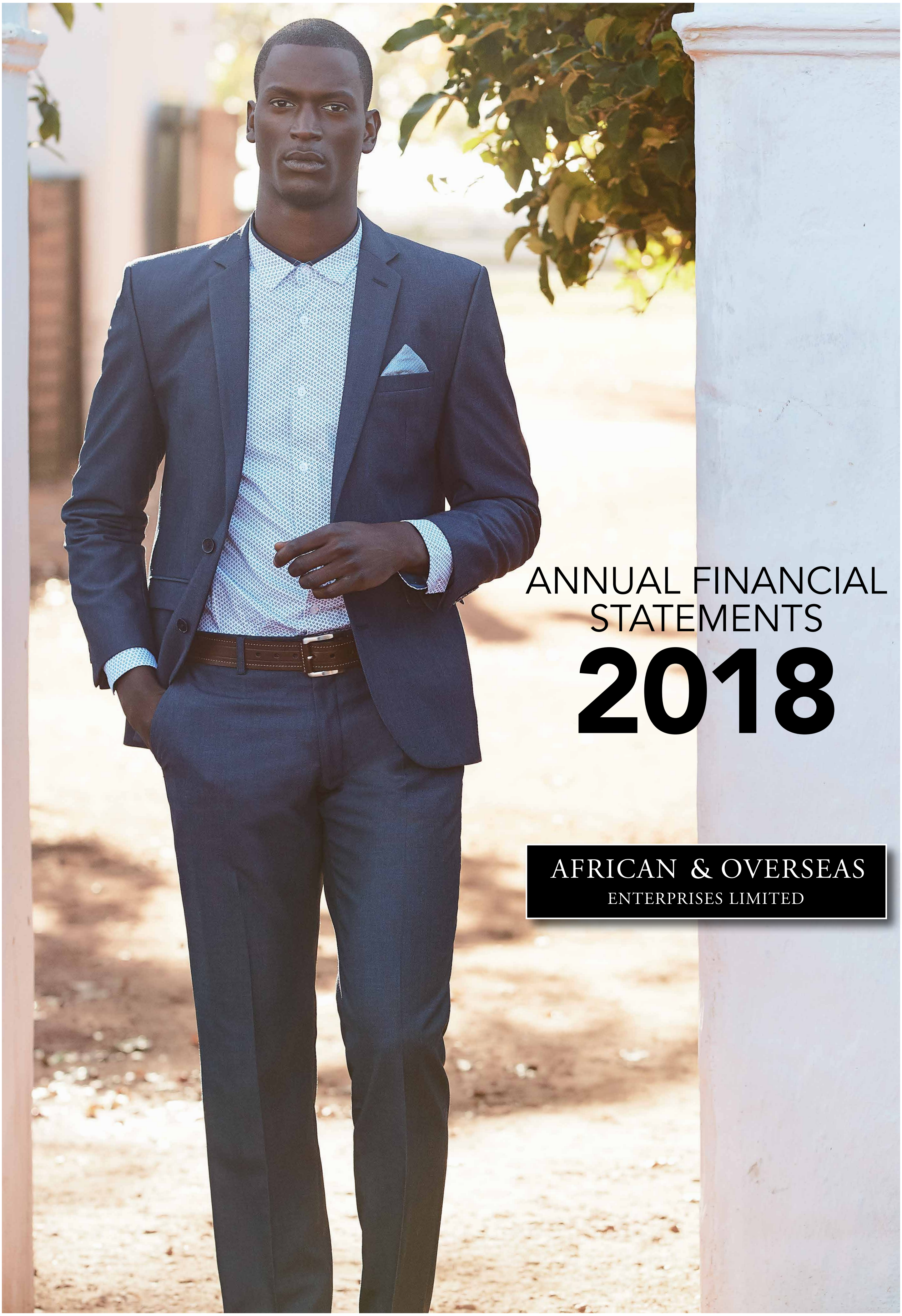


ANNUAL FINANCIAL STATEMENTS 2018

AFRICAN & OVERSEAS
ENTERPRISES LIMITED

These statements were authorised by the board of directors on 4 October 2018 and published on 5 October 2018.

COMPANIES ACT NOTICE

These financial statements of African and Overseas Enterprises Limited (registration number: 1947/027461/06) have been audited in terms of the Companies Act 71 of 2008 (as amended) ("the Companies Act") and have been prepared under the supervision of the financial director, WD Nel CA (SA).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of African and Overseas Enterprises Limited, which comprises the statements of financial position at 30 June 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors are furthermore responsible for the preparation of the Directors' Report, which forms part of the annual financial statements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as preparation of the supplementary schedules included in the annual financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group and company financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group and company annual financial statements

The group and company annual financial statements of African and Overseas Enterprises Limited, as identified in the first paragraph, were approved by the board of directors on 4 October 2018 and signed by:

MR Molosiwa
Chairman
Authorised director

MA Golding
Chief executive officer
Authorised director

4 October 2018

COMPANY SECRETARY'S CERTIFICATE

I certify that African and Overseas Enterprises Limited has filed all returns and notices as required by a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

AT Snitcher
Company secretary

4 October 2018

DIRECTORS' REPORT

Corporate governance
During the financial year under review, the directors subscribed to the principles of corporate governance as set out in King IV. Specific applicable disclosure requirements are dealt with in the integrated annual report. Please note the Corporate Governance Report in the integrated annual report in particular in this regard.

Nature of business
The company is a holding company listed on the JSE Limited under the Sector: Consumer Services – Retail – General Retailers – Apparel Retailers. The company and its subsidiary companies are collectively referred to as "the group".

Its business is that of a holding company, in that it holds 72.62% of the ordinary shares and 51.94% of the "N" ordinary shares of Rex Trueform Group Limited ("Rex Trueform").

The group subsidiaries, Queenspark Proprietary Limited and Queenspark (Proprietary) Limited (in Namibia), continued their retail activities with regard to the sale of ladies' and men's clothing, shoes, costume jewellery, related fashion accessories and cosmetics through branded Queenspark outlets located in South Africa and Namibia, as well as through the Queenspark-branded franchised outlet in Kenya.

The group will continue to develop its property portfolio. The group's approach to development of its properties is a conservative one, having regard to prevailing financial and market conditions.

Financial results
The financial results of the company and the group for the year are set out in the financial statements.

Share capital
The share capital of the company, both authorised and issued, is set out in the notes to the financial statements.

Dividends
Details of dividends paid during the year are as follows:

	COMPANY	
	2018 R'000	2017 R'000
Dividends on ordinary and "N" ordinary shares:		
Dividend paid in respect of the ordinary shares	–	213
Dividend paid in respect of the "N" ordinary shares	–	1 723
Dividends on 6% cumulative participating preference shares:		
Additional dividend	N/A	69
Half-year to 31 December 2017	**16**	16
Half-year to 30 June 2018	**17**	17
Total	**33**	2 038

The directors have not proposed a distribution per share (2017: nil) in respect of the ordinary and "N" ordinary shares.

Subsidiaries
The required information relating to subsidiary companies is set out in the notes to the financial statements.

Investments
Full details of the company's investments are set out in the notes to the financial statements.

Directorate
The names of the directors of the company are reflected in the integrated annual report.

The following changes in the composition of the board of directors occurred during the year:

Director	Event	Date
ML Krawitz	Resigned	30 September 2017
HJ Borkum	Resigned	30 September 2017
RV Orlin	Resigned	30 September 2017
DS Johnson	Retired by rotation	17 November 2017
	Re-elected	17 November 2017
	Resigned	31 March 2018
PM Naylor	Retired by rotation	17 November 2017
	Re-elected	17 November 2017
HB Roberts	Elected	17 November 2017
LK Sebatane	Elected	17 November 2017
MR Molosiwa	Elected	17 November 2017
WD Nel	Appointed	12 June 2018
CEA Radowsky	Resigned and ceased to be CEO	31 August 2018
MA Golding	Appointed as CEO	3 September 2018

MR Molosiwa and LK Sebatane will retire at the annual general meeting in accordance with the Memorandum of Incorporation but, being eligible, will offer themselves for re-election. Shareholders will furthermore be asked to confirm and ratify the appointment of WD Nel on 12 June 2018 as an executive director of the company at the annual general meeting.

The emoluments of the group executive and group non-executive directors are set out in the financial statements and the Human Capital and Remuneration report in the integrated annual report.

Directors' interest in shares

The interest of directors in the ordinary and "N" ordinary shares of the company at 30 June was:

Director	Direct holding	Indirect holding by associates	Total
2018			
MA Golding	–	4 319 030	4 319 030
CEA Radowsky	–	100 000	100 000
HB Roberts	–	5 894 869	5 894 869
Total	–	10 313 899	10 313 899
2017			
MA Golding	–	2 995 112	2 995 112
CEA Radowsky	263	1 394 101	1 394 364
PE Shub	36 281	–	36 281
Total	36 544	4 389 213	4 425 757

Note: HB Roberts was elected as a director of the company on 17 November 2017. PE Shub retired as a non-executive director of the company on 15 August 2016.

Change in shareholding

On or about 14 August 2017, a consortium consisting of Geomer Investments Proprietary Limited (an associate of MA Golding) and Gingko Investments No. 2 Proprietary Limited (acting in concert with the Ceejay Trust and Gingko Trading Proprietary Limited) (associates of HB Roberts) purchased, in aggregate, 726 600 ordinary company shares, 604 045 "N" ordinary company shares, 1 241 Rex Trueform ordinary shares and 4 058 Rex Trueform "N" ordinary shares from the Stewart and Pat Shub Family Trust (an associate of CEA Radowsky), CEA Radowsky, A Shub and PE Shub.

There have been no changes in the directors' interests in shares between 30 June 2018 and the date of approval of the annual financial statements of the company.

Secretary

The company secretary's business and postal address is that of the company's registered office.

Events subsequent to the reporting date

A non-adjusting event material to the understanding of the financial statements has occurred subsequent to the reporting date. Full details thereof were published by Rex Trueform on the Stock Exchange News Service ("SENS") on 28 September 2018 ("the SENS Announcement") and a short-form announcement was published by Rex Trueform in the Business Day newspaper on 1 October 2018. Details of the event are as follows:

Rex Trueform has, through its wholly-owned subsidiary, Ombrecorp Trading Proprietary Limited ("Ombrecorp") (acquired on 19 September 2018), concluded a subscription agreement (the "agreement") with Prescient Life Limited (duly represented by Mergence Investment Managers Proprietary Limited) ("MIM") and SA Water Works Holding Company Proprietary Limited ("SAWW") to subscribe for 33.78% of the issued share capital of SAWW. In terms of the agreement MIM and Ombrecorp shall provide initial funding to SAWW in the amount of R80 653 469 and R41 326 975 respectively (the "initial funding"). SAWW will utilise the initial funding to acquire, via a wholly-owned subsidiary, SA Water Works Proprietary Limited ("SAWW subsidiary"), 73.425% of the ordinary issued shares in the share capital of Sembcorp Siza Water (RF) Proprietary Limited ("Sembcorp Siza") from Sembcorp Utilities (Netherlands) BV ("Sembcorp Utilities Netherlands"). Sembcorp Siza conducts a water concession business operating predominantly in the municipal boundaries of the Ilembe District Municipality and surrounding areas in KwaZulu-Natal, South Africa.

