2019
ANNUAL FINANCIAL STATEMENTS

REX TRUEFORM GROUP LTD

REX TRUEFORM GROUP LIMITED

Registration number: 1937/009839/06

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The supplementary information presented on page 80 to 81 does not form part of the financial statements and is unaudited.

Unaudited shareholders' information

These statements were authorised by the board of directors on 30 September 2019 and published on 30 September 2019.

REX TRUEFORM GROUP LIMITED

Registration number: 1937/009839/06

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 2019 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 30 September 2019 and signed by:

MA Golding
Chairman
Authorised director

CL Lloyd
Chief executive officer
Authorised director

30 September 2019

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

30 September 2019

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 group subsidiaries, Queenspark Proprietary Limited and Queenspark (Proprietary) Limited (registered in Namibia), continued their retail activities with regard to the sale of ladies' and men's clothing, shoes, costume jewellery, related fashion accessories and cosmetics through branded Queenspark outlets located in South Africa and Namibia as well as through a Queenspark-branded franchised outlet in Kenya. A decision has been made not to continue with the Kenyan franchise beyond the expiration of the franchise agreement, which is due to expire in the 2020 financial year.

The group's property portfolio consists of developed and undeveloped properties, held directly and indirectly through a subsidiary, Queenspark Distribution Centre Proprietary Limited. Rex Trueform Office Park situated in Salt River is the main operating property within the segment followed by the property in Wynberg, which is utilised by the retail segment as a distribution centre. Two properties are undeveloped, a vacant factory and vacant land situated in Salt River. The vacant factory has heritage significance which limits any potential development. The board is actively looking for development opportunities which will yield a satisfactory return in relation to any capital outlay.

During the financial year under review, the group concluded an investment in the water-infrastructure sector. A 30% interest in SA Water Works Holding Company (RF) Proprietary Limited was acquired via a subsidiary, Ombrecorp Trading (RF) Proprietary Limited (which subsidiary was acquired in the financial year under review). Operations consist of two water concession businesses operating in Mpumalanga and KwaZulu-Natal, which provide water and water services to residential, industrial and commercial consumers pursuant to concession agreements executed with municipalities in the respective areas.

Financial results

The financial results of the group and company 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. Refer to note 15.

DIRECTORS' REPORT (CONTINUED)

Dividends

Details of dividends paid during the year are as follows:

	2019 R'000	2018 R'000
Dividends on ordinary and "N" ordinary shares:		
Dividend paid in respect of the ordinary shares	-	-
Dividend paid in respect of the "N" ordinary shares	-	-
Dividends on 6% cumulative preference shares:		
Half-year ended 31 December 2018	8	8
Half-year ended 30 June 2019	9	9
Total	17	17

The directors have not proposed a dividend per share (2018: R nil) in respect of the ordinary and "N" ordinary shares.

Holding company

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

Subsidiaries

The required information relating to subsidiary companies is set out in the notes to the financial statements. Refer to note 7.

Investments

Full details of the company's investments are set out in the notes to the financial statements. Refer to note 8 and 9.

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
MA Golding	Retired by rotation Re-elected	30 November 2018 30 November 2018
CEA Radowsky	Retired by rotation Re-elected Resigned	30 November 2018 30 November 2018 12 March 2019
LK Sebatane	Retired by rotation Re-elected	30 November 2018 30 November 2018
D Franklin	Confirmation of appointment	30 November 2018
CL Lloyd	Appointed	12 March 2019

CEA Radowsky resigned as the chief executive officer of the company with effect from 12 March 2019, at which point a vacancy arose on the board. On 12 March 2019 CL Lloyd was appointed as the chief executive officer of the company by the board in order to fill such vacancy. Shareholders will be asked to confirm and ratify the appointment of CL Lloyd effective from 12 March 2019 as an executive director of the company.

PM Naylor, MR Molosiwa and HB Roberts will retire at the 2019 annual general meeting in accordance with the company's Memorandum of Incorporation but, being eligible, will offer themselves for re-election.

The emoluments of the executive and non-executive directors are set out in notes to the financial statements. Refer to note 26.

DIRECTORS' REPORT (CONTINUED)

Directors' interest in shares

The interest of directors in the ordinary and "N" ordinary shares of the company at 30 June 2019 was:

Director	Direct holding	Indirect holding	Effective interest held indirectly via African and Overseas*	Total
2019				
MA Golding	-	2 214 747	4 270 726	6 485 473
CEA Radowsky	-	77 933	98 882	176 815
HB Roberts	-	4 261 561	5 835 536	10 097 097
CL Lloyd	55 424	-	31 326	86 750
Total	55 424	6 554 241	10 236 470	16 846 135

Director	Direct holding	Indirect holding	Effective interest held indirectly via African and Overseas*	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
CL Lloyd	-	-	-	-
Total	-	6 526 543	10 255 292	16 781 835

CEA Radowsky resigned as the chief executive officer of the company with effect from 12 March 2019. CL Lloyd was appointed as the chief executive officer of the company with effect from 12 March 2019.

*The issue by the company and African and Overseas of additional "N" ordinary shares during the period under review resulted in the dilution of the effective interest held indirectly by directors and / or associates via African and Overseas as at 30 June 2019.

Change in shareholding

There have been no changes in the directors' interests in shares between 30 June 2019 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 "N" ordinary shares in the company to facilitate an employee share incentive scheme. Subsequent capitalisation share awards totalling 56 798 "N" ordinary shares in the company were received and placed in reserve in the Share Trust, and a further amount of 110 848 "N" ordinary shares in the company were issued to the Share Trust in June 2019 in order to enable the Share Trust to discharge certain share awards.

The purpose of this scheme is to ensure that employees, including directors, holding permanent salaried employment or office in the company or any of its subsidiaries, are encouraged and motivated to pursue continued employment within the company (or its subsidiaries), and to accordingly afford them the opportunity to acquire an interest in the "N" ordinary share capital of the company.

Since the inception of the Share Trust, payment and delivery has been effected in respect of 647 367 "N" ordinary shares, which were acquired by or issued to the Share Trust.

Employee share incentive scheme (Continued)

As at the beginning of the financial year under review, no options in respect of the Rex Trueform "N" ordinary shares held by the Share Trust had been granted to employees. The Share Trust currently holds 20 279 "N" ordinary shares in reserve for future utilisation, of which none have been granted to employees. During the financial year under review, share awards and options in respect of 354 714 "N" ordinary shares in aggregate were granted to certain group employees (including the company's chief executive officer), of which 110 848 "N" ordinary shares were issued to the Share Trust and subsequently transferred to the employees.

Full details of share awards and options granted and exercised are reflected in the notes to the financial statements. Refer to note 26.

Secretary

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

Events subsequent to the reporting date

Ombrecorp Trading (RF) Proprietary Limited received a loan repayment of R 4 582 317 on 18 September 2019 of which R 2 338 815 will remain within the group. The remainder will be utilised to discharge repayment obligations to 27four Life Limited. No other events material to the understanding of the financial statements have occurred between the financial year end and the date of approval.

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 2019.

Introduction

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

Audit committee mandate

The audit committee 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 twice during the year 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).

The committee meetings were attended by the external auditors, 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 year under review 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 past 23 years, with the designated registered auditor being rotated in the manner prescribed by the Companies Act. In this regard, I Jeewa took over from H du Plessis as the designated registered auditor of the company with effect from 17 November 2017.

The committee has nominated KPMG Inc. for appointment by shareholders as the company's external auditor at the 2019 annual general meeting, the designated registered auditor being I Jeewa for the 2020 financial year.

AUDIT COMMITTEE REPORT (CONTINUED)

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

Prior to the nomination of KPMG Inc., the committee met with management without the external auditor 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 auditor) and furthermore considered the reports from the external auditor in relation to the information detailed in paragraph 22.15(h) of the JSE 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 as well as the suitability for the appointment of KPMG Inc. and I Jeewa. Furthermore, a new financial director of the company was appointed on 25 May 2018, which had the effect of, among 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 the audit adjustments identified by the external auditor were considered by the committee, applicable adjustments to the financial statements were made (having regard to applicable materiality levels) and an unmodified external auditors report was issued.

The nature and extent of the non-audit services that 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 JSE 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 auditor 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 auditor). During the year under review the committee evaluated the arrangements in place for combined assurance and confirmed that it was satisfied with same.

Internal financial controls

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

- the internal financial controls are effective (including in their implementation) and accounting practices are appropriate, which both form the basis for the preparation of reliable financial statements in respect of the year under review; and
- the company has established appropriate financial reporting procedures and that those procedures are operating.

Financial statements and accounting practices

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

Following the review by the committee of the annual financial statements for the year ended 30 June 2019, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and with the 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 2019 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

30 September 2019

INDEPENDENT AUDITOR'S REPORT

KPMG

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 14 to 79, which comprise the statements of financial position as at 30 June 2019, 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 (Consolidated financial statements)

Refer to inventory accounting policy in note 1 and note 12 to the financial statements.

The key audit matter	How this matter was addressed in our audit
Inventories on hand at year-end is one of the group's most significant assets, amounting to R 100.6 million. There is a risk that inventories may be overstated due to inadequate allowance being made for mark down, slow moving or obsolete inventory due to the retail business being exposed to seasonal changes and changes in customer preferences. The group measures inventories at the lower of cost and net realisable value ("NRV"), which is calculated as the estimated selling price in the ordinary course of business, less estimated costs of completion (where applicable) and selling expenses. Determining the NRV requires judgement to be made by management. We identified this matter as a key audit matter in the audit of the consolidated financial statements due to the significance of the inventories balance and the level of judgement applied by management in determining the allowance needed to record inventories at the lower of cost and NRV.	Our audit procedures included the following: Challenging the underlying assumptions applied by management to assess the appropriateness of the inventories allowance by: • analysing the current allowance in relation to the inventories on hand, aged according to the respective seasons, and comparing the current allowance to the prior year level of write-downs for similar aged inventories; and • evaluating the accuracy of historical information related to sales trends used by management to support the allowance raised in respect of mark down and obsolete inventories. We considered management's bias in relation to the inventories allowance by assessing the consistency of the calculation performed and assumptions applied in the current year as compared with the prior year and current trends observed based on our industry knowledge. We evaluated the adequacy of the disclosures in the financial statements in relation to the requirements of the financial reporting framework.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Rex Trueform Group Limited Annual Financial Statements", which includes the Directors' report, the Audit committee's report, the Company secretary's certificate as required by the Companies Act of South Africa. The 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and 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 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 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 and 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 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- 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 23 years.

KPMG Inc.

Per I Jeewa
Chartered Accountant (SA)
Registered Auditor
Director
KPMG Inc.
30 September 2019

The Halyard
4 Christiaan Barnard Street
Cape Town
8001

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	62 386	60 721	203	213
Investment property	5	65 679	68 741	65 679	68 741
Intangible assets	6	20 764	22 980	-	-
Net interest in subsidiary companies	7	-	-	60 223	440
Investment in associate	8	153 066	-	-	-
Other investments	9	756	829	756	829
Loans receivable	10	1 860	-	1 860	-
Deferred tax asset	11	3 386	2 819	-	-
		307 897	156 090	128 721	70 223
Current assets					
Inventories	12	100 637	92 132	-	-
Net interest in subsidiary companies	7	-	-	19 878	15 006
Trade and other receivables	13	20 553	27 475	394	1 120
Forward exchange contracts		-	746	-	-
Income tax receivable		6	163	-	57
Accrued operating lease asset		1 704	2 859	1 704	2 859
Cash and cash equivalents	14	55 490	69 034	5 279	51 658
		178 390	192 409	27 255	70 700
TOTAL ASSETS		486 287	348 499	155 976	140 923

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	R'000	R'000	R'000	R'000
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital	15	3 881	1 497	3 881	1 497
Preference share capital	15	280	280	280	280
Treasury shares	15	(117)	(117)	-	-
Share premium		25 836	25 836	25 836	25 836
Share-based payments reserve	16	5 319	(214)	619	568
Other reserves	17	2 029	2 086	2 029	2 086
Retained earnings		275 192	243 139	106 767	102 795
Equity attributable to equity holders		312 420	272 507	139 412	133 062
Non-controlling interest		8 464	-	-	-
Total equity		320 884	272 507	139 412	133 062
Non-current liabilities					
Post-retirement liability	18	512	574	512	574
Accrued operating lease liability	19	13 444	14 235	-	-
Loan payable	10	75 200	-	-	-
Deferred tax liability	11	8 631	4 780	8 631	4 780
		97 787	19 589	9 143	5 354
Current liabilities					
Trade and other payables	20	52 798	49 393	6 881	2 507
Provisions	21	8 761	2 145	125	-
Accrued operating lease liability	19	5 070	4 849	-	-
Forward exchange contracts		294	-	-	-
Net interest in subsidiary companies	7	-	-	415	-
Income tax payable		693	16	-	-
		67 616	56 403	7 421	2 507
TOTAL EQUITY AND LIABILITIES		486 287	348 499	155 976	140 923

