



REX TRUEFORM GROUP
LIMITED

ANNUAL FINANCIAL
STATEMENTS
2018

*Rex
Trueform*



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The supplementary information presented does not form part of the financial statements and is unaudited.

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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 Rex Trueform Group Limited (registration number: 1937/009839/06) 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 group financial director, D Franklin CA (SA).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Rex Trueform Group 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 Rex Trueform Group Limited, as identified in the first paragraph, were approved by the board of directors on 4 October 2018 and signed by:



MA Golding
Chairman
Authorised director



CEA Radowsky
Chief executive officer
Authorised director

4 October 2018

COMPANY SECRETARY'S CERTIFICATE

I certify that Rex Trueform Group 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, through its subsidiaries (collectively, "the group") continued its 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	–	785
Dividend paid in respect of the "N" ordinary shares	–	4 789
Dividends on 6% cumulative preference shares:		
Half-year to 31 December 2017	8	8
Half-year to 30 June 2018	9	9
Total	17	5 591

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

Holding company

The company's holding company is African and Overseas Enterprises Limited ("AOE").

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 annual financial statements and 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	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
D Franklin	Appointed	25 May 2018

MA Golding, CEA Radowsky 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 D Franklin on 25 May 2018 as an executive director of the company at the annual general meeting.

The emoluments of the executive and non-executive directors are set out in the annual 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	Effective interest held indirectly by directors and/or associates via AOE	Total
2018				
MA Golding	–	2 214 747	4 294 488	6 509 235
CEA Radowsky	–	77 933	99 432	177 365
HB Roberts	–	4 233 863	5 861 372	10 095 235
Total	–	6 526 543	10 255 292	16 781 835
2017				
MA Golding	–	2 209 501	2 978 093	5 187 594
CEA Radowsky	263	77 933	1 386 440	1 464 636
DS Johnson	52 216	–	–	52 216
PE Shub	1 105	–	36 075	37 180
Total	53 584	2 287 434	4 400 608	6 741 626

Note: DS Johnson resigned as a director of the company with effect from 31 March 2018, and 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 AOE ordinary shares, 604 045 AOE “N” ordinary 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.

Employee share incentive scheme

The Rex Trueform Share Trust (“the Share Trust”) was created in 1997 and was issued with 500 000 Rex Trueform “N” ordinary shares in the company to facilitate an employee share incentive scheme. Subsequent capitalisation share awards totalling 56 798 Rex Trueform “N” ordinary shares were received and placed in reserve in the Share Trust.

The purpose of this scheme is to afford eligible full-time employees, including directors holding full-time

salaried employment or office in the company or any of its subsidiaries or its holding company, the opportunity to acquire an interest in the share capital of the company.

Since inception of the Share Trust payment and delivery has been effected in respect of 536 519 Rex Trueform “N” ordinary shares which were acquired by the Share Trust.

As at the beginning of the financial period under review no options in respect of the Rex Trueform “N” ordinary shares held by the Share Trust had been granted to employees and the Share Trust held 20 279 Rex Trueform “N” ordinary shares in reserve for future utilisation. No options were granted to employees in respect of Rex Trueform “N” ordinary shares by directors of the company during the period under review.

Full details of options granted and exercised are reflected in the notes to the financial statements.

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

DIRECTORS' REPORT

(continued)

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 Rex Trueform Group 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 of Rex Trueform also performs the audit committee functions for its subsidiary companies, Queenspark Proprietary Limited and Queenspark Distribution Centre Proprietary Limited (the company and its subsidiaries, collectively hereinafter referred to as "the group").

The 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, D Franklin, insofar as same would relate to the performance of his duties as executive financial director (it being noted that D Franklin was subsequently appointed by the board as the company's executive financial director on 25 May 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 group's external auditor for the past year and approved the terms of engagement and fees to be paid. KPMG Inc. was duly appointed as group external auditor in respect of the year under review and the designated registered auditor was I Jeewa. KPMG Inc. has served as the group'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

AUDIT COMMITTEE REPORT

(continued)

the annual general meeting, the designated registered auditor being I Jeewa for the 2019 financial year.

Prior to the nomination of the 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 25 May 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 group'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 and group have been agreed by the committee, being taxation, IT consulting, turnover certificate 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 group. 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 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 finance function being present).

In this regard the committee is of the view that D Franklin, 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 group's operations.

Combined assurance

The group 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.

The JSE Limited furthermore proactively monitored the company's annual financial statements for the year ended 30 June 2017, with the queries posed by the JSE Limited relating mainly to the preparedness of the company for the application of IFRS 9 and IFRS 15 and possibly excessive disclosures made by the company therein. All concerns and queries were addressed to the satisfaction of the JSE Limited, and where improvements to disclosures were suggested, management has (to the extent necessary) incorporated these into the annual financial statements for the year ended 30 June 2018.

