

African and Overseas Enterprises Limited

(Incorporated in the Republic of South Africa - Registration Number: 1947/027461/06)

JSE share codes: AOO - AON - AOVP ISIN: ZAE000000485 - ZAE000009718 - ZAE000000493

("AOE" or "the company" or "the group")



SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2021

	YoY change	2021 R'000	2020 R'000 Restated *
CONTINUING OPERATIONS			
Revenue	(17.1%)	491,427	592,480
Retail sales * ^	(17.8%)	464,961	565,765
Cost of sales * ^		(222,421)	(291,728)
Gross profit	(11.5%)	242,540	274,037
Other income	(0.9%)	26,466	26,715
Other operating costs	(41.5%)	(220,393)	(376,620)
Operating profit / (loss)	(164.1%)	48,613	(75,868)
Investment income		20,541	22,770
Finance costs ^		(37,271)	(44,795)
Share of loss of associate		(939)	(4,473)
Profit / (loss) before tax	(130.2%)	30,944	(102,366)
Income tax *		(9,083)	26,613
Profit / (loss) for the period from continuing operations	(128.9%)	21,861	(75,753)
DISCONTINUED OPERATIONS ^			
Profit / (loss) for the year from discontinued operations		559	(2,621)
Profit / (loss) for the year		22,420	(78,374)
* Prior year figures restated. Refer to note 4.			
^ Prior year figures reclassified due to discontinued operation. Refer to note 5.			
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Gain on post-retirement defined benefit plan		210	-
Items that may be reclassified subsequently to profit or loss			
Fair value adjustment on assets held at fair value through other comprehensive income		531	44
Other comprehensive income for the year, net of taxation		741	44
Total comprehensive income for the year		23,161	(78,330)
Profit / (loss) attributable to:			
Equity holders		10,870	(43,359)
Non-controlling interest		11,550	(35,015)
Profit / (loss) for the year		22,420	(78,374)
Total comprehensive income attributable to:			
Equity holders		11,322	(43,336)
Non-controlling interest		11,839	(34,994)
Total comprehensive income for the year		23,161	(78,330)
Reconciliation of headline earnings / (loss)			
Equity holders		10,837	(43,392)
Adjusted for:			
Loss / (profit) from disposal of property, plant and equipment, net of taxation		1,194	(4)
Impairment on right-of-use asset		1,273	30,899
Non-headline earnings of associate			
Loss / (profit) from disposal of property, plant and equipment, net of taxation		3	(1)
Headline earnings / (loss)		13,307	(12,498)
Basic earnings / (loss) per ordinary share (cents)	124.9%	94.5	(378.9)
Headline earnings / (loss) per ordinary share (cents)	206.3%	116.0	(109.1)
Diluted earnings / (loss) per ordinary share (cents)	125.0%	94.3	(377.5)
Diluted headline earnings / (loss) per ordinary share (cents)	206.5%	115.8	(108.7)
Weighted average number of equity shares on which earnings per share is based (000's)		11,472	11,451
Weighted average number of equity shares on which diluted earnings per share is based (000's)		11,489	11,493
KEY RATIOS			
Gross profit margin	%	52.2	48.4
Retail operating costs to turnover	%	43.1	62.9
Other operating costs to revenue	%	44.8	63.6
Operating profit margin	%	10.5	(13.4)
Retail segment operating profit margin	%	9.1	(14.5)
Net profit after tax margin	%	4.7	(13.4)

