

African and Overseas Enterprises Limited

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

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

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



UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS for the six months ended 31 December 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December 2022 Unaudited	Six months ended 31 December 2021 Unaudited	Year ended 30 June 2022 Audited
	%	R'000	R'000	R'000
CONTINUING OPERATIONS				
Revenue	49.4%	470,774	315,168	665,669
Retail sales	28.5%	386,318	300,524	598,839
Cost of sales		(199,107)	(139,767)	(271,167)
Gross profit	16.5%	187,211	160,757	327,672
Other revenue	476.7%	84,456	14,644	66,829
Other operating costs	20.5%	(165,050)	(137,027)	(306,863)
Operating profit	177.8%	106,617	38,374	87,638
Investment income		15,340	11,390	24,766
Finance costs		(20,664)	(17,038)	(32,425)
Impairment loss on financial assets		-	-	(113)
Negative goodwill		(801)	-	-
Share of (loss) profit of associate		(15,136)	2,731	(4,269)
Profit before tax	140.7%	85,356	35,457	75,597
Income tax expense		(27,139)	(9,035)	(26,832)
Profit for the period from continuing operations		58,217	26,422	48,765
DISCONTINUED OPERATIONS				
(Loss) for the period from discontinued operations		-	(56)	(93)
Profit for the period	120.8%	58,217	26,366	48,672

Other comprehensive income:

Items that will not be reclassified to profit or loss

Gain on post-retirement defined benefit plan - 134 135

Items that are or may be subsequently reclassified to profit or loss

Fair value adjustment on assets held at fair value through other comprehensive income (3,805) 486 877

Other comprehensive income for the year, net of taxation (3,805) 620 1,012

Total comprehensive income for the year 54,412 26,986 49,684

Profit attributable to:

Continuing operations:

Equity holders 34,500 12,763 27,809

Non-controlling interest 23,717 13,659 20,956

Discontinued operations

Equity holders - (56) (93)

Non-controlling interest - - -

Profit for the period 58,217 26,366 48,672

Total comprehensive income attributable to:

Ordinary and "N" ordinary shareholders of the parent 32,514 13,106 28,257

Non-controlling interest 21,898 13,880 21,427

Total comprehensive income for the period 54,412 26,986 49,684

Reconciliation of headline earnings

Equity holders 34,483 12,690 27,776

Adjusted for:

Loss from disposal of property, plant and equipment, net of taxation 10 750 1,146

Impairment on right-of-use asset - - 116

Non-headline earnings items included in earnings from associate - 2 -

Profit from disposal of property, plant and equipment, net of taxation - 2 -

Headline earnings 34,493 13,442 29,038

Basic earnings / (loss) per ordinary share (cents) 164.4% 292.9 110.8 242.1

Headline earnings per ordinary share (cents) 149.8% 293.0 117.3 253.1

Diluted earnings / (loss) per ordinary share (cents) 164.6% 292.4 110.5 239.5

Diluted headline earnings per ordinary share (cents) 149.8% 292.5 117.1 250.4

Weighted average number of equity shares on which earnings per share is based (000's) 11,771 11,458 11,472

Weighted average number of equity shares on which diluted earnings per share is based (000's) 11,792 11,479 11,596