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 Rex Trueform Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Rex Trueform Group Limited ("the group and company") set out on pages 12 to 53, 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 Rex Trueform Group 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
<p>Inventories on hand 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.</p> <p>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.</p> <p>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.</p>	<p>Our response to the key audit matter included performing the following audit procedures:</p> <ul style="list-style-type: none"> • Challenging the underlying assumptions applied by management to assess the appropriateness of the inventories allowance by: <ul style="list-style-type: none"> – 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rex Trueform Group Limited (continued)

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 Rex Trueform Group 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		COMPANY	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	60 721	57 150	213	232
Investment property	3	68 741	71 032	68 741	71 032
Intangible assets	4	22 980	24 773	–	–
Net interest in subsidiary companies	5	–	–	440	440
Other investments	6	829	524	829	524
Deferred tax asset	7	2 819	6 149	–	–
		156 090	159 628	70 223	72 228
Current assets					
Inventories	8	92 132	77 842	–	–
Net interest in subsidiary companies	5	–	–	15 006	–
Trade and other receivables	9	27 475	28 292	1 120	2 201
Forward exchange contracts		746	38	–	–
Income tax receivable		163	1 301	57	57
Accrued operating lease asset		2 859	3 558	2 859	3 558
Cash and cash equivalents	10	69 034	58 089	51 658	27 837
		192 409	169 120	70 700	33 653
Total assets		348 499	328 748	140 923	105 881
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital	11	1 497	1 497	1 497	1 497
Preference share capital	11	280	280	280	280
Treasury shares	11	(117)	(117)	–	–
Share premium		25 836	25 836	25 836	25 836
Share-based payment reserve		(214)	(214)	568	568
Other reserves	12	2 086	1 846	2 086	1 846
Retained earnings		243 139	230 336	102 795	68 597
Total equity		272 507	259 464	133 062	98 624
Non-current liabilities					
Post-retirement liability	13	574	650	574	650
Accrued operating lease liability	16	14 235	15 967	–	–
Deferred tax liability	7	4 780	3 114	4 780	3 108
		19 589	19 731	5 354	3 758
Current liabilities					
Trade and other payables	14	51 538	46 959	2 507	3 499
Accrued operating lease liability	16	4 849	2 570	–	–
Income tax payable		16	24	–	–
		56 403	49 553	2 507	3 499
Total equity and liabilities		348 499	328 748	140 923	105 881

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	GROUP		COMPANY	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Revenue	18	608 540	549 046	50 507	18 834
Turnover		587 632	528 759	–	–
Cost of sales		(267 730)	(237 200)	–	–
Gross profit		319 902	291 559	–	–
Other income	18	16 241	15 826	18 034	16 743
Other operating costs		(322 061)	(306 630)	(14 636)	(16 180)
Operating profit	19	14 082	755	3 398	563
Dividend income	21	45	21	30 045	21
Finance income	18	4 622	4 440	2 428	2 070
Finance costs		(53)	(133)	(48)	(126)
Profit before tax		18 696	5 083	35 823	2 528
Income tax expense	22	(5 876)	(1 908)	(1 608)	(929)
Profit for the year		12 820	3 175	34 215	1 599
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Actuarial gain on post-retirement defined benefit plan		–	964	–	964
Items that are or may be subsequently reclassified to profit or loss					
Fair value adjustment on available-for-sale financial assets		240	(52)	240	(52)
Other comprehensive income for the year, net of taxation		240	912	240	912
Total comprehensive income for the year		13 060	4 087	34 455	2 511
Profit attributable to:					
Ordinary and "N" ordinary shareholders		12 803	3 158	34 198	1 582
Preference shareholders		17	17	17	17
Profit for the year		12 820	3 175	34 215	1 599
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders		13 043	4 070	34 438	2 494
Preference shareholders		17	17	17	17
Profit attributable to equity holders of the parent		13 060	4 087	34 455	2 511
Total comprehensive income for the year		13 060	4 087	34 455	2 511
Basic earnings per ordinary share (cents)	23.1	62.1	15.3		
Diluted earnings per ordinary share (cents)	23.2	62.1	15.3		

Treasury shares R'000	Share premium R'000	Share-based payments reserve R'000	Other reserves R'000	Retained earnings R'000	Total R'000
(1 133)	25 836	568	934	232 736	260 718
-	-	-	-	3 175	3 175
-	-	-	964	-	964
-	-	-	(52)	-	(52)
-	-	-	912	3 175	4 087
-	-	-	-	(17)	(17)
-	-	-	-	(5 558)	(5 558)
782	-	(782)	-	-	-
234	-	-	-	-	234
1 016	-	(782)	-	(5 575)	(5 341)
(117)	25 836	(214)	1 846	230 336	259 464
-	-	-	-	12 820	12 820
-	-	-	240	-	240
-	-	-	240	12 820	13 060
-	-	-	-	(17)	(17)
-	-	-	-	(17)	(17)
(117)	25 836	(214)	2 086	243 139	272 507
-	25 836	568	934	72 589	101 704
-	-	-	-	1 599	1 599
-	-	-	964	-	964
-	-	-	(52)	-	(52)
-	-	-	912	1 599	2 511
-	-	-	-	(17)	(17)
-	-	-	-	(5 574)	(5 574)
-	-	-	-	(5 591)	(5 591)
-	25 836	568	1 846	68 597	98 624
-	-	-	-	34 215	34 215
-	-	-	240	-	240
-	-	-	240	34 215	34 455
-	-	-	-	(17)	(17)
-	-	-	-	(17)	(17)
-	25 836	568	2 086	102 795	133 062