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

		2021	2020
	Notes	R'000	R'000
			Restated *
ASSETS			
Non current assets			
Property, plant and equipment		507,425	563,452
Investment property		43,284	58,517
Intangible assets		60,829	63,242
Right-of-use asset *	6	14,924	18,530
Investment in associate	7	182,749	231,967
Other investments		170,081	153,386
Loan receivable		1,904	818
Deferred tax asset *		987	967
		32,667	36,025
Current assets			
Inventories		212,341	217,076
Loan to associate	7	81,237	111,680
Trade and other receivables		-	15,166
Income tax receivable		19,434	11,127
Accrued operating lease asset		211	5,670
Cash and cash equivalents		819	809
		110,640	72,624
Total assets		719,766	780,528
EQUITY AND LIABILITIES			
Equity			
Share capital		273,177	250,156
Share premium		3,629	3,629
Treasury shares		6,616	6,616
Share-based payment reserve		(243)	-
Other reserves		3,891	4,157
Retained earnings *		1,875	1,419
Non-controlling interest *		125,311	113,630
		132,098	120,705
Non current liabilities			
Lease liability *	8	301,984	376,360
Post-retirement liability		204,210	285,381
Provisions *		312	654
Loan payable		3,078	3,254
Deferred tax liability		82,067	74,762
		12,317	12,309
Current liabilities			
Lease liability *	8	144,605	154,012
Trade and other payables		56,719	60,868
Provisions *		85,547	83,966
Loan payable		2,165	1,753
Forward exchange contracts		-	7,425
Income tax payable		174	-
		-	-
Total equity and liabilities		719,766	780,528

* Prior year figures restated. Refer to note 4.

OTHER INFORMATION AND KEY RATIOS

Capital commitments			
Authorised - not contracted for	R'000	8,226	13,779
Authorised - contracted for	R'000	879	16,835
Return on equity	%	4.2	(16.6)
Return on capital	%	26.1	(22.0)
Return on assets	%	9.1	(11.8)
Inventory turn	times	2.3	2.9
Asset turn	times	0.6	1.0
Net asset value per share	R	12.01	11.04

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	2021 R'000	2020 R'000
		Restated *
Cash flows from operating activities		
Operating profit before working capital changes	94,517	114,960
Working capital changes	36,786	15,449
Interest received	18,494	7,560
Interest paid	(37,290)	(38,127)
Dividends paid	(50)	(50)
Dividends received	38	29
Income tax paid	(412)	(8,719)
Net cash inflows from operating activities	112,083	91,102
Cash flows from investing activities		
Additions to property, plant, equipment and investment property	(4,197)	(16,115)
Additions to intangible assets	(369)	(1,379)
Proceeds from disposal of property, plant and equipment	-	10
Loan advanced *	(20)	(29)
Loan repaid *	-	937
Investment in associate	(421)	-
Other investments	(402)	-
Net cash outflows from investing activities	(5,409)	(16,576)
Cash flows from financing activities		
Lease liabilities repaid	(66,753)	(57,495)
Share repurchased by subsidiary	(1,905)	-
Net cash outflows from financing activities	(68,658)	(57,495)
Net increase in cash and cash equivalents	38,016	17,031
Cash and cash equivalents at the beginning of the year	72,624	55,593
Cash and cash equivalents at the end of the year	110,640	72,624

* Prior year figures restated. Refer to note 4.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

	2021 R'000	2020 R'000
		Restated *
Share capital	3,629	3,629
Opening balance	3,629	3,102
Shares issued	-	527
Share premium	6,616	6,616
Opening balance	6,616	6,616
Treasury shares	(243)	-
Opening balance	-	-
Treasury shares purchased	(486)	-
Delivery of treasury shares	243	-
Share-based payment and other reserves	5,766	5,576
Opening balance	5,576	4,326
Delivery of treasury shares	(243)	-
Equity-settled share-based payment	(32)	1,245
Gain on post-retirement defined benefit plans	163	-
Fair value adjustment on assets held at fair value through other comprehensive income	289	23
Change in degree of control	13	(18)
Retained earnings *	125,311	113,630
Opening balance	113,630	155,114
Profit / (loss) for the year *	10,870	(43,359)
Delivery of treasury shares	-	796
Equity-settled share-based payment	484	264
Other retained income of associate	-	1,349
Change in degree of control	360	(501)
Preference dividends paid	(33)	(33)
Non-controlling interest *	132,098	120,705
Opening balance	120,705	150,407
Profit / (loss) for the year *	11,550	(35,015)
Preference dividends paid	(17)	(17)
Delivery of treasury shares	-	662
Treasury shares purchased	(647)	-
Equity-settled share-based payment	591	727
Other retained income of associate	-	3,401
Gain on post-retirement defined benefit plans	47	-
Fair value adjustment on assets held at fair value through other comprehensive income	242	21
Change in degree of control	(373)	519
Total capital and reserves	273,177	250,156

* Prior year figures restated. Refer to note 4.