Subsequent to the acquisition of the Sembcorp Siza shares, and in order to raise additional funding, it is envisaged that Ombrecorp will issue new shares to certain unrelated third parties, such that Rex Trueform will retain a majority stake in Ombrecorp. Ombrecorp will then have the option, subject to raising the necessary funding, to subscribe for additional shares in SAWW and to advance additional funding in the amount of approximately R65 000 000 to SAWW (the "further funding"). The further funding will be utilised by SAWW, via the SAWW subsidiary, to purchase (i) 100% of the ordinary issued shares in the share capital of Sembcorp Utilities Proprietary Limited ("Sembcorp Utilities South Africa") – which holds 52% of the ordinary issued shares in Sembcorp Silulumanzi (RF) Proprietary Limited ("Sembcorp Silulumanzi") – and (ii) 48% of the ordinary issued shares in the share capital of Sembcorp Silulumanzi, from Sembcorp Utilities Netherlands. Sembcorp Utilities South Africa provides operational and maintenance services to Sembcorp Silulumanzi. Sembcorp Silulumanzi, which company also conducts a water concession business, operates in the municipal boundaries of the City of Mbombela Local Municipality and the greater parts of Nelspruit. The agreement is subject to various conditions precedent which have yet to become of full force and effect.

AUDIT COMMITTEE REPORT

The audit committee ("the committee") is pleased to present its report to the shareholders of African and Overseas Enterprises Limited for the financial year ended 30 June 2018.

Introduction

This report is issued in compliance with the requirements of the Companies Act and King IV.

Audit committee mandate

The audit committee is governed by formal terms of reference, delegated to it by the board of directors, which regulate the committee's functioning, processes and procedures.

Members of the audit committee and attendance at meetings

All members of the committee are independent non-executive directors, with the committee being chaired by PM Naylor, the lead independent non-executive director of the company. The members of the committee have the necessary academic qualifications, or experience, financial literacy and skills to execute their duties effectively.

The committee met three times during the period under review, specifically prior to the publication of (and to review) the company's and group's interim and final results (in addition to reviewing the reports of the internal and external auditors and the group's risk committees), and in order to consider and confirm the appropriateness of the expertise and experience of the new financial director, WD Nel, insofar as same would relate to the performance of his duties as executive financial director (it being noted that WD Nel was subsequently appointed by the board as the company's executive financial director on 12 June 2018).

The committee meetings (other than the abovementioned meeting to consider and confirm the appropriateness of the expertise and experience of the new financial director) were attended by the external auditors, the internal auditor, the chairman of the board, the executive directors and the financial manager of the group by invitation. A formal agenda is prepared for each meeting and comprehensive committee packs are provided containing information required in order to assist the committee in fulfilling its duties.

Role and responsibilities of the committee

The committee's role and responsibilities include the following:

- ensuring that appropriate financial procedures have been established and are operating;
- overseeing integrated reporting;
- ensuring a combined assurance model is applied to provide a co-ordinated approach to all assurance activities;
- reviewing the effectiveness of the company's finance function and considering, on an annual basis, and satisfying itself of the appropriateness of the expertise and experience of the financial director;
- overseeing the internal audit process;
- acting as an integral part of the risk management process;
- nominating the external auditor and overseeing the external audit process; and
- complying with any further responsibilities included in the committee's terms of reference and/or the Companies Act and the Regulations thereto, to the extent not specifically addressed above.

External auditor's appointment, independence and oversight of the external audit process

The committee nominated KPMG Inc. as the company's external auditor for the past year and approved the terms of engagement and fees to be paid. KPMG Inc. was duly appointed as the company's external auditor in respect of the year under review and the designated registered auditor was I Jeewa. KPMG Inc. has served as the company's external auditor for the last 22 years, with the designated registered auditor being rotated in the manner prescribed by the Companies Act. In this regard I Jeewa took over from H du Plessis as the designated registered auditor of the company with effect from 17 November 2017.

The committee has nominated KPMG Inc. for appointment by shareholders as the company's external auditor at the annual general meeting, the designated registered auditor being I Jeewa for the 2019 financial year.

Prior to the nomination of KPMG Inc. as aforesaid, the committee met with management without the external auditors being present, reviewed the external auditor's independence and objectivity, assessed the effectiveness of the external audit process and the quality of the external audit (including after being comprehensively reported to in relation thereto by management and the external auditors) and furthermore considered the reports from the external auditor in relation to the information detailed in paragraph 22.15(h) of the Listings Requirements. In this regard, and after due consideration, the committee confirmed that it was satisfied with the independence and objectivity of the external auditor, with the external audit process (including the quality of the external audit) and with the reports furnished to it by the external auditor. Furthermore (and as noted above) a new financial director of the company was appointed on 12 June 2018, which had the effect of, amongst other things, mitigating the attendant risk (if any) of familiarity between the external auditor and management.

The external auditor is afforded unrestricted access to the company's records and to management. Any significant issues arising from the annual audit (if any) are brought to the committee's attention. In this regard it is noted that no significant audit misstatements were identified by the external auditors and an unmodified external auditors report was issued.

The nature and extent of the non-audit services which the external auditor provides to the company have been agreed by the committee, being taxation and advisory-related non-audit services, and the external auditor (via separate departments and utilising personnel who are not involved in the external audit process in respect of the group) is only permitted to provide such pre-agreed non-audit services to the company. Any proposed agreement with the external auditor for the provision of non-audit services is preapproved by the committee.

Internal audit

A formal internal audit charter governs the internal auditing of the group. The committee has unlimited access to the internal auditor employed within the group. The formal process of reporting to the committee is managed according to the internal audit charter. The committee reviews and approves the internal audit charter and internal audit plans. During the year under review the committee considered and evaluated the independence, effectiveness and performance of the group's internal auditor and the arrangements for internal audit (including after meeting with management without the internal auditor being present) and confirmed that it was satisfied with same.

Expertise and experience of financial director, and evaluation of the finance function

As required by the Listings Requirements, as read with King IV, the committee has considered the appropriateness of the expertise and experience of the financial director, and the effectiveness of the finance function (including after meeting with the external auditors without the financial director and any representatives of the group's finance function being present).

In this regard the committee is of the view that WD Nel, the financial director, possesses the appropriate expertise and experience to fulfil his responsibilities in that position. The committee, after having furthermore considered the expertise, resources and experience of the finance function, has confirmed that such function is effective, including having regard to the nature, complexity and size of the company's operations.

Combined assurance

The company subscribes to a combined assurance model that attempts to limit or control risk in its businesses by making use of both internal and third party assurance providers (including the group's own internal line functions, risk committees, internal auditor and external auditors). During the year under review the committee evaluated the arrangements in place for combined assurance, and confirmed that it was satisfied with same.

Internal financial controls

The committee noted that there were no significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error, and is of the opinion that:

- the internal financial controls are effective (including in their implementation) and accounting practices are appropriate, which both form the basis for the preparation of reliable financial statements in respect of the year under review; and

- the company has established appropriate financial reporting procedures and that those procedures are operating.

Financial statements and accounting practices

During the year under review the JSE Limited issued a report on the findings of their process of monitoring financial statements for compliance with International Financial Reporting Standards. The report was tabled at a meeting of the audit committee and considered by it.

Following the review by the committee of the annual financial statements for the year ended 30 June 2018, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and with International Financial Reporting Standards and fairly present the group and company financial position at that date and the results of operations and cash flows for the year then ended.

Integrated annual report

The committee will satisfy or has satisfied, as the case may be (and depending on whether this report is contained in the annual financial statements or the integrated annual report), itself with the integrity of the remainder of the integrated annual report.

Conclusions

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. Having achieved its objectives, the committee has recommended the annual financial statements and will recommend or has recommended (as the case may be) the integrated annual report for the year ended 30 June 2018 for approval by the board.

The board has subsequently approved the annual financial statements, and has approved (or will approve, as the case may be) the integrated annual report, which will be open for discussion at the forthcoming annual general meeting.

On behalf of the committee

PM Naylor
Audit committee chairman

4 October 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African and Overseas Enterprises Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of African and Overseas Enterprises Limited ("the group and company") set out on pages 12 to 54, which comprise the statements of financial position as at 30 June 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African and Overseas Enterprises Limited as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors ("IRBA Code")* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 28 of the consolidated and separate financial statements, which describes the effects of a material subscription agreement which has been entered into post year end that was previously omitted from the financials that was signed on 26 September 2018. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. No key audit matters were identified in respect of our audit of the separate financial statements.

Valuation of inventories (R92.1 million) (consolidated financial statements)

Refer to the accounting policy in note 1 and to note 8 to the financial statements.

The key audit matter	How this matter was addressed in our audit
Inventories at year-end is one of the group's most significant assets, amounting to R92.1 million. There is a risk that inventories may be overstated due to inadequate allowance being made for mark down, slow-moving or obsolete inventory due to the retail business being exposed to seasonal changes and changes in customer preferences. The group measures inventories at the lower of cost and net realisable value ("NRV"), which is calculated as the estimated selling price in the ordinary course of business, less estimated costs of completion (where applicable) and selling expenses. Determining NRV therefore requires judgement to be made by management. We identified this matter as a key audit matter in the audit of the consolidated financial statements due to the significance of the inventories balance and the level of judgement applied by management in determining the allowance needed to record inventories at the lower of cost and NRV.	Our response to the key audit matter included performing the following audit procedures: • Challenging the underlying assumptions applied by management to assess the appropriateness of the inventories allowance by: – analysing the current allowance in relation to the inventories on hand, aged according to the respective seasons, and comparing the current allowance to the prior year level of write-downs for similar aged inventories; and – evaluating the accuracy of historical information related to sales trends used by management to support the allowance raised in respect of mark down and obsolete inventories. • Considering management's bias in relation to the inventories allowance by assessing the consistency of the calculation performed and assumptions applied in the current year compared with the prior year and current trends observed based on our industry knowledge.

Other information

The directors are responsible for the other information. The other information comprises the Company Secretary's Certificate, the Directors' Report and the Audit Committee Report as required by the Companies Act of South Africa, and the Companies Act notice, the Directors' Responsibility Statement and the Unaudited Shareholders' Information, which we obtained prior to the date of this report, and the Integrated Annual Report which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

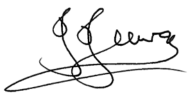
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of African and Overseas Enterprises Limited for 22 years.