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018

	Note	GROUP		COMPANY	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash flows from operating activities					
Operating profit before working capital changes	25.1	40 712	27 197	7 126	4 209
Working capital changes	25.2	(8 195)	(17 014)	(14 218)	(1 759)
Cash generated by operating activities		32 517	10 183	(7 092)	2 450
Interest received		4 622	4 440	2 427	2 070
Interest paid		(53)	(133)	(48)	(126)
Dividends paid	25.3	(17)	(5 575)	(17)	(5 591)
Dividends received		45	21	30 045	21
Taxation paid	25.4	184	(832)	–	–
Net cash inflows/(outflows) from operating activities		37 298	8 104	25 315	(1 176)
Cash flows from investing activities					
Additions to property, plant and equipment		(22 951)	(22 745)	–	–
Additions to investment properties		(1 494)	(2 810)	(1 494)	(2 810)
Additions to intangible assets		(1 908)	(3 410)	–	–
Proceeds from disposal of property, plant and equipment		–	199	–	–
Acquisition of business		–	(2 939)	–	–
Net cash outflows from investing activities		(26 353)	(31 705)	(1 494)	(2 810)
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		10 945	(23 367)	23 821	(3 986)
Cash and cash equivalents at the beginning of the year		58 089	81 456	27 837	31 823
Cash and cash equivalents at the end of the year	10	69 034	58 089	51 658	27 837

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1 Accounting policies

REPORTING ENTITY

Rex Trueform Group Limited (the "company") is a company domiciled in South Africa (company registration number: 1937/009839/06). 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, and unless otherwise noted.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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, amounts receivable from the holding company, amounts receivable from subsidiary companies, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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 intend 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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.

Treasury shares

Shares in the company held by group entities are classified as treasury shares. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity. The company's shares held by the Rex Trueform Share Trust have been treated as treasury shares. Dividends received on treasury shares are eliminated on consolidation.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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-Scholes 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

Dividend income

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

Management fee income

Revenue from services provided by the group to the holding company is recognised in the month in which the service is performed. Management fee income is derived from the provision of management and administration services.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

2 Property, plant and equipment

Land and buildings

Cost at the beginning of the year

Additions

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Open market value of freehold land and buildings

Plant

Cost at the beginning of the year

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Vehicles

Cost at the beginning of the year

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
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	–	–
Cost at the beginning of the year	287	287	287	287
Cost at the end of the year	287	287	287	287
Accumulated depreciation at the beginning of the year	55	36	55	36
Depreciation charge for the year	19	19	19	19
Accumulated depreciation at the end of the year	74	55	74	55
Carrying value at the beginning of the year	232	251	232	251
Carrying value at the end of the year	213	232	213	232
Cost at the beginning of the year	1 423	1 423	125	125
Cost at the end of the year	1 423	1 423	125	125
Accumulated depreciation at the beginning of the year	1 362	1 262	125	125
Depreciation charge for the year	38	100	–	–
Accumulated depreciation at the end of the year	1 400	1 362	125	125
Carrying value at the beginning of the year	61	161	–	–
Carrying value at the end of the year	23	61	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

2 Property, plant and equipment (continued)

Equipment and shopfittings

Cost at the beginning of the year

Additions

Acquisition through business combination

Disposals

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Depreciation on disposals

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Total carrying value at the beginning of the year

Total carrying value at the end of the year

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cost at the beginning of the year	180 007	162 069	11	11
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	11	11
Accumulated depreciation at the beginning of the year	126 764	110 582	11	11
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	11	11
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	232	251
Total carrying value at the end of the year	60 721	57 150	213	232

Impairment tests for plant and equipment

The group reviews the carrying value of assets when events or changes in circumstances suggest that the carrying value 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

3 Investment property

Cost at the beginning of the year

Additions

Cost at the end of the year

Accumulated depreciation at the beginning of the year

Depreciation charge for the year

Accumulated depreciation at the end of the year

Carrying value at the beginning of the year

Carrying value at the end of the year

Fair value

Included in profit and loss are the following items:

Rental income from investment property

Direct operating expenses (including repairs and maintenance) relating to rental-generating investment properties

Direct operating expenses (including repairs and maintenance) relating to investment properties which did not generate income

