Rex Trueform Group Limited

(Incorporated in the Republic of South Africa - Registration Number: 1937/009839/06)
("Rex Trueform" or "the company" or "the group")

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS for the six months ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change	**Six months ended 31 December 2019 Unaudited R'000**	Six months ended 31 December 2018 Unaudited R'000	Year ended 30 June 2019 Audited R'000
Revenue	10.3%	**399,037**	361,935	708,374
Turnover	8.2%	**378,175**	349,567	678,873
Cost of sales	16.8%	**(185,361)**	(158,739)	(321,767)
Gross profit	1.0%	**192,814**	190,828	357,106
Other income	(0.8%)	**9,014**	9,088	17,213
Other operating costs	(2.3%)	**(163,816)**	(167,690)	(349,340)
Operating profit	18.0%	**38,012**	32,226	24,979
Dividend income	4.3%	**24**	23	27
Finance income	263.0%	**11,824**	3,257	12,261
Finance costs		**(21,851)**	(46)	(3,266)
Share of (loss) / profit of associate, including gain on bargain purchase		**(3,574)**	26,516	30,901
Dilution loss on investment in associate		**-**	(14,811)	(14,811)
Profit before tax	(48.2%)	**24,435**	47,165	50,091
Income tax expense		**(8,369)**	(10,213)	(14,604)
Profit for the period	(56.5%)	**16,066**	36,952	35,487
Other comprehensive income:				
Items that are or may be subsequently reclassified to profit or loss				
Fair value adjustment on assets held at fair value through other comprehensive income		**2**	10	(57)
Other comprehensive income for the period, net of taxation		**2**	10	(57)
Total comprehensive income for the period		**16,068**	36,962	35,430
Profit attributable to:				
Ordinary and "N" ordinary shareholders of the parent		**17,084**	36,944	42,568
Preference shareholders		**8**	8	17
Profit attributable to equity holders of the parent		**17,092**	36,952	42,585
Non-controlling interest		**(1,026)**	-	(7,098)
Profit for the period		**16,066**	36,952	35,487
Total comprehensive income attributable to:				
Ordinary and "N" ordinary shareholders of the parent		**17,086**	36,954	42,511
Preference shareholders		**8**	8	17
Profit attributable to equity holders of the parent		**17,094**	36,962	42,528
Non-controlling interest		**(1,026)**	-	(7,098)
Total comprehensive income for the period		**16,068**	36,962	35,430
Reconciliation of headline earnings				
Profit attributable to ordinary and "N" ordinary shareholders		**17,084**	36,944	42,568
Adjusted for:				
Profit on disposal of property, plant and equipment, net of taxation		**(3)**	(160)	(313)
Dilution loss on investment in associate		**-**	14,811	14,811
Gain from bargain purchase of investment in associate		**-**	-	(10,484)
Non-headline earnings items included in earnings from associate		**(1)**	(31,500)	(31,505)
Gain from bargain purchase of investment		**-**	(31,507)	(31,507)
(Profit) / loss on disposal of property, plant and equipment, net of taxation		**(1)**	7	2
Headline earnings		**17,080**	20,095	15,077
Basic earnings per ordinary share (cents)	(54.0%)	**82.4**	179.2	206.4
Headline earnings per ordinary share (cents)	(15.4%)	**82.4**	97.4	73.1
Diluted earnings per ordinary share (cents)	(54.3%)	**81.9**	179.2	206.4
Diluted headline earnings per ordinary share (cents)	(15.9%)	**81.9**	97.4	73.1
Weighted average number of equity shares on which earnings per share is based (000's)		**20,732**	20,621	20,623
Weighted average number of equity shares on which diluted earnings per share is based (000's)		**20,863**	20,621	20,627
KEY RATIOS				
Gross profit margin	%	**51.0**	54.6	52.6
Retail operating costs to turnover	%	**41.7**	46.3	48.0
Other operating costs to revenue	%	**41.1**	46.3	49.3
Operating profit margin	%	**10.1**	9.2	3.7
Retail segment operating profit margin	%	**9.3**	8.4	4.8
Net profit after tax margin	%	**4.2**	10.6	5.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2019 Unaudited R'000**	As at 31 December 2018 Unaudited # R'000	As at 30 June 2019 Audited R'000
ASSETS				
Non-current assets		**628,180**	206,697	307,897
Property, plant and equipment		**65,920**	59,623	62,386
Investment property		**64,411**	67,195	65,679
Intangible assets		**19,085**	21,880	20,764
Investment in associate	4	**159,978**	54,797	153,066
Right-of-use asset	5	**305,984**	-	-
Other investments		**757**	842	756
Loans receivable		**2,400**	-	1,860
Deferred tax asset		**9,645**	2,360	3,386
Current assets		**210,469**	192,500	178,390
Inventories		**116,027**	129,607	100,637
Trade and other receivables		**19,798**	21,880	20,553
Forward exchange contracts		**-**	227	-
Income tax receivable		**835**	267	6
Accrued operating lease asset		**799**	2,525	1,704
Cash and cash equivalents		**73,010**	37,994	55,490
Total assets		**838,649**	399,197	486,287
EQUITY AND LIABILITIES				
Capital and reserves		**343,117**	309,461	320,884
Share capital		**4,161**	1,777	4,161
Share premium		**25,836**	25,836	25,836
Treasury shares		**(117)**	(117)	(117)
Share-based payment reserve		**6,743**	(214)	5,319
Other reserves		**2,030**	2,096	2,029
Retained earnings		**294,746**	280,083	275,192
Non-controlling interest		**9,718**	-	8,464
Non-current liabilities		**369,179**	20,608	97,787
Lease liability	5	**280,125**	-	-
Post-retirement liability		**467**	559	512
Accrued operating lease liability		**-**	13,903	13,444
Loan payable	7	**77,645**	-	75,200
Deferred tax liability		**10,942**	6,146	8,631
Current liabilities		**126,353**	69,128	67,616
Lease liability	5	**56,101**	-	-
Trade and other payables		**56,059**	53,072	52,798
Provisions		**5,136**	3,221	8,761
Accrued operating lease liability		**-**	4,635	5,070
Forward exchange contracts		**2,244**	-	294
Income tax payable		**6,813**	8,200	693
Total equity and liabilities		**838,649**	399,197	486,287