KPMG Inc.
Registered Auditor



Per I Jeewa
Chartered Accountant (SA)
Registered Auditor
Director

4 October 2018

8th Floor
MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

	Note	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	60 721	57 150	–	–
Investment property	3	68 741	71 032	–	–
Intangible assets	4	22 980	24 773	–	–
Investment in subsidiary companies	5	–	–	17 400	17 400
Other investments	6	835	524	6	–
Deferred tax asset	7	2 819	6 149	–	–
		156 096	159 628	17 406	17 400
Current assets					
Inventories	8	92 132	77 842	–	–
Trade and other receivables	9	27 521	28 300	46	8
Forward exchange contracts		746	38	–	–
Income tax receivable		163	1 304	–	3
Accrued operating lease asset		2 859	3 558	–	–
Cash and cash equivalents	10	69 499	59 945	465	1 856
		192 920	170 987	511	1 867
Total assets		349 016	330 615	17 917	19 267
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	11	650	650	650	650
Preference share capital	11	550	550	550	550
Share premium		6 616	6 616	6 616	6 616
Share-based payment reserve		(116)	(116)	–	–
Other reserves	12	1 438	1 301	292	286
Retained earnings		140 227	134 518	9 309	10 630
Equity attributable to equity holders		149 365	143 519	17 417	18 732
Non-controlling interest		123 157	117 276	–	–
Total equity		272 522	260 795	17 417	18 732
Non-current liabilities					
Post-retirement liability	13	792	899	218	249
Accrued operating lease liability	16	14 235	15 966	–	–
Deferred tax liability	7	4 780	3 114	–	–
		19 807	19 979	218	249
Current liabilities					
Trade and other payables	14	51 819	47 245	281	286
Accrued operating lease liability	16	4 849	2 570	–	–
Income tax payable		19	26	1	–
		56 687	49 841	282	286
Total equity and liabilities		349 016	330 615	17 917	19 267

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

		GROUP		COMPANY	
	Note	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Revenue	18	**608 064**	548 572	**65**	3 166
Turnover		**587 632**	528 759	**–**	–
Cost of sales		**(267 730)**	(237 200)	**–**	–
Gross profit		**319 902**	291 559	**–**	–
Dividend income	21	**–**	–	**–**	3 057
Other income	18	**15 700**	15 243	**–**	–
Other operating expenses		**(322 834)**	(307 583)	**(1 314)**	(1 536)
Operating profit/(loss)	19	**12 768**	(781)	**(1 314)**	1 521
Dividend income	21	**45**	21	**–**	–
Finance income	18	**4 687**	4 549	**65**	109
Finance costs		**(71)**	(163)	**(18)**	(30)
Profit/(loss) before tax		**17 429**	3 626	**(1 267)**	1 600
Income tax expense	22	**(5 897)**	(1 939)	**(21)**	(31)
Profit/(loss) for the period		**11 532**	1 687	**(1 288)**	1 569
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Actuarial gain on post-retirement defined benefit plan		**–**	1 072	**–**	108
Items that may be reclassified subsequently to profit or loss					
Fair value adjustment on available-for-sale investments		**245**	(52)	**6**	–
Other comprehensive income for the year, net of taxation		**245**	1 020	**6**	108
Total comprehensive income for the period		**11 777**	2 707	**(1 282)**	1 677
Profit/(loss) attributable to:					
Ordinary and "N" ordinary shareholders of the parent		**5 709**	147	**(1 321)**	1 467
Preference shareholders		**33**	102	**33**	102
Profit/(loss) attributable to equity holders of the parent		**5 742**	249	**(1 288)**	1 569
Non-controlling interest		**5 790**	1 438	**–**	–
Profit/(loss) for the year		**11 532**	1 687	**(1 288)**	1 569
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders of the parent		**5 846**	756	**(1 315)**	1 575
Preference shareholders		**33**	102	**33**	102
Profit attributable to equity holders of the parent		**5 879**	858	**(1 282)**	1 677
Non-controlling interest		**5 898**	1 849	**–**	–
Total comprehensive income for the year		**11 777**	2 707	**(1 282)**	1 677
Basic earnings per ordinary share (cents)	23.1	**50.1**	1.3		
Diluted earnings per ordinary share (cents)	23.1	**50.1**	1.3		

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Ordinary share capital R'000	Preference share capital R'000
GROUP		
Balance as at 30 June 2016	650	550
Total comprehensive income for the year		
Profit for the year	–	–
Other comprehensive income for the year		
Actuarial gains on post-retirement defined benefit plan	–	–
Fair value adjustment for available-for-sale financial assets	–	–
Total comprehensive income for the year	–	–
Contributions by and distributions to owners recognised directly in equity		
Preference dividends	–	–
Ordinary dividends	–	–
Delivery of treasury shares	–	–
Reallocation relating to share options	–	–
Proceeds from delivery of employee share options	–	–
Change in degree of control	–	–
Total contributions by and distributions to owners recognised directly in equity	–	–
Balance as at 30 June 2017	**650**	**550**
Total comprehensive income for the year		
Profit for the year	**–**	**–**
Other comprehensive income for the year		
Fair value adjustment for available-for-sale financial assets	**–**	**–**
Total comprehensive income for the year	**–**	**–**
Contributions by and distributions to owners recognised directly in equity		
Preference dividends	**–**	**–**
Total contributions by and distributions to owners recognised directly in equity	**–**	**–**
Balance as at 30 June 2018	**650**	**550**
COMPANY		
Balance as at 30 June 2016	650	550
Total comprehensive income for the year		
Profit for the year	–	–
Other comprehensive income for the year		
Actuarial gains on post-retirement defined benefit plan	–	–
Total comprehensive income for the year	–	–
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	–	–
Ordinary dividends paid	–	–
Total contributions by and distributions to owners recognised directly in equity	–	–
Balance as at 30 June 2017	**650**	**550**
Total comprehensive income for the year		
Loss for the year	**–**	**–**
Other comprehensive income for the year		
Fair value adjustment for available-for-sale financial assets	**–**	**–**
Total comprehensive income for the year	**–**	**–**
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	**–**	**–**
Total contributions by and distributions to owners recognised directly in equity	**–**	**–**
Balance as at 30 June 2018	**650**	**550**

	Share premium R'000	Other reserve R'000	Share-based payments reserve R'000	Retained earnings R'000	Non-controlling interest R'000	Total R'000
	6 076	731	314	136 688	117 401	262 410
	–	–	–	249	1 438	1 687
	–	638	–	–	434	1 072
	–	(29)	–	–	(23)	(52)
	–	609	–	249	1 849	2 707
	–	–	–	(102)	(17)	(119)
	–	–	–	(1 936)	(2 501)	(4 437)
	–	–	(430)	–	430	–
	540	–	–	–	(540)	–
	–	–	–	–	234	234
	–	(39)	–	(381)	420	–
	540	(39)	(430)	(2 419)	(1 974)	(4 322)
	6 616	**1 301**	**(116)**	**134 518**	**117 276**	**260 795**
	–	**–**	**–**	**5 742**	**5 790**	**11 532**
	–	**137**	**–**	**–**	**108**	**245**
	–	**137**	**–**	**5 742**	**5 898**	**11 777**
	–	**–**	**–**	**(33)**	**(17)**	**(50)**
	–	**–**	**–**	**(33)**	**(17)**	**(50)**
	6 616	**1 438**	**(116)**	**140 227**	**123 157**	**272 522**
	6 616	178	–	11 099	–	19 093
	–	–	–	1 569	–	1 569
	–	108	–	–	–	108
	–	108	–	1 569	–	1 677
	–	–	–	(102)	–	(102)
	–	–	–	(1 936)	–	(1 936)
	–	–	–	(2 038)	–	(2 038)
	6 616	**286**	**–**	**10 630**	**–**	**18 732**
	–	**–**	**–**	**(1 288)**	**–**	**(1 288)**
	–	**6**	**–**	**–**	**–**	**6**
	–	**6**	**–**	**(1 288)**	**–**	**(1 282)**
	–	**–**	**–**	**(33)**	**–**	**(33)**
	–	**–**	**–**	**(33)**	**–**	**(33)**
	6 616	**292**	**–**	**9 309**	**–**	**17 417**

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018

	Note	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Cash flows from operating activities					
Operating profit/(loss) before working capital changes	25.1	**39 367**	25 640	**(1 345)**	(1 556)
Working capital changes	25.2	**(8 238)**	(17 731)	**(43)**	(716)
Cash generated/(utilised) by operating activities		**31 129**	7 909	**(1 388)**	(2 272)
Interest received		**4 687**	4 549	**65**	109
Interest paid		**(71)**	(163)	**(18)**	(30)
Dividends paid	25.3	**(50)**	(4 556)	**(33)**	(2 038)
Dividends received		**45**	21	**–**	3 057
Taxation paid	25.4	**167**	(862)	**(17)**	(32)
Net cash inflows/(outflows) from operating activities		**35 907**	6 898	**(1 391)**	(1 206)
Cash flows from investing activities					
Additions to property, plant and equipment		**(22 951)**	(22 745)	**–**	–
Additions to investment properties		**(1 494)**	(2 810)	**–**	–
Additions to intangible assets		**(1 908)**	(3 410)	**–**	–
Proceeds from disposal of property, plant and equipment		**–**	199	**–**	–
Acquisition of business	29	**–**	(2 939)	**–**	–
Net cash outflows from investing activities		**(26 353)**	(31 705)	**–**	–
Cash flows from financing activities					
Proceeds from delivery of employee share options		**–**	234	**–**	–
Net cash inflows from financing activities		**–**	234	**–**	–
Net increase/(decrease) in cash and cash equivalents		**9 554**	(24 573)	**(1 391)**	(1 206)
Cash and cash equivalents at the beginning of the year		**59 945**	84 518	**1 856**	3 062
Cash and cash equivalents at the end of the year	10	**69 499**	59 945	**465**	1 856

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

1 Accounting policies

REPORTING ENTITY

African and Overseas Enterprises Limited (the "company") is a company domiciled in South Africa (company registration number: 1947/027461/06). The financial statements for the year ended 30 June 2018 comprise the company and its subsidiaries (together referred to as the "group").

Where reference is made to the "group" in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise noted.

The company's registered office is at 263 Victoria Road, Salt River, 7925.

The financial statements were authorised for issue by the directors on 4 October 2018.

STATEMENT OF COMPLIANCE

These financial statements comprise the financial statements of the company and the group financial statements of the company and its subsidiaries and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

BASIS OF PREPARATION

The group financial statements are presented in South African Rands, which is the company's functional currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern and historical cost bases, unless otherwise stated.

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise stated.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements made in applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Inventory valuation

Inventory is valued at the lower of cost and net realisable value. The allowances for mark down and obsolescence of inventory are taken to profit or loss and take into account historic information related to sales trends and represent the expected mark down between the original cost and the estimated net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (where applicable) and selling expenses.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in consolidated structured entities

Rex Trueform Share Trust

The Rex Trueform Share Trust is a consolidated structured entity of the group. The Rex Trueform Share Trust purchased shares in Rex Trueform Group Limited and holds them for the purpose of the share-based payment. The group is not required to provide any financial assistance. There are no amounts owing by the trust to the group at year-end. Furthermore, the group has no intention to provide financial or other support to this consolidated structured entity.