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

Between one and five years

Later than five years

Total

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cost at the beginning of the year	81 604	78 794	81 604	78 794
Additions	1 494	2 810	1 494	2 810
Cost at the end of the year	83 098	81 604	83 098	81 604
Accumulated depreciation at the beginning of the year	10 572	6 945	10 572	6 945
Depreciation charge for the year	3 785	3 627	3 785	3 627
Accumulated depreciation at the end of the year	14 357	10 572	14 357	10 572
Carrying value at the beginning of the year	71 032	71 849	71 032	71 849
Carrying value at the end of the year	68 741	71 032	68 741	71 032
Fair value	198 500	188 900	198 500	188 900
Included in profit and loss are the following items:				
Rental income from investment property	15 700	15 030	17 551	16 743
Direct operating expenses (including repairs and maintenance) relating to rental-generating investment properties	8 236	8 608	7 742	8 332
Direct operating expenses (including repairs and maintenance) relating to investment properties which did not generate income	191	503	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	18 413	17 200
Between one and five years	9 555	18 285	10 593	21 321
Later than five years	66	456	66	456
Total	26 036	34 091	29 072	38 977

Group level

The company owns property included in investment property of the company that is partly leased to, and occupied 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

5 Net interest in subsidiary companies

Operating

Queenspark Proprietary Limited

– amounts receivable*

– share-based payments capitalised

Queenspark Distribution Centre Proprietary Limited

Dormant

Anglo-American Export and Import Company Limited

	Issued capital R	Share-holding %	Shares at cost		Indebtedness	
			2018 R	2017 R	2018 R'000	2017 R'000
Queenspark Proprietary Limited	100	100	100	100	–	–
– amounts receivable*					15 006	–
– share-based payments capitalised			439 627	439 627		
Queenspark Distribution Centre Proprietary Limited	2	100	2	2	–	–
Anglo-American Export and Import Company Limited	200	100	200	200	–	–
			439 929	439 929	15 006	–

* Relates to a loan bearing interest at prime and which is repayable on demand.

Summary

Share-based payments capitalised

Investment in subsidiary companies

Amounts receivable from subsidiary companies

Net interest in subsidiary companies

Net asset value of operating subsidiary companies

Queenspark Proprietary Limited

Queenspark Distribution Centre Proprietary Limited

COMPANY	
2018 R'000	2017 R'000
440	440
440	440
15 006	–
15 446	440
134 019	154 989
8 928	6 983

6 Other investments

Unlisted shares

Business Partners Limited

– 104 800 shares at fair value

Listed shares (local)

Sanlam Limited

– 1 356 shares at fair value

Total available-for-sale investments

GROUP		COMPANY	
2018 R'000	2017 R'000	2018 R'000	2017 R'000
734	524	734	524
95	–	95	–
829	524	829	524

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

7 Deferred tax

Balance at the beginning of the year

– Deferred tax assets

– Deferred tax liabilities

Charge to profit or loss

– Current year

– Prior year (over)/under provision

Current year movement in temporary differences recognised in statement of comprehensive income

– Investments

Current year movement in temporary differences recognised in profit or loss

– Accruals

– Property, plant and equipment, intangible assets and investment property

– Forward exchange contracts

– Lease asset

– Prepaid expense

– Assessed loss

Current year movement in temporary differences recognised in statement of comprehensive income

– Investments

Balance at the end of the year

– Deferred tax assets

– Deferred tax liabilities

Comprising:

Deferred tax assets

– Assessed losses

– Accruals

– Forward exchange contracts

– Property, plant and equipment, intangible assets and investment property

Deferred tax liabilities

– Property, plant and equipment, intangible assets and investment property

– Lease asset

– Investments

– Forward exchange contracts

– Prepaid expense

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Balance at the beginning of the year	3 035	4 314	(3 108)	(2 179)
– Deferred tax assets	6 149	6 493	–	–
– Deferred tax liabilities	(3 114)	(2 179)	(3 106)	(2 179)
Charge to profit or loss	(4 930)	(1 279)	(1 606)	(929)
– Current year	(4 661)	(1 279)	(1 673)	(929)
– Prior year (over)/under provision	(269)	–	67	–
Current year movement in temporary differences recognised in statement of comprehensive income	(66)	–	(66)	–
– Investments	(66)	–	(66)	–
Current year movement in temporary differences recognised in profit or loss	(4 930)	(1 279)	(1 606)	(929)
– Accruals	942	(53)	(60)	(229)
– Property, plant and equipment, intangible assets and investment property	(3 677)	(4 252)	(2 195)	(2 090)
– Forward exchange contracts	(220)	(598)	–	–
– Lease asset	196	(96)	196	(96)
– Prepaid expense	(443)	55	–	–
– Assessed loss	(1 728)	3 665	453	1 486
Current year movement in temporary differences recognised in statement of comprehensive income	(66)	–	(66)	–
– Investments	(66)	–	(66)	–
Balance at the end of the year	(1 961)	3 035	(4 780)	(3 108)
– Deferred tax assets	2 819	6 149	6 427	–
– Deferred tax liabilities	(4 780)	(3 114)	(11 207)	(3 108)
Comprising:				
Deferred tax assets	16 440	17 664	6 427	6 034
– Assessed losses	6 254	7 982	6 256	5 803
– Accruals	10 186	9 244	171	231
– Forward exchange contracts	–	11	–	–
– Property, plant and equipment, intangible assets and investment property	–	427	–	–
Deferred tax liabilities	(18 401)	(14 629)	(11 207)	(9 142)
– Property, plant and equipment, intangible assets and investment property	(14 226)	(10 976)	(10 340)	(8 145)
– Lease asset	(801)	(997)	(801)	(997)
– Investments	(66)	–	(66)	–
– Forward exchange contracts	(209)	–	–	–
– Prepaid expense	(3 099)	(2 656)	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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 statutory tax rate of 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 company 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.