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	R'000	R'000	R'000	R'000
Revenue	24	708 374	608 540	28 022	50 507
Turnover	24	678 873	587 632	-	-
Cost of sales		(321 767)	(267 730)	-	-
Gross profit		357 106	319 902	-	-
Other income	24	17 213	16 241	20 897	18 034
Other operating costs		(349 340)	(322 061)	(20 043)	(14 636)
Operating profit	25	24 979	14 082	854	3 398
Dividend income	27	27	45	27	30 045
Finance income	24	12 261	4 622	7 098	2 428
Finance costs		(3 266)	(53)	(66)	(48)
Share of profit of associate, including gain on bargain purchase	8	30 901	-	-	-
Dilution loss on investment in associate	8	(14 811)	-	-	-
Profit before tax		50 091	18 696	7 913	35 823
Income tax expense	28	(14 604)	(5 876)	(3 924)	(1 608)
Profit for the year		35 487	12 820	3 989	34 215
Other comprehensive income:					
Items that are or may be subsequently reclassified to profit or loss					
Fair value adjustment on available-for-sale financial assets		-	240	-	240
Fair value adjustment on assets held at fair value through other comprehensive income		(57)	-	(57)	-

STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

for the year ended 30 June 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	R'000	R'000	R'000	R'000
Other comprehensive income for the year, net of taxation		(57)	240	(57)	240
Total comprehensive income for the year		35 430	13 060	3 932	34 455
Profit attributable to:					
Ordinary and "N" ordinary shareholders of the parent		42 568	12 803	3 972	34 198
Preference shareholders		17	17	17	17
Profit attributable to equity holders of the parent		42 585	12 820	3 989	34 215
Non-controlling interest		(7 098)	-	-	-
Profit for the year		35 487	12 820	3 989	34 215
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders of the parent		42 511	13 043	3 915	34 438
Preference shareholders		17	17	17	17
Profit attributable to equity holders of the parent		42 528	13 060	3 932	34 455
Non-controlling interest		(7 098)	-	-	-
Total comprehensive income for the year		35 430	13 060	3 932	34 455
Basic earnings per ordinary share (cents)	29.1	206.4	62.1		
Diluted earnings per ordinary share (cents)	29.2	206.4	62.1		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Ordinary share capital R' 000	Preference share capital R' 000
GROUP		
Balance at 1 July 2017	1 497	280
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Fair value adjustment of available-for-sale financial assets	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	-	-
Total contributions by and distributions to owners recognised directly in equity	-	-
Balance as at 30 June 2018	1 497	280
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Fair value adjustment on assets held at fair value through other comprehensive income	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Shares issued	2 384	-
Preference dividends paid	-	-
Equity-settled share-based payment	-	-
Change in degree of control *	-	-
Total contributions by and distributions to owners recognised directly in equity	2 384	-
Balance as at 30 June 2019	3 881	280

* The change in degree of control was the result of the dilution of the group's interest in its subsidiary, Ombrecorp Trading (RF) Proprietary Limited, from 100% to 52%. Refer to note 7.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2019

Treasury shares R'000	Share premium R'000	Share-based payments reserve R'000	Other reserves R'000	Retained earnings R'000	Attributable to equity share-holders R'000	Non-controlling interest R'000	Total R'000
(117)	25 836	(214)	1 846	230 336	259 464	-	259 464
-	-	-	-	12 820	12 820	-	12 820
-	-	-	240	-	240	-	240
-	-	-	240	12 820	13 060	-	13 060
-	-	-	-	(17)	(17)	-	(17)
-	-	-	-	(17)	(17)	-	(17)
(117)	25 836	(214)	2 086	243 139	272 507	-	272 507
-	-	-	-	42 585	42 585	(7 098)	35 487
-	-	-	(57)	-	(57)	-	(57)
-	-	-	(57)	42 585	42 528	(7 098)	35 430
-	-	-	-	-	2 384	-	2 384
-	-	-	-	(17)	(17)	-	(17)
-	-	5 533	-	-	5 533	5 047	10 580
-	-	-	-	(10 515)	(10 515)	10 515	-
-	-	5 533	-	(10 532)	(2 615)	15 562	12 947
(117)	25 836	5 319	2 029	275 192	312 420	8 464	320 884

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2019

	Ordinary share capital R' 000	Preference share capital R' 000
COMPANY		
Balance as at 1 July 2017	1 497	280
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Fair value adjustment of available-for-sale financial assets	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Preference dividends paid	-	-
Total contributions by and distributions to owners recognised directly in equity	-	-
Balance as at 30 June 2018	1 497	280
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year		
Fair value adjustment on assets held at fair value through other comprehensive income	-	-
Total comprehensive income for the year	-	-
Contributions by and distributions to owners recognised directly in equity		
Shares issued	2 384	-
Preference dividends paid	-	-
Equity-settled share-based payment	-	-
Total contributions by and distributions to owners recognised directly in equity	2 384	-
Balance as at 30 June 2019	3 881	280

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2019

Treasury shares R' 000	Share premium R' 000	Share-based payments reserve R' 000	Other reserves R' 000	Retained earnings R' 000	Attributable to equity share-holders R' 000	Non-controlling interest R' 000	Total R' 000
-	25 836	568	1 846	68 597	98 624		98 624
-	-	-	-	34 215	34 215	-	34 215
-	-	-	240	-	240	-	240
-	-	-	240	34 215	34 455	-	34 455
-	-	-	-	(17)	(17)	-	(17)
-	-	-	-	(17)	(17)	-	(17)
-	25 836	568	2 086	102 795	133 062	-	133 062
-	-	-	-	3 989	3 989	-	3 989
-	-	-	(57)	-	(57)	-	(57)
-	-	-	(57)	3 989	3 932	-	3 932
-	-	-	-	-	2 384	-	2 384
-	-	-	-	(17)	(17)	-	(17)
-	-	51	-	-	51	-	51
-	-	51	-	(17)	2 418	-	2 418
-	25 836	619	2 029	106 767	139 412	-	139 412

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	R'000	R'000	R'000	R'000
Cash flows from operating activities					
Operating profit before working capital changes	31.1	64 318	39 801	6 477	7 126
Working capital changes	31.2	6 470	(7 284)	1 923	(14 218)
Cash generated by operating activities		70 788	32 517	8 400	(7 092)
Interest received		2 792	4 622	2 948	2 427
Interest paid		(66)	(53)	(66)	(48)
Dividends paid	31.3	(17)	(17)	(17)	(17)
Dividends received		27	45	27	30 045
Taxation paid	31.4	(10 471)	184	-	-
Net cash inflows from operating activities		63 053	37 298	11 292	25 315
Cash flows from investing activities					
Additions to property, plant and equipment		(18 189)	(22 951)	(9)	-
Additions to investment properties		(349)	(1 494)	(349)	(1 494)
Additions to intangible assets		(1 194)	(1 908)	-	-
Proceeds from disposal of property, plant and equipment		502	-	180	-
Investment in subsidiary companies		-	-	(2 516)	-
Investment in associate		(2 516)	-	-	-
Net cash outflows from investing activities		(21 746)	(26 353)	(2 694)	(1 494)
Cash flows from financing activities					
Loan advanced		(126 851)	-	(54 977)	-
Loan received		72 000	-	-	-
Net outflows from financing activities		(54 851)	-	(54 977)	-
Net (decrease) / increase in cash and cash equivalents		(13 544)	10 945	(46 379)	23 821
Cash and cash equivalents at the beginning of the year		69 034	58 089	51 658	27 837
Cash and cash equivalents at the end of the year	14	55 490	69 034	5 279	51 658

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. Corporate information

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 2019 comprise the company and its subsidiaries (together referred to as the group).

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

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

The financial statements were authorised for issue by the directors on 30 September 2019.

2. Accounting policies

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.

These financial statements comprise the financial statements of the company ("separate financial statements") and the group financial statements of the company and its subsidiaries ("consolidated financial statements") 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 No. 71 of 2008.

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

Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard / interpretation	Effective date Years beginning on or after
IFRS 9 Financial Instruments	1 July 2018
IFRS 15 Revenue from Contracts with Customers	1 July 2018
Amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers	1 July 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 July 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 July 2018
Amendments to IAS 40 Transfers of Investment Property	1 July 2018
Annual improvements to IFRS Standards 2014 – 2016 cycle	1 July 2018

The group applied IFRS 9 'Financial Instruments' using the retrospective approach without restatement and IFRS 15 'Revenue from Contracts with Customers' using the cumulative effect method as an adjustment to the opening balance of equity at 1 July 2018, where required. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 'Revenue' and IAS 39 'Financial Instruments'.

2. Accounting policies (continued)

Standards and interpretations effective and adopted in the current year (continued)

IFRS9 Financial Instruments
The key changes of IFRS 9 relate to classification and measurement of financial assets and the new impairment model. The new impairment model reflects expected credit losses based on forward-looking information as opposed to incurred credit losses under IAS 39. The group has adopted the simplified impairment approach for all financial assets. The adoption of the standard did not require a restatement of opening reserves at 1 July 2018.

The group has reviewed and assessed existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards their classification and measurement:

Instrument	Classification under IAS 39	Classification under IFRS 9
Amounts receivable from subsidiary company	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Other investments	Available-for-sale financial asset	Fair value through other comprehensive income
Forward exchange contracts	Fair value through profit or loss	Fair value through profit or loss

Financial liabilities are classified as amortised cost except for those derivative liabilities that are measured at fair value through profit or loss.

Carrying amounts have not changed as a result of the transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

The core principle of the standard is that revenue recognised reflects the consideration to which the group expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

Transition to IFRS 15
The group has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018. In accordance with the transition provisions in IFRS 15, the group has adopted the cumulative effect method, with the effect of initially applying the standard at the date of initial application, being 1 July 2018. Management has determined that the revenue recognition from contract with customers is currently inline with the new IFRS principles and accordingly no adjustments have been made to prior year figures and policies, which were previously reported under IAS 18 nor has there been any impact on the 2018 figures and policies with the adoption of the IFRS 15.

Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS9 Financial Instruments
In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for

- the classification and measurement of financial assets and financial liabilities; and
- impairment for financial assets.

Details of these new requirements as well as their impact on the group's financial statements are described below.

The group selected and applied IFRS 9 using the retrospective approach in accordance with the transition provisions set out in IFRS 9.

2. Accounting policies (continued)

Changes in accounting policy (continued)

Classification and measurement of financial assets
The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparatives in relation to instruments that have not been derecognised as at 1 July 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July 2018, where required.

IFRS 9 contains three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS39 categories of held to maturity, loans and receivables and available for sale.

Transition to IFRS 9
Prior year financial statements have not been restated. This is in compliance with transitional provisions. The adjustments arising from the new impairment rules of IFRS 9 are, therefore, not reflected in the statement of changes in equity as at 30 June 2018. The application of the new classification principle did not result in any significant change in classification of financial instruments. The group revised the disclosure of financial instruments in accordance with IFRS 7 as amended by IFRS 9. It is the group's view that the expected credit losses for the current year are immaterial.

Impairment of financial assets
As at 1 July 2018, the directors reviewed and assessed the group's existing financial assets for impairment using reasonable and supportable information that was available, without undue cost or effort in accordance with the requirements of IFRS 9, to determine the credit risk of the respective items at the date they were initially recognised and compared the credit risk as at 1 July 2017 and 1 July 2018. Refer to page 61 in relation to the model used by the group for the calculation of expected credit losses. The result of the assessment is as follows:

The application of the IFRS 9 impairment requirements has resulted in no additional loss allowance to be recognised in the current year (2018: R nil).

The directors reviewed and assessed the group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets as regards to their classification and measurement:

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS 9.
The following table presents a summary of the financial assets at 1 July 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income".