KEY RATIOS

Gross profit margin % 48.5 53.5 54.7

Retail operating costs to turnover % 28.2 42.2 40.4

Other operating costs to revenue % 35.1 43.5 46.1

Operating profit margin % 27.6 12.8 14.6

Retail segment operating profit margin % 20.3 11.3 14.4

Net profit after tax margin % 15.1 8.8 8.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2022 Unaudited	As at 31 December 2021 Unaudited	As at 30 June 2022 Audited
	Notes	R'000	R'000	R'000
ASSETS				
Non-current assets				
		733,975	499,834	545,483
Property, plant and equipment		57,120	37,031	45,387
Investment property	5	254,619	59,691	58,684
Goodwill and intangible assets		28,893	11,633	30,257
Right-of-use asset	6	198,719	170,345	182,093
Investment in associate	7	170,301	182,272	172,675
Other investments		12,261	11,785	17,115
Loans receivable		761	440	20,280
Deferred tax asset		11,301	26,637	18,992
Current assets				
		275,137	239,095	267,297
Inventories	8	145,028	81,584	124,960
Trade and other receivables		30,248	17,471	32,576
Forward exchange contracts		-	504	788
Income tax receivable		-	4,301	17,676
Accrued operating lease asset		1,243	1,044	567
Cash and cash equivalents		98,618	134,191	90,730
Assets classified as held for sale		-	-	-
Total assets		1,009,112	738,929	812,780
EQUITY AND LIABILITIES				
Capital and reserves				
		404,441	300,516	331,936
Ordinary share capital		9,164	3,079	9,163
Preference share capital		550	550	550
Share premium		6,616	6,616	6,616
Treasury shares		-	(243)	-
Share-based payment reserve		4,518	4,146	2,743
Other reserves		(1,423)	2,213	(16,519)
Retained earnings		189,387	138,001	154,875
Non-controlling interest		195,629	146,154	174,508
Non-current liabilities				
		415,988	284,843	305,741
Lease Liability	9	176,622	182,341	190,230
Post-retirement liability		41	126	85
Interest-bearing borrowings	10	132,547	-	-
Provisions		-	4,180	14,294
Loan payable	7	94,934	85,634	89,792
Deferred tax liability		11,844	12,562	11,340
Current liabilities				
		188,683	153,570	175,103
Lease liability	9	54,376	59,003	52,097
Trade and other payables		107,748	92,517	89,898
Provisions		7,877	2,050	33,108
Forward exchange contracts		202	-	-
Interest-bearing borrowings	10	18,240	-	-
Income tax payable		240	-	-
Total equity and liabilities		1,009,112	738,929	812,780
OTHER INFORMATION AND KEY RATIOS				
Capital commitments				
Authorised - not contracted for	R'000	5,025	2,717	16,852
Authorised - contracted for	R'000	0	2,308	342
Return on equity	%	14.1	8.7	9.6
Return on capital	%	45.8	35.8	35.7
Return on assets	%	18.5	13.2	14.1
Inventory turn	times	2.9	2.6	2.6
Asset turn	times	0.8	0.7	0.8
Net asset value per share	R	17.23	13.16	13.25

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2022 Unaudited R'000	Six months ended 31 December 2021 Unaudited R'000	Year ended 30 June 2022 Audited R'000
Cash flows from operating activities			
Operating profit/(loss) before working capital changes	111,795	75,198	162,375
Working capital changes	(17,615)	9,352	(49,217)
Interest received	2,578	1,931	6,716
Interest paid	(15,653)	(13,471)	(23,931)
Dividends paid	-	(25)	(50)
Dividends received	344	1,168	1,493
Income tax paid	1,737	(6,995)	(33,261)
Net cash inflows from operating activities	83,186	67,158	64,125
Cash flows from investing activities			
Additions to property, plant, equipment and investment property	(19,878)	(3,229)	(13,028)
Additions to property, plant, equipment and investment property	5 (178,130)	-	(231)
Additions to intangible assets	(202)	(5)	(60)
Proceeds from disposal of property, plant and equipment	396	163	315
Loans advanced	(762)	(6)	(20,204)
Loans repaid	-	553	998
Other investments	-	(9,253)	(14,103)
Business combination acquisition, net of cash acquired	222	-	17,821
Net cash outflows from investing activities	(198,354)	(11,777)	(28,492)
Cash flows from financing activities			
Loans (advanced) / repaid	150,787	-	-
Lease liabilities repaid	(27,730)	(31,830)	(55,543)
Net cash outflows from financing activities	123,057	(31,830)	(55,543)
Net increase in cash and cash equivalents	7,889	23,551	(19,910)
Cash and cash equivalents at the beginning of the period	90,730	110,640	110,640
Cash and cash equivalents at the end of the period	98,619	134,191	90,730