OTHER INFORMATION AND KEY RATIOS

Capital commitments				
Authorised - not contracted for	R'000	**4,112**	3,046	13,779
Authorised - contracted for	R'000	**3,905**	2,273	16,835
Return on equity *	%	**7.1**	14.5	14.6
Return on capital *	%	**16.1**	18.9	18.0
Return on assets *	%	**8.5**	14.9	12.0
Inventory turn *	times	**2.8**	2.9	3.3
Asset turn *	times	**1.1**	1.7	1.6
Net asset value per share	R	**16.07**	14.99	15.06

* Ratios for December are based on a rolling twelve month period

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited # R'000	Year ended 30 June 2019 Audited R'000
Cash flows from operating activities			
Operating profit before working capital changes	**89,869**	44,210	64,318
Working capital changes	**(9,371)**	(26,790)	6,470
Interest received	**1,436**	1,627	2,792
Interest paid	**(20)**	(46)	(66)
Dividends paid	**(8)**	(8)	(17)
Dividends received	**24**	23	27
Income tax paid	**(7,025)**	(311)	(10,471)
Net cash inflows from operating activities	**74,905**	18,705	63,053
Cash flows from investing activities			
Additions to property, plant, equipment and investment property	**(13,454)**	(8,100)	(18,538)
Additions to intangible assets	**(120)**	(533)	(1,194)
Proceeds from disposal of property, plant and equipment	**-**	215	502
Investment in associate	**-**	-	(2,516)
Net cash outflows from investing activities	**(13,574)**	(8,418)	(21,746)
Cash flows from financing activities			
Loans (advanced) / repaid	**4,112**	(41,327)	(126,851)
Lease liability repaid	**(45,679)**	-	-
Loan received / (repaid)	**(2,244)**	-	72,000
Net cash outflows from financing activities	**(43,811)**	(41,327)	(54,851)
Net increase / (decrease) in cash and cash equivalents	**17,520**	(31,040)	(13,544)
Cash and cash equivalents at the beginning of the period	**55,490**	69,034	69,034
Cash and cash equivalents at the end of the period	**73,010**	37,994	55,490