**SUMMARY OF RELATED PARTY BALANCES AND TRANSACTIONS
for the year ended 30 June 2021**

	2021 R'000	2020 R'000
Related party transactions during the period were as follows:		
Management and administration fees received		
- SA Water Works Holding Company (RF) Proprietary Limited ¹	2,722	3,191
Management and administration fees paid		
- Geomer Managerial Services Proprietary Limited ²	2,520	2,400
Accrued dividends on loan to associate		
- SA Water Works Holding Company (RF) Proprietary Limited ¹	17,213	20,134

Related party balances during the period were as follows:

Loans receivable		
- SA Water Works Holding Company (RF) Proprietary Limited ¹	151,717	149,670
- Unsecured loans to share scheme participants ³	987	967
Current accounts receivable		
- SA Water Works Holding Company (RF) Proprietary Limited ¹	-	215
Current accounts payable		
- Geomer Managerial Services Proprietary Limited ²	-	345

¹ Associate company

² Indirectly controlled by MA Golding

³ Includes a loan to a director

**DIRECTOR'S REMUNERATION
for the year ended 30 June 2021**

Directors' fees	1,225	870
Fees for other services	326	276
Basic salary	1,552	1,218
Performance related payments	-	285
Share-based payment	882	1,588
Value of other benefits	57	58
Retirement fund contributions	55	40
	4,097	4,335

**GROUP SEGMENTAL REPORTING
for the year ended 30 June 2021**

	Retail	Property	Water infrastructure	Group services	Inter-segment eliminations	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2021						
Revenue						
Retail sales	464,961	-	-	-	-	464,961
Management fee income	1,785	-	2,116	4,186	(5,365)	2,722
Rental income	-	26,652	-	-	(6,799)	19,853
Tenant recoveries	-	4,922	-	-	(1,069)	3,853
Dividend income	-	-	34	4	-	38
Total group revenue	466,746	31,574	2,150	4,190	(13,233)	491,427
Depreciation and amortisation	72,931	2,867	-	-	-	75,798
Impairment	7,240	-	-	-	-	7,240
Operating profit / (loss)	42,099	15,364	(156)	(8,732)	-	48,575
Finance income	1,445	88	17,213	7,631	(5,836)	20,541
Finance cost	(30,023)	-	(12,877)	(207)	5,836	(37,271)
Share of loss of associate	-	-	(939)	-	-	(939)
Income tax	(3,356)	(4,326)	(1,171)	(230)	-	(9,083)
Profit / (loss) for the year	10,165	11,125	2,104	(1,533)	-	21,861
Segment assets	420,839	72,600	170,146	123,701	(67,520)	719,766
Segment liabilities	(343,717)	(7,783)	(144,943)	(13,440)	63,294	(446,589)
Capital expenditure	4,436	130	-	-	-	4,566
	Retail	Property	Water infrastructure	Group services	Inter-segment eliminations	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2020						
Revenue						
Retail sales	565,765	-	-	-	-	565,765
Management fee income	3,142	-	3,041	3,924	(6,916)	3,191
Rental income	-	25,045	-	-	(5,708)	19,337
Tenant recoveries	-	5,494	-	-	(1,346)	4,148
Dividend income	-	-	-	29	-	29
Profit on sale of property	10	-	-	-	-	10
Total group revenue	568,917	30,539	3,041	3,953	(13,970)	592,480
Depreciation and amortisation	96,496	3,194	-	-	-	99,690
Impairment	75,860	-	-	-	-	75,860
Operating profit / (loss)	(82,042)	14,204	(150)	(7,909)	-	(75,897)
Finance income	2,040	151	20,134	9,527	(9,082)	22,770
Finance cost	(37,508)	(1)	(16,268)	(100)	9,082	(44,795)
Share of loss of associate	-	-	(4,473)	-	-	(4,473)
Income tax	32,341	(4,020)	(1,042)	(666)	-	26,613
Profit / (loss) for the year	(88,169)	10,334	(1,799)	3,881	-	(75,753)
Segment assets	510,088	73,876	169,797	113,098	(86,331)	780,528
Segment liabilities	(450,083)	(8,688)	(146,698)	(13,902)	88,999	(530,372)
Capital expenditure	17,102	392	-	-	-	17,494