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Share capital	9,714	3,629	9,713
Opening balance	9,713	3,629	3,629
Shares issued	1	-	6,084
Share premium	6,616	6,616	6,616
Opening balance	6,616	6,616	6,616
Treasury shares	-	(243)	-
Opening balance	-	(243)	(243)
Delivery of treasury shares	-	-	243
Share-based payment and other reserves	3,095	6,359	(13,776)
Opening balance	(13,776)	5,766	5,766
Gain on post-retirement defined benefit plans	-	73	74
Delivery of treasury shares	-	-	(243)
Equity-settled share-based payment	-	255	(748)
Fair value adjustment on assets held at fair value through other comprehensive income	(1,986)	265	464
Put option liability	18,857	-	(18,857)
Change in degree of control	-	-	(232)
Retained earnings	189,387	138,001	154,875
Opening balance	154,875	125,311	125,311
Profit / (loss) for the period	34,512	12,707	27,716
Preference dividends paid	-	(17)	(33)
Shares issued	-	-	7,607
Equity-settled share-based payment	-	-	1,221
Change in degree of control	-	-	(6,947)
Non-controlling interest	195,629	146,154	174,508
Opening balance	174,508	132,098	132,098
Profit for the period	23,717	13,659	20,956
Preference dividends paid	(8)	(8)	(17)
Gain on post-retirement defined benefit plans	-	61	61
Shares issued	-	-	6,966
Equity-settled share-based payment	-	123	232
Fair value adjustment on assets held at fair value through other comprehensive income	(1,819)	221	410
Business Combination	(769)	-	6,623
Change in degree of control	-	-	7,179
Total capital and reserves	404,441	300,516	331,936

SUMMARY OF RELATED PARTY BALANCES AND TRANSACTIONS

Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
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Related party transactions during the period were as follows:

Goods purchased

- Tru-Fi Electronics S A Proprietary Limited	6	-	3
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Media and broadcasting income

- Media Cloud Proprietary Limited	287	-	204
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- Media Host Proprietary Limited	438	-	206
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- Red Pepper Pictures Proprietary Limited	-	-	40
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- Telelet Proprietary Limited	52	-	-
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- Rentals and Workflows Proprietary Limited	206	-	35
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-The Horse Racing Channel Proprietary Limited	112	-	173
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Management and administration fees received

- SA Water Works Holding Company (RF) Proprietary Limited ¹	1,454	1,415	2,953
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Management and administration fees paid	-	-	-
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- Geomer Managerial Services Proprietary Limited ²	1,380	1,323	2,646
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Dividend income

- Texton Property Fund Limited 1	308	1,141	1,446
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Accrued dividends on loan to associate

- SA Water Works Holding Company (RF) Proprietary Limited ¹	12,762	9,460	19,778
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Related party balances during the period were as follows:

Loans receivable

- SA Water Works Holding Company (RF) Proprietary Limited ¹	171,342	161,176	158,580
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Loans payable

- Telelet Proprietary Limited	3	-	3
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¹ Associate company

² Indirectly controlled by MA Golding

DIRECTORS' REMUNERATION

Directors' fees	538	512	1,023
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Fees for other services	171	163	326
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Basic salary	755	719	1,438
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Performance related payments	260	125	125
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Share-based payment	-	-	977
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Value of other benefits	30	30	85
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Retirement fund contributions	34	31	62
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	1,788	1,580	4,036
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GROUP SEGMENTAL REPORTING
Revenue