Reclassifications to the statement of financial position and statement of cash flows have been made. Refer to note 1 for further clarification.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited R'000	Year ended 30 June 2019 Audited R'000
Share capital	**4,161**	1,777	4,161
Opening balance	**4,161**	1,777	1,777
Shares issued	**-**	-	2,384
Share premium	**25,836**	25,836	25,836
Treasury shares	**(117)**	(117)	(117)
Share-based payment and other reserves	**8,773**	1,882	7,348
Opening balance	**7,348**	1,872	1,872
Equity-settled share-based payment	**1,423**	-	5,533
Fair value adjustment on assets held at fair value through other comprehensive income	**2**	10	(57)
Retained earnings	**294,746**	280,083	275,192
Opening balance	**275,192**	243,139	243,139
Profit for the period	**17,092**	36,952	42,585
Preference dividends paid	**(8)**	(8)	(17)
Other retained income of associate	**2,470**	-	-
Change in degree of control	**-**	-	(10,515)
Non-controlling interest	**9,718**	-	8,464
Opening balance	**8,464**	-	-
Profit for the period	**(1,026)**	-	(7,098)
Equity-settled share-based payment	**-**	-	5,047
Other retained income of associate	**2,280**	-	-
Change in degree of control	**-**	-	10,515
Total capital and reserves	**343,117**	309,461	320,884

GROUP SEGMENTAL REPORTING

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited # R'000	Year ended 30 June 2019 Audited R'000
Revenue			
Retail	**380,983**	352,784	685,756
Turnover - External	**378,175**	349,568	678,873
Finance income - External	**1,137**	385	1,193
Management fee income - External	**-**	249	-
Management fee income - Inter-segment	**1,666**	2,547	5,443
Profit on sale of property - External	**5**	35	247
Property	**12,224**	11,456	22,813
Rental income - External	**9,009**	8,487	16,786
Rental income - Inter-segment	**3,106**	2,876	5,828
Finance income - External	**98**	93	199
Finance income - Inter-segment	**11**	-	-
Water infrastructure	**10,318**	1,766	9,469
Other income - External	**-**	136	-
Finance income - External	**10,318**	1,630	9,469
Group services	**8,218**	4,034	9,238
Finance income - External	**271**	1,149	1,400
Finance income - Inter-segment	**4,548**	1,715	5,698
Dividends received - External	**24**	23	27
Dividends received - Inter-segment	**3,000**	-	-
Management fee income - Inter-segment	**375**	967	1,933
Profit on sale of property - External	**-**	180	180
Inter-segment eliminations	**(12,706)**	(8,105)	(18,902)
Total group revenue	**399,037**	361,935	708,374
Segment operating profit / (loss)			
Retail	**35,217**	29,364	32,566
Property	**5,719**	4,599	9,553
Water infrastructure	**(57)**	98	(10,484)
Group services*	**(2,867)**	(1,835)	(6,656)
Total group operating profit	**38,012**	32,226	24,979
Segment net profit / (loss) after tax			
Retail	**12,908**	20,822	22,780
Property	**4,196**	3,375	7,022
Water infrastructure	**(2,138)**	12,168	7,118
Group services*	**1,100**	587	(1,433)
Total group net profit after tax	**16,066**	36,952	35,487
Depreciation and amortisation			
Retail	**48,162**	10,317	19,504
Property	**1,762**	2,032	3,768
Total group depreciation and amortisation	**49,924**	12,349	23,272
Segment assets			
Retail	**584,316**	242,492	246,679
Property	**72,000**	76,885	74,243
Water infrastructure	**162,317**	54,797	153,094
Group services*	**20,017**	25,023	12,271
Total group assets	**838,649**	399,197	486,287
Segment liabilities			
Retail	**402,475**	79,123	73,705
Property	**11,626**	8,889	12,777
Water infrastructure	**77,830**	583	75,383
Group services*	**3,601**	1,141	3,538
Total group liabilities	**495,532**	89,736	165,403
Capital expenditure			
Retail	**13,214**	8,193	18,299
Property	**360**	440	1,433
Total group capital expenditure	**13,574**	8,633	19,732

* Group services include corporate costs.
# Reclassifications to the statement of financial position and statement of cash flows have been made. Refer to note 1 for further clarification.

NOTES

1. Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

These financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the annual financial statements for the year ended 30 June 2019, except for the adoption of IFRS 16 Leases.

