



REX TRUEFORM
CLOTHING COMPANY
LIMITED

*Rex
Trueform*

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 Unaudited R'000	Six months ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
	% change		
Revenue	7.1	296 236	276 578
Turnover	6.5	286 042	268 660
Cost of sales		(128 640)	(121 537)
Gross profit	7.0	157 402	147 123
Other income		7 639	10 505
Other operating costs	4.9	(148 611)	(141 735)
Operating profit	3.4	16 430	15 893
Dividend income		20	18
Finance income		2 535	1 259
Finance costs		(73)	(98)
Profit before tax	10.8	18 912	17 072
Income tax expense		(5 467)	(4 723)
Profit for the period	8.9	13 445	12 349
Other comprehensive income			
Actuarial loss on post-retirement defined benefit plan		–	(82)
Fair value adjustment on available-for-sale financial assets		–	52
Total comprehensive income for the period		13 445	12 349
Profit attributable to:			
Ordinary and 'N' ordinary shareholders		13 437	12 341
Preference shareholders		8	8
Profit for the period		13 445	12 349
Total comprehensive income attributable to:			
Ordinary and 'N' ordinary shareholders		13 437	12 341
Preference shareholders		8	8
Total comprehensive income for the year		13 445	12 349
Reconciliation of headline earnings			
Profit attributable to equity holders		13 437	12 341
Adjusted for:			
Profit from disposal of property, plant and equipment		–	(3 236)
Impairment loss on equipment and shopfittings		–	554
Headline earnings		13 437	9 105
Basic earnings per ordinary share (cents)	8.9	65.3	60.0
Headline earnings per ordinary share (cents)	47.7	65.3	44.2
Diluted basic earnings per ordinary share (cents)		65.2	59.9
Diluted headline earnings per ordinary share (cents)		65.2	44.2
Weighted average number of equity shares on which earnings per share is based (000's)		20 582	20 582
Weighted average number of equity shares on which diluted earnings per share is based (000's)		20 609	20 613

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	185 655	162 306	174 235
Inventories	71 601	68 334	70 084
Amounts receivable from holding company	37	52	–
Trade and other receivables	16 347	24 635	20 978
Accrued operating lease asset*	2 425	–	1 926
Forward exchange contracts	4.3 4 383	1 498	883
Income tax receivable	–	264	303
Cash and cash equivalents	90 862	67 523	80 061
Total assets	334 257	310 995	325 381
EQUITY AND LIABILITIES			
Capital and reserves	261 960	249 654	261 078
Share capital	4.5 1 777	1 777	1 777
Share premium	25 836	25 836	25 836
Treasury shares	(1 133)	(1 133)	(1 133)
Other reserves	4.6 1 051	1 081	1 051
Retained earnings	234 429	222 093	233 547
Non-current liabilities	22 856	19 157	20 916
Post-retirement liability	2 044	2 001	2 041
Accrued operating lease liability	18 677	15 533	17 084
Deferred tax liability	2 135	1 623	1 791
Current liabilities	49 441	42 184	43 387
Trade and other payables	48 895	42 152	43 368
Income tax payable	546	32	19
Total equity and liabilities	334 257	310 995	325 381

* 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	26 828	23 849	51 620
Working capital changes	8 981	9 406	4 855
Interest income	2 535	1 259	3 493
Interest expense	(73)	(98)	(163)
Dividends paid	(12 555)	–	(17)
Dividends received	20	18	18
Income tax paid	(2 938)	(392)	(782)
Net cash inflows from operating activities	22 798	34 042	59 024
Additions to property, plant and equipment	(7 686)	(20 321)	(31 775)
Additions to investment properties	(2 290)	–	(5 295)
Additions to intangible assets	(2 021)	(2 295)	(3 823)
Proceeds from disposal of property, plant and equipment	–	433	471
Proceeds from disposal of investment property	–	–	5 795
Net cash outflows from investing activities	(11 997)	(22 183)	(34 627)
Net increase in cash and cash equivalents	10 801	11 859	24 397
Cash and cash equivalents at the beginning of the period	80 061	55 664	55 664
Cash and cash equivalents at the end of the period	90 862	67 523	80 061

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	286 801	269 884	517 834
Retail segment revenue	288 702	272 994	522 342
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	2 535	1 259	3 493
Profit on sale of property	–	–	3 864
Total group revenue	296 236	276 578	536 626
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	(2 560)	(2 498)	(4 698)
Total group operating profit	16 430	15 893	29 934
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	(78)	(1 319)	(1 350)
Total group profit before tax	18 912	17 072	33 282
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*	30 780	12 649	29 472
Total group segment assets	334 257	310 995	325 381
Segment liabilities			
Retail	64 545	54 556	55 895
Property	3 412	4 039	4 987
Group services*	4 340	2 746	3 421
Total group segment liabilities	72 297	61 341	64 303
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 margin	(%) 5.7	5.9	5.8
Retail segment operating profit margin	(%) 5.2	5.2	5.2
Net asset value	(R) 12.71	12.11	12.67

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Six months ended 31 December 2015	Six months ended 31 December 2014	Year ended 30 June 2015
	Notes	Unaudited R'000	Unaudited R'000	Audited R'000
Share capital	4.5	1 777	1 777	1 777
Share premium		25 836	25 836	25 836
Treasury shares		(1 133)	(1 133)	(1 133)
Other reserves	4.6			
Opening balance		1 051	1 081	1 081
Fair value adjustment of available-for-sale financial assets		–	–	52
Actuarial loss on post-retirement defined benefit plan		–	–	(82)
Closing balance		1 051	1 081	1 051
Retained earnings				
Opening balance		233 547	209 752	209 752
Profit for the period		13 445	12 349	23 812
Preference dividends paid/declared		(8)	(8)	(17)
Ordinary dividends paid		(12 555)	–	–
Closing balance		234 429	222 093	233 547
Total capital and reserves		261 960	249 654	261 078

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 R8 400 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.

4.5 Share capital is comprised of the following:

	31 December 2015 R'000	31 December 2014 R'000	30 June 2015 R'000
Ordinary share capital	1 497	1 497	1 497
Preference share capital	280	280	280
	1 777	1 777	1 777

4.6 Other reserves is comprised of the following:

	31 December 2015 R'000	31 December 2014 R'000	30 June 2015 R'000
Share-based payment reserves	568	568	568
Other reserves	483	513	483
	1 051	1 081	1 051

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)
Cape Town
4 March 2016

CEA Radowsky
(Chief Executive Officer)

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 – RTOP **ISIN:** ZAE000006144 – ZAE000009700 – ZAE000006151

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

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