	GROUP			COMPANY			
	Previous measurement IAS 39	**New measurement category: IFRS 9 amortised cost**	**Changes – adjustment to equity**	**Previous measurement IAS 39**	**New measurement category: IFRS 9 amortised cost**	**Changes – adjustment to equity**	**Change attributable to**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	
Previously loans and receivables							
Cash and cash equivalents	69 034	69 034	-	51 658	51 658	-	Change in measurement category
Trade and other receivables	6 984	6 984	-	995	995	-	Change in measurement category
Amounts receivable from subsidiary company	-	-	-	15 006	15 006	-	Change in measurement category
	76 018	76 018	-	67 659	67 659	-	

2. Accounting policies (continued)

Changes in accounting policy (continued)

	GROUP			COMPANY			
	Previous measurement IAS 39	New measurement category: IFRS 9 FVOC1	Changes – adjustment to equity	Previous measurement IAS 39	New measurement category: IFRS 9 FVOC1	Changes – adjustment to equity	Change attributable to
	R'000	R'000	R'000	R'000	R'000	R'000	
Previously available for sale financial assets							
Other investments	829	829	-	829	829	-	Change in measurement category

	GROUP			COMPANY			
	Previous measurement IAS 39	New measurement category: IFRS 9 FVTPL	Changes – adjustment to equity	Previous measurement IAS 39	New measurement category: IFRS 9 FVTPL	Changes – adjustment to equity	Change attributable to
	R'000	R'000	R'000	R'000	R'000	R'000	
Profit at fair value through profit or loss							
Forward exchange contracts	746	746	-	-	-	-	No change

Classification and measurement of financial liabilities
The application of IFRS 9 has had no impact on the classification and measurement of the group's financial liabilities.
Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS 9
The following table presents a summary of the financial liabilities as at 1 July 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	GROUP			COMPANY			
	Previous measurement IAS 39	New measurement category: IFRS 9 Amortised cost	Changes - adjustment to equity	Previous measurement IAS 39	New measurement category: IFRS 9 Amortised cost	Changes - adjustment to equity	Change attributable to
	R'000	R'000	R'000	R'000	R'000	R'000	
Previously amortised cost							
Trade and other payables	40 589	40 589		2 243	2 243		No change

Financial impact of initial application of IFRS 9
There was no significant financial impact by the application of IFRS 9 for the current and prior year.

2. Accounting policies (continued)

Changes in accounting policy (continued)

Application of IFRS 15 Revenue from Contracts with Customers
In the current year, the group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the group financial statements are described below. Refer to the revenue accounting policy for additional details.
The group has applied IFRS 15 with an initial date of application of 1 July 2018 in accordance with the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 July 2018, where required the comparative information has therefore not been restated.

Classification of sales
There was no significant financial impact due to the adoption of IFRS 15 except for changes to required disclosure, refer to note 24.

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 allowance for mark down and obsolescence of inventory are taken to profit or loss and takes into account historic sales information, seasonality of inventory and customer preferences and represents 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. Refer to note 12.

Measurement of fair values
When measuring the fair value of an asset or a liability, the entity uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 financial statements of the trust are included in the consolidated financial statements from the date of registration of the trust. The Rex Trueform Share Trust purchases or subscribes for "N" ordinary shares in Rex Trueform and awards these shares to the share trust participants. When the trust transfers these shares to the participants, it is considered to be in substance, two transactions, a distribution of shares from the trust back to the company as treasury shares, followed by a distribution of those shares to the share trust participants.

2. Accounting policies (continued)

Use of judgements and estimates (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.

Equity accounted investments
Investments accounted for using the equity method consist of associates (entities in which the group has significant influence, but not control; normally accompanying a shareholding of between 20% and 50% of voting rights in the investment).

Equity method of accounting
Under the equity method of accounting, investments are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the carrying value of the investment is adjusted to recognise the group's share of the post-acquisition profits or losses, movements in other comprehensive income and other equity movements, with the corresponding entry accounted for in either the income statement (for the group's share of profits and losses) or other comprehensive income (for the group's share of other comprehensive income and other equity movements after considering the substance of each transaction). Dividends received are accounted for against the carrying value of the investment.

The group determines whether there is any objective evidence that its investments are impaired at each reporting date. An impairment is the difference between the recoverable amount of the equity-accounted investment and its carrying value and is recognised in the income statement.

If the ownership interest in an equity-accounted investment is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Equity transactions by these entities that cause a dilution in the group's ownership interest are likewise treated as part disposals.

Financial instruments

IFRS 9 replaces the provisions of IAS 39 Financial instruments: Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments and impairment of financial assets. The adoption of IFRS 9 from 1 July 2018 resulted in changes in accounting policies and adjustments or reclassification to amounts recognised in the financial statements. The new accounting policies are set out below.

Financial instruments comprise cash and cash equivalents, trade and other receivables / payables, loans receivable / payable, amounts receivable from / payable to subsidiary companies, other investments and forward exchange contracts.

Recognition and de recognition of financial instruments
Financial instruments are recognised when, and only when, the group becomes a party to the contractual provisions of the particular instrument.

The group de recognises a financial asset when and only when:
- The contractual rights to the cash flows arising from the financial asset have expired; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

All purchases and sales of financial assets measured at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the group commits to purchase or sell the asset.

A financial liability is de recognised when, and only when, the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2. Accounting policies (continued)

Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Fair value measurement considerations

The fair values of quoted financial assets are based on quoted prices. If the market for a financial asset is not active, the group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Classification and measurement under IFRS 9

Financial assets

IFRS 9 contains three principal classification categories for financial assets that are debt instruments: measured at amortised cost, fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

A financial asset is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified as a financial asset at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are debt intruments not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise derivative financial instruments such as forward exchange contract, which the group uses 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 After initial recognition financial assets at fair value through profit or loss are measured at fair value with resulting fair value gains or losses being recognised directly in profit or loss.

All related fair value gains and losses are included in cost of sales. Interest earned while holding financial assets at fair value through profit or loss is included in interest income. Dividends received are included in dividend income.

Financial assets at amortised cost

Loans receivable and trade and other receivables.

Loans receivable and trade and other receivables including those made to fellow group undertakings, are subsequently measured at amortised cost using the effective interest method less any impairment losses. Interest received is recognised as part of finance income. Finance income, foreign exchange gains and losses and impairment are recognised in profit or loss. All loans receivable and trade and other receivables are recognised when cash is advanced or expected from borrowers.

2. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents
Cash and cash equivalents comprise balances with banks.
For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with banks.
Classification and measurement under IFRS 9 (continued)
Financial assets at fair value through other comprehensive income
After initial recognition financial assets at fair value through other comprehensive income are measured at fair value with resulting fair value gains or losses being recognised in other comprehensive income and presented within equity in other reserves. This category comprises of other investments.

Financial liabilities
Financial liabilities at fair value through profit or loss
Financial liabilities carried at fair value through profit or loss comprise derivative financial instruments such as forward exchange contracts which the group uses 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. After initial recognition financial assets at fair value through profit or loss are measured at fair value with resulting fair value gains or losses being recognised directly in profit or loss.

Financial liabilities at amortised cost
Financial liabilities at amortised cost comprises of loan payable and amounts payable to subsidiary companies and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss as finance costs. Any gain or loss on derecognition is also recognised in profit or loss.

Classification and measurement under IAS 39
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.

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.

2. Accounting policies (continued)

Financial instruments (continued)

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

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

Derivative financial instruments are subsequently measured at fair value, with the gain or loss on remeasurement being recognised immediately in profit or loss.
Impairment of financial assets
Policy applicable after 1 July 2018
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost and FVOCI (for example loans receivable, trade and other receivables and cash and cash equivalents) but not to investments in equity instruments. As a consequence, of the new standard, the group has revised its impairment methodology under IFRS 9 for each of these classes of assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for loans receivable and trade and other receivables including amounts due by group companies are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group considers a financial asset to be in default when:
i) the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
ii) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

Policy applicable before 1 July 2018
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.

2. Accounting policies (continued)

Financial instruments (continued)

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

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

Foreign currency

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

Property, plant and equipment

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

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

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

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

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

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

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

- Buildings 20 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.

2. Accounting policies (continued)

Investment property

Investment properties are properties that 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 20 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.

Investment property (continued)

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 has a finite, useful life is 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.

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" or "CGU").

2. Accounting policies (continued)

Impairment of non-financial assets (continued)

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 that they remain unpaid at the end of the reporting period.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages and salaries represent the amount that 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 are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Accounting policies (continued)

Employee benefits (continued)

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 as and when it is deemed appropriate by management. 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 and cash-settled share instruments to certain employees under an employee share plan. 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 using the five day volume weighted average quoted share price as at the reporting date and is spread over the vesting period.

Share-based payment transactions (continued)
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.

Provisions and contingent liabilities

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense related to any provision is recognised in profit or loss. If the effect of the time value of money is material, a discount rate is applied to determine the present value of the provision. Where discounting is applied the annual increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Contingent liabilities are not recognised as liabilities in the group financial statements but are disclosed separately in the notes.

Revenue

Classification and measurement under IFRS 15
Revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

Revenue is measured based on the standalone selling price of the merchandise. If the consideration in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probably that a significant revenue reversal will not occur. Contracts for the sale of merchandise provide customers with a right of return. The rights of return give rise to variable consideration.

Revenue arising from the consignment model is only recognised at the point where the end user pays for the goods.

Lay-by revenue is only recognised when the full purchase price of the goods have been paid.

2. Accounting policies (continued)

Revenue (continued)

Customer purchases of gift vouchers, to be used in our stores or on our online platforms, are not recognised as revenue until the voucher is redeemed and the customer purchases merchandise using the gift voucher. Gift vouchers, in line with the 3-year prescription period, are deemed to only expire after 3 years. A certain number of vouchers will not be fully redeemed and is considered to be immaterial.

Lay-by revenue and the proceeds from gift vouchers are recognised as deferred income until recognised as revenue.

The main categories of revenue and the basis of recognition are as follows:

Turnover
Turnover comprises net income from the sale of merchandise and is recognised when control of the merchandise is transferred to the customer. It is the group's policy to sell its products to the retail customer with a right to return within a specified period. Accumulated experience is used to estimate and provide for such returns. Under IFRS 15, the group has recorded a right-to-return asset included in inventories and a customer-returns provision included in provisions in the statement of financial position.

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 it is earned, according to the applicable contractual arrangements.

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

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.

Prior to 1 July 2018, revenue from the sale of goods was recognised and measured in accordance with IAS 18 Revenue, as follows:

Classification and measurement under IAS 18
Revenue from the sale of goods (men's and ladies' clothing and accessories) is recognised in profit or loss as turnover 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.

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.

Finance cost
Finance cost comprise interest payable on borrowings calculated using the effective interest method.

2. Accounting policies (continued)

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 offset if there is a legally enforceable right to offset 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.

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

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

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

Where tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of the 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.

2. Accounting policies (continued)

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 separate disclosure of provisions.
Other reclassifications related to categories within the notes.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out

3. Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 July 2019 or later periods:

Standard / interpretation		"Effective date Years beginning on or after"	Expected impact
IFRS 16	Leases	1 January 2019	Refer below
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	Low
IAS 19	Plan amendment, Curtailment or Settlement – amendments	1 January 2019	Low
IFRS 9	Prepayments Features with Negative compensation – amendments	1 January 2019	Low
	Annual Improvements to IFRS Standards 2015 – 2017 Cycle	1 January 2019	Low
	Conceptual Framework for Financial Reporting	1 January 2019	Low
IFRS 3	Definition of a Business - amendments	1 January 2019	Low
IAS 1 & IAS 8	Definition of Material - amendments	1 January 2019	Low
IFRS 17	Insurance Contracts	1 January 2019	Low

IFRS 16 Leases
The standard is effective for annual periods beginning on or after 1 January 2019. The requirements of the new standard will require all leases to be recorded on the statement of financial position. IFRS 16 requires the recognition of a right of use asset relating to the asset being leased and a lease liability representing the present value of future lease commitments. The nature of expenses related to leases will also change because the group will recognise a depreciation charge for the right of use asset and interest expense on the IFRS 16 lease liability.

Management has calculated the expected impact of IFRS 16 using the modified retrospective approach with practical expedients allowed per the new IFRS and it is assessed to be material. In the calculation management made use of judgments and estimates that may significant impact the result of the calculation. As a result management discounted the expected future lease payments using an expected range to calculate the present value of the expected future payments. These present values are based on a portfolio approach. This calculation was used for both the right of use of asset and the lease liability. The practical expedients included in the calculation are as follows:

- only fixed basic rentals were taken into account;
- management has followed the portfolio approach and categorised leases in three portfolios being metro, town and township in determining the discount rate to be used; and
- the IAS 17 lease smoothing liability will be collapsed against the right of use asset.

The following assumptions were used in the calculations:

- discount rates: metro - prime, town - prime plus 0.5% and township - prime + 1.0%;
- renewal periods were only included where there was a contractual right to renew and management was of the intent of renewing the contract.