Where applicable, figures for the comparative six month period have been regrouped or reclassified in order to align those figures with the audited annual financial statements for the year ended 30 June 2019. On the statement of financial position as at 31 December 2018, provisions have been separately disclosed. Provisions were previously included as part of trade and other payables. The reclassification to the condensed consolidated statement of cash flows for the six months ended 31 December 2018 relates to a loan advanced to an associate previously included in investing activities now included in financing activities. The reclassifications to the group segmental reporting for the six months ended 31 December 2018 include the addition of group services segment revenue and the allocation of dividend and finance income, where applicable, to the indetified reporting segments; the subsequent reallocation to group services revenue of profit on sale of property of R180,000 from property revenue and the inclusion of intersegment management fee income of R967,000 in group services revenue previously netted off against property intersegment revenue earned. Segmental operating profit for the six months ended 31 December 2018 was further impacted by the reclassification of the intersegment management fee income of R967,000 from the property segment to the group services segment.

2. Unaudited results

These results have not been reviewed nor audited by the group's auditors. The unaudited condensed consolidated interim financial statements have been prepared under the supervision of D Franklin CA (SA), the company's financial director, and were approved by the board of directors on 31 March 2020.

3. Dividends

A dividend on the 6% cumulative preference shares for the six months ended 31 December 2019 in the amount of 6 cents per preference share was declared by the board of directors on 19 December 2019 and was paid on 13 January 2020. The directors have not proposed a dividend in respect of the ordinary and "N" ordinary shares.

4. Investment in associate

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited R'000	Year ended 30 June 2019 Audited R'000
Reconciliation of investment in associate at the beginning and end of the period			
Carrying value			
Balance at the beginning of the period	**18,606**	-	-
Investment at cost	**-**	-	2,516
Equity accounted (losses) / earnings	**(3,574)**	(4,991)	20,417
Equity accounted movements in reserves	**4,750**	-	-
Dilution loss on investment in associate	**-**	(14,811)	(14,811)
Gain from bargain purchase on investment in associate	**-**	31,507	10,484
Balance at the end of the period	**19,782**	11,705	18,606
Long-term loan receivable			
Balance at the beginning of the period	**134,460**	-	-
Loans advanced during the period	**-**	41,462	125,135
Loans repaid during the period	**(4,582)**	-	(144)
Interest accrued during the period	**10,318**	1,630	9,469
Balance at the end of the period	**140,196**	43,092	134,460
Investment in associate	**159,978**	54,797	153,066

The long-term loan owed by the associate company 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.

5. Changes in accounting policies

The adoption of certain new standards, which became effective in the current period, has resulted in minor changes to accounting policies and disclosure, none of which have a material impact on the financial position or performance of the group, except as disclosed below.

Standards effective and adopted in the current year

IFRS 16 Leases

IFRS 16 Leases ("IFRS 16") is effective for the group from 1 July 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases ("IAS 17"), and requires lessees to recognise right-of-use assets and lease liabilities on the statement of financial position for all leases, except short-term and low value asset leases.

Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liabilities, plus any initial direct costs incurred, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight line basis over the lease term. The group determined the lease term as any non-cancellable period of a lease together with reasonably certain termination or extension option periods. Right-of-use assets are tested for impairment when there are any indicators of impairment and periodically reduced by impairment losses, if required.

Lease liabilities are initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate taking into account future basic lease payments. Incremental borrowing rates are based on the prime lending rate and a credit risk adjustment.

Lease liabilities are subsequently measured at amortised cost using the effective interest method, and reduced by future lease payments net of interest charged. It is remeasured, with a corresponding adjustment to right-of-use assets, when there is a change in future lease payments resulting from a rent review, change in relevant index or rate, such as inflation, or change in the group's assessment of whether it is reasonably certain to exercise a renewal or termination option.

The remeasurement results in a corresponding adjustment to the carrying amount of right-of-use assets, with the difference recorded in profit or loss if the carrying amount of right-of-use assets has been reduced to zero.

Variable lease payments that do not depend on an index or rate are not included in the measurement of right-of-use assets and lease liabilities. These related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur.

5. **Changes in accounting policies (continued)**

The group has adopted IFRS 16 using the modified retrospective approach, by recognising the cumulative effect as an adjustment to the opening balance of equity at 1 July 2019, where applicable. At the date of initial application, the group elected to use the practical expedient provided by IFRS 16, which allows the group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. In addition the group has elected to apply the following practical expedients provided by IFRS 16:
• Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
• Excluding initial direct costs from measuring right-of-use assets at the transition date;
• Renewal and termination options that existed at 1 July 2019 were taken into account in determining the lease term.
When measuring lease liabilities on transition to IFRS 16, the group discounted its lease payments using the weighted average incremental borrowing rate of 10.41% as at 1 July 2019.