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-down included in profit or loss	(911)	536	–	–

Inventory write-downs are due to the seasonal nature of products.

9 Trade and other receivables

Trade receivables	5 400	3 891	–	37
Prepayments	18 239	21 924	125	–
VAT receivable	2 252	956	–	–
Other receivables	1 584	1 521	995	2 164
At the end of the year	27 475	28 292	1 120	2 201

10 Cash and cash equivalents

Bank balances	13 857	10 578	156	2 428
Call deposits	55 177	47 511	51 502	25 409
At the end of the year	69 034	58 089	51 658	27 837

GROUP		COMPANY	
2018 R'000	2017 R'000	2018 R'000	2017 R'000
71 708	62 292		
20 424	15 550	–	–
92 132	77 842	–	–
9 700	10 534	–	–
245	107	–	–
(911)	536	–	–
5 400	3 891	–	37
18 239	21 924	125	–
2 252	956	–	–
1 584	1 521	995	2 164
27 475	28 292	1 120	2 201
13 857	10 578	156	2 428
55 177	47 511	51 502	25 409
69 034	58 089	51 658	27 837

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

11 Share capital

Authorised share capital

Ordinary shares

3 250 000 ordinary shares of 50 cents each

40 000 000 "N" ordinary shares of 0.25 cent each

Preference shares

140 000 6% cumulative preference shares of R2 each

Issued share capital

Ordinary shares

2 905 805 ordinary shares of 50 cents each

17 735 506 "N" ordinary shares of 0.25 cent each

Preference shares

140 000 6% cumulative preference shares of R2 each

Treasury shares

20 279 "N" ordinary shares held by the Rex Trueform Share Trust (2017: 20 279)

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

– paid

GROUP		COMPANY	
2018 R'000	2017 R'000	2018 R'000	2017 R'000
1 625	1 625	1 625	1 625
100	100	100	100
1 725	1 725	1 725	1 725
280	280	280	280
2 005	2 005	2 005	2 005
1 453	1 453	1 453	1 453
44	44	44	44
1 497	1 497	1 497	1 497
280	280	280	280
1 777	1 777	1 777	1 777
(117)	(117)	–	–
–	27	–	27
–	27	–	27

The ordinary shares have voting rights of 200 votes per share while the "N" ordinary shares carry one vote per share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

12 Other reserves

Revaluation of available-for-sale financial asset
Actuarial gain on post-retirement defined benefit plan
At the end of the year

The revaluation of share investment relates to the investment in Business Partners Limited. Refer to note 6.

13 Post-retirement liability

At 30 June 2018 the group had an obligation to provide limited post-retirement benefits to five members (2017: six).

The benefits largely relate to medical aid contributions. The obligation is unfunded and any benefits paid are through the group's cash resources.

Reconciliation of liability

At the beginning of the year
Interest cost included in profit or loss
Actuarial gain included in other comprehensive income
Benefits paid
Amount included in statement of financial position

Amount included in profit or loss

Interest cost

Amount included in other comprehensive income

Actuarial gain

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
	660	420	660	420
	1 426	1 426	1 426	1 426
	2 086	1 846	2 086	1 846
	650	1 614	650	1 614
	48	126	48	126
	–	(964)	–	(964)
	(124)	(126)	(124)	(126)
	574	650	574	650
	48	126	48	126
	48	126	48	126
	–	(964)	–	(964)
	–	(964)	–	(964)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

14 Trade and other payables

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade payables	21 159	22 898	–	486
Deferred income	1 883	2 528	–	–
VAT payable	235	72	129	72
Employee benefit accruals	6 686	6 750	135	73
Other payables and accruals	21 575	14 711	2 243	2 868
At the end of the year	51 538	46 959	2 507	3 499

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	655	1 510
Distribution warehouse	650	1 365	–	–
Computer infrastructure and software	2 496	6 898	–	–
Total	12 102	21 553	655	1 510

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

17 Financial instruments

17.1 Fair values

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Available-for-sale financial assets	829	524	829	524
Trade and other receivables ¹	6 984	5 412	995	2 201
Amount receivable from subsidiary companies ¹	–	–	15 006	–
Cash and cash equivalents ¹	69 034	58 089	51 658	27 837
Trade and other payables ¹	(42 734)	(37 609)	(2 243)	(3 354)
Forward exchange contracts	746	38	–	–

¹ 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)	95	–	95	–
Available-for-sale financial assets (Level 2) ¹	734	524	734	524
Forward exchange contracts (Level 2)	746	38	–	–
	1 575	562	829	524

¹ 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 contracts were 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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 receivables 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 of any overdue amounts.

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 were no receivables outstanding from tenants at year-end.

Tenants are required to provide deposits or guarantees and other security where necessary. The tenant credit rating process includes obtaining references, obtaining copies of tax compliance certificates (or other related documents), assessment of financial results to establish its financial standing, and reviewing credit reports.