The company measured its investments in subsidiaries in its separate financial statements at cost less accumulated impairment losses.

Transactions eliminated on consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value.

When the company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

FINANCIAL INSTRUMENTS
A financial instrument is recognised when the group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised on the trade date, which is the date the group becomes party to the transactions.

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the group commits itself to purchase or sell the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments
Non-derivative financial instruments recognised on the statement of financial position include cash and cash equivalents, trade and other receivables, investments, and trade and other payables.

Initial measurement
Financial instruments are initially recognised at fair value. For those instruments not measured at fair value through profit and loss, directly attributable transaction costs are included on initial measurement. Subsequent to initial recognition financial instruments are measured as described below.

Other investments
Investments are classified as available-for-sale assets and are measured at fair value. Changes in fair value other than impairment losses are recognised in other comprehensive income and presented within equity in other reserves. When an investment is derecognised the cumulative gain or loss is transferred to profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and amounts held on deposit at financial institutions. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Trade and other receivables
Trade and other receivables are measured initially at fair value and subsequently at amortised cost using the effective interest method, less impairment losses.

Trade and other payables
Trade and other payables are measured initially at fair value and subsequently at amortised cost using the effective interest method.

Derivative financial instruments
The group uses derivative financial instruments to economically hedge its exposure to foreign exchange arising from operational activities. In accordance with its treasury policy the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are subsequently measured at fair value, with the gain or loss on remeasurement being recognised immediately in profit or loss.

Offset
Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position when the group and company have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Impairment
A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payments status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities the reversal is recognised directly in other comprehensive income or in profit or loss to the extent an impairment was recognised previously.

FOREIGN CURRENCY

Foreign currency transactions and balances
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African Rands at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Owned assets
Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When there is a change in intended use the group transfers assets to or from property, plant and equipment to or from investment property. Where investment property is carried at cost, transfers do not change the carrying amount of the asset transferred and they do not change the cost of that asset for measurement and disclosure purposes.

Gains or losses on the disposal of property, plant and equipment are recognised in profit or loss. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

Where significant components of an item of property, plant and equipment have different useful lives they are accounted for as separate items of property, plant and equipment.

Subsequent costs
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

All other costs are recognised in profit or loss as an expense as incurred.

Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each significant component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows for the current and comparative periods:

- buildings 30 to 50 years
- plant 5 to 10 years
- equipment and shopfittings 3 to 10 years
- vehicles 3 to 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

INVESTMENT PROPERTY
Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Buildings are depreciated to their residual values on a straight-line basis over their expected useful lives. The estimated useful lives of buildings are 30 to 50 years for the current and comparative periods.

When there is a change in intended use the group transfers assets to or from property, plant and equipment to or from investment property. Where investment property is carried at cost, transfers do not change the carrying amount of the asset transferred and they do not change the cost of that asset for measurement and disclosure purposes.

For disclosure purposes an external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio regularly. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Rental income from investment property is accounted for as described in the rental income accounting policy. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

INTANGIBLE ASSETS
Computer software
Computer software that is acquired or developed by the group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation
Amortisation is calculated over the useful life of the asset as based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software 3 to 10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. In the absence of an active market the residual value is presumed to be nil.

Reacquired rights from a franchisee
Intangible assets include reacquired rights from a franchisee. It has a finite useful life and is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

Reacquired rights	2 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less costs of disposal. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"("CGU")).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

In respect of assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

SHARE CAPITAL

Ordinary share capital

Ordinary and "N" ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect. On a poll, ordinary shares have 200 votes per share and "N" ordinary shares have 1 vote per share.

Preference share capital

Preference share capital is classified as equity as it is non-redeemable. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared to the extent it remains unpaid at the end of the reporting period.

EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages and salaries represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals for short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

Post-employment benefits

The group contributes to a defined contribution plan and has defined benefit post-retirement medical aid and related obligations.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution retirement fund is recognised as an employee benefit expense in profit or loss when it is due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The group's net obligation in respect of a defined benefit plan is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The projected unit credit method is used to determine the present value of the defined benefit post-retirement medical aid and pension obligations and the related current service cost and, where applicable, past service cost. This calculation is performed by a qualified actuary biannually. When the calculation results in a benefit to the group the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the group if it is realisable during the life of the plan or on settlement of the plan liabilities.

Current service cost and interest cost in respect of defined benefit plans are recognised immediately in profit or loss. Actuarial gains and losses are recognised in the year in which they arise in other comprehensive income.

Share-based payment transactions

The group grants equity-settled share instruments to certain employees under an employee share plan. These share options will be settled in shares. The grant date fair value of forfeitable shares granted to employees is recognised as an expense with a corresponding increase in equity in a separate reserve over the period that the employees become unconditionally entitled to the instruments. The fair value is measured at the grant date using a Black-Schöles option pricing model and is spread over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share instruments for which the related service and non-market vesting conditions are met, such that the amount ultimately recognised as an expense is based on the number of share instruments that meet the related service and non-market performance conditions at delivery date. Costs incurred in administering the schemes are expensed as incurred.

REVENUE

Turnover

Revenue from the sale of goods (men's and ladies' clothing and accessories) is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. All turnover is measured at the fair value of the consideration received or receivable and is exclusive of value added tax and net of returns, discounts and rebates.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Finance income

Finance income is recognised in profit or loss as it accrues, using the effective interest method.

Royalty fee income

Royalty fee income, based on the sale of merchandise by franchisees, is recognised in profit or loss in the period in which they are earned, according to the applicable contractual arrangements.

Dividend income

Dividend income is recognised in profit or loss on the date the entity's right to receive payments is established.

Operating profit/(loss) is the profit or loss incurred or earned from normal business operations.

EXPENSES

Operating lease payments

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Contingent rent is excluded from the straight-line lease payments and expensed as incurred.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Cost of sales

Cost of sales comprises the direct cost of merchandise sold and includes stock losses and allowances for mark downs.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividends tax on behalf of its shareholders at prevailing statutory rates on dividends declared. Amounts withheld are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity.

Where tax is withheld on dividends received the dividend is recognised at the gross amount with the related withholding tax recognised as part of tax expense, unless it is otherwise reimbursable in which case it is recognised as an asset.

SEGMENT REPORTING

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the executive members of the board, identified as the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance and for which internal financial information is available.

Segment results that are reported to the board include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The group is organised into three reportable operating divisions:

- Retail trading division – comprising the Queenspark South African, Namibian and franchise stores.
- Property division – comprises the group property portfolio, which includes both its investment properties and the owner-occupied properties.
- Group services – manages the group's corporate responsibility and includes corporate costs.

EARNINGS PER SHARE

The group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Headline earnings per share ("HEPS") are calculated per the requirements of Circular 4/2018, issued by SAICA as required by the JSE Listings Requirements, using the same number of shares as the EPS and diluted EPS calculations.

COMPARATIVE FIGURES

Where applicable, the disclosure of comparative figures have been regrouped in order to align those figures with current year classification.

The only reclassification to the statements of financial position relates to the current/non-current split of the accrued operating lease liability due to the timing in the life of the leases.

Other reclassifications related to categories within the notes.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
2 Property, plant and equipment				
Land and buildings				
Cost at the beginning of the year	**3 771**	1 520	–	–
Additions	**2 125**	2 251	–	–
Cost at the end of the year	**5 896**	3 771	–	–
Accumulated depreciation at the beginning of the year	**157**	64	–	–
Depreciation charge for the year	**261**	93	–	–
Accumulated depreciation at the end of the year	**418**	157	–	–
Carrying value at the beginning of the year	**3 614**	1 456	–	–
Carrying value at the end of the year	**5 478**	3 614	–	–
Open market value of freehold land and buildings	**25 100**	23 000	–	–
Plant				
Cost at the beginning of the year	**287**	287	–	–
Cost at the end of the year	**287**	287	–	–
Accumulated depreciation at the beginning of the year	**55**	36	–	–
Depreciation charge for the year	**19**	19	–	–
Accumulated depreciation at the end of the year	**74**	55	–	–
Carrying value at the beginning of the year	**232**	251	–	–
Carrying value at the end of the year	**213**	232	–	–
Vehicles				
Cost at the beginning of the year	**1 423**	1 423	–	–
Cost at the end of the year	**1 423**	1 423	–	–
Accumulated depreciation at the beginning of the year	**1 362**	1 262	–	–
Depreciation charge for the year	**38**	100	–	–
Accumulated depreciation at the end of the year	**1 400**	1 362	–	–
Carrying value at the beginning of the year	**61**	161	–	–
Carrying value at the end of the year	**23**	61	–	–

2 Property, plant and equipment (continued)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Equipment and shopfittings				
Cost at the beginning of the year	180 007	162 069	–	–
Additions	20 826	20 494	–	–
Acquisition through business combination	–	500	–	–
Disposals	(164)	(3 056)	–	–
Cost at the end of the year	200 669	180 007	–	–
Accumulated depreciation at the beginning of the year	126 764	110 582	–	–
Depreciation charge for the year	19 033	18 454	–	–
Depreciation on disposals	(135)	(2 272)	–	–
Accumulated depreciation at the end of the year	145 662	126 764	–	–
Carrying value at the beginning of the year	53 243	51 487	–	–
Carrying value at the end of the year	55 007	53 243	–	–
Total carrying value at the beginning of the year	57 150	53 355	–	–
Total carrying value at the end of the year	60 721	57 150	–	–

Impairment tests for plant and equipment
The group reviews the carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Carrying values of assets were assessed against the recoverable amounts, being the higher of the value in use and an indicative selling price. No impairment or impairment reversals were recognised in the current or prior year.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
3 Investment property				
Cost at the beginning of the year	81 604	78 794	–	–
Additions	1 494	2 810	–	–
Cost at the end of the year	83 098	81 604	–	–
Accumulated depreciation at the beginning of the year	10 572	6 945	–	–
Depreciation charge for the year	3 785	3 627	–	–
Accumulated depreciation at the end of the year	14 357	10 572	–	–
Carrying value at the beginning of the year	71 032	71 849	–	–
Carrying value at the end of the year	68 741	71 032	–	–
Fair value	198 500	188 900	–	–
Included in profit and loss are the following items:				
Rental income from investment property	15 700	15 030	–	–
Direct operating expenses (including repairs and maintenance) relating to rental-generating investment properties	8 236	8 608	–	–
Direct operating expenses (including repairs and maintenance) relating to investment properties which did not generate income	191	503	–	–
The group leases out certain of its investment properties. The future minimum lease payments under non-cancellable leases are as follows:				
Less than one year	16 415	15 350	–	–
Between one and five years	9 555	18 285	–	–
Later than five years	66	456	–	–
Total	26 036	34 091	–	–

Group level
The group owns property included in investment property of the subsidiary, Rex Trueform Group Limited that is leased to, and partly occcupied by its subsidiary, Queenspark Proprietary Limited. The portion relating to the office space which is occupied by the group was considered insignificant and as a result the entire building and equipment integral to the building is classified as investment property.