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1 Summarised results

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers, who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office and on the company's website at www.rextrueform.com. The directors take full responsibility for the preparation of the provisional report and that the financial information has been correctly extracted from the underlying annual financial statements

2 Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, and unless otherwise noted.

This report was prepared under the supervision of the financial director, WD Nel CA (SA).

3 Dividends

A dividend on the 6% cumulative preference shares for the six months ended 30 June 2021 in the amount of 6 cents per share was declared by the board of directors on 28 June 2021 and was paid on 12 July 2021. The directors have not proposed a dividend in respect of the ordinary and 'N' ordinary shares.

4 Prior period restatement

During the financial year under review material errors were identified relating to the application of IFRS16 in the prior year. IFRS 16 was adopted for the first time in the prior year and therefore the restatements of the errors are limited to the comparative period. The impact of the restatements is detailed below.

In an effort to improve the quality and transparency of the group's financial reporting, management has considered it necessary to reclassify certain items in the statement of financial position, statements of comprehensive income and statement of cash flows. The reclassification of these items resulted in a restatement of the prior year disclosure as detailed below.

4.1 Restatement - Recognition of right-of-use asset and lease liability

Management enhanced its system of internal controls surrounding the accuracy of the recording of IFRS 16 lease liabilities during the year under review. During the implementation of the controls certain material errors in the calculation and timing were discovered pertaining to the previous financial year and which accordingly required a restatement of the prior year. The impact of this adjustment on the prior year is that the right-of-use asset decreased by R5 743 957 with a corresponding decrease in the lease liability.

4.2 Restatement - Recognition of right-of-use asset and provision for occupancy commitments

During the current year, a material error was identified that the right-of-use asset did not include an estimate of reinstatement cost where the lease specifically provided for this. The effect of this correction is that the right-of-use asset increased by R3 756 835 with a corresponding increase in long and short term provisions of R3 253 977 and R502 858 respectively, reflecting the initial recording of the reinstatement obligation. The related depreciation and impairment charges amounted to R1 534 368 and together with the related taxation impact, were also adjusted in the prior year.

4.3 Restatement - Interest income not considered revenue

Finance income was historically disclosed as revenue, this was however a misapplication error of IAS 1 and IFRS 15. The prior year disclosure was restated to exclude finance income from revenue as this does not form part of the main operations of the group nor does it result from contracts with customers in terms of IFRS 15. The impact of the correction is that revenue as disclosed by the group decreased by R22 770 191 in the prior year.

4.4 Restatement - Tenant recoveries considered revenue

Tenant recoveries was historically offset against other operating costs and not disclosed as revenue. This was a misapplication error of IFRS 15 as the group acts as principal on its own account and recovers operating costs from tenants in terms of the lease agreement. The group acts as a principal on its own account when delivering services to tenants over a period of time. The impact of the correction is that revenue as disclosed by the group increased by R4 147 772 in the prior year, with a corresponding decrease in other operating costs.

4.5 Reclassification - Realised and unrealised foreign exchange gains and losses not considered cost of sales

Foreign exchange gains and losses were historically included as a component of cost of sales. On further consideration management is now of the view that foreign exchange gains and losses were erroneously included in cost of inventory and therefore cost of sales. In terms of IAS 2 the amounts have accordingly been reclassified to other operating cost. The impact of the adjustment is that cost of sales decreased by R2 992 014 and other operating cost increased by the same amount in the prior year.