Accounts receivable from subsidiary companies are monitored by reviewing daily cash balances and cash flow forecasts.

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

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 (refer to note 9)

Other receivables (refer to note 9)

Accounts receivable from subsidiary company (refer to note 5)

Cash and cash equivalents (refer to note 10)

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Rentals to be received from tenants

Amounts receivable from franchisees

Online retailers

Other

GROUP		COMPANY	
2018 R'000	2017 R'000	2018 R'000	2017 R'000
5 400	3 891	–	37
1 584	1 521	995	2 164
–	–	15 006	–
69 034	58 089	51 658	27 837
76 018	63 501	67 659	30 038
–	37	–	37
65	7	–	–
4 616	3 047	–	–
719	800	–	–
5 400	3 891	–	37

Impairment losses

The ageing of trade receivables at the reporting date was:

	GROUP				COMPANY			
	Gross 2018 R'000	Impair- ment 2018 R'000	Gross 2017 R'000	Impair- ment 2017 R'000	Gross 2018 R'000	Impair- ment 2018 R'000	Gross 2017 R'000	Impair- ment 2017 R'000
Not past due	2 635	–	1 600	–	–	–	1	–
Past due 0 – 30 days	1 759	–	2 267	–	–	–	12	–
Past due 31 – 60 days	589	–	–	–	–	–	–	–
Past due > 61 days	417	–	24	–	–	–	24	–
	5 400	–	3 891	–	–	–	37	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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 only. 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. The current effective interest rate varies between 6.0% and 7.2% (2017: 6.25% and 7.9%). Floating rate financial assets comprise 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 or decreased profit or loss before taxation 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	690	581

17.5 Currency risk

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group entity'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 the reporting date.

This risk is managed 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.

	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 the reporting date relating to foreign purchases are as reflected below:

	Currency	GROUP		
		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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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 taxation by the amounts shown below. This analysis assumes that all other variables, in particular 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 78.11% (2017: 78.8%).

18 Revenue

Turnover
Rental income
Finance income
Royalty fee income
Dividend income
Management fee income

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Turnover	587 632	528 759	–	–
Rental income	15 700	15 030	17 551	16 743
Finance income	4 622	4 440	2 428	2 070
Royalty fee income	–	213	–	–
Dividend income	45	21	30 045	21
Management fee income	541	583	483	–
	608 540	549 046	50 507	18 834

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

19 Operating profit is stated after the following:

Net loss on disposal of property, plant and equipment, intangible assets and investment property

– equipment and shopfittings

– vehicles

Net foreign exchange loss

– realised loss

– unrealised gain

Amortisation

Depreciation

– land and buildings and investment property

– plant

– vehicles

– equipment and shopfittings

Leasing charges

– operating leases – properties

Lease amortisation

Managerial, technical, administrative and secretarial fees

Employment costs

Directors' emoluments

– non-executive – for services as directors

– for consultancy services

– executive – paid for managerial services

– retirement fund contributions

– management fees

– other benefits

– bonuses and performance-related payments

Employment costs – other

Employee costs

Retirement funding costs

Total employment costs

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
	29	585	–	–
	29	–	–	–
	–	585	–	–
	2 141	4 974	–	–
	2 849	5 012	–	–
	(708)	(38)	–	–
	3 701	3 169	–	–
	23 136	22 293	3 804	3 646
	4 046	3 720	3 785	3 627
	19	19	19	19
	38	100	–	–
	19 033	18 454	–	–
	106 505	101 595	–	–
	106 505	101 595	–	–
	547	433	–	–
	3 190	3 982	4 043	3 622
	6 481	8 419	2 151	3 822
	1 194	2 407	1 054	1 848
	302	847	302	847
	4 312	4 594	41	–
	248	271	1	–
	–	–	729	1 127
	336	119	2	–
	89	181	22	–
	103 508	95 421	6	–
	97 790	91 108	–	–
	5 718	4 313	6	–
	109 989	103 840	2 156	3 822

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

20 Directors' emoluments

20.1 Directors' remuneration

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
H Borkum ⁹	84	37	–	–	–	–	121

	1 194	302	–	–	–	–	1 496
Total	1 194	302	4 312	89	336	248	6 481
Paid by company	1 054	302	713	22	19	41	2 151
Paid by subsidiary company	140	–	3 397	62	312	195	4 106
Paid by holding company	–	–	202	5	5	12	224
	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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

20 Directors' emoluments (continued)

20.1 Directors' remuneration (continued)

2017

Executive directors

DS Johnson

– – 1 782 70 46 105 2 003

CEA Radowsky⁵

– – 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 Naylor¹

377 250 – – – – 627

RV Orlin

337 165 – – – – 502

H Borkum

337 250 – – – – 587

MA Golding²

337 – – – – – 337

2 407 847 – – – – 3 254

Total

2 407 847 4 594 181 119 271 8 419

Paid by company

1 848 847 1 039 – 27 61 3 822

Paid by subsidiary company

559 – 3 297 181 85 195 4 317

Paid by holding company

– – 258 – 7 15 280

2 407 847 4 594 181 119 271 8 419

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

² Appointed 2 September 2016.

