

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

The group believes that impairment losses (if any) are not likely to increase in terms of the scope of the IFRS 9 impairment model.

### **IFRS 16: Leases**

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17: Leases, IFRIC 4: Determining Whether an Arrangement Contains a Lease, SIC-15: Operating Leases – Incentives and SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for the financial year ending 30 June 2020.

The group has started an initial assessment of the potential impact on its consolidated financial statements. So far the most significant impact identified is that the group will recognise new assets and liabilities for its store operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As a lessee, the group can either apply the standard using a:

- full retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The group has yet to determine which transactional approach to apply.

The group is not required to make any adjustments for leases in which it is a lessor, except where it is an intermediate lessor in a sublease.

The group has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the criteria that meets the definition of a lease, the transition method chosen and any additional leases that the group enters into. The group expects to disclose its quantitative information before adoption.



## COMMENTARY

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### Group profile

Rex Trueform Group Limited (formerly Rex Trueform Clothing Company Limited) ("Rex") is currently invested in the property and retail segments. Its interest in retail is through its wholly-owned subsidiary company, Queenspark Proprietary Limited ("Queenspark"). Rex's interest in property includes direct property ownership and indirect property investment through its wholly-owned subsidiary, Queenspark Distribution Centre Proprietary Limited. During the period under review Rex changed its name to Rex Trueform Group Limited to better reflect the diverse nature of its business.

### Group results

The group (comprising Rex and its subsidiaries) produced a pleasing performance during the first half of the financial year notwithstanding the weak economic environment. Comparing the current period with the corresponding prior period, revenue, mainly impacted by the retail segment, increased by 13.1% to R317.7 million (2016: R280.9 million). The gross profit generated from the retail segment increased by 8.8% to R162.4 million (2016: R149.3 million). Other group income, including rental and royalty income, increased by 0.1% and was impacted by the reduction of third party royalty income. Trading expenses were contained and increased by 5.1%.

The above resulted in the operating profit increasing by 122.4% to R9.6 million (2016: R4.3 million). Profit after tax increased by 86.7% to R8.0 million (2016: R4.3 million) resulting in the earnings per share increasing by 87.0%.

### Retail (Queenspark)

The Queenspark strategy includes the introduction of new brands to complement the existing ranges. A number of new brands, together with new product categories, were introduced during the period under review in an endeavour to provide an improved offering to customers. This new strategy, although in its infancy, is progressing well. In line with its longer-term strategy Queenspark opened eight new stores during the period under review, bringing its total number of stores to 69.

### Retail comparable period

As a result of the implementation of its strategy, Queenspark's turnover increased by 13.1%. However, its gross margin decreased to 52.7% (2016: 55.1%) partly due to more aggressive markdowns. Retail operating costs, which included additional store costs, increased by 6.6%. The above resulted in a retail operating profit of R7.0 million compared to a R3.2 million operating profit in the prior corresponding period.

### Property

The Rex Trueform Office Park complex is the main income-generating operation within the group's property segment. The operating profit of this segment for the period amounted to R4.9 million (2016: R4.0 million). This improvement in operating profit was partly due to the containment of operating costs.

### Prospects

#### Retail (Queenspark)

Queenspark's strategy includes the continuous consideration of new brands and products to complement its existing ranges. Queenspark and its Namibian subsidiary will also continue to open new stores that are considered feasible, with a view to expanding its footprint both in South Africa and Namibia.

The current 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 delays in the development process.

**MA Golding**  
(Chairman)

Cape Town  
9 March 2018

**CEA Radowsky**  
(Chief Executive Officer)

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### Rex Trueform Group Limited

(Formerly Rex Trueform Clothing Company Limited)  
(Incorporated in the Republic of South Africa – Registration number 1937/009839/06)  
("the company")

**JSE share codes:** RTO – RTN – RTP **ISIN:** ZAE000250387 – ZAE000250395 – ZAE000250403

**Directors:** MA Golding+ (Chairman), CEA Radowsky (Chief Executive Officer), DS Johnson (Financial Director), HB Roberts\*, PM Naylor\*, LK Sebatane\*, MR Molosiwa\* + Non-executive \* Independent non-executive

ML Krawitz retired as chairman and as a non-executive director of the company, and RV Orlin and HJ Borkum retired as independent non-executive directors of the company with effect from 30 September 2017. MA Golding was elected as the chairman of the board of directors of the company with effect from 30 September 2017. HB Roberts, LK Sebatane and MR Molosiwa were elected by shareholders as directors of the company at the annual general meeting of the company held on 17 November 2017. DS Johnson resigned as the financial director of the company with effect from 31 March 2018.

**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 Trustees and Sponsors Proprietary Limited

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