4.6 Reclassification - Separate disclosure of loans advanced and repaid

Loans advanced and the subsequent repayment were netted off in the cash flows from investing activities, this however was an error in terms of IAS 7. The prior year disclosure was restated to separately disclose the loans advanced and the loans repaid. The impact of the correction is that loans advanced as disclosed by the group decreased by R934 676 with the corresponding increase in loans repaid.

4.7 Reclassification - Dividend income to other revenue

Dividend income was historically treated as revenue and disclosed as investment income. The prior period was reclassified to include the dividend income as part of other revenue. The effect is that the dividend income line is removed and the other revenue line is increased by R28 633 for the group.

4.8 Restatement - Loan to associate classified as equity instrument at fair value through profit or loss

Historically the loan to associate company was classified as a financial instrument at amortised cost. Based on the terms of the agreement it should have been disclosed as an equity instrument, and based on management's judgement it was designated at fair value through profit and loss. The effect did not have an impact on the Statements of Financial Position or the Statements of Comprehensive Income. The note disclosure in the annual financial statements in relation to the loan to associate was updated.

4.9 Restatement - Lease liability maturity analysis

Renewal options included in store leases were previously excluded from the lease liability maturity analysis in the annual financial statements. In terms of IFRS 7, renewal options should be included in the maturity analysis and the prior year figures were accordingly restated.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

4 Prior period restatement (continued)

The below line items on the face the primary statements were accordingly restated.

	Notes	GROUP		Restated 30 June 2020 R'000
		Previously reported 30 June 2020 R'000	Effect of correction R'000	
Effect on Statement of financial position				
Non-current assets				
Right-of-use asset	4.1, 4.2	235,488	(3,521)	231,967
Deferred tax	4.2	35,596	429	36,025
Capital and reserves				
Retained earnings	4.2	114,232	(602)	113,630
Non-controlling interest	4.2	121,207	(502)	120,705
Non-current liabilities				
Lease liabilities	4.1	291,124	(5,743)	285,381
Provisions	4.2	-	3,254	3,254
Current liabilities				
Provisions	4.2	1,252	501	1,753
Effect on Statement of comprehensive income				
CONTINUING OPERATIONS				
Revenue	4.3, 4.4	611,102	(18,622)	592,480
Cost of sales	4.5	(294,720)	2,992	(291,728)
Gross profit		271,045	2,992	274,037
Other revenue	4.4	22,538	4,177	26,715
Other operating costs	4.2, 4.3, 4.4	(367,946)	(8,674)	(376,620)
Operating loss		(74,363)	(1,505)	(75,868)
Other operating costs	4.7	29	(29)	-
Loss before tax		(100,832)	(1,534)	(102,366)
Income tax	4.2	26,183	430	26,613
Loss for the year from continuing operations		(74,649)	(1,104)	(75,753)
Effect on loss per share (continuing and discontinued operations)				
Basic earnings / (loss) per ordinary share (cents)		(373.7)	(5.2)	(378.9)
Headline earnings / (loss) per ordinary share (cents)		(105.2)	(3.9)	(109.1)
Diluted earnings / (loss) per ordinary share (cents)		(372.3)	(5.2)	(377.5)
Diluted headline earnings / (loss) per ordinary share (cents)		(104.8)	(3.9)	(108.7)
Effect on Statement of changes in equity				
Effect on Retained earnings				
Total loss for the year	4.2	(42,757)	(602)	(43,359)
Balance of retained earnings at end of the year		114,232	(602)	113,630
Effect on Non-controlling interest				
Total loss for the year	4.2	(34,513)	(502)	(35,015)
Balance of retained earnings at end of the year		121,207	(502)	120,705
Effect on Statement of cash flows				
Loans advanced	4.6	908	(937)	(29)
Loans repaid	4.6	-	937	937

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (continued)

5 Discontinued operations

Management has considered the Namibian operations to be a separate segment based on the geographical location of the stores and the customers. During the current financial year all the stores located in Namibia were closed. The Namibian segment was therefore classified as a discontinued operation in the current reporting period. Comparative information has been re-presented accordingly.