Retail	386,440	300,968	598,161
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Retail sales	386,318	300,524	597,374
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Retail sales - inter-segment	-	-	151
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Management fee income	122	444	636
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Property	30,837	16,298	33,326
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Rental income - External	18,975	9,999	20,383
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Rental income - Inter-segment	3,793	3,578	7,229
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Tenant recoveries - External	7,389	2,051	4,490
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Tenant recoveries - Inter-segment	680	670	1,224
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Media and broadcasting	56,340	-	38,963
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Retail sales - External	4,108	-	1,464
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Media and broadcasting income - External	52,232	-	37,499
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Water infrastructure	1,128	1,100	2,240
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Management fee income - External	1,124	1,075	2,199
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Dividend income - External	4	25	41
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Group Services	5,199	3,394	19,421
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Management fee income - External	280	340	119
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Management fee income - Inter-segment	2,575	1,900	4,839
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Dividend income - External	344	1,143	1,452
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Dividend income - Inter-segment	2,000	-	13,000
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Profit on sale of property - External	-	11	-
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Inter-segment eliminations	(9,170)	(6,592)	(26,443)
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Total group revenue	470,774	315,168	665,668
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Segment operating profit / (loss)

Retail	78,294	34,041	85,949
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Property	14,463	7,347	15,640
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Media and broadcasting	11,233	-	2,971
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Water infrastructure	(34)	2	(11,223)
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Group services*	2,661	(3,016)	(5,812)
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Total group operating profit	106,617	38,374	87,525
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GROUP SEGMENTAL REPORTING

	Six months ended 31 December 2022 Unaudited R'000	Six months ended 31 December 2021 Unaudited R'000	Year ended 30 June 2022 Audited R'000
Segment net profit / (loss) after tax			
Retail	51,702	15,447	46,179
Property	7,608	5,343	11,390
Media and broadcasting	7,681	-	6,000
Water infrastructure	(12,469)	5,002	(11,034)
Group services*	3,695	630	(3,770)
Total group net profit after tax	58,217	26,422	48,765
Depreciation and amortisation			
Retail	35,126	36,163	70,518
Property	1,771	1,411	2,819
Media and broadcasting	-	-	1,912
Total group depreciation and amortisation	36,897	37,574	75,249
Impairment			
Retail	-	-	308
Total group impairment	-	-	308
Segment assets			
Retail	445,684	425,960	406,315
Property	274,380	72,834	72,121
Media and broadcasting	76,012	-	70,832
Water infrastructure	167,923	179,743	172,693
Group services*	160,237	130,424	172,722
Inter-segment eliminations	(115,125)	(70,032)	(81,903)
Total group assets	1,009,111	738,929	812,780
Segment liabilities			
Retail	283,686	333,392	295,104
Property	132,987	7,448	7,650
Media and broadcasting	37,465	-	40,096
Water infrastructure	168,737	152,053	158,524
Group services*	87,555	13,835	48,716
Inter-segment eliminations	(105,759)	(68,317)	(69,246)
Total group liabilities	604,671	438,413	480,844
Capital expenditure			
Retail	10,561	3,123	12,685
Property	195,228	133	322
Media and broadcasting	1,610	-	312
Total group capital expenditure	207,399	3,256	13,319

* Group services include corporate costs.

1 Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting 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 condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

2 Unaudited results

These results have not been reviewed or audited by the group's auditors. The unaudited interim condensed consolidated interim financial statements have been prepared under the supervision of D Franklin CA (SA), the company's financial director, and were approved by the board of directors on 14 April 2023.

	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
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3 Dividends

Details of dividends paid are as follows:

Dividend paid in respect of the ordinary shares	-	-	-
Dividend paid in respect of the "N" ordinary shares	-	-	-
Dividend paid on 6% cumulative preference shares	-	16	33

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2022 in the amount of 6 cents per share was declared by the board of directors and was paid on 23 January 2023. The directors have not proposed a dividend in respect of the ordinary and 'N' ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

4 Revenue

	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
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Revenue from contracts with customers

Retail sales	386,318	300,524	598,838
Management fee income	1,404	1,415	2,955
Media and broadcasting	56,340	0	37,499
Tenant recoveries	7,389	2,051	4,490
Profit on sale of property	-	11	11
	451,451	304,001	643,794