Management has considered the following when assessing the owner-occupied portion as insignificant:

- Queenspark Proprietary Limited occupies approximately 12% (2017: 10%) of the Rex Trueform Office Park ("RTOP") building and in relation to gross lettable area, this is regarded as insignificant.

The group's investment properties include commercial properties that are leased out to third parties. Rental increases vary between 7% and 9% (2017: 7% and 9%). Subsequent renewals may be negotiated with the lessee and the average renewal periods are from two to five years. No contingent rentals are charged.

There are commitments to further develop our investment properties by R0.7 million (2017: R1.5 million).

Fair value for financial reporting purposes
The fair value of investment property has been determined on a capitalisation of income, discounted cash flow or applicable bulk rate basis as at 30 June 2018 by independent valuers, Sterling Valuation Services. In applying this method the professional associated valuers have given consideration to the rental-producing capacity of the properties, taking into account their location, structure and the rental-producing capacity of similar buildings.

3 Investment property (continued)

The fair values of investment properties were determined by external, independent property valuers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property has been categorised as a Level 3 fair value based on the inputs of the valuation technique.

Significant unobservable inputs:

Capitalisation rate	8.75% – 10.5% (2017: 8.75% – 10.5%)
Discount rate	14.75% (2017: 14.75%)

4 Intangible assets

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Computer software and other intangible assets				
Cost at the beginning of the year	37 658	33 148	–	–
Additions (computer software)	1 908	3 410	–	–
Acquisition through business combination	–	1 100	–	–
Cost at the end of the year	39 566	37 658	–	–
Accumulated amortisation at the beginning of the year	12 885	9 716	–	–
Amortisation charge for the year*	3 701	3 169	–	–
Accumulated amortisation at the end of the year	16 586	12 885	–	–
Carrying value at the beginning of the year	24 773	23 432	–	–
Carrying value at the end of the year	22 980	24 773	–	–

* Is in respect of both software and the reacquired right; the amortisation is included under the operating cost in the statement of comprehensive income.

5 Investment in subsidiary companies

	Issued capital R	Share-holding %	Shares at cost 2018 R	Shares at cost 2017 R	Indebtedness 2018 R'000	Indebtedness 2017 R'000
Rex Trueform Group Limited						
Ordinary shares	1 452 903	72.62	**2 187**	2 187	**–**	–
"N" ordinary shares	44 341	51.94	**15 212**	15 212	**–**	–
6% cumulative preference shares	280 000	0.59	**1**	1	**–**	–
			17 400	17 400	**–**	–

6 Other investments

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Unlisted shares				
Business Partners Limited				
– 104 800 shares at fair value	**734**	524	**–**	–
Listed shares (local)	**101**	–	**6**	–
Total available-for-sale investments	**835**	524	**6**	–

7 Deferred tax asset

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Balance at the beginning of the year	3 035	4 314	–	–
– Deferred tax assets	6 149	6 493	–	–
– Deferred tax liabilities	(3 114)	(2 179)	–	–
Charge to profit or loss	(4 930)	(1 279)	–	–
– Current year	(4 661)	(1 279)	–	–
– Prior year over provision	(269)	–	–	–
Current year movement in temporary differences recognised in statement of comprehensive income	(66)	–	–	–
– Investments	(66)	–	–	–
Current year movement in temporary differences recognised in profit or loss	(4 930)	(1 279)	–	–
Accruals	942	(53)	–	–
Property, plant and equipment, intangibles and investment property	(3 677)	(4 252)	–	–
Forward exchange contracts	(220)	(598)	–	–
Lease asset	196	(96)	–	–
Prepaid expense	(443)	55	–	–
Assessed loss	(1 728)	3 665	–	–
Current year movement in temporary differences recognised in statement of comprehensive income	(66)	–	–	–
– Investments	(66)	–	–	–
Balance at the end of the year	(1 961)	3 035	–	–
– Deferred tax assets	2 819	6 149	–	–
– Deferred tax liabilities	(4 780)	(3 114)	–	–
Comprising:				
Deferred tax assets	16 440	17 664	–	–
– Assessed losses	6 254	7 982	–	–
– Accruals	10 186	9 244	–	–
– Forward exchange contracts	–	11	–	–
Property, plant and equipment, intangibles and investment property	–	427	–	–
Deferred tax liabilities	(18 401)	(14 629)	–	–
– Property, plant and equipment, intangible assets and investment property	(14 226)	(10 976)	–	–
– Lease asset	(801)	(997)	–	–
– Investments	(66)	–	–	–
– Forward exchange contracts	(209)	–	–	–
– Prepaid expense	(3 099)	(2 656)	–	–

The directors have considered the future profitability and on the basis that taxable income and capital gains are probable in the foreseeable future, deferred tax assets have been recognised.

Deferred tax assets and liabilities are recognised on the assumption that the assets and liabilities will either be recovered through use in the future or will be realised through sale. A capital gains tax rate of 22.4% (2017: 22.4%) was used to compute deferred tax for assets and liabilities which will be realised through sale, and a rate of 28% (2017: 28%) was used for deferred tax balances to be recovered through use.

The subsidiary company operating in Namibia has a tax rate of 32% (2017: 32%).

The net deferred tax asset relating to the retail companies has been recognised, because it is considered probable that future taxable profits will be available against which the group can utilise the benefits therefrom.

In respect of the retail segment, the following will positively impact profits in the future:

1) the introduction of new categories and brands; and
2) the opening of new stores.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
8 Inventories				
Merchandise on hand	71 708	62 292		
Merchandise at sea	20 424	15 550	–	–
Inventories at the end of the year	92 132	77 842	–	–
Provision for write-down included in the value above	9 700	10 534	–	–
Inventories carried at net realisable value	245	107	–	–
Inventory (provisions reversed)/write-downs included in profit or loss	(911)	536	–	–
Inventory write-downs are due to the seasonal nature of product.				
9 Trade and other receivables				
Trade receivables	5 400	3 899	–	8
Prepayments	18 285	21 924	46	–
VAT receivable	2 252	956	–	–
Other receivables	1 584	1 521	–	–
At the end of the year	27 521	28 300	46	8
10 Cash and cash equivalents				
Bank balances	14 022	10 983	165	405
Call deposits	55 477	48 962	300	1 451
At the end of the year	69 499	59 945	465	1 856

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
11 Share capital				
Authorised share capital				
Ordinary shares				
1 250 000 ordinary shares of 50 cents each	**625**	625	**625**	625
20 000 000 "N" ordinary shares of 0.25 cent each	**50**	50	**50**	50
	675	675	**675**	675
Preference shares				
275 000 6% cumulative participating preference shares of R2 each	**550**	550	**550**	550
Total authorised share capital	**1 225**	1 225	**1 225**	1 225
Issued share capital				
Ordinary shares				
1 250 000 ordinary shares of 50 cents each	**625**	625	**625**	625
10 137 441 "N" ordinary shares of 0.25 cent each	**25**	25	**25**	25
	650	650	**650**	650
Preference shares				
275 000 6% cumulative participating preference shares of R2 each	**550**	550	**550**	550
Total issued share capital	**1 200**	1 200	**1 200**	1 200
The unissued shares are under the control of the directors until the annual general meeting.				
The following dividends were declared and paid by the company during the year:				
Dividends per ordinary and "N" ordinary shares (cents)				
Final – declared	**–**	17	**–**	17
– paid	**–**	17	**–**	17

The directors have not proposed a distribution per share in respect of the 2018 year on ordinary and "N" ordinary shares. The ordinary shares have voting rights of 200 votes per share while the "N" ordinary shares carry one vote per share.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
12 Other reserves				
Revaluation of available-for-sale financial assets	**369**	232	**6**	–
Actuarial gain on post-retirement defined benefit plan	**1 069**	1 069	**286**	286
At the end of the year	**1 438**	1 301	**292**	286

The revaluation of available-for-sale financial assets relates to the investments as per note 6.

13 Post-retirement liability

At 30 June 2018 the group had an obligation to provide limited post-retirement benefits to seven (2017: eight) former employees. The benefits largely relate to medical aid contributions. The obligation is unfunded and any benefits paid are through the group's cash resources.

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Reconciliation of liability				
At the beginning of the year	**899**	1 991	**249**	377
Interest cost included in profit or loss	**66**	156	**18**	30
Actuarial gain included in other comprehensive income	**–**	(1 072)	**–**	(108)
Benefits paid	**(173)**	(176)	**(49)**	(50)
At the end of the year	**792**	899	**218**	249
Amount included in profit or loss				
Interest cost	**66**	156	**18**	30
	66	156	**18**	30
Amount included in other comprehensive income				
Actuarial gain	**–**	(1 072)	**–**	(108)
	–	(1 072)	**–**	(108)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
14 Trade and other payables				
Trade payables	**21 159**	22 898	**–**	–
Deferred income	**1 883**	2 528	**–**	–
VAT payable	**235**	72	**–**	–
Employee benefit accruals	**6 686**	6 750	**–**	–
Other payables and accruals	**21 856**	14 997	**281**	286
At the end of the year	**51 819**	47 245	**281**	286
15 Capital commitments				
Capital commitments include all projects for which specific board approval has been obtained.				
Authorised but not yet contracted for				
Store development	**8 126**	11 740	**–**	–
Head office refurbishments	**175**	40	**–**	–
Rex Trueform Office Park	**655**	1 510	**–**	–
Distribution warehouse	**650**	1 365	**–**	–
Computer infrastructure and software	**2 496**	6 898	**–**	–
Total	**12 102**	21 553	**–**	–
Authorised and contracted for (less amounts already incurred)				
Store development	**5 618**	6 370	**–**	–
Computer software	**105**	1 262	**–**	–
Total	**5 723**	7 632	**–**	–

The capital commitments will be financed by cash resources and cash generated from operations and are expected to be incurred in the following year.

16 Leases

The group leases its store trading premises under operating leases. Leases are contracted for periods of between one and eight years, with certain lease agreements providing for renewal options for similar periods. The lease agreements for certain stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover achieved. Rental escalations vary between 6% and 10% (2017: 6% and 10%) per annum.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Lessee				
At 30 June 2018 future non-cancellable minimum lease rentals were payable during the following financial years:				
Minimum lease payments				
Cash flows year one	94 993	87 890	–	–
Cash flows years two to five	220 768	204 289	–	–
Cash flows > year five	9 463	8 210	–	–
Total future cash flows	325 224	300 389	–	–
Accrued operating lease liabilty – non-current	(14 235)	(15 966)	–	–
– current	(4 849)	(2 570)	–	–
Future expenses	306 140	281 853	–	–

Lessor – refer to note 3.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
17 Financial instruments				
17.1 Fair values				
Available-for-sale financial assets	**835**	524	**6**	–
Trade and other receivables*	**6 984**	5 420	**–**	8
Cash and cash equivalents*	**69 499**	59 945	**465**	1 856
Trade and other payables*	**(43 015)**	(37 895)	**(281)**	(286)
Forward exchange contracts	**746**	38	**–**	–

* Carrying value approximates fair value.