	2021 R'000	2020 R'000
Financial performance		
Revenue		
Retail sales	2,878	12,981
Cost of sales	(1,480)	(7,629)
Gross profit	1,398	5,352
Gain on lease cancellations	1,724	-
Loss on disposal of fixed assets	(1,367)	-
Depreciation, impairment and amortisation	(222)	(3,913)
Other operating costs	(868)	(3,741)
Operating loss	665	(2,302)
Finance costs	(106)	(319)
Loss before tax	559	(2,621)
Income tax expense	-	-
Loss for the period from discontinued operations	559	(2,621)
Cash flow information		
Net cash inflows from operating activities	337	1,345
Net cash outflows from financing activities	(723)	(1,267)
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(386)	78

6 Right-of-use asset

Fixed-term store leases		
Carrying value at the beginning of the year	231,967	-
Recognition of right-of-use asset on initial application of IFRS 16	-	313,326
Reallocation of onerous lease provision on initial application of IFRS 16	-	(2,561)
Additions	21,532	85,212
Landlord contributions	-	(960)
Lease modifications	(10,792)	(9,621)
Depreciation charge for the year	(52,718)	(74,351)
Depreciation reclassified to discontinued operation	-	(1,261)
Impairment charge for the year	(7,240)	(75,860)
Impairment charge reclassified to discontinued operation	-	(1,957)
Carrying value at the end of the year	182,749	231,967

7 Investment in associate

The group's investment in associate consists of a 30.79% (2020: 30%) controlled interest in SA Water Works Holding Company (RF) Proprietary Limited ("SAWW") which is held via a 52% controlled subsidiary, Ombrecorp Trading (RF) Proprietary Limited ("Ombrecorp"). The group's effective interest in SAWW is 16.01% (2020: 15.60%). SAWW's investments consists of entities which provide water and water services to the City of Mbombela and Ilembe District municipalities.

Interest in associate	170,081	168,552
Reconciliation of carrying value at the beginning and end of the year		
Carrying value at the beginning of the year	18,882	18,606
Increase in investment at cost	421	-
Equity accounted movements in reserves	-	4,749
Share of net attributable losses of associates	(939)	(4,473)
Carrying value at the end of the year	18,364	18,882
Loan to associate at the beginning of the year	149,670	134,460
- Capital	125,000	125,000
- Accrued dividends	24,670	9,460
Accrued dividends repaid during the year	(15,166)	(4,924)
Accrued dividends recognised during the year	17,213	20,134
Loan to associate at the end of the year	151,717	149,670
- Capital	125,000	125,000
- Accrued dividends	26,717	24,670
Shown as:		
Non-current assets	170,081	153,386
Current assets	-	15,166
	170,081	168,552

8 Lease liability

Fixed-term store leases		
At the beginning of the year	346,249	-
Recognition of lease liability on initial application of IFRS 16	-	333,305
New leases	21,532	81,455
Lease cancellations	(40,099)	(11,016)
Finance cost	29,497	35,617
Finance cost paid	(29,497)	(35,617)
Capital repaid	(66,753)	(57,495)
At the end of the year	260,929	346,249
Included in non-current liabilities	204,210	285,381
Included in current liabilities	56,719	60,868
	260,929	346,249

9 Events subsequent to the reporting date

Civil unrest which took place in KwaZulu-Natal and in parts of Gauteng in July 2021 resulted in all the stores in KwaZulu-Natal and a few stores in Gauteng closing over the days of the civil unrest. Two stores in KwaZulu-Natal were damaged in the unrest and the loss of fixed assets and inventory at the two stores and the theft of equipment at a third party location are estimated to be R 0.7m. The group is covered by SASRIA insurance cover for damage to fixed assets and stock loss. The accounting for the losses may take place in a reporting period which is different to that in which the insurance recovery is recorded.

In July 2021, Transnet, the port operating company in South Africa, announced that its computer systems were hacked causing major disruptions to all of its port operations. The situation was subsequently remedied with no material impact on the group or its results.