Timing of revenue recognition:

Products transferred at a point in time	386,318	300,535	598,850
Recognised over the period services are rendered	65,133	3,466	44,944
	451,451	304,001	643,794

Revenue from lease agreements – IFRS 16

Rental income	18,975	9,999	20,382
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Revenue other than from contracts with customers

Dividends received			
Dividends received other	348	1,168	1,493

Total revenue	470,774	315,168	665,669
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Shown as:

Retail sales	386,318	300,524	598,838
Other revenue	84,456	14,644	66,831
	470,774	315,168	665,669

5 Investment Property

Carrying value at the beginning of the period	58,684	37,709	60,829
Additions	198,323	23,195	231
Depreciation charge for the period	(2,387)	(1,213)	(2,376)
Carrying value at the end of the period	254,619	59,691	58,684

The group acquired a property situated at 5 Fitzmaurice Road, Epping, Cape Town for an acquisition consideration amounting to R85m. The acquisition consideration was paid on the effective date and was funded by a cash consideration of R20m and a R65m loan from a bank against security of the registration of a first mortgage bond over the Property. The effective date and date of transfer was 7 October 2022. In addition, through the acquisition of Belper Investments (Pty) Ltd (refer to note 11.2), five (5) industrial properties located in Epping, Cape Town, for a total consideration of R104.2m, were acquired effective 3 August 2022. The purchase of these properties were financed through both cash and mortgage bonds over the properties.

6 Right-of-use asset

Cost at the beginning of the period	182,093	182,749	182,749
Additions through business combination			31,472
Additions	41,704	20,757	34,446
Lease modifications	4,141	(7,426)	(13,099)
Depreciation charge for the period	(29,219)	(25,735)	(53,111)
Impairment charge for the period	-	-	(308)
Accumulated amortisation and impairment at the end of the period	198,719	170,345	182,093

Retail segment - fixed term store leases - depreciated over 1 to 10 years	168,269	170,345	151,974
Media and broadcasting segment facilities - depreciated over 7 to 8 years	28,088	-	30,119
Property segment facilities - depreciated over 5 to 6 years	2,362	-	-
	198,719	170,345	182,093

7 Investment in associate

The group's investment in associate consists of a 30.79% (2021: 30.79%) 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% (2021: 16.01%). SAWW's investments consist of entities which provide water and water services to the City of Mbombela and Illembembe District municipalities.

Ombrecorp received loan funding from 27four Life for the sole purpose of acquiring the group's 30% interest in SAWW. Ombrecorp's shares held by the company's wholly-owned subsidiary Rex Trueform Group Limited ("Rex Trueform"), Ombrecorp's shares in SAWW and Ombrecorp's bank account have been ceded and pledged in favour of 27four Life until such time as the loan has been fully settled.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
Interest in associate	170,301	182,272	172,675
Carrying value at the beginning of the period	14,095	18,364	18,364
Share of (loss) / profit of associate	(15,137)	2,731	(4,269)
Carrying value at the end of the period	(1,042)	21,095	14,095
Loan to associate at the beginning of the period	158,580	151,717	151,717
- Capital	125,000	125,000	125,000
- Impairment of loan receivable	(11,100)	-	-
- Accrued dividends	44,680	26,717	26,717
Accrued dividends repaid during the period	-	-	(1,815)
Accrued dividends recognised during the period	12,763	9,460	19,778
Impairment of loan during the year	-	-	(11,100)
Loan to associate at the end of the period	171,343	161,177	158,580
- Capital	125,000	125,000	125,000
- Impairment of loan receivable	(11,100)	-	(11,100)
- Accrued dividends	57,443	36,177	44,680
Shown as:			
Non-current assets	170,301	182,272	172,675
Current assets	-	-	-
	170,301	182,272	172,675