3. Standards and interpretations not yet effective (continued)

Expected effect of IFRS 16	GROUP			COMPANY		
	Closing balance 2019 R'000	Expected IFRS 16 impact R'000	Opening balance 2020 R'000	Closing balance 2019 R'000	Expected IFRS 16 impact R'000	Opening balance 2020 R'000
Effect on statement of financial position						
Right of use of asset	-	297 660 to 328 993	297 660 to 328 993	-	-	-
IFRS 16 lease liability	-	(316 639) to (349 970)	(316 639) to (349 970)	-	-	-
Operating lease liability	(18 514)	18 514	-	-	-	-
Deferred income	(1 791)	1 465	(326)	-	-	-
Deferred tax asset	5 546	-	5 546	-	-	-
Effect on statement of comprehensive income						
Reduction in occupancy cost	-	85 163 to 94 127	-	-	-	-
Increase in deprecation	-	(69 108) to (76 383)	-	-	-	-
Increase in finance costs	-	(31 244) to (34 533)	-	-	-	-

4. Property, plant and equipment

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
Land and buildings				
Cost at the beginning of the year	5 896	3 771	-	-
Additions	1 074	2 125	-	-
Cost at the end of the year	6 970	5 896	-	-
Accumulated depreciation at the beginning of the year	418	157	-	-
Depreciation charge for the year	336	261	-	-
Accumulated depreciation at the end of the year	754	418	-	-
Carrying value at the beginning of the year	5 478	3 614	-	-
Carrying value at the end of the year	6 216	5 478	-	-
Fair value	25 000	25 100	-	-
Plant				
Cost at the beginning of the year	287	287	287	287

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
4. Property, plant and equipment (continued)				
Additions	10	-	10	-
Cost at the end of the year	297	287	297	287
Accumulated depreciation at the beginning of the year	74	55	74	55
Depreciation charge for the year	20	19	20	19
Accumulated depreciation at the end of the year	94	74	94	74
Carrying value at the beginning of the year	213	232	213	232
Carrying value at the end of the year	203	213	203	213
Vehicles				
Cost at the beginning of the year	1 423	1 423	125	125
Additions	19	-	-	-
Disposals	(228)	-	(78)	-
Cost at the end of the year	1 214	1 423	47	125
Accumulated depreciation at the beginning of the year	1 400	1 362	125	125
Depreciation charge for the year	25	38	-	-
Depreciation on disposals	(228)	-	(78)	-
Accumulated depreciation at the end of the year	1 197	1 400	47	125
Carrying value at the beginning of the year	23	61	-	-
Carrying value at the end of the year	17	23	-	-
Equipment and shopfittings				
Cost at the beginning of the year	200 669	180 007	11	11
Additions	17 087	20 826	-	-
Disposals	(18 637)	(164)	-	-
Cost at the end of the year	199 119	200 669	11	11
Accumulated depreciation at the beginning of the year	145 662	126 764	11	11
Depreciation charge for the year	16 070	19 033	-	-
Depreciation on disposals	(18 563)	(135)	-	-
Accumulated depreciation at the end of the year	143 169	145 662	11	11
Carrying value at the beginning of the year	55 007	53 243	-	-
Carrying value at the end of the year	55 950	55 007	-	-
Total carrying value at the beginning of the year	60 721	57 150	213	232
Total carrying value at the end of the year	62 386	60 721	203	213

4. Property, plant and equipment (continued)

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.

Fair value for financial reporting purposes

The fair value of land and buildings has been determined on a capitalisation of income basis as at 30 June 2019 by independent valuers, Sterling Valuation Specialists. In applying this method, the professional, associated values have given consideration to the rental-producing capacity of the property taking into account its location, structure and the rental-producing capacity of similar buildings.
The fair value measurement for land and buildings has been categorised as a Level 3 fair value based on the inputs of the valuation technique.

Significant unobservable inputs:

- Capitalisation rate: 10% (2018: 10%)

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
5. Investment property				
Cost at the beginning of the year	83 098	81 604	83 098	81 604
Additions	349	1 494	349	1 494
Cost at the end of the year	83 447	83 098	83 447	83 098
Accumulated depreciation at the beginning of the year	14 357	10 572	14 357	10 572
Depreciation charge for the year	3 411	3 785	3 411	3 785
Accumulated depreciation at the end of the year	17 768	14 357	17 768	14 357
Carrying value at the beginning of the year	68 741	71 032	68 741	71 032
Carrying value at the end of the year	65 679	68 741	65 679	68 741
Fair value	203 200	198 500	203 200	198 500

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

5. Investment property (continued)

Included in profit and loss are the following items:				
Rental income from investment property	16 786	15 700	18 784	17 551
Direct operating expenses (including repairs and maintenance) relating to rental-generating investment properties	8 249	8 236	7 403	7 742
Direct operating expenses (including repairs and maintenance) relating to investment properties which, did not generate income	378	191	254	191

The group leases out certain of its investment properties. The future minimum lease payments under non-cancellable leases are as follows:

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Less than one year	19 017	16 415	20 055	18 413
Between one and five years	13 463	9 555	13 463	10 593
Later than five years	-	66	-	66
Total	32 480	26 036	33 518	29 072

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 are classified as investment property.

Management has considered the following when assessing the owner-occupied portion as insignificant:
Queenspark Proprietary Limited occupies approximately 10% (2018: 10%) of the Rex Trueform Office Park ("RTOP") building and in relation to gross lettable area, this is regarded as insignificant.

The group's investment properties include commercial properties that are leased out to third parties. Rental increases vary between 7% and 9% (2018: 7% and 9%). Subsequent renewals may be negotiated with the lessee and the average renewal periods are from two to five years. No contingent rentals are charged.

There are commitments to further develop our investment properties by R 0.5 million (2018: R 0.7 million).

Fair value for financial reporting purposes

The fair value of investment property has been determined using the discounted cash flow method or applicable bulk rate as at 30 June 2019 by independent valuers, Sterling Valuation Specialists. In applying this method, the professional, associated valuers has given consideration to the rental-producing capacity of the properties taking into account their location, structure and the rental-producing capacity of similar buildings.

The fair values of investment properties were determined by external, independent property valuers, having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement for investment property has been categorised as a Level 3 fair value based on the inputs of the valuation technique.

Significant unobservable inputs:

- Capitalisation rate: 9% –10.5% (2018: 8.75% -10.5%)
- Discount rate: 14.50% (2018: 14.75%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2019

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
6. Intangible assets				
Computer software and other intangible assets				
Cost at the beginning of the year	39 566	37 658	-	-
Additions (computer software)	1 194	1 908	-	-
Cost at the end of the year	40 760	39 566	-	-
Accumulated amortisation at the beginning of the year	16 586	12 885	-	-
Amortisation charge for the year	3 410	3 701	-	-
Accumulated amortisation at the end of the year	19 996	16 586	-	-
Carrying value at the beginning of the year	22 980	24 773	-	-
Carrying value at the end of the year	20 764	22 980	-	-

	Issued capital	Share-holding	SHARES AT COST		INDEBTEDNESS	
	R	%	2019 R	2018 R	2019 R'000	2018 R'000
7. Net interest in subsidiary companies						
Operating						
Queenspark Proprietary Limited	100	100%	100	100		
- loan receivable					19 545	15 006
- amounts receivable					303	-
- amounts payable					(415)	-
- share-based payments capitalised			439 627	439 627		
The loan receivable bears interest at prime and is repayable on demand. The loan is therefore considered to be of a short-term nature.						
Queenspark Distribution Centre Proprietary Limited	2	100%	2	2		
- amounts receivable					11	-

7. Net interest in subsidiary companies (continued)

Operating (continued)

	Issued capital	Share-holding	SHARES AT COST		INDEBTEDNESS	
Ombrecorp Trading (RF) Proprietary Limited	100	52%	2 515 677	-		
- loan receivable					57 150	-
- amounts receivable					14	-

The group's investment in this subsidiary is directly linked and its activities are restricted to the group's investment in associate referred to in note 8.

On 26 September 2018 Ombrecorp Trading (RF) Proprietary Limited received loan funding from its holding company for the sole purpose of acquiring the group's 30% interest in SA Water Works Holding Company (RF) Proprietary Limited. The loan is unsecured and bears interest at the 6 month Jibar interest rate plus 5%. The loan is repayable on a bi-annual basis from distributions received from the underlying operating subsidiaries of SA Water Works Holding Company (RF) Proprietary Limited as cash resources permit. The loan is not expected to be repaid within 12 months and is therefore considered to be of a long-term nature. Refer to note 8 for management's assessment of the recoverability of the loan which is directly linked to the group's net investment in associate.

	Issued capital	Share-holding	SHARES AT COST		INDEBTEDNESS	
Rex Trueform Share Trust						
- loan receivable					117	-
- amounts receivable					5	-

During the current financial year the group provided financial assistance to the share trust in order to purchase the shares. The financial assistance was approved by the board on 26 June 2019, refer to SENS issued on 8 July 2019. The loan receivable is interest free and is repayable before the fifth anniversary of the effective date of the loan. The loan is not expected to be repaid within 12 months and is therefore considered to be of a long-term nature.

Dormant

	Issued capital	Share-holding	SHARES AT COST		INDEBTEDNESS	
Anglo-American Export and Import Co. Limited	200	100%	200	200	-	-
			2 955 606	439 929	76 730	15 006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2019

	COMPANY	
	2019 R' 000	2018 R' 000
7. Net interest in subsidiary companies (continued)		
Summary		
Shares at cost	2 516	-
Share-based payments capitalised	440	440
Investment in subsidiary companies	2 956	440
Non-current amounts receivable from subsidiary companies	57 267	-
Current amounts receivable from subsidiary companies	19 878	15 006
Amounts payable to subsidiary companies	(415)	-
Net interest in subsidiary companies	79 686	15 446
Shown as:		
Non-current assets	60 223	440
Current assets	19 878	15 006
Current liabilities	(415)	-
	79 686	15 446
Net asset value of operating subsidiary companies		
Queenspark Proprietary Limited	158 442	134 019
Queenspark (Proprietary) Limited (registered in Namibia)	(3 184)	(1 529)
Queenspark Distribution Centre Proprietary Limited	10 564	8 928
Ombrecorp Trading (RF) Proprietary Limited	1 543	-

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
8. Investment in associate				
Interest in associate	153 066	-	-	-
Investment at cost	2 516	-	-	-
Equity accounted earnings	20 417	-	-	-
Dilution loss on investment in associate	(14 811)	-	-	-
Gain from bargain purchase on investment in associate	10 484	-	-	-
Carrying value	18 606	-	-	-
Long-term loans	134 460	-	-	-
Total	153 066	-	-	-

8. Investment in associate (continued)

On 26 September 2018 Ombrecorp Trading (RF) Proprietary Limited provided loan funding to SA Water Works Holding Company (RF) Proprietary Limited. The loan is unsecured and bears interest at prime plus 5%. The loan is repaid as and when cash resources are available, on a bi-annual basis from distributions received from the underlying operating subsidiaries of the associate. The loan is not expected to be repaid within 12 months and is therefore considered to be of a long-term nature. Extensive due diligence and independent valuations were conducted on the underlying operating subsidiaries of the associate prior to the group entering into the transaction. The performance of the operations are monitored against expected targets and management plays an active role in managing the investment via board representation on all controlled entities within the investment group structure. Based on the solvency, liquidity and performance of the operations, management is satisfied that the loan is recoverable and no impairment thereof necessary.

Reconciliation of carrying value at the beginning and end of the year

Carrying value at the beginning of the year	-	-	-	-
Share of net attributable profit of associates	20 417	-	-	-
Investment at cost	2 516	-	-	-
Dilution loss on investment in associate	(14 811)	-	-	-
Gain from bargain purchase on investment in associate	10 484	-	-	-
Loans advanced during the year	125 135	-	-	-
Loans repaid during the year	(144)	-	-	-
Interest accrued during the year	9 469			
Carrying value at the end of the year	153 066	-	-	-

Investment in and loan to associate

During the period under review the group acquired 30% of the issued share capital of SA Water Works Holding Company (RF) Proprietary Limited ("SAWW") for a nominal consideration via Ombrecorp Trading (RF) Proprietary Limited ("Ombrecorp"), a subsidiary which was acquired as a shelf company in the current year for the purpose of the investment. A total of R 125 000 000 in funding was provided to SAWW consisting of share capital of R 300 and loan funding of R 124 999 700.