In November 2020, the company together with its subsidiary, Rex Trueform Group Limited, entered into a sale of shares agreement subject to certain suspensive conditions, to acquire 75% of Telemedia Proprietary Limited for a consideration of R67.5m to be settled in cash and shares, with the company acquiring a 11.29% stake for a consideration of R10m. The last outstanding suspensive condition was the written consent from the Independent Communications Authority of South Africa ("ICASA"). Also refer to SENS issued on 13 November 2020, 10 May 2021, 18 June 2021 and 28 August 2021.

During the month of September 2021 the group purchased an additional 2 712 989 shares in Texton Property Fund Limited ("Texton") for a total consideration of R 9.3m. Texton is a Real Estate Investment Trust ("REIT") listed on the JSE Limited and the shares were purchased in the open market.

There is no other matter or circumstance which is material to the financial affairs of the company, which has occurred between 30 June 2021 and the date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

10 Impact of COVID-19 and Going concern

Retail segment turnover was severely impacted in the second half of the prior financial year when clothing sales were prohibited under Level 5 lockdown and later subject to restrictions under Level 4. The country has been through varying levels of lockdown restrictions during the current financial year, none of which restricted clothing sales, and is currently under adjusted level 2. Turnover has not yet fully recovered to pre COVID-19 levels. With regard to lease commitments, management has continued to seek rental relief on arrears as well as the renegotiation of current leases with landlords. Short term rental relief received during the year under review amounted to R29.2m (2020: R1.4m) and was recognised in profit and loss in terms of the amendment to IFRS 16. Leases that were favourably renewed or terminated during the year further resulted in gains on lease modifications amounting to R27.0m (2020: R1.4m) recognised in the current financial year. The full R27.0m has been recognised in the Statement of Comprehensive income as the related right-of-use assets were fully impaired. Right-of-use lease assets relating to loss-making and low-profitability stores amounting to R7.2m (2020: R75.5m) were impaired during the financial year.

COVID-19 and the ongoing lockdown restrictions is having a negative impact on the property sector, particularly in the retail and office segments in which the group operates. Rental relief amounting to R0.5m (2020: R0.9m) was granted during the financial year. Vacancies increased to 9.4% (2020: 1.1%) as at 30 June 2021. No significant unforeseen expenses were incurred relating to COVID-19 compliance.

With the provision of water and sanitation being an essential service the operations of the group's water infrastructure investment could continue operating despite restrictions imposed the various lockdown levels. Measures taken to mitigate the impact of COVID-19 include improved health and safety measures, cost-cutting, management of cash flow and securing the supply of materials essential to deliver services.

Despite the impact of COVID-19 on operations, the group is sufficiently capitalised and has sufficient cash resources to settle debts as they fall due. Cash and cash equivalents held by the group as at 30 June 2021 amounted to R110.6m (2020: R72.6m).

The financial statements have been prepared on the going concern basis. 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 directors are satisfied that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

COMMENTARY

The principal operating subsidiary, Rex Trueform Group Limited, reports as follows:

"Financial review

Group revenue decreased by 17.1% to R491.4m (2020: R592.5m), mainly due to a decrease in retail segment turnover and the impact of COVID-19 in the fashion retail sector. Other revenue, comprising of rental income, tenant recoveries and management fee income, decreased by 1%. Finance income decreased by 9.5% to R20.7m (2020: R22.9m).

The group realised an operating profit of R50.1m in the current year compared to an operating loss of R73.8m in the prior year. The net profit after tax was R23.5m (2020: net loss after tax of R73.5m) resulting in earnings per share of 110.9 cents (2020: loss per share of 362.7 cents). Headline earnings per share was 146.6 cents (2020: headline loss per share of 90.2 cents). Refer to the reconciliation of headline earnings in the summarised statement of comprehensive income for reasons for the movement between earnings per share and headline earnings per share.

The group's capital and reserves increased by R24.6m to R277.2m (2020: R252.6m). Net asset value per share increased by 9.3% to R12.78 (2020: R11.69).