Secured loan raised to finance investment in associate

Balance at the beginning of the period	89,792	82,067	82,067
Interest accrued during the period	5,142	3,567	7,725
Balance at the end of the period	94,934	85,634	89,792
Loan payable - Non-current	94,934	85,634	89,792
Total	94,934	85,634	89,792

8 Inventories

Inventories at cost	159,908	90,697	135,136
Provision for net realisable value	(14,880)	(9,113)	(10,176)
	145,028	81,584	124,960
Provision for net realisable value as percentage of inventory	% (9.3)	(10.0)	(7.5)

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

9 Lease liability

Balance at the beginning of the period	242,327	260,929	260,929
New leases	41,298	20,757	33,362
Additions through business combination	(24,897)	-	31,472
Lease modifications	(24,897)	(8,512)	(27,931)
Finance cost	(9,234)	(11,507)	22,533
Finance cost paid	9,234	11,507	(22,495)
Capital repaid	(27,730)	(31,830)	(55,543)
Balance at the end of the period	206,101	241,344	242,327
Included in Non-current liabilities	151,725	182,341	190,230
Included in Current liabilities	54,376	59,003	52,097
	206,101	241,344	242,327

Lease liabilities bear interest at rates from 7.00% to 11.25% and are repayable from 2023 to 2032 including renewal periods where applicable.

10 Interest-bearing borrowings

Balance at the beginning of the period	-	-	-
Loans received during the period	65,000	-	-
Additions through business combinations	85,650	-	-
Repayments during the period	(4,255)	-	-
Interest accrued during the period	4,392	-	-
Balance at the end of the period	150,787	-	-
Loan payable - Non-current	132,547	-	-
Loan payable - Current	18,240	-	-
Total	150,787	-	-

Interest rates on borrowings varies between 8.713% and 10.015%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

11 Business Combinations

11.1 Acquisition of Telemedia Proprietary Limited

In November 2020, the company together with its wholly-owned subsidiary, Rex Trueform, 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% interest for a consideration of R10m and Rex Trueform acquiring a 63.71% interest for a consideration of R57.5m. All suspensive conditions were met on 1 March 2022, being the effective date of the acquisition.

Telemedia is a broad-based media broadcast facility manufacturer and supplier. Telemedia's services include the installation of satellite transmission and radio and television signal distribution. In addition, Telemedia is a supplier of microwave and satellite new gathering services including broadcasting, studio recording and services ancillary thereto. Refer to SENS dated 13 November 2020. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Payment of the purchase consideration

An initial purchase consideration of R30m was made which comprised the issue of 368,750 new ordinary shares by the company at R27 per share (R10.0m), the issue of 857,212 new ordinary shares by Rex Trueform at an issue price of R18 per share (R15.4m) and a cash payment of R4.6m made by Rex Trueform.

The balance of the purchase consideration, being R37.5m shall be discharged by Rex Trueform in cash should the profit undertakings given by the sellers for the financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 be cumulatively met on a 20%, 20% and 60% basis. Should the cumulative profit undertaking given by the sellers not be achieved by 30 June 2023, the balance of the purchase consideration shall be reduced pro rata by the shortfall of actual profits to warranted profits, provided that the reduction cannot reduce the balance of the purchase consideration to below zero.

Issue of ordinary shares and share price underpin

The fair value of the ordinary shares (368,750) issued by the company as part of the total consideration paid amounting to R6.1m was based on the published share price on 1 March 2022 of R16.50 per share. In terms of the sale and purchase agreement, the company undertook to underpin the share price at R27 per share for 12 months from the effective date of the transaction giving rise to a contingent consideration of R3.6m.

The fair value of the ordinary shares (857,212) issued by Rex Trueform as part of the total consideration paid amounting to R14.6m was based on the published share price on 1 March 2022 of R17 per share. In terms of the sale and purchase agreement, Rex Trueform undertook to underpin the share price at R18 per share for 12 months from the effective date of the transaction giving rise to a contingent consideration of R0.8m.