SAWW was specifically incorporated in order to acquire controlling interests in two water concession businesses:
(i) Siza Water (RF) Proprietary Limited ("Siza"); and
(ii) Silulumanzi (RF) Proprietary Limited and SA Water Works Utilities (RF) Proprietary Limited (collectively "Silulumanzi").

Siza conducts a water concession business operating predominantly in the municipal boundaries of the Ilembe District Municipality and surrounding areas in KwaZulu-Natal. Founded in 1998, it provides water and water services to residential, industrial and commercial consumers pursuant to a concession agreement executed between the Ilembe District Municipality and Siza.

Silulumanzi has been in existence since 1998 and conducts a water concession business, operating in the municipal boundaries of the City of Mbombela Local Municipality and the greater parts of Nelspruit and, since 1999, has provided water and water services to residential, commercial and industrial consumers pursuant to the concession agreement executed between the City of Mbombela Local Municipality and Silulumanzi.

8. Investment in associate (continued)

Investment in and loan to associate (continued)

Timeline of key dates for the investment:

- 26 September 2018: A 33.78% interest in SAWW was acquired via Ombrecorp (a wholly owned subsidiary at the time) for a nominal value of R 125. R 41 326 850 is lent to SAWW for the acquisition of Siza. The Siza transaction closed on this date;

- 21 December 2018: A new SAWW shareholder was introduced necessitating the issuance of additional shares reducing the groups interest in SAWW from 33.78% to 15.16%. A dilution loss on investment is recognised amounting to R 14 811 423. The Silulumanzi transaction closed on this date;

- 31 December 2018: SAWW group financial year end; and

- 28 February 2019: An additional interest in SAWW is acquired for a nominal value of R 175 increasing the group's interest from 15.16% to 30%. R 10 484 414 is recognised as a gain on bargain purchase. Ombrecorp acquires R 72 000 000 in funding from 27four Life Limited and utilising the funding together with own resources advances R 83 672 850 to SAWW for the acquisition of Silulumanzi. Additional Ombrecorp shares are issued resulting in 48% of the issued shares being acquired by certain not-for-profit organisations. The group's share in Ombrecorp reduces to 52% and the effective interest in SAWW reduces to 15.6%. The Ombrecorp share issue results in an equity-settled share-based payment expense amounting to R 10 514 720.

As outlined above, Ombrecorp's interest in SAWW reduced from 33.78% to 15.16% on 21 December 2018 and later increased to 30% on 28 February 2019. Management considered the events giving rise to the changes in shareholding to be part of one indivisible transaction and in line with the purchase agreements originally entered into which also afforded certain minority protections as well as guaranteed board representation on SAWW and subsidiary boards. MA Golding and CL Lloyd currently occupy these board positions. As a result, the investment in SAWW was therefore consistently accounted for as an investment in associate throughout the financial year.

Refer to SENS announcements issued on 28 September 2018, 24 January 2019 and 25 February 2019 for further detailed information.

The following table summarises the financial information of SAWW as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in SAWW. The information for 2019 presented in the table includes the results of SAWW for the period from 26 September 2018 to 30 June 2019.

	GROUP	
	2019	2018
	R' 000	R' 000
Percentage ownership	30.0%	-
Rex Trueform' subsidiary, Ombrecorp, directly owns 30% of the issued share capital of SAWW. Rex Trueform owns 52% of the issued share capital of Ombrecorp.		
Summarised statement of financial position		
Non-current assets	1 087 702	-
Current assets	334 065	-
Non-current liabilities	(1 125 626)	-
Current liabilities	(196 034)	-
Non-controlling interest	(46 472)	-
Net assets (100%)	53 635	-
Group's share of net assets (30%)	16 090	-

	GROUP	
	2019	2018
	R' 000	R' 000

8. Investment in associate (continued)

Investment in and loan to associate (continued)

Summarised statement of comprehensive income

	2019 R' 000	2018 R' 000
Revenue	411 645	-
Profit after tax	61 337	-
Attributable to non-controlling shareholders	(7 702)	-
Attributable profit and comprehensive income (100%)	53 635	-
Group's share of total comprehensive income (33.78%; 15.16%; 30%)	20 417	-

The group's interest in SAWW was 33.78% for the period 26 September 2018 to 20 December 2018, during this period the share of total comprehensive income was R 26 870 562. The group's interest in SAWW was then diluted to 15.16% for the period 21 December 2018 to 28 February 2019, during this period the share of comprehensive income was a loss of R 1 348 645. The group's interest in SAWW increased to 30% for the period 1 March 2019 to June 2019, during this period the share of comprehensive income was a loss of R 5 104 437.

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
9. Other investments				
Unlisted shares				
Business Partners Limited				
- 104 800 shares at fair value	650	734	650	734
Listed shares				
Sanlam Limited				
- 1 356 shares at fair value	106	95	106	95
Total at fair value through other comprehensive income (2018: available-for-sale investments)	756	829	756	829
10. Loans receivable / (payable)				
Non-current loans receivable				
Unsecured loans to share scheme participants - related party	1 048	-	1 048	-
Loans to holding company	812	-	812	-
	1 860	-	1 860	-
Non-current loans payable				
Unsecured loan raised to finance investment in associate	(75 200)	-	-	-

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000

10. Loans receivable / (payable) (continued)

10.1 Unsecured loans to share scheme participants

Balance at the beginning of the year	-	-	-	-
Advances during the year	1 048	-	1 048	-
Balance at the end of the year	1 048	-	1 048	-

The loans are unsecured and interest-free. Repayment terms are the earlier of [i] 5 days after disposal of the shares by the scheme participant, [ii] within 30 days written notice from the lender after the third anniversary of the loan, and [iii] by the fifth anniversary of the signature date. The loan is not expected to be settled within 12 months and is therefore considered to be of a long-term nature. Shareholder approval for the loans were obtained in terms of section 45 of the Companies Act.

10.2 Loans to holding company

Balance at the beginning of the year	-	-	-	-
Advances during the year	2 000	-	2 000	-
Repayments during the year	(1 190)	-	(1 190)	-
Interest accrued during the year	2	-	2	-
Balance at the end of the year	812	-	812	-

During the current financial year the group provided financial assistance to its holding company. The financial assistance was approved by the board on 24 June 2019, refer to SENS issued on 8 July 2019. The loan is unsecured and bears interest at the prime rate of interest. The loan is repayable by the fifth anniversary of the signature date of the loan as cash resources permit and is therefore considered to be of a long-term nature.

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
10. Loans receivable / (payable) (continued)				
10.3 Unsecured loan raised to finance investment in associate				
Balance at the beginning of the year	-	-	-	-
Loan received during the year	(72 000)	-	-	-
Interest accrued during the year	(3 200)	-	-	-
Balance at the end of the year	(75 200)	-	-	-

Ombrecorp received loan funding from 27four Life Limited for the sole purpose of acquiring the group's 30% interest in SAWW. The loan is unsecured and bears interest at the 6 month Jibar interest rate plus 5%. The loan is repayable on a bi-annual basis from distributions received from the underlying operating subsidiaries of SAWW. The loan is not expected to be repaid within 12 months and is therefore considered to be of a long-term nature.

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
11. Deferred tax asset / (liability)				
Balance at the beginning of the year	(1 961)	3 035	(4 780)	(3 108)
- Deferred tax assets	2 819	6 149	-	-
- Deferred tax liabilities	(4 780)	(3 114)	(4 780)	(3 108)
Charge to profit or loss	(3 299)	(4 930)	(3 867)	(1 606)
- current year	(2 540)	(4 661)	(3 108)	(1 673)
- prior year (over) / under provision	(759)	(269)	(759)	67
Recognised in statement of comprehensive income	16	(66)	16	(66)
- Investments	16	(66)	16	(66)
Current year movement in temporary differences recognised in profit or loss	(3 299)	(4 930)	(3 867)	(1 606)
- Accruals and provisions	2 193	942	192	(60)
- Property, plant and equipment, intangible assets and investment property	(2 648)	(3 677)	(1 816)	(2 195)
- Forward exchange contracts	82	(220)	-	-
- Lease asset	324	196	324	196
- Prepaid expense	(683)	(443)	-	-
- Assessed loss	(2 567)	(1 728)	(2 567)	453

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
11. Deferred tax asset / (liability) (continued)				
Current year movement in temporary differences recognised in statement of comprehensive income	16	(66)	16	(66)
- Investments	16	(66)	16	(66)
Balance at the end of the year	(5 245)	(1 961)	(8 631)	(4 780)
- Deferred tax assets	3 386	2 819	-	-
- Deferred tax liabilities	(8 631)	(4 780)	(8 631)	(4 780)
Comprising:				
Deferred tax assets	15 936	16 440	4 051	6 427
- Assessed losses	3 689	6 254	3 689	6 256
- Accruals and provisions	12 165	10 186	362	171
- Forward exchange contracts	82	-	-	-
Deferred tax liabilities	(21 181)	(18 401)	(12 682)	(11 207)
- Property, plant and equipment, intangible assets and investment property	(16 875)	(14 226)	(12 157)	(10 340)
- Lease asset	(477)	(801)	(477)	(801)
- Investments	(48)	(66)	(48)	(66)
- Forward exchange contracts	-	(209)	-	-
- Prepaid expense	(3 781)	(3 099)	-	-

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% (2018: 22.4%) was used to compute deferred tax for assets and liabilities that will be realised through sale, and a rate of 28.0% (2018: 28.0%) was used for deferred tax balances to be recovered through use.

The subsidiary company operating in Namibia has a statutory tax rate of 32%.

Management considers that there will be future taxable profits against which the assessed losses will be utilised. The assessed losses relates to the property segment of the group and has arisen due to accelerated tax allowances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2019

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
12. Inventories				
Merchandise on hand	73 635	71 708	-	-
Merchandise at sea	25 900	20 424	-	-
Right-to-return asset	1 102	-	-	-
Inventories at the end of the year	100 637	92 132	-	-
Inventories carried at net realisable value	26	245		
Net realisable value provision beginning of year	9 700	10 611	-	-
Inventory provision / (provisions reversals) included in profit or loss	3 123	(911)	-	-
Net realisable value provision end of year	12 823	9 700		
Inventory write-downs are due to the seasonal nature of products.				
13. Trade and other receivables				
Trade receivables	1 324	5 400	-	-
Prepayments	18 421	18 239	113	125
VAT receivable	-	2 252	-	-
Other receivables	808	1 584	281	995
At the end of the year	20 553	27 475	394	1 120
Reconciliation				
Financial instruments				
Trade receivables	1 324	5 400	-	-
Other receivables	808	1 584	281	995
Non-financial instruments				
VAT receivable	-	2 252	-	-
Prepayments	18 421	18 239	113	125
	20 553	27 475	394	1 120
Categorisation of trade and other receivables				
Trade and other receivables are categorised as follows in accordance with IFRS 9 Financial Instruments:				
At amortised cost	2 132	6 984	281	995
Non-financial instruments	18 421	20 491	113	125
	20 553	27 475	394	1 120

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
14. Cash and cash equivalents				
Bank balances	22 419	13 857	4 812	156
Call deposits	33 071	55 177	467	51 502
At the end of the year	55 490	69 034	5 279	51 658
Call deposit includes an amount of R 577 500 pledged to the City of Cape Town.				
15. Share capital				
Authorised share capital				
Ordinary shares				
26 000 000 ordinary shares of no par value (2018: 3 250 000)	1 625	1 625	1 625	1 625
120 000 000 "N" ordinary shares of no par value (2018: 40 000 000)	100	100	100	100
	1 725	1 725	1 725	1 725
Preference shares				
140 000 6% cumulative preference shares of R 2 each	280	280	280	280
	2 005	2 005	2 005	2 005
Issued share capital				
Ordinary shares				
2 905 805 ordinary shares of no par value (2018: 2 905 805)	1 453	1 453	1 453	1 453
17 846 354 "N" ordinary shares of no par value (2018: 17 735 506)	2 428	44	2 428	44
	3 881	1 497	3 881	1 497
Preference shares				
140 000 6% cumulative preference shares of R 2 each	280	280	280	280
	4 161	1 777	4 161	1 777
Treasury shares				
20 279 "N" ordinary shares held by the Rex Trueform Share Trust (2018: 20 279)	(117)	(117)	-	-

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

15. Share capital (continued)

The unissued shares are under the control of the directors until the annual general meeting. The increase in authorised share capital was approved at the 2017 annual general meeting and was increased with effect from January 2018.

In June 2019 a total of 110 848 "N" ordinary shares were awarded and issued to an executive director and a senior executive via the Rex Trueform Share Trust in terms of the employee share scheme. A further 243 866 share options on "N" ordinary shares were awarded to executive directors and senior executives in June 2019. Refer to note 26.2.