Retail

Prior to the government imposed lockdown in March 2020, the Queenspark store growth strategy was progressing satisfactorily. The COVID-19 pandemic however significantly impacted the segment results during the year under review. The Namibian operations ceased in December 2020 and have accordingly been disclosed as discontinued operations in the annual financial statements. There were a total of 79 (2020: 83) stores in operation as at 30 June 2021 with net of 4 stores closed during the financial year. Queenspark successfully launched its own online sales platform in June 2020.

Retail segment sales decreased by 17.8% to R465.0m (2020: R565.8m) however, we have seen an uptick in sales in the second half of the year under review. This, accompanied with lower stock levels and accordingly less markdowns, has seen the gross profit margin increase to 52.2% (2020: 48.4%). The gross profit however decreased by 11.5% to R242.5m (2020: R274.0m). Operating costs decreased by 43.7% to R200.4m (2020: R356.1m). The segment realised an operating profit of R42.1m (2020: R82.0m loss).

Property

The Rex Trueform Office Park complex in Salt River is the main income generating operation within the group's property segment. There are a further two undeveloped properties in the Salt River precinct: one has heritage significance and the other is vacant land. One further property is situated in the Wynberg precinct in Cape Town and is leased to Queenspark as a distribution centre.

The property segment saw minimal impact as a result of COVID-19 lockdown regulations. Some rental relief was granted to tenants who were worst affected but the majority of tenants were able to operate throughout all levels of the government imposed lockdown. Revenue increased by 6.4% to R26.7m (2020: R25.0m) resulting in operating profit for the segment increasing by 8.2% to R15.4m (2020: R14.2m).

COMMENTARY (continued)

Water infrastructure

Whilst the equity-accounted investment contributed a loss of R0.9m (2020: R4.5m) to after tax earnings it positively contributed to the group's cash reserves for the financial year. The underlying operating subsidiaries are profitable and cash generative. The water and sanitation sector proved to be resilient during the COVID-19 lockdown period and is vital in maintaining hygiene and preventing the further spread of COVID-19. This segment of the group therefore did not experience a significant negative COVID-19 impact.

Group services

The net cost of group services increased by 23.6% to R7.3m (2020: R5.9m).

Outlook

The group anticipates that the current economic environment will remain challenging. The impact of COVID-19 restrictions is still being felt throughout the economy and is further exacerbated by the recent civil unrest, port disruptions as well as the slow vaccination roll out and anticipated "fourth wave".

The retail business segment has a strong brand in a niche market. Queenspark launched its own online sales platform in June 2020. Existing and new brands will be continually assessed with the intention of providing customers with a portfolio which caters for their changing needs during this time. Cash preservation and liquidity will continue to be a top priority.

The majority of tenants within the property portfolio proved to be resilient during the period of the lockdown however some negative impact was experienced as a result of reduced economic activity and therefore reduced demand for office and retail space. With respect to undeveloped properties, the group continues to seek opportunities that will yield a satisfactory return on capital.

The group's water assets are performing and saw minimal impact as a result of COVID-19. The businesses are successful working examples of private-public partnerships and are well positioned to take advantage of any new opportunities which may arise within the water and sanitation sector.

During the current financial year the group entered into an agreement to acquire a controlling interest in Telemedia (Pty) Ltd which operates in the media and broadcasting sector, further adding to the diversification of the group's investments.

Notwithstanding the current trading conditions and many uncertainties which lie ahead, the group will strive to achieve reasonable targets within current operations. We will also continue to utilise our entrepreneurial flexibility to seek opportunities in other sectors of the economy and by doing so further diversify our portfolio of investments.

References to future financial performance have not been reviewed or reported on by the group's external auditors and do not constitute an earnings forecast."

MR Molosiwa

(Chairman)

MA Golding

(Chief Executive Officer)

Cape Town
30 September 2021

Directors: MR Molosiwa* (Chairman), MA Golding (Chief Executive Officer), WD Nel (Financial Director), HB Roberts*, PM Naylor*, LK Sebatane*

*Independent non-executive

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Sponsor: Java Capital Trustees and Sponsors Proprietary Limited: 6th Floor, 1 Park Lane, Weirda Valley, Sandton, 2196

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