Furthermore, the company and its subsidiary undertook to guarantee the repurchase of the shares in the event that a buyer of the ordinary shares cannot be found or the company and its subsidiary fail to provide the necessary consent for the sale. The guarantee gives rise to a put option liability of R6.1m in the company and R12.8m in its subsidiary, Rex Trueform as at 30 June 2022. On 1 July 2022 the company was relinquished from its undertaking to underpin the share price and its option to purchase the ordinary shares. The financial liability was therefore reversed on 1 July 2022.

Significant estimate: contingent consideration - profit warranties

Cumulative profit undertakings given by the sellers for the period 1 March 2020 to 30 June 2023 amounted to R78.7m. As at 31 December 2022, it was management's view that Telemedia will achieve R48.4m in profits for the warranty period. As a result the fair value of the contingent consideration payable as 31 December 2022 was estimated to be R11.1m.

The contingent consideration in respect of the share price underpin and profit warranty was determined by calculating the present value of future cash flows using a discount rate of 7.5%.

	Year ended 30 June 2022 R'000
Purchase consideration:	
Cash paid	4,614
Ordinary shares issued	20,657
Contingent consideration - share price underpin	4,395
Contingent consideration - profit warranties	10,423
Total purchase consideration	40,089

The provisional fair values of the assets and liabilities recognised as a result of the acquisition are as follows:

Property, plant and equipment	7,243
Right-of-use asset	31,472
Trade and other receivables	6,849
Cash and cash equivalents	22,435
Lease liability	(31,472)
Current tax payable	(1,051)
Deferred tax	(380)
Trade and other payables	(8,601)
Net identifiable assets acquired	26,495
Less: non-controlling interests	(6,624)
Add: goodwill	20,218
Net assets acquired	40,089

At the time the financial statements were authorised for issue, the group had not yet concluded the calculation of the fair values of the assets and liabilities disclosed above, with resulting goodwill. These have only been determined provisionally as the independent valuations have not been finalised specifically to the goodwill and whether there are any resulting identifiable intangible assets attributable to the purchase of Telemedia.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

Acquired receivables

The fair value of acquired trade receivables is R6.8m. The gross contractual amount for trade receivables due is R12.4m with a loss allowance of R5.5m.

Accounting policy choice for non-controlling interests

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Telemedia, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2 for the group's accounting policies for business combinations.

Revenue and profit contribution

The acquired business contributed revenues of R41.9m and net profit after tax of R5.67m to the group for the period from 1 March 2022 to 30 June 2022. If the acquisition had occurred on 1 July 2021, consolidated revenue and profit for the year ended 30 June 2022 would have been R103.8m and R14.3m respectively.

	Year ended 30 June 2022 R'000
Purchase consideration – cash outflow at acquisition date	
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	4,614
Less: Cash balances acquired	(22,435)
Net inflow of cash – investing activities	(17,821)

Acquisition-related costs

Acquisition-related costs of R1.9m that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

11.2 Acquisition: Investment in Belper Investments (Pty) Ltd

On 3 August 2022 all conditions precedent to the acquisition of a 51% interest in a property letting enterprise, Belper Investments Proprietary Limited ("Belper Investments"), were fulfilled. The entity has acquired five (5) industrial properties located in Epping, Cape Town, for a total consideration of R104.2m. Accordingly, the transaction is now unconditional in accordance with the terms of the agreement, with the effective date being 3 August 2022. Refer to SENS dated 21 April 2022 and 3 August 2022. Included in loan receivables as at 31 December 2022 is an amount receivable from Belper Investments amounting to R21.6m. Included in operating expenses for the current financial year is commission amounting to R1.4m, relating to due diligence and the conclusion of the transaction, which has been paid to Quoin Online Proprietary Limited who is a related party to the minority shareholders of Belper Investments.