Valuation of financial instruments

The group measures fair values using the following fair value hierarchy that reflects the significance of each input used in making these measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. The group is not exposed to level 1 instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs.

This category includes all instruments where the valuation technique includes inputs not based on observable data and the observable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Available-for-sale financial assets (Level 1)	**101**	–	**6**	–
Available-for-sale financial assets (Level 2)*	**734**	524	**–**	–
Forward exchange contract (Level 2)	**746**	38	**–**	–
	1 581	562	**6**	–

* The fair value of available-for-sale financial assets was based on the over-the-counter price of the invested shares.

Fair values of the forward exchange contract was determined by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.

17 Financial instruments (continued)

17.2 Credit risk

Credit risk is the risk of financial loss to the group or company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises on trade and other receivables, cash and intercompany receivables.

The risk arising on accounts receivable is managed through a group policy on the granting of credit, continual review and monitoring of all receivables balances and includes applying payment terms and monitoring overdue accounts.

Credit risk is minimised through an initial new client acceptance procedure whereby potential customers are individually assessed.

Listings of overdue customer balances are reviewed monthly. Any customer exceeding their credit terms must settle their overdue balances before any further credit is extended. Appropriate action is taken to recover long overdue debts. An impairment provision is raised if there is objective evidence that the outstanding debt may not be collectible.

The material recurring trade debtors comprise online retailers. Securities are put in place where required.

There are securtites in place, where required, for each franchisee in the form of bank guarantees, and personal suretyships signed by the individual franchisees.

Tenants are required to provide deposits or guarantees and where required a director's suretyship may be obtained. The tenant credit rating process includes obtaining references, obtaining copies of tax compliance certificates (or other related documents), assesment of financial results to establish its financial standing, and reviewing credit reports.

The credit risk on cash and cash equivalents is managed through dealing with well-established financial institutions.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure.				
The maximum exposure to credit risk at the reporting date was:				
Trade receivables	5 400	3 899	–	8
Other receivables	1 584	1 521	–	–
Cash and cash equivalents	69 499	59 945	465	1 856
	76 483	65 365	465	1 864
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Rentals to be received from tenants	–	37	–	–
Amounts receivable from franchisees	65	7	–	–
Online retailers	4 616	3 047	–	–
Other	719	808	–	8
	5 400	3 899	–	8

Impairment losses

The ageing of trade receivables at the reporting date was:

	GROUP				COMPANY			
	Gross 2018 R'000	Impairment 2018 R'000	Gross 2017 R'000	Impairment 2017 R'000	Gross 2018 R'000	Impairment 2018 R'000	Gross 2017 R'000	Impairment 2017 R'000
Not past due	2 635	–	1 600	–	–	–	–	–
Past due 0 – 30 days	1 759	–	2 267	–	–	–	–	–
Past due 31 – 60 days	589	–	–	–	–	–	–	–
Past due > 61 days	417	–	32	–	–	–	8	–
	5 400	–	3 899	–	–	–	8	–

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
17 Financial instruments (continued)				
17.2 Credit risk (continued)				
An analysis of the credit quality of trade and other receivables that are neither past due nor impaired is as follows:				
Tenants				
Tenants with greater than two years' trading history with the group	–	1	–	–
Franchise stores				
Franchise stores with greater than two years' trading history with the group	65	7	–	–
Online retailers	2 226	1 429	–	–
Other customers	344	163	–	–
	2 635	1 600	–	–
Impairment allowance in respect of trade receivables during the year				
Balance at the beginning of the year	–	50	–	–
Impairment loss reversed	–	(50)	–	–
Balance as at the end of the year	–	–	–	–

Trade and other receivables in total are considered recoverable. Certain customers have a long-standing credit history with the group and/or have provided the group with guarantees or other security where necessary.

17.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due both under normal and stressed conditions, without incurring unacceptable losses to the group.

The risk is managed through cash flow forecasts and the optimisation of daily cash management.

Note 16 discloses cash flows relating to non-cancellable minimum lease rentals.

The expected cash flow related to the trade payable and other payables and accruals will occur as follows:

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Trade payables	21 159	22 898	–	–
Other payables and accruals	21 856	14 997	281	286
Contractual cash flows	43 015	37 895	281	286
Less than one year	43 015	37 895	281	286

The expected cash flows related to forward exchange contracts will occur as follows:

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Carrying amount	(746)	(38)	–	–
Contractual cash flows	4 777	29 890	–	–
Less than one year	4 777	29 890	–	–

17 Financial instruments (continued)

17.4 Interest rate risk

The group and company are exposed to interest rate risk as they invest funds. The financial assets that are sensitive to interest rate risk are cash and cash equivalents. The risk is managed by maintaining an appropriate mix of fixed and daily call placements with reputable financial institutions.

The interest rates applicable to these financial instruments are keenly negotiated and generally vary in response to the prime overdraft rate. Current effective interest rate varies between 6% and 7.2% (2017: 6.25% and 7.9%). Floating rate financial assets include cash at bank and cash equivalents. The group has no fixed rate financial assets or liabilities.

Sensitivity analysis
A 1% movement in the effective interest rate would have increased/(decreased) profit or loss before tax by the amounts shown below. The rate is applied to all cash and cash equivalents. This analysis assumes all other variables remain constant.

The analysis is performed on the same basis as for 2017.

	GROUP	
	2018 R'000	2017 R'000
Profit or loss before taxation	695	599

17.5 Currency risk

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group's functional currency.

The settlement of these transactions takes place within a normal business cycle. The group has policies for the management of foreign currency risks. No uncovered foreign exchange commitments exist at reporting date.

This risk is covered by entering into forward foreign exchange contracts. These contracts are matched with anticipated future cash outflows in foreign currencies. The group does not use forward foreign exchange contracts for speculative purposes. No hedge accounting is applied. The currency in which the group primarily deals is the US Dollar.

The forward cover obtained relates to orders/planned orders which are to be delivered at a future date in the normal course of the retail business.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Included in trade payables:				
Foreign suppliers – US Dollar	7	102	–	–
	7	102	–	–

The principal or contract amounts of foreign exchange contracts outstanding at reporting date relating to foreign purchases are as reflected below:

	Currency	Foreign amount '000	Average forward cover rate	Rand amount '000
2018				
Imports	US Dollar	400	R11.94	4 777
2017				
Imports	US Dollar	2 244	R13.32	29 890

17 Financial instruments (continued)

17.5 Currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Spot rate	
	2018	2017	2018	2017
US Dollar	**R12.87**	R13.60	**R13.81**	R13.08

The group is primarily exposed to the US Dollar currency. The following analysis indicates the group's sensitivity at year-end to the indicated movements in this currency on financial instruments, assuming all variables, in particular interest rates, remain constant.

Sensitivity analysis
A 10% strengthening/weakening in the Rand against the US Dollar at 30 June would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2017.

	Profit or loss R'000
2018	
US Dollar	**478**
2017	
US Dollar	2 989

17.6 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or return capital. At 30 June 2018 the ordinary shareholders' interest (total equity less preference share capital) to total assets was 77.5% (2017: 78.7%)

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
18 Revenue				
Turnover	**587 632**	528 759	**–**	–
Rental income	**15 700**	15 030	**–**	–
Finance income	**4 687**	4 549	**65**	109
Royalty fee income	**–**	213	**–**	–
Dividend income	**45**	21	**–**	3 057
	608 064	548 572	**65**	3 166

19 Operating profit/(loss) is stated after the following:

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Expenses				
Net loss on disposal of plant and equipment, intangible assets and investment property	29	585	–	–
– equipment and shopfitting	29	–	–	–
– vehicles	–	585	–	–
Net foreign exchange gain	2 141	4 974	–	–
– realised gain	2 849	5 012	–	–
– unrealised gain	(708)	(38)	–	–
Amortisation	3 701	3 169	–	–
Depreciation	23 136	22 293	–	–
– land and buildings and investment property	4 046	3 720	–	–
– plant	19	19	–	–
– vehicles	38	100	–	–
– equipment and shopfittings	19 033	18 454	–	–
Leasing charges	106 505	101 595	–	–
– operating leases – properties	106 505	101 595	–	–
Lease amortisation	547	432	–	–
Managerial, technical, administrative and secretarial fees	3 564	4 588	915	1 189
Employment costs				
Directors' emoluments	6 481	8 419	224	280
– non-executive – for services as directors	1 194	2 407	–	–
– for consultancy services	302	847	–	–
– executive – paid for managerial services	4 312	4 594	–	–
– retirement fund contributions	248	271	–	–
– management fees	–	–	224	280
– other benefits	336	119	–	–
– bonuses and performance-related payments	89	181	–	–
Employment costs – other	103 508	95 421	–	–
Employee costs	97 790	91 108	–	–
Retirement funding costs	5 718	4 313	–	–
Total employment costs	110 213	103 840	224	280

20 Directors' emoluments

20.1 Directors' remuneration

	Directors' fees R'000	Fees for other services[3] R'000	Basic salary R'000	Per-formance-related payments R'000	Value of other benefits[2] R'000	Retire-ment fund contri-butions R'000	Total 2018 R'000
2018							
Executive directors							
DS Johnson[4]	–	–	1 337	2	258	78	1 675
CEA Radowsky[1]	–	–	2 812	2	76	165	3 055
D Franklin[1, 5]	–	–	163	85	2	5	255
	–	–	4 312	89	336	248	4 985
Non-executive directors							
MA Golding[6]	347	36	–	–	–	–	383
PM Naylor[7]	214	114	–	–	–	–	328
HB Roberts[8]	70	37	–	–	–	–	107
LK Sebatane[8]	70	16	–	–	–	–	86
MR Molosiwa[8]	70	–	–	–	–	–	70
ML Krawitz[9]	255	46	–	–	–	–	301
RV Orlin[9]	84	16	–	–	–	–	100
HJ Borkum[9]	84	37	–	–	–	–	121
	1 194	302	–	–	–	–	1 496
Total	1 194	302	4 312	89	336	248	6 481
Summary							
Paid by company	–	–	202	5	5	12	224
Paid by subsidiary company	1 194	302	4 110	84	331	236	6 257
	1 194	302	4 312	89	336	248	6 481

1 Director on the board of Rex Trueform Group Limited, Queenspark Proprietary Limited, Queenspark (Proprietary) Limited (in Namibia) and Queenspark Distribution Centre Proprietary Limited.
2 Other benefits include insurance policies paid on behalf of the directors.
3 These are fees rendered in respect of the audit, risk, social and ethics and retirement fund committees.
4 Resigned as a director of the company with effect from 31 March 2018.
5 Appointed to the board of Rex Trueform Group Limited on 25 May 2018.
6 Elected as chairman of the board of directors in place of ML Krawitz with effect from 30 September 2017.
7 Retired by rotation on 17 November 2017. Re-elected on 17 November 2017.
8 Elected on 17 November 2017.
9 Resigned on 30 September 2017.