No dividends were declared or paid by the company on ordinary and "N" ordinary shares during the year (2018: R nil).

The directors have not proposed a dividend distribution per share in respect of the 2019 year on ordinary and "N" ordinary shares.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
16. Share-based payment reserve				
Non-distributable	5 468	-	-	-
Distributable	(149)	(214)	619	568
At the end of the year	5 319	(214)	619	568

The following transactions occurred during the year which gave rise to a movement in the share-based payment reserve:

i) Non-distributable reserve - an equity-settled share-based payment expense of R 10 514 720 arose as a result of the award of shares in Ombrecorp Trading (RF) Proprietary Limited to the non-controlling shareholders for below fair value. The group's share of the resulting share-based payment reserve amounted to R 5 467 654. Refer to note 8.

ii) Distributable reserve - an equity-settled share-based payment expense arose as a result of share options granted to executive directors and senior executives. Refer to note 26.2.

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
17. Other reserves				
Revaluation of assets held at fair value through other comprehensive income (2018: available-for-sale financial assets) *	603	660	603	660
Actuarial gain on post-retirement defined benefit plan	1 426	1 426	1 426	1 426
At the end of the year	2 029	2 086	2 029	2 086

* Relates to other investments as per note 9.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

18. Post-retirement liability

At 30 June 2019, the group had an obligation to provide limited post-retirement benefits to five members (2018: five).

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

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Reconciliation of liability				
At the beginning of the year	574	650	574	650
Interest cost included in profit or loss	66	48	66	48
Benefits paid	(128)	(124)	(128)	(124)
Amount included in statement of financial position	512	574	512	574
Amount included in profit or loss				
Interest cost	66	48	66	48
	66	48	66	48

19. Accrued operating lease liability

The group leases its store trading premises under operating leases. Leases are mostly contracted for periods of between one and eight years, with certain lease agreements providing for renewal options for similar periods. The lease agreements for certain stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover achieved. Rental escalations vary between 5% and 10% (2018: 6% and 10%) per annum.

Lessee

At 30 June 2019, future non-cancellable minimum lease rentals were payable during the following financial years:

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Minimum lease payments				
Cash flows year one	96 563	94 993	-	-
Cash flows years two to five	212 756	220 768	-	-
Cash flows > year five	24 132	9 463	-	-
Total future cash flows	333 451	325 224	-	-
Accrued operating lease liability – Non-current	(13 444)	(14 235)	-	-
Accrued operating lease liability – Current	(5 070)	(4 849)	-	-
Future expenses	314 937	306 140	-	-

Lessor – refer to note 5.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
20. Trade and other payables				
Trade payables	24 988	21 159	2 694	-
Deferred income	1 791	1 883	-	-
VAT payable	943	235	225	129
Employee benefit accruals	9 777	6 686	1 127	135
Other payables and accruals	15 299	19 430	2 835	2 243
At the end of the year	52 798	49 393	6 881	2 507
Reconciliation				
Financial instruments				
Trade payables	24 988	21 159	2 694	-
Other payables	15 299	19 430	2 835	2 243
Non-financial instruments				
Deferred income	1 791	1 883	-	-
VAT payable	943	235	225	129
Employee benefit accruals	9 777	6 686	1 127	135
	52 798	49 393	6 881	2 507
Categorisation of trade and other payables				
Trade and other payables are categorised as follows in accordance with IFRS 9: Financial Instruments:				
At amortised cost	40 287	40 589	5 529	2 243
Non-financial instruments	12 511	8 804	1 352	264
	52 798	49 393	6 881	2 507

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
21. Provisions				
Employment costs	3 680	1 000	125	-
Customer returns	2 345	1 145	-	-
Provision for occupancy commitments	2 736	-	-	-
	8 761	2 145	125	-
21.1 Employment costs				
At the beginning of the year	1 000	-	-	-
Movement in profit or loss	2 680	1 000	125	-
At the end of the year	3 680	1 000	125	-

The provision relates to staff bonuses.

21.2 Customer returns

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
At the beginning of the year	1 145	-	-	-
Movement in profit or loss	1 200	1 145	-	-
At the end of the year	2 345	1 145	-	-

It is the group's policy to accept merchandise returns up to 30 days after the sale has occurred or in the case of defective goods up to six months after sale, provided that the customer has retained proof of purchase. The amount of the provision was calculated with reference to historical sales returns.

21.3 Provision for occupancy commitments

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
At the beginning of the year	-	-	-	-
Movement in profit or loss	2 736	-	-	-
At the end of the year	2 736	-	-	-

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

21. Provisions (continued)

21.3 Provision for occupancy commitments (continued)

The provision relates to amounts provided for under onerous lease contracts. An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The provision is therefore based on the present value of the remaining lease commitments as well as any related closure costs.

The identification of onerous leases is reliant on management's judgement as to whether a store will return to profitability in the foreseeable future or not. If management is of the view that a store will not return to profitability within the foreseeable future it is classified as an onerous lease. In making its assessment, management takes into account a number of factors including shopping centre footfall, the historic profitability of the store and the possibility of renegotiating lease terms.

22. Capital commitments

Capital commitments include all projects for which specific board approval has been obtained.

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Authorised but not yet contracted for				
Store development	7 989	8 126	-	-
Computer infrastructure and software	3 777	2 496	-	-
Plant and machinery	778	650	-	-
Head office refurbishments	739	830	471	655
Motor vehicle	496	-	-	-
Total	13 779	12 102	471	655
Authorised and contracted for (less amounts already incurred)				
Store development	16 123	5 618	-	-
Plant and machinery	30	-	-	
Computer infrastructure and software	682	105	-	-
Total	16 835	5 723	-	-

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

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

23. Financial instruments

23.1 Fair values

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
The carrying values of financial assets and financial liabilities, which also approximate their fair values, are as follows:				
Trade and other receivables	2 132	6 984	281	995
Amounts receivable from subsidiary companies	-	-	77 145	15 006
Cash and cash equivalents	55 490	69 034	5 279	51 658
Loans receivable	1 860	-	1860	-
Loan payable	(75 200)	-	-	-
Trade and other payables	(40 287)	(40 589)	(5 529)	(2 243)
Amounts payable to subsidiary company	-	-	(415)	-
Loan to associate company	134 460	-	-	-
	78 455	35 429	78 621	65 416

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

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Held at fair value through other comprehensive income (2018: available-for-sale financial assets) (Level 1)	106	95	106	95
Held at fair value through other comprehensive income (2018: available-for-sale financial assets) (Level 2)	650	734	650	734
Forward exchange contracts (Level 2)	(294)	746	-	-
	462	1 575	756	829

Held at fair value through other comprehensive income assets (2018: available-for-sale financial assets) was based on the latest market price of the invested shares.

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

23. Financial instruments (continued)

23.2 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 it arises on trade and other receivables, cash and cash equivalents 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 collectable.

The material recurring trade debtors comprise of amounts receivable from 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 with high credit standings.

Credit loss allowances for expected credit losses are recognised for all financial assets, but exclude those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12-month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12-month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references, etc. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets that do not contain a significant financing component are the exceptions and are discussed below.

For trade receivables that do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy to make use of lifetime expected credit losses. Management does not, therefore make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables.

Trade receivables comprise only a few accounts. Management evaluates credit risk relating to customers on an ongoing basis. The granting of credit risk is made on application and is approved by management. At year end the company did not consider there to be any significant concentration of credit risk that has not been insured or adequately provided for.

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. The credit rating currently applicable is BB+.

23. Financial instruments (continued)

23.2 Credit risk (continued)

Impairment under IFRS 9 will apply to cash and cash equivalents being measured at amortised cost. These are short term (that is not longer than 12 months) and held with a reputable bank institution. Accordingly, there is no significant expected credit loss (ECL) on such asset.

Based on management's review of future profit and cash flow projections as well as the solvency, liquidity and performance of the retail operations, they are satisfied that the amount receivable from its subsidiary, Queenspark Proprietary Limited, is recoverable and no impairment thereof necessary. The expected credit loss (ECL) is therefore considered to be R nil.

The amounts receivable from its subsidiary, Ombrecorp Trading (RF) Proprietary Limited, and the loan to associate company, SAWW, are inextricably linked. Extensive due diligence and independent valuations were conducted on the underlying operating subsidiaries of the associate prior to the group entering into the transaction. The performance of the operations are monitored against expected targets and management plays an active role in managing the investment via board representation on all controlled entities within the investment group structure. Based on the solvency, liquidity and performance of the operations, management is satisfied that the loan is recoverable and no impairment thereof necessary. The expected credit loss (ECL) is therefore considered to be R nil.

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	R' 000	**R' 000**	**R' 000**	**R' 000**
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure.				
The maximum exposure to credit risk at the reporting date was:				
Trade receivables (refer note 13)	1 324	5 400	-	-
Other receivables (refer note 13)	808	1 584	281	995
Loans receivable (refer note 10)	1 860	-	1 860	-
Amounts receivable from subsidiary company (refer to note 7)	-	-	77 145	15 006
Cash and cash equivalents (refer note 14)	55 490	69 034	5 279	51 658
Loan to associate company (refer to note 8)	134 460	-	-	-
	193 942	76 018	84 565	67 659
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Amounts receivable from franchisee	75	65	-	-
Online retailers	664	4 616	-	-
Other	585	719	-	-
	1 324	5 400	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2019

23. Financial instruments (continued)

23.2 Credit risk (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

	GROUP				COMPANY			
	Gross 2019 R'000	Impairment 2019 R'000	Gross 2018 R'000	Impairment 2018 R'000	Gross 2019 R'000	Impairment 2019 R'000	Gross 2018 R'000	Impairment 2018 R'000
Not past due	1 302	-	2 635	-	-	-	-	-
Past due 0 – 30 days	22	-	1 759	-	-	-	-	-
Past due 3 – 60 days	-	-	589	-	-	-	-	-
Past due > 61 days	-	-	417	-	-	-	-	
	1 324	-	5 400	-	-	-	-	-

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
An analysis of the credit quality of trade and other receivables that are past due but not impaired is as follows:				
Franchise stores				
Franchise stores with greater than two years' trading history with the group	16	-	-	-
Online retailers	-	2 390	-	-
Other customers	6	375	-	-
	22	2 765	-	-

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

23.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses to the group.

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

Note 19 discloses cash flows relating to non-cancellable minimum lease rentals.

	GROUP		COMPANY	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

23. Financial instruments (continued)

23.3 Liquidity risk (continued)

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
The expected cash flow related to trade payables and other payables and accruals will occur as follows:				
Trade payables	24 988	21 159	2 694	-
Other payables and accruals	15 299	19 430	2 835	2 243
Loan payable	75 200	-	-	-
Amounts payable to group companies	-	-	415	-
Contractual cash flows	115 487	40 589	5 944	2 243
Less than one year	40 287	40 589	5 944	2 243
After one year	75 200	-	-	-
The expected cash flows related to forward exchange contracts will occur as follows:				
Carrying amount	294	(746)	-	-
Contractual cash flows	21 583	4 777	-	-
Less than one year	21 583	4 777	-	-

23.4 Interest rate risk

The group is exposed to interest rate risk as set out in the table below.

	GROUP		COMPANY	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Variable-rate instruments				
Amounts receivable from subsidiary companies (refer to note 7)	-	-	76 695	15 006
Cash and cash equivalents (refer to note 14)	55 490	69 034	5 279	51 658
Loan receivable (refer to note 10)	812	-	812	-
Loan payable (refer to note 10)	(75 200)	-	-	-
Loan to associate company (refer to note 8)	134 460	-	-	-
	115 562	69 034	82 786	66 664
Interest free instruments				
Amounts receivable from subsidiary companies (refer to note 7)	-	-	117	-
Loan receivable (refer to note 10)	1 048	-	1 048	-
	1 048	-	1 165	-

Cash and cash equivalents are 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 6.25% and 7.6% (2018: 6% and 7.2%). Floating rate financial assets include cash at bank and cash equivalents. The group has no fixed rate financial assets or liabilities.