The provisional fair values of the assets and liabilities recognised as a result of the acquisition are as follows:

	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
Investment Property	106,014	-	-
Lease accrual asset	198	-	-
Trade and other receivables	2,302	-	-
Bank and Cash	221	-	-
Long term loans	(85,650)	-	-
Trade and other payables	(4,587)	-	-
Shareholder Loans	(20,068)	-	-
Net identifiable liability	(1,570)	-	-
Less: non-controlling interests	(769)	-	-
Add: Negative goodwill	(801)	-	-
Net assets acquired	(1,570)	-	-

At the time the financial statements were authorised for issue, the group had not yet concluded the calculation of the fair values of the assets and liabilities disclosed above, with resulting goodwill. These have only been determined provisionally as the independent valuations have not been finalised specifically to the goodwill and whether there are any resulting identifiable intangible assets attributable to the purchase of Belper Investments.

Purchase consideration – cash outflow at acquisition date

Outflow of cash to acquire subsidiary, net of cash acquired			
Cash consideration	-	-	-
Less: Cash balances acquired	221	-	-
Net inflow of cash – investing activities	221	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

12 Events subsequent to the reporting date

The company's wholly-owned subsidiary, Rex Trueform, acquired an industrial property in Losack Avenue, Epping Industria, Cape Town for a purchase price of R65m funded by bank loan of R45.1m and R20.9m in cash. The effective date and date of transfer was 28 February 2023. Refer to SENS issued on 30 March 2023.

Other than the events stated above, no other events material to the understanding of the unaudited interim condensed consolidated financial statements have occurred between the financial year-end and the date hereof.

COMMENTARY

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

Financial review

Group revenue increased by 49.4% to R470.8m (2021: R315.2m), mainly due to an increase in retail segment turnover. Other revenue, comprising of media and broadcasting income, rental income, tenant recoveries and management fee income, increased by 476.7% to R84.5m (2021: R14.6m), mainly due to the acquisition of Telemedia and property assets. Investment income increased by 35.1% to R15.6m (2021: R11.5m).

The group realised an operating profit of R103.2m in the current year compared to R39.0m in the prior year. Net profit after tax was R55.1m (2021: R27.2m) resulting in earnings per share of 270.7 cents (2021: 119.4 cents). Headline earnings per share was 270.8 cents (2021: 126 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 R98.7m to R404.0m (2021: R305.2m). Net asset value per share increased by 33.4% to R18.74 (2021: R14.05).

Retail

Retail segment sales increased by 28.5% to R386.3m (2021: R300.5m). Despite the increase in retail sales gross profit was negatively impacted by reduced consumer spending as a result of the weak economic environment and increasing cost of living exacerbated by electricity load shedding. The gross profit margin has accordingly decreased to 48.5% (2021: 53.5%). Gross profit increased by 16.5% to R187.2m (2021: R160.8m). The segment realised a net profit after tax of R49.9m (2021: R15.4m) before once off gains on lease modifications of R20.9m. There were a total of 93 (2021: 80) stores in operation as at 31 December 2022 with 8 stores opened and 1 store closed during the period under review.

Property

The net cost of group services decreased by 69.6% to R0.7m (2021: R2.4m).

Outlook

The current economic outlook presents both challenges and opportunities. The issues facing the economy, including high inflation and interest rates, a rising cost of living, an energy crisis, and low economic growth forecasts, will require careful navigation in the coming months. Managing risks and sustaining profitability remain key elements of the company's strategy in this volatile climate.

The group is seeking to ensure that operating segments have resilient financials and a competitive advantage in their respective industries. In response to the widespread energy crisis, the group is investing in alternative energy sources in order to reduce the current and future adverse impact on operations and profitability.

Notwithstanding these challenges, we remain positive, and shall continue to utilise our skills and expertise to optimise the current portfolio of businesses and actively seek opportunities to diversify the group. In doing so, the company can position itself for long-term success.

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)

Cape Town
14 April 2023

MA Golding

(Chief Executive Officer)

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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