No financial assistance was provided to any current or past director during the current financial year.

20 Directors' emoluments (continued)

20.1 Directors' remuneration (continued)

	Directors' fees R'000	Fees for other services[4] R'000	Basic salary R'000	Performance-related payments R'000	Value of other benefits[3] R'000	Retirement fund contributions R'000	Total 2017 R'000
2017							
Executive directors							
DS Johnson	–	–	1 782	70	46	105	2 003
CEA Radowsky[1]	–	–	2 812	111	73	166	3 162
	–	–	4 594	181	119	271	5 165
Non-executive directors							
ML Krawitz	1 019	182	–	–	–	–	1 201
PM Naylor[1]	377	250	–	–	–	–	627
RV Orlin	337	165	–	–	–	–	502
HJ Borkum	337	250	–	–	–	–	587
MA Golding[2]	337	–	–	–	–	–	337
	2 407	847	–	–	–	–	3 254
Total	2 407	847	4 594	181	119	271	8 419
Summary							
Paid by company	–	–	258	–	7	15	280
Paid by subsidiary company	2 407	847	4 336	181	112	256	8 139
	2 407	847	4 594	181	119	271	8 419

1 Director on the board of African and Overseas Enterprises Limited, Rex Trueform Group Limited, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited.

2 Appointed 2 September 2016.

3 Other benefits include insurance policies paid on behalf of the directors.

4 These are fees rendered in respect of the audit, risk, social and ethics and retirement fund committees.

No financial assistance was provided to any current or past director during the prior financial year.

20 Directors' emoluments (continued)

20.2 Directors' interest in shares

	Number of share options as at 30 June 2016	Option price (cents)	Shares trans-ferred to grantee during the year	Shares lapsed during the year	Date option granted	Date option exercised, subject to future delivery	Number of share options as at 30 June 2017	Share option gains* R'000
Executive directors								
CEA Radowsky	12 135	575	–	12 135	27/06/2007	28/06/2007	–	–
DS Johnson	26 667	575	26 667	–	27/06/2007	28/06/2007	–	153
DS Johnson	12 216	700	12 216	–	05/06/2009	08/06/2009	–	55
Total	51 018		38 883	12 135			–	208
Average price of option (Rand)	6.05						–	

* Share option gain is the difference between the subscription price and the company share price on the date of ownership of the share passing to the director or executive.

All of the option shares are held in the Rex Trueform Share Trust which retains ownership of the shares until payment of the full purchase price is effected. Payment of the purchase price against delivery of the shares may take place in respect of not more than one-third of the shares only after the expiry of three years from the option date; not more than two-thirds of the shares after the expiry of four years from the option date; and any balance only after the expiry of five years from the option date. The total purchase price shall be paid not later than ten years after the option date.

As at 30 June 2018 the share trust held 20 279 (2017: 20 279) shares in reserve for future utilisation.

20 Directors' emoluments (continued)

20.2 Directors' interest in shares (continued)

	2018	2017
Ordinary and "N" ordinary shares		
Held directly:		
PE Shub[1]	–	36 281
CEA Radowsky	–	263
	–	36 544
Held indirectly in the company:		
MA Golding	4 319 030	2 995 112
HB Roberts[2]	5 894 869	–
CEA Radowsky	100 000	1 394 101
	10 313 899	4 389 213

1 PE Shub retired as a non-executive director of the company on 15 August 2016.
2 HB Roberts was elected as a director of the company on 17 November 2017.

Other than the aforesaid, there have been no changes in the directors' interest in shares between 30 June 2018 and the approval of the annual financial statements of the company.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
21 Dividend income				
Dividends from subsidiaries	–	–	–	3 057
Dividends from investments	45	21	–	–
	45	21	–	3 057

22 Income tax expense

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Income tax	967	660	21	31
– current year	1 272	656	18	31
– prior year	(305)	4	3	–
Deferred tax	4 930	1 279	–	–
– current year	4 661	1 279	–	–
– prior year	269	–	–	–
Total income tax	5 897	1 939	21	31

Reconciliation of income tax rate	%	%	%	%
Statutory tax rate	28.0	28.0	28.0	28.0
Exempt income (dividend exempt)	(0.1)	(0.1)	–	(53.5)
Namibia differential in tax rate[1]	0.2	(1.7)	–	–
Expenses disallowed – non-deductible expenses	3.6	27.2	(29.4)	27.4
Prior year adjustments	–	0.1	(0.2)	–
Deferred tax on losses not recognised	2.2	–	–	–
Effective tax rate	33.9	53.5	(1.7)	1.9

[1] Queenspark (Proprietary) Limited (in Namibia) is in an assessed loss position. The movements are attributable to the recognition of a deferred tax asset in the prior year and subsequent derecognition in the current year.

23 Earnings per share

Basic earnings per share is derived by dividing profit for the year attributable to ordinary and "N" ordinary shareholders of the parent by the weighted average number of ordinary shares.

	2018 Gross R'000	2018 Net of taxation R'000	2017 Gross R'000	2017 Net of taxation R'000
23.1 Basic and headline earnings per ordinary share				
Profit attributable to ordinary and "N" ordinary shareholders		5 709		147
Adjusted for:				
Loss from disposal of property, plant and equipment	17	12	322	232
Headline earnings	17	5 721	322	379

	Number of shares 2018	Number of shares 2017
Weighted average number of ordinary and "N" ordinary shares in issue	11 387 441	11 387 441
Basic earnings per ordinary share (cents)	50.1	1.3
Headline earnings per ordinary share (cents)	50.2	3.3

23 Earnings per share (continued)

23.2 Diluted basic and headline earnings per ordinary share

	Number of shares 2018	2017
Weighted average number of ordinary and "N" ordinary shares in issue	11 387 441	11 387 441
Dilution effect of share options	–	5 751
Weighted average number of diluted ordinary and "N" ordinary shares	11 387 441	11 393 192
Diluted earnings per ordinary share (cents)	50.1	1.3
Diluted headlines earnings per ordinary share (cents)	50.2	3.3

24 Related party transactions

The group has disclosed all significant related party transactions in terms of IAS 24: Related Party Disclosure.

Shareholders

The group's holding company is African and Overseas Enterprises Limited, registered in South Africa. An analysis of the principal shareholders of the company is provided in the shareholders' information section on page 55. Directors' shareholding is disclosed in the Directors' Report and in note 20.2.

Subsidiaries

These intragroup transactions have been eliminated on consolidation for subsidiary companies. Subsidiaries are listed in note 5.

	2018 R'000	2017 R'000
COMPANY		
Management and administration fees paid to subsidiary company	541	583
Amount payable to subsidiary company	–	–
GROUP		
Merchandise sold to subsidiary company	7 792	5 964
Amounts payable to controlled entity	581	581
Management and administration fees paid to subsidiary companies	4 215	4 135
Royalties and service fees paid to fellow subsidiary company	1 225	748
Distribution fee paid to fellow subsidiary	–	2 993
Head office rentals paid to subsidiary company	1 850	1 713
Interest paid to fellow subsidiary company	323	178
Distribution centre rentals paid to fellow subsidiary company	5 681	3 616

There are contingent liabilities in respect of guarantees furnished by Rex Trueform Group Limited for leases and normal business commitments of Queenspark Proprietary Limited approximating R17.8 million (2017: R31.5 million).

Directors

Details relating to executive and non-executive directors' remuneration are disclosed in note 20.1 and directors' shares and share options in note 20.2.

No loans have been made to directors.

24 Related party transactions (continued)

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the group, directly or indirectly, being non-executive and exective directors of the company and its subsidiary companies as listed in note 20.

No key management personnel other than already disclosed had a material interest in any contract of significance with any group company during the year under review or in the prior year.

	GROUP		COMPANY	
Transactions with related parties	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Legal and consultancy fees paid	–	146	–	56
These are legal fees paid to the chairman in his capacity as legal adviser.				
Spouse of executive director for services rendered*	892	923	–	–

* The director resigned from the board of directors with effect from 31 March 2018.

25 Notes to the statements of cash flows

25.1 Operating profit/(loss) before working capital changes

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Profit/(loss) before taxation	17 429	3 626	(1 267)	1 600
Adjusted for:				
Amortisation	3 701	3 169	–	–
Depreciation	23 136	22 293	–	–
Dividend income	(45)	(21)	–	(3 057)
Finance income	(4 687)	(4 549)	(65)	(109)
Finance costs	71	163	18	30
Loss on disposal of property, plant and equipment	29	585	–	–
Accrued operating lease liability movement	548	432	–	–
Unrealised foreign exchange gain	(708)	(38)	–	–
Movement in post-retirement liability	(107)	(20)	(31)	(20)
	39 367	25 640	(1 345)	(1 556)

25 Notes to the statements of cash flows
(continued)

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
25.2 Working capital changes				
Increase in inventories	(14 290)	(15 184)	–	–
Decrease/(increase) in trade and other receivables	1 478	7 018	(38)	4
Movement in forward exchange contracts	–	(2 176)	–	–
Increase/(decrease) in trade and other payables	4 574	(7 389)	(5)	(487)
Decrease in amount owed to subsidiary company	–	–	–	(233)
	(8 238)	(17 731)	(43)	(716)
25.3 Dividends paid				
Dividend on ordinary and "N" ordinary shares	–	(4 437)	–	(1 936)
Dividend on 6% cumulative preference shares	(50)	(119)	(33)	(102)
	(50)	(4 556)	(33)	(2 038)
25.4 Taxation paid				
Amounts unpaid at the beginning of the year	(26)	(38)	–	–
Amounts overpaid at the beginning of the year	1 304	1 114	3	2
Amounts charged to profit or loss	(967)	(660)	(21)	(31)
Amounts unpaid at the end of the year	19	26	1	–
Amounts overpaid at the end of the year	(163)	(1 304)	–	(3)
	167	(862)	(17)	(32)
Comprising:				
Income tax paid	167	(862)	(17)	(32)

26 Segmental analysis

	GROUP 2018 R'000	GROUP 2017 R'000
Revenue		
Total external retail revenue	587 632	528 972
Retail segment revenue	591 644	532 746
Intersegment revenue earned	(4 012)	(3 774)
Total external property revenue	15 700	15 030
Property segment revenue	21 381	20 359
Intersegment revenue earned	(5 681)	(5 329)
Dividend income	45	21
Finance income	4 687	4 549
Total group revenue	608 064	548 572
Segment operating loss		
Retail segment profit/(loss)	8 171	(1 923)
Property segment profit	9 984	7 951
Group services operating loss	(5 387)	(6 809)
Total group operating profit	12 768	(781)
Depreciation and amortisation		
Retail	22 791	21 742
Property	4 046	3 720
Total group depreciation and amortisation	26 837	25 462
Segment assets		
Retail	213 844	216 059
Property	78 475	80 797
Group services	56 697	33 759
Total group assets	349 016	330 615
Segment liabilities		
Retail	67 805	61 737
Property	7 019	5 884
Group services	1 670	2 199
Total group liabilities	76 494	69 820
Capital expenditure		
Retail	22 734	23 904
Property	3 619	5 061
Total group capital expenditure	26 353	28 965

Finance income and expenses are not attributable to operating segments.