³ Other benefits includes 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.

⁵ Director on the board of Rex Trueform Group Limited, Queenspark Proprietary Limited, Queenspark (Proprietary) Limited (in Namibia) and Queenspark Distribution Centre Proprietary Limited.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

20 Directors' emoluments (continued)

20.2 Directors' interests in shares (continued)

	Number of share options as at 30 June 2016	Option price (cents)	Shares transferred 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.

21 Dividend income

Dividends from investments and subsidiary company
Total

GROUP		COMPANY	
2018 R'000	2017 R'000	2018 R'000	2017 R'000
45	21	30 045	21
45	21	30 045	21

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

22 Income tax expense

Income tax	
– current year	
– prior year	
Deferred tax (refer to note 7)	
– current year	
– prior year	
Total income tax	

GROUP		COMPANY	
2018 R'000	2017 R'000	2018 R'000	2017 R'000
946	629	–	–
1 254	625	–	–
(308)	4	–	–
4 930	1 279	1 608	929
4 661	1 279	1 673	929
269	–	(65)	–
5 876	1 908	1 608	929

Reconciliation of income tax rate

Statutory tax rate	
Expenses disallowed – non-deductible expenses	
Exempt income (dividend exempt)	
Namibian differential in tax rate ¹	
Deferred tax on losses not recognised	
Prior year adjustments	
Effective tax rate	

%	%	%	%
28.0	28.0	28.0	28.0
1.4	10.7	0.2	8.9
(0.1)	(0.1)	(23.5)	(0.2)
0.2	(1.2)	–	–
2.0	–	–	–
–	0.1	(0.2)	–
31.5	37.5	4.5	36.7

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

23.1 Basic and headline earnings per ordinary share

Profit attributable to ordinary and "N" ordinary shareholders			
Adjusted for:			
Loss from disposal of property, plant and equipment			
Headline earnings			

2018		2017	
Gross R'000	Net of taxation R'000	Gross R'000	Net of taxation R'000
	12 803		3 158
30	21	585	421
30	12 824	585	3 579

Weighted average number of ordinary and "N" ordinary shares in issue

Basic earnings per ordinary share (cents)
Headline earnings per ordinary share (cents)

Number of shares	
2018	2017
20 621 032	20 583 747
62.1	15.3
62.2	17.4

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

23 Earnings per share (continued)

23.2 Diluted headline earnings per ordinary share

Weighted average number of ordinary and "N" ordinary shares in issue

Dilutive effect of share options

Weighted average number of diluted ordinary and "N" ordinary shares

Diluted earnings per ordinary share (cents)

Diluted headline earnings per ordinary share (cents)

Number of shares	
2018	2017
20 621 032	20 583 747
–	5 751
20 621 032	20 589 498
62.1	15.3
62.2	17.4

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 54. 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.

COMPANY

Management and administration fees paid to subsidiary company

Rentals received from subsidiary company

Loan to subsidiary company

GROUP

Merchandise sold to subsidiary company

Amounts payable to controlled entity

Management and administration fees paid to subsidiary and fellow subsidiary companies

Management and administration fees received from ultimate holding company

Distribution fee received from fellow subsidiaries

Royalties and service fees paid to fellow subsidiary company

Rentals received from fellow subsidiaries

Interest paid to fellow subsidiary company

2018 R'000	2017 R'000
3 182	3 192
1 850	1 713
15 006	–
7 792	5 964
581	581
1 033	943
541	583
–	2 993
1 225	748
5 681	3 616
323	178

There are contingent liabilities in respect of guarantees furnished by the company 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' share and share options in note 20.2.

No loans have been made to directors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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 executive 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.

Transactions with related parties

Legal and consultancy fees paid

These are legal fees paid to the chairman in his capacity as legal adviser.

Spouse of executive director for services rendered*

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

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Legal and consultancy fees paid	–	90	–	58
Spouse of executive director for services rendered*	892	923	–	–
Profit before taxation	18 696	5 083	35 823	2 528
Adjusted for:				
Amortisation	3 701	3 169	–	–
Depreciation	23 136	22 293	3 804	3 646
Impairment reversal	–	–	–	–
Dividend income	(45)	(21)	(30 045)	(21)
Finance income	(4 622)	(4 440)	(2 428)	(2 070)
Finance costs	53	133	48	126
Loss on disposal of property, plant and equipment	29	585	–	–
Accrued operating lease liability movement	548	433	–	–
Unrealised foreign exchange gain	(708)	(38)	–	–
Movement in post-retirement liability	(76)	–	(76)	–
	40 712	27 197	7 126	4 209

25 Notes to the statements of cash flows

25.1 Operating profit before working capital changes

Profit before taxation

Adjusted for:

Amortisation

Depreciation

Impairment reversal

Dividend income

Finance income

Finance costs

Loss on disposal of property, plant and equipment

Accrued operating lease liability movement

Unrealised foreign exchange gain

Movement in post-retirement liability

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

26 Segmental analysis

Revenue

Total external retail revenue	
Retail segment revenue	
Intersegment revenue earned	
Total external property revenue	
Property segment revenue	
Intersegment revenue earned	
Dividend income	
Finance income	
Total group revenue	

Segment operating profit/(loss)

Retail segment profit/(loss)	
Property segment profit	
Group services operating loss	
Total group operating profit	

Depreciation and amortisation

Retail	
Property	
Total group depreciation and amortisation	

Segment assets

Retail	
Property	
Group services	
Total group assets	

Segment liabilities

Retail	
Property	
Group services	
Total group liabilities	

Capital expenditure

Retail	
Property	
Group services	
Total group capital expenditure	

GROUP	
2018 R'000	2017 R'000
588 173	529 555
592 185	533 329
(4 012)	(3 774)
15 700	15 030
21 381	20 359
(5 681)	(5 329)
45	21
4 622	4 440
608 540	549 046
8 171	(1 923)
9 984	7 951
(4 073)	(5 273)
14 082	755
22 791	21 742
4 046	3 720
26 837	25 462
213 844	216 059
78 475	80 797
56 180	31 892
348 499	328 748
67 805	61 737
7 019	5 884
1 168	1 663
75 992	69 284
22 734	23 904
3 619	5 061
–	–
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 South African, Namibian and franchise stores
- **Property division** – comprises the Rex Trueform 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

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.

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	135	97.2	205	96.6	23	82.0
Companies and close corporations	12	8.6	14	6.6	2	7.1
Individuals	105	75.6	169	79.6	16	57.1
Insurance companies, nominees and trusts	17	12.3	21	9.9	5	17.8
Mutual funds and pension funds	1	0.7	1	0.5	–	–
Non-public	4	2.8	7	3.4	5	18.0
African and Overseas Enterprises Limited	1	0.7	1	0.5	1	3.6
Rex Trueform Share Trust	–	–	1	0.5	–	–
Geomer Investments Proprietary Limited ¹	1	0.7	1	0.5	–	–
Ceejay Trust ²	1	0.7	1	0.5	–	–
Peregrine Equities ⁴	1	0.7	1	0.5	–	–
HAM Shotter	–	–	–	–	1	3.6
Old Sillery Proprietary Limited	–	–	–	–	1	3.6
Saxo Bank	–	–	–	–	1	3.6
L Lombard	–	–	–	–	1	3.6
Directors ³	–	–	2	0.9	–	–
	139	100.0	212	100.0	28	100.0
	Number of shares	% of share capital	Number of shares	% of share capital	Number of shares	% of share capital
Public	291 886	10.1	2 479 869	14.0	27 238	19.4
Companies and close corporations	164 501	5.7	1 616 271	9.1	3 100	2.2
Individuals	70 416	2.4	477 349	2.7	22 288	15.9
Insurance companies, nominees and trusts	56 869	2.0	386 249	2.2	1 850	1.3
Mutual funds and pension funds	100	–	–	–	–	–
Non-public	2 613 919	89.9	15 255 637	86.0	112 762	80.6
African and Overseas Enterprises Limited	2 110 169	72.6	9 212 565	51.9	825	0.6
Rex Trueform Share Trust	–	–	20 279	0.1	–	–
Geomer Investments Proprietary Limited ¹	174 944	6.0	2 039 803	11.5	–	–
Ceejay Trust ²	254 463	8.7	2 084 610	11.8	–	–
Peregrine Equities ⁴	74 343	2.6	1 819 447	10.3	–	–
HAM Shotter	–	–	–	–	33 415	23.9
Old Sillery Proprietary Limited	–	–	–	–	27 785	19.8
Saxo Bank	–	–	–	–	22 192	15.9
L Lombard	–	–	–	–	28 545	20.4
Directors ³	–	–	78 933	0.4	–	–
	2 905 805	100.0	17 735 506	100.0	140 000	100.0
Shareholders holding in excess of 5% of share capital						
African and Overseas Enterprises Limited	2 110 169	72.6	9 212 565	51.9	825	0.6
Ceejay Trust ²	254 463	8.8	2 084 610	11.8	–	–
Geomer Investments Proprietary Limited ¹	174 944	6.0	2 039 803	11.5	–	–
Traclo Proprietary Limited	144 398	5.0	1 466 000	8.3	–	–
Peregrine Equities ⁴	74 343	2.6	1 819 447	10.3	–	–
HAM Shotter	–	–	–	–	33 415	23.9
Old Sillery Proprietary Limited	–	–	–	–	27 785	19.8
Saxo Bank	–	–	–	–	22 192	15.9
L Lombard	–	–	–	–	28 545	20.4
	2 758 317	95.0	16 622 425	93.8	112 762	80.6

¹ An associate of MA Golding.

² An associate of HB Roberts.

³ Held by an associate of CEA Radowsky, being the Zealot Trust and an associate of HB Roberts, being Gingko Investments No. 2 Proprietary Limited.

⁴ The shares held by Peregrine Equities are beneficially owned by associates of HB Roberts.



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