23. Financial instruments (continued)

23.4 Interest rate risk (continued)

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 interest bearing financial instruments. This analysis assumes all other variables remain constant. All interest bearing financial instruments are at variable interest rates. The analysis is performed on the same basis as for 2018.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
Profit or loss before taxation	1 156	690	828	667

23.5 Currency risk

The group incurs currency risk as a result of transactions that 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 US dollar. The forward cover obtained relates to orders / planned orders which are to be delivered at a future date in the normal course of the retail business.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
Included in trade payables:				
Foreign suppliers – US Dollar	3	7	-	-
	3	7	-	-

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

	Currency	Foreign Amount R' 000	Average forward cover rate	Rand Amount R' 000
2019				
Imports	US Dollar	1 500	R 14,39	21 583
2018				
Imports	US Dollar	400	R 11,94	4 777

23. Financial instruments (continued)

23.5 Currency risk (continued)

The following significant exchange rates applied during the year:

	AVERAGE RATE		30 JUNE SPOT RATE	
	2019	**2018**	**2019**	**2018**
US Dollar	R 14,18	R 12,87	R 14,15	R 13,81

The group is primarily exposed to 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 2018.

	Profit or Loss R' 000
2019	
US Dollar	2 158
2018	
US Dollar	478

23.6 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 2019 the ordinary shareholders' interest (total equity less preference share capital) to total assets was 66.0% (2018: 78.1%).

24. Revenue

	GROUP		COMPANY	
	2019 R' 000	**2018 R' 000**	**2019 R' 000**	**2018 R' 000**
Revenue from contracts with customers	678 873	587 632	-	-
Turnover - retail sales	678 873	587 632	-	-
Other revenue	29 501	20 908	28 022	50 507
Rental income	16 786	15 700	18 784	17 551
Finance income	12 261	4 622	7 098	2 428
Related parties	9 471	-	5 693	4
External parties	2 790	4 622	1 405	2 424
Dividend income	27	45	27	30 045
Management fee income	-	541	1 933	483
Profit on sale of property	427	-	180	-

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000
	708 374	608 540	28 022	50 507

24. Revenue (continued)

The disaggregated revenue from contracts with customers is as follows:

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Primary geographical markets	678 873	587 632	-	-
South Africa	663 587	572 523	-	-
Namibia	15 286	15 109	-	-
Timing of revenue recognition	678 873	587 632	-	-
Products transferred at a point in time	678 873	587 632	-	-
Other revenue	29 501	20 908	28 022	50 507
Total external revenue	708 374	608 540	28 022	50 507

25. Operating profit is stated after the following:

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Net (profit) / loss on disposal of property, plant and equipment, intangible assets and investment property	(427)	29	(180)	-
- equipment and shopfittings	(212)	29	-	-
- vehicles	(215)	-	(180)	-
Net foreign exchange (gain) / loss	(2 386)	2 141	-	-
- realised (gain) / loss	(3 426)	2 849	-	-
- unrealised loss / (gain)	1 040	(708)	-	-
Amortisation	3 410	3 701	-	-
Depreciation	19 862	23 136	3 431	3 804
- land and buildings and investment property	3 747	4 046	3 411	3 785
- plant	20	19	20	19
- vehicles	25	38	-	-
- equipment and shopfittings	16 070	19 033	-	-
Leasing charges	115 443	106 505	-	-
- operating leases – properties	115 443	106 505	-	-
Lease amortisation	(571)	547	-	-
Managerial, technical, administrative and secretarial fees	3 962	3 190	5 911	4 043
Equity-settled share-based payment	10 515	-	-	-

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
25. Operating profit is stated after the following: (continued)				
Employment costs				
Non-executive directors	1 226	1 496	1 226	1 356
- for services as directors	930	1 194	930	1 054
- for consultancy services	296	302	296	302
Executive directors	5 553	4 985	2 470	795
- equity-settled share-based payment	1 192	-	1 192	-
- paid for managerial services	3 752	4 312	940	41
- retirement fund contributions	180	248	44	1
- management fees	-	-	204	729
- other benefits	141	336	36	2
- bonuses and performance-related payments	288	89	54	22
Key management	1 249	-	1 192	-
- for services as directors of subsidiary companies	57	-	-	-
- equity-settled share-based payment	1 192	-	1 192	-
Employment costs – other	110 933	103 508	194	5
Employment costs	105 883	97 790	142	-
Equity-settled share-based payment	67	-	52	-
Retirement funding costs	4 983	5 718	-	5
Total employment costs	118 961	109 989	5 082	2 156

26. Directors' emoluments

26.1 Directors' remuneration

	Directors' fees (R'000)	Fees for other services^ (R'000)	Basic salary (R'000)	Performance related payments (R'000)	Value of other benefits ^^ (R'000)	Retirement fund contributions (R'000)	Total 2019 (R'000)
Executive directors							
CL Lloyd*	-	-	-	-	1 192	-	1 192
CEA Radowsky**	-	-	2 812	234	105	136	3 287
D Franklin	-	-	940	54	36	44	1 074
	-	-	3 752	288	1 333	180	5 553
Non-executive directors							
MA Golding	350	74	-	-	-	-	424
PM Naylor	160	116	-	-	-	-	276
HB Roberts	140	74	-	-	-	-	214
LK Sebatane	140	32	-	-	-	-	172
MR Molosiwa	140	-	-	-	-	-	140
	930	296	-	-	-	-	1 226
Key management							
WD Nel***	-	-	-	-	1 192	-	1 192
M Cole****	57	-	-	-	-	-	57
	57	-	-	-	1 192	-	1 249
Total	987	296	3 752	288	2 525	180	8 028
Paid by company	930	296	1 128	54	43	53	2 504
Equity settled	-	-	-	-	2 384	-	2 384
Paid by subsidiary company	57	-	2 624	234	98	127	3 140
	987	296	3 752	288	2 525	180	8 028

* Appointed as chief executive officer on 12 March 2019.

** Resigned as chief executive officer on 12 March 2019

*** Appointed as financial director of African and Overseas Enterprises Limited on 12 June 2018.

**** Appointed to the board of Queenspark Proprietary Limited on 4 July 2018 and resigned on 27 November 2018.

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

^^ Other benefits include insurance policies paid on behalf of the directors and share awards.

26. Directors' emoluments (continued)

26.1 Directors' remuneration (continued)

	Directors' fees (R'000)	Fees for other services** (R'000)	Basic salary (R'000)	Performance related payments (R'000)	Value of other benefits *** (R'000)	Retirement fund contributions (R'000)	Total 2018 (R'000)
Executive directors							
CEA Radowsky	-	-	2 812	2	76	165	3 055
D Franklin	-	-	163	85	2	5	255
DS Johnson*	-	-	1 337	2	258	78	1 675
	-	-	4 312	89	336	248	4 985
Non-executive directors							
MA Golding	347	36	-	-	-	-	383
PM Naylor	214	114	-	-	-	-	328
HB Roberts	70	37	-	-	-	-	107
LK Sebatane	70	16	-	-	-	-	86
MR Molosiwa	70	-	-	-	-	-	70
ML Krawitz	255	46	-	-	-	-	301
RV Orlin	84	16	-	-	-	-	100
H Borkum	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

* Resigned as financial director of the company with effect from 31 March 2018.

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

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

26. Directors' emoluments (continued)

26.2 Directors' interests in shares

Ordinary and "N" Ordinary shares	2019 Number of shares	2018 Number of shares
Held directly:		
CL Lloyd	55 424	-
CEA Radowsky*	-	-
	55 424	-
Effective interest held indirectly by directors and associates of directors via the holding company:**		
MA Golding	4 270 726	4 294 488
HB Roberts	5 835 536	5 861 372
CL Lloyd	31 326	-
CEA Radowsky*	98 882	99 432
	10 236 470	10 255 292
Held indirectly in the company:		
MA Golding	2 214 747	2 214 747
HB Roberts	4 261 561	4 233 863
CEA Radowsky*	77 933	77 933
	6 554 241	6 526 543

* Resigned as a director of the company on 12 March 2019.

** The issue by the company and African and Overseas of additional "N" ordinary shares during the period under review resulted in the dilution of the effective interest held indirectly by directors and / or associates via African and Overseas as at 30 June 2019.

	Share options / awards granted during the year (number)	Option / award price	Sub-scription price of shares	Acceptance date	Shares transferred to grantee during the year	No. of share options as at 30 June 2019	2019 Realised gains (R'000)	2019 Unrealised gains (R'000)
Executive directors								
CL Lloyd	110 848	nil	nil	23-Jun-19	55 424	55 424	3 752	15
D Franklin	66 509	nil	nil	21-Jun-19	-	66 509	-	22
	177 357				55 424	121 933	3 752	37
Senior executives								
WD Nel	110 848	nil	nil	23-Jun-19	55 424	55 424	3 752	15
CEA Radowsky	44 339	nil	nil	24-Jun-19	-	44 339	-	10
AT Snitcher	22 170	nil	nil	24-Jun-19	-	22 170	-	5
	177 357				55 424	121 933	3 752	30
Total	354 714				110 848	243 866	7 504	67
Average option price (Rand)						nil		

Realised gains are calculated as the difference between the subscription price and the company share price on the date of acceptance of the awards. As at 30 June 2019 the share trust held 20 279 (2018: 20 279) shares in reserve for future utilisation.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

27. Dividends received

	Group 2019 R' 000	Group 2018 R' 000	Company 2019 R' 000	Company 2018 R' 000
Dividends from investments and / or subsidiary companies	27	45	27	30 045

28. Income tax expense

	Group 2019 R' 000	Group 2018 R' 000	Company 2019 R' 000	Company 2018 R' 000
Income tax	11 305	946	57	-
- current year	11 255	1 254	-	-
- prior year	50	(308)	57	-
Deferred tax (refer note 11)	3 299	4 930	3 867	1 608
- current year	2 540	4 661	3 108	1 673
- prior year	759	269	759	(65)
Total income tax	14 604	5 876	3 924	1 608

Tax rate reconciliation:

	GROUP				COMPANY			
	2019	2019 R'000	2018	2018 R'000	2019	2019 R'000	2018	2018 R'000
Profit before tax from continuing operations		50 091		18 696		7 913		35 823
Tax using the company's domestic tax rate	28.0%	14 025	28.0%	5 235	28.0%	2 216	28.0%	10 030
Effect of rates in foreign jurisdictions	(0.1%)	(66)	0.2%	43	-	-	-	-
Tax effect of:								
Share of profit of associate (net of taxation)	(11.4%)	(5 717)	-	-	-	-	-	-
Dilution loss on investment in associate	8.3%	4 147	-	-	-	-	-	-
Gain from bargain purchase on investment in associate	(5.9%)	(2 936)	-	-	-	-	-	-
Equity-settled share-based payment	7.2%	3 629	-	-	8.6%	681	-	-
Other non-deductible expenses	0.5%	241	1.4%	254	2.8%	224	0.2%	56
Tax exempt income	(0.0%)	(7)	(0.1%)	(13)	(0.1%)	(7)	(23.5%)	(8 413)
Tax incentives from learnerships	(0.1%)	(42)	-	-	-	-	-	-
Capital gains tax inclusion rate	-	(6)	-	-	(0.1%)	(6)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2019

	GROUP				COMPANY			
	2019	2019 R'000	2018	2018 R'000	2019	2019 R'000	2018	2018 R'000
28. Income tax expense (continued)								
Profit before tax from continuing operations (continued)								
Current-year losses for which no deferred tax asset was recognised	1.1%	527	2.0%	377	-	-	-	-
Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	1.5%	759	1.6%	300	9.6%	759	(0.2%)	(65)
Changes in estimates related to prior year	0.1%	50	(1.6%)	(320)	0.7%	57	-	-
Total income tax	29.2%	14 604	31.5%	5 876	49.6%	3 924	4.5%	1 608

29. 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.

29.1 Basic and headline earnings per ordinary share

	2019		2018	
	Gross R'000	Net of taxation R'000	Gross R'000	Net of taxation R'000
Profit attributable to ordinary and "N" ordinary shareholders		42 568		12 803
Adjusted for:				
(Profit) / Loss from disposal of property, plant and equipment	(427)	(313)	30	21
Dilution loss on investment in associate	14 811	14 811	-	-
Gain from bargain purchase on investment in associate	(10 484)	(10 484)	-	-
Non-headline earnings of associate				
Gain from bargain purchase of investment	(31 507)	(31 507)	-	-
Loss from disposal of property, plant and equipment	3	2	-	-
Headline earnings		15 077		12 824

The gain from bargain purchase of investment of R 31 506 649 is included in the group's share of profit of associate and deducted from headline earnings as it is a capital remeasurement.