The group has identified the following divisions as the group's reportable segments:

- **Retail trading division** – comprises the Queenspark South African, Namibian and franchise stores
- **Property division** – comprises the group property portfolio, which includes both its investment properties and the owner-occupied properties
- **Group services** – manages the group's corporate responsibilities and includes corporate costs

The executive members of the board, identified as the chief operating decision-maker, review the results of these business divisions on a monthly basis for the purpose of allocating resources and evaluating performance.

Performance is measured based on segmental operating profit, as included in the monthly management reports reviewed by the chief operating decision-maker.

27 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.

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.

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.

The group does not have a loyalty programme. Lay-bys and gift cards only generate turnover when a customer takes possession of the goods. In all cases this will only occur when the full purchase price has been received. The group provides a small amount of goods to certain online retailers on consignment basis. Revenue in this case is only recognised when the product is sold to the end customer.

Based on its current and ongoing 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.

Transition
However small the impact of the new standard, the group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result, the group will not apply the requirements of IFRS 15 to the comparative period presented.

Disclosure
The group has assessed the impact of the new disclosure requirements on its financial statements and management believes that current disclosures of accounting policies, significant judgement and estimates and related notes will not change materially as a result of the implementation of the new standard. No significant changes are expected to systems and processes.

The audit committee will be reviewing and monitoring the group's transition to the new accounting standards and to ensure proactively promoted compliance to the newly effective accounting standards.

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 as well as IAS 39: Financial Instruments – Recognition and Measurement.

Classification – Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. The three principal classification categories for financial assets are: measured at amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the group does not believe that the new classification requirements will have a material impact on its accounting for financial assets.

Measurement – financial assets
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 is required to be determined on a probability-weighted basis. Under IFRS 9 loss allowances will be measured on the lifetime ECL basis. These are ECLs that result from all possible default events over the expected life of a financial instrument. The group is in the process of refining its impairment model under IFRS 9.

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

The group's trade receivables arise mainly from online sales through two contracted online platforms and which amount to a very small portion of revenue. The trade receivable book (comprising the two online platforms) is monitored on a monthly basis for any trends. The group has not experienced any bad or doubtful debt with its current receivable book and is not expecting any to arise in the future. Therefore, regardless of the judgement that will be required referred to above, based on its ongoing assessment, the group believes that impairment losses (if any) are not likely to increase in terms of the scope of the IFRS 9 impairment model.

Classification – financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Disclosure
IFRS 9 will require extensive new disclosures, in particular with regard to credit risk and ECLs. The group's assessment included an analysis to identify data gaps against current processes and the group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application (1 July 2018):
  - the determination of the business model within which a financial asset is held;
  - the designation and revocation of previous designations of certain financial assets as measured at FVTPL; and
  - the designation of certain investments in equity instruments not held for trading as at FVTPL.

The impact assessment on systems and processes is currently under way and management is evaluating whether any changes to systems and processes are warranted.

IFRS 16: Leases
IFRS 16 replaces the existing lease standard, IAS 17 Leases, and related interpretations. The standard will be adopted for the first time by the group for the financial year ending 30 June 2020.

The group's property segment will not be significantly impacted as lessor accounting will remain largely unchanged.

The standard will significantly impact the group's retail segment in which there are currently seventy store operating leases. Based on the new standard the group will no longer be required to straight-line operating lease payments, as a result, occupancy costs will decrease. The new standard will require the recognition of a right of use asset and a corresponding lease liability resulting in increased depreciation and finance costs. Key metrics in the statement of financial position and statement of comprehensive income will be affected. Optional exemptions for short-term leases and leases of low-value items will lessen the impact of the standard.

The group continues to assess the potential impact of the new standard on its consolidated financial statements, including the assessment of the practical application of the principles contained in the new standard. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on, inter alia, future economic conditions including the group's borrowing rate at 1 July 2019, the criteria that meet the definition of a lease, the composition of the store lease portfolio and the group's assessment of its intent to exercise lease renewal options. Once the new standard is adopted, the group will either apply the standard on a full or modified, with practical expedients allowed per IFRS 16, retrospective basis.

OTHER STANDARDS

The following relevant amended standards and interpretations are not expected to have a significant impact on the group's consolidated financial statements.

- Annual Improvements to IFRSs 2014 – 2016 Cycle (Amendments to IFRS 1 and IAS 28);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRIC 22: Foreign Currency Transactions and Advance Consideration; and
- IFRIC 23: Uncertainty over Income Tax Treatments.

28 Events subsequent to the reporting date

A non-adjusting event material to the understanding of the financial statements has occurred subsequent to the reporting date. Full details thereof were published by Rex Trueform on the Stock Exchange News Service ("SENS") on 28 September 2018 ("the SENS Announcement") and a short-form announcement was published by Rex Trueform in the Business Day newspaper on 1 October 2018. Details of the event are as follows:

Rex Trueform has, through its wholly-owned subsidiary, Ombrecorp Trading Proprietary Limited ("Ombrecorp") (acquired on 19 September 2018), concluded a subscription agreement (the "agreement") with Prescient Life Limited (duly represented by Mergence Investment Managers Proprietary Limited) ("MIM") and SA Water Works Holding Company Proprietary Limited ("SAWW") to subscribe for 33.78% of the issued share capital of SAWW. In terms of the agreement MIM and Ombrecorp shall provide initial funding to SAWW in the amount of R80 653 469 and R41 326 975 respectively (the "initial funding"). SAWW will utilise the initial funding to acquire, via a wholly-owned subsidiary, SA Water Works Proprietary Limited ("SAWW subsidiary"), 73.425% of the ordinary issued shares in the share capital of Sembcorp Siza Water (RF) Proprietary Limited ("Sembcorp Siza") from Sembcorp Utilities (Netherlands) BV ("Sembcorp Utilities Netherlands"). Sembcorp Siza conducts a water concession business operating predominantly in the municipal boundaries of the Ilembe District Municipality and surrounding areas in KwaZulu-Natal, South Africa.

Subsequent to the acquisition of the Sembcorp Siza shares, and in order to raise additional funding, it is envisaged that Ombrecorp will issue new shares to certain unrelated third parties, such that Rex Trueform will retain a majority stake in Ombrecorp. Ombrecorp will then have the option, subject to raising the necessary funding, to subscribe for additional shares in SAWW and to advance additional funding in the amount of approximately R65 000 000 to SAWW (the "further funding"). The further funding will be utilised by SAWW, via the SAWW subsidiary, to purchase (i) 100% of the ordinary issued shares in the share capital of Sembcorp Utilities Proprietary Limited ("Sembcorp Utilities South Africa") – which holds 52% of the ordinary issued shares in Sembcorp Silulumanzi (RF) Proprietary Limited ("Sembcorp Silulumanzi") – and (ii) 48% of the ordinary issued shares in the share capital of Sembcorp Silulumanzi, from Sembcorp Utilities Netherlands. Sembcorp Utilities South Africa provides operational and maintenance services to Sembcorp Silulumanzi. Sembcorp Silulumanzi, which company also conducts a water concession business, operates in the municipal boundaries of the City of Mbombela Local Municipality and the greater parts of Nelspruit. The agreement is subject to various conditions precedent which have yet to become of full force and effect.

29 Business combination

The group acquired the Queenspark Namibian franchise business, previously operated by a third party, during the prior year for a cash consideration of R2 939 000. The rationale for the acquisition was to implement an expansion strategy in Namibia.

	2017 R'000
Identifiable assets acquired	
The following summarises the recognised amounts of assets acquired at the acquisition date:	
Plant and equipment	500
Inventory	1 339
Intangible asset – reacquired distribution right	1 100
Total identifiable net assets acquired	2 939
Consideration transferred	
The following summarises the acquisition date fair value of each major class of consideration transferred:	
Cash	2 939
Total consideration transferred	2 939

No liabilities or contingent liability were acquired or assumed.

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Plant and equipment
Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when available and depreciated replacement cost when appropriate.

Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Inventory
Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Intangible asset
The fair value of the reacquired distribution rights was determined based on market-related values.

UNAUDITED SHAREHOLDERS' INFORMATION

Analysis of shareholders as at 30 June 2018

	Ordinary		"N" ordinary		Preference	
	Number of share-holders	% of share-holders	Number of share-holders	% of share-holders	Number of share-holders	% of share-holders
Public	44	93.7	110	96.4	39	95.2
Insurance companies, nominees and trusts	6	12.8	12	10.5	7	17.1
Individuals	30	63.9	81	71.0	30	73.3
Companies and close corporations	8	17.0	15	13.2	1	2.4
Mutual funds and pension funds	–	–	2	1.7	1	2.4
Non-public	3	6.3	4	3.6	2	4.8
Geomer Investments Proprietary Limited[1]	1	2.1	1	0.9	–	–
Directors[2]	–	–	1	0.9	–	–
Ceejay Trust[3]	1	2.1	1	0.9	1	2.4
Sentinel Retirement Fund[4]	1	2.1	1	0.9	1	2.4
	47	100.0	114	100.0	41	100.0

	Number of shares	% of share capital	Number of shares	% of share capital	Number of shares	% of share capital
Public	100 014	8.0	973 528	9.6	108 594	39.5
Insurance companies, nominees and trusts	16 992	1.4	141 487	1.4	22 102	8.0
Individuals	55 930	4.5	260 915	2.6	68 567	24.9
Companies and close corporations	27 092	2.2	559 409	5.5	11 000	4.0
Mutual funds and pension funds	–	–	11 717	0.1	6 925	2.5
Non-public	1 149 986	92.0	9 163 913	90.4	166 406	60.5
Geomer Investments Proprietary Limited[1]	903 825	72.3	3 415 205	33.7	–	–
Directors[2]	–	–	100 000	1.0	–	–
Ceejay Trust[3]	168 923	13.5	4 026 311	39.7	120 400	43.8
Sentinel Retirement Fund[4]	77 238	6.2	1 622 397	16.0	46 006	16.7
	1 250 000	100.0	10 137 441	100.0	275 000	100.0
Shareholders holding in excess of 5% of share capital						
Geomer Investments Proprietary Limited[1]	903 825	72.3	3 415 205	33.7	–	–
Ceejay Trust[3]	168 923	13.5	4 026 311	39.7	120 400	43.8
Sentinel Retirement Fund[4]	77 238	6.2	1 622 397	16.0	46 006	16.7
	1 149 986	92.0	9 063 913	89.4	166 406	60.5

1 An associate of MA Golding.
2 Held by an associate of CEA Radowsky, being the Stewart and Pat Shub Family Trust.
3 An associate of HB Roberts.
4 The shares held by the Sentinel Retirement Fund are beneficially owned by associates of HB Roberts.

AFRICAN & OVERSEAS
ENTERPRISES LIMITED