	Number of shares	
	2019	2018

29. Earnings per share (continued)

29.1 Basic and headline earnings per ordinary share (continued)

	2019	2018
Weighted average number of ordinary and "N" ordinary shares in issue	20 622 854	20 621 032
Basic earnings per ordinary share (cents)	206.4	62.1
Headline earnings per ordinary share (cents)	73.1	62.2

29.2 Diluted headline earnings per ordinary share

	2019	2018
Weighted average number of ordinary and "N" ordinary shares in issue	20 622 854	20 621 032
Dilutive effect of share options	4 555	-
Weighted average number of diluted ordinary and "N" ordinary shares	20 267 409	20 621 032
Diluted earnings per ordinary share (cents)	206.4	62.1
Diluted headline earnings per ordinary share (cents)	73.1	62.2

30. 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 80-81. Directors' shareholding is disclosed in the directors' report and in note 26.2.

Subsidiaries
Intragroup transactions and balances with subsidiaries, listed in note 7, have been eliminated on consolidation.

Associate
The only associate company is SA Water Works Holding Company (RF) Proprietary Limited. Transactions with this company are disclosed below.

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
Related-party transactions and balances during the period were as follows:				
Rental income received				
- Queenspark Proprietary Limited	-	-	1 998	1 850
Management and administration fees received				
- African and Overseas Enterprises Limited	-	541	-	-

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000
30. Related-party transactions (continued)				
- Queenspark Proprietary Limited	-	-	1 933	483
Other income received (underwriting fee)				
- SA Water Works Holding Company (RF) Proprietary Limited	136	-	-	-
Management and administration fees paid				
- Geomer Managerial Services Proprietary Limited**	2 516	-	2 516	-
- Queenspark Proprietary Limited	-	-	4 382	3 665
Finance income				
- African and Overseas Enterprises Limited	2	-	2	-
- Ombrecorp Trading (RF) Proprietary Limited	-	-	4 150	-
- Queenspark Proprietary Limited	-	-	1 541	4
- SA Water Works Holding Company (RF) Proprietary Limited	9 469	-	-	-
Dividend income				
- Queenspark Proprietary Limited	-	-	-	30 000
Loans receivable				
- African and Overseas Enterprises Limited	812	-	812	-
- Ombrecorp Trading (RF) Proprietary Limited	-	-	57 150	-
- Queenspark Proprietary Limited	-	-	19 545	15 006
- Rex Trueform Share Trust	-	-	117	-
- SA Water Works Holding Company (RF) Proprietary Limited	134 460	-	-	-
- Unsecured loans to share scheme participants*	1 048	-	1 048	-
Current accounts receivable				
- Ombrecorp Trading (RF) Proprietary Limited	-	-	14	-
- Queenspark Proprietary Limited	-	-	303	-
- Queenspark Distribution Centre Proprietary Limited	-	-	11	-
- Rex Trueform Share Trust	-	-	5	-
Current accounts payable				
- Geomer Managerial Services Proprietary Limited	2 516	-	2 516	-
- Queenspark Proprietary Limited	-	-	415	-

* Includes a loan to a director of R 524 000 (2018: R nil)
** Indirectly controlled by MA Golding

There are contingent liabilities in respect of suretyships furnished by the company for leases and normal business commitments of Queenspark Proprietary Limited approximating R 0.4 million (2018: R 9.6 million).

Directors
Details relating to executive and non-executive directors' remuneration is disclosed in note 26.1 and directors' share and share options in note 26.2.

Key management personnel
Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the group, directly or indirectly. Details relating to remuneration are disclosed in note 26.1.

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.

	GROUP		COMPANY	
	2019	2018	2019	2018
	R' 000	R' 000	R' 000	R' 000

30. Related-party transactions (continued)

Transactions with other related parties				
Spouse of executive director for serviced rendered*	-	892	-	-

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

31. Notes to the statements of cash flows

31.1 Operating profit before working capital changes

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Profit before taxation	50 091	18 696	7 913	35 823
Adjusted for:				
Amortisation	3 410	3 701	-	-
Depreciation	19 862	23 136	3 431	3 804
Dividends received	(27)	(45)	(27)	(30 045)
Finance income	(12 261)	(4 622)	(7 098)	(2 428)
Finance cost	3 266	53	66	48
(Profit) / loss on disposal of property, plant and equipment	(427)	29	(180)	-
Accrued operating lease liability movement	(571)	548	-	-
Unrealised foreign exchange loss / (gain)	1 040	(708)	-	-
Share of profit from associate (including dilution loss and gain on bargain purchase)	(16 090)	-	-	-
Equity-settled share-based payment	12 964	-	2 434	-
Movement in post-retirement liability	(62)	(76)	(62)	(76)
Movement in inventory provision	3 123	(911)	-	-
	64 318	39 801	6 477	7 126

31.2 Working capital changes

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Increase in inventories	(11 628)	(13 379)	-	-
Decrease in trade and other receivables	8 077	1 516	1 881	1 780
Increase in amounts receivable by subsidiary companies	-	-	(4 457)	(15 006)
Increase / (decrease) in trade and other payables and provisions	10 021	4 579	4 499	(992)
	6 470	(7 284)	1 923	(14 218)

31.3 Dividends paid

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Dividend on 6% cumulative preference shares	(17)	(17)	(17)	(17)
	(17)	(17)	(17)	(17)

	GROUP		COMPANY	
	2019 R' 000	2018 R' 000	2019 R' 000	2018 R' 000

31. Notes to the statements of cash flows (continued)

31.4 Taxation paid

	GROUP 2019 R' 000	GROUP 2018 R' 000	COMPANY 2019 R' 000	COMPANY 2018 R' 000
Amounts unpaid at the beginning of the year	(16)	(24)	-	-
Amounts overpaid at the beginning of the year	163	1 301	57	57
Amounts charged to profit or loss	(11 305)	(946)	(57)	-
Amounts unpaid at the end of the year	693	16	-	-
Amounts overpaid at the end of the year	(6)	(163)	-	(57)
	(10 471)	184	-	-
Comprising:				
Income tax paid	(10 471)	184	-	-

32. Segmental analysis

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

Retail – comprises the retailing of fashion apparel through Queenspark stores in South Africa and Namibia as well as through a franchise in Kenya.

Property – comprises the group's property portfolio based in Cape Town, which includes both investment and owner-occupied properties.

Water infrastructure – comprises an indirect investment made in a private water and wastewater utility group operating in the South African provinces of Mpumalanga and KwaZulu-Natal.

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.

	GROUP 2019 R' 000	GROUP 2018 R' 000
Revenue		
Retail	685 756	594 194
Turnover – External	678 873	587 632
Finance income – External	1 193	2 009
Management fee income – External	-	541
Management fee income – Inter-segment	5 443	4 012
Profit on sale of property – External	247	-
Property	22 813	21 566
Rental income – External	16 786	15 700
Rental income – Inter-segment	5 828	5 681
Finance income – External	199	185

	GROUP	
	2019	2018
	R'000	R'000
32. Segmental analysis (continued)		
Revenue (continued)		
Water infrastructure	9 469	-
Finance income – External	9 469	-
Group services	9 238	32 956
Finance income – External	1 400	2 428
Finance income – Inter-segment	5 698	-
Dividends received – External	27	45
Dividends received – Inter-segment	-	30 000
Management fee income – External	-	-
Management fee income – Inter-segment	1 933	483
Profit on sale of property – External	180	-
Inter-segment eliminations	(18 902)	(40 176)
Total group revenue	708 374	608 540
Segment operating profit / (loss)		
Retail	32 566	8 171
Property	9 553	9 984
Water infrastructure	(10 484)	-
Group services	(6 656)	(4 073)
Total group operating profit	24 979	14 082
Segment net profit / (loss) after tax		
Retail	22 780	6 659
Property	7 022	7 325
Water infrastructure	7 118	-
Group services	(1 433)	(1 164)
Total group net profit after tax	35 487	12 820
Depreciation and amortisation		
Retail	19 504	22 791
Property	3 768	4 046
Total group depreciation and amortisation	23 272	26 837

	GROUP	
	2019 R' 000	2018 R' 000
32. Segmental analysis (continued)		
Segment assets		
Retail	246 679	213 844
Property	74 243	78 475
Water infrastructure	153 094	-
Group services	12 271	56 180
Total group assets	486 287	348 499
Segment liabilities		
Retail	73 705	67 805
Property	12 777	7 019
Water infrastructure	75 383	-
Group services	3 538	1 168
Total group liabilities	165 403	75 992
Capital expenditure		
Retail	18 299	22 734
Property	1 433	3 619
Total group capital expenditure	19 732	26 353

33. Going concern

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

34. Events subsequent to the reporting date

Ombrecorp Trading (RF) Proprietary Limited received a loan repayment of R 4 582 317 on 18 September 2019 of which R 2 338 815 will remain within the group. The remainder will be utilised for repayment obligations to 27four Life Limited. No other events material to the understanding of the financial statements have occurred between the financial year-end and the date of approval of the financial statements.

UNAUDITED SHAREHOLDERS' INFORMATION

Analysis of shareholders at 30 June 2019

	Ordinary Number of shareholders	%	"N" ordinary Number of shareholders	%	Preference Number of shareholders	%
Public shareholders	156	97.6	196	96.0	22	84.8
Companies and close corporations	13	8.2	10	4.9	2	7.7
Individuals	129	80.7	166	81.3	15	57.8
Insurance companies. nominees and trusts	13	8.1	20	9.8	5	19.3
Mutual funds and pension funds	1	0.6	-	-	-	-
Non-public shareholders	4	2.4	8	4.0	4	15.2
African and Overseas Enterprises Limited	1	0.6	1	0.5	1	3.8
Rex Trueform Share Trust	-	-	1	0.5	-	-
Geomer Investments Proprietary Limited *	1	0.6	1	0.5	-	-
Ceejay Trust **	1	0.6	1	0.5	-	-
Legae Peresec Proprietary Limited ****	1	0.6	1	0.5	-	-
Gingko Investments No.2 Proprietary Limited **	-	-	2	1.0	-	-
Old Sillery Proprietary Limited	-	-	-	-	1	3.8
Saxo Bank	-	-	-	-	1	3.8
Lombard. L	-	-	-	-	1	3.8
Directors ***	-	-	1	0.5	-	-
Total	**160**	**100.0**	**204**	**100.0**	**26**	**100.0**

	Ordinary Number of shares	%	"N" ordinary Number of shares	%	Preference Number of shares	%
Public shareholders	291 886	10.0	2 585 528	14.5	22 238	15.8
Companies and close corporations	195 670	6.7	1 600 424	9.0	3 100	2.2
Individuals	86 376	3.0	521 297	2.9	17 288	12.3
Insurance companies. nominees and trusts	9 740	0.3	463 807	2.6	1 850	1.3
Mutual funds and pension funds	100	-	-	-	-	-
Non-public shareholders	2 613 919	90.0	15 260 826	85.5	117 762	84.2
African and Overseas Enterprises Limited	2 110 169	72.6	9 212 565	51.6	825	0.6
Rex Trueform Share Trust	-	-	20 279	0.1	-	-
Geomer Investments Proprietary Limited *	174 944	6.0	2 039 803	11.4	-	-
Ceejay Trust**	254 463	8.8	2 084 610	11.7	-	-
Legae Peresec Proprietary Limited****	74 343	2.6	1 819 447	10.2	-	-
Gingko Investments No.2 Proprietary Limited **	-	-	28 698	0.2	-	-
Old Sillery Proprietary Limited	-	-	-	-	27 785	19.8
MacDonald. AP	-	-	-	-	42 192	30.2
Lombard. L	-	-	-	-	46 960	33.6
Directors ***	-	-	55 424	0.3	-	-
Total	**2 905 805**	**100.0**	**17 846 354**	**100.0**	**140 000**	**100.0**

UNAUDITED SHAREHOLDERS' INFORMATION (CONTINUED)

Analysis of shareholders at 30 June 2019

Beneficial shareholders holding 5% or more of share capital	Number of shares	%	Number of shares	%	Number of shares	%
African and Overseas Enterprises Limited	2 110 169	72.6	9 212 565	51.6	825	0.6
Ceejay Trust **	254 463	8.8	2 084 610	11.7	-	-
Geomer Investments Proprietary Limited *	174 944	6.0	2 039 803	11.4	-	-
Traclo Proprietary Limited	179 467	6.2	1 466 000	8.2	-	-
Legae Peresec Proprietary Limited ****	74 343	2.6	1 819 447	10.2	-	-
Old Sillery Proprietary Limited	-	-	-	-	27 785	19.8
MacDonald. AP	-	-	-	-	42 192	30.1
Lombard. L	-	-	-	-	46 960	33.5
Total	**2 793 386**	**96.2**	**16 622 425**	**93.1**	**117 762**	**84.0**

* An associate of MA Golding.

** An associate of HB Roberts.

*** Held by CL Lloyd.

**** The shares held by Legae Peresec Proprietary Limited are beneficially held by associates of HB Roberts.