Comparative information has not been restated and has been reported under IAS 17. To provide more a meaningful comparison of the current period's financial performance with the prior period, the current period has been adjusted to illustrate the impact should IFRS 16 not have been applied. Refer to note 6.1.

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited R'000	Year ended 30 June 2019 Audited R'000
Reconciliation of Lease liability			
Balance at the beginning of the period	**-**	**-**	-
Initial recognition - IFRS16	**(333,305)**	**-**	-
Additional lease agreements recognised	**(36,731)**	**-**	-
Modification of lease agreements	**5,273**	**-**	-
Interest expense recognised - IFRS 16	**(17,142)**	**-**	-
Lease liability repaid	**45,679**	**-**	-
Balance at the end of the period	**(336,226)**	-	-
Lease liability - Non-current	**(280,125)**	**-**	**-**
Lease liability - Current	**(56,101)**	**-**	**-**

6. **Pro forma financial information**
6.1. **Excluding the impact of IFRS 16**

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change (like for like)	**Six months ended 31 December 2019 Unaudited R'000**	Adjustments Six months ended 31 December 2019 Unaudited R'000	**Pro forma under IAS 17 Six months ended 31 December 2019 Unaudited R'000**	Six months ended 31 December 2018 Unaudited R'000
Revenue	10.3%	**399,037**	-	**399,037**	361,935
Turnover	8.2%	**378,175**	-	**378,175**	349,567
Cost of sales	16.8%	**(185,361)**	-	**(185,361)**	(158,739)
Gross profit	1.0%	**192,814**	-	**192,814**	190,828
Other income	(0.8%)	**9,014**	-	**9,014**	9,088
Other operating costs	3.1%	**(163,816)**	(9,151)	**(172,967)**	(167,690)
Operating profit	(10.4%)	**38,012**	(9,151)	**28,861**	32,226
Dividend income	4.3%	**24**	-	**24**	23
Finance income	263.0%	**11,824**	-	**11,824**	3,257
Finance costs		**(21,851)**	17,142	**(4,709)**	(46)
Share of (loss) / profit of associate, including gain on bargain purchase		**(3,574)**	-	**(3,574)**	26,516
Dilution loss on investment in associate		**-**	-	**-**	(14,811)
Profit before tax	(31.2%)	**24,435**	7,991	**32,426**	47,165
Income tax expense		**(8,369)**	(2,216)	**(10,585)**	(10,213)
Profit for the period	(40.9%)	**16,066**	5,775	**21,841**	36,952
Other comprehensive income:					
Items that are or may be subsequently reclassified to profit or loss					
Fair value adjustment on assets held at fair value through other		**2**	-	**2**	10
Other comprehensive income for the period, net of taxation		**2**	-	**2**	10
Total comprehensive income for the period		**16,068**	5,775	**21,843**	36,962
Profit attributable to:					
Ordinary and "N" ordinary shareholders of the parent		**17,084**	5,775	**22,859**	36,944
Preference shareholders		**8**	-	**8**	8
Profit attributable to equity holders of the parent		**17,092**	5,775	**22,867**	36,952
Non-controlling interest		**(1,026)**	-	**(1,026)**	-
Profit for the period		**16,066**	5,775	**21,841**	36,952
Total comprehensive income attributable to:					
Ordinary and "N" ordinary shareholders of the parent		**17,086**	5,775	**22,861**	36,954
Preference shareholders		**8**	-	**8**	8
Profit attributable to equity holders of the parent		**17,094**	5,775	**22,869**	36,962
Non-controlling interest		**(1,026)**	-	**(1,026)**	-
Total comprehensive income for the period		**16,068**	5,775	**21,843**	36,962
Reconciliation of headline earnings					
Profit attributable to Ordinary and "N" ordinary shareholders		**17,084**	5,775	**22,859**	36,944
Adjusted for:					
Profit on disposal of property, plant and equipment, net of taxation		**(3)**	-	**(3)**	(160)
Dilution loss on investment in associate		**-**	-	**-**	14,811
Gain from bargain purchase of investment in associate		**-**	-	**-**	-
Non-headline earnings items included in earnings from associate		**(1)**	-	**(1)**	(31,500)
Gain from bargain purchase of investment		**-**	-	**-**	(31,507)
(Profit) / loss on disposal of property, plant and equipment, net of taxation		**(1)**	-	**(1)**	7
Headline earnings		**17,080**	5,775	**22,855**	20,095
Basic earnings per ordinary share (cents)	(38.4%)	**82.4**		**110.3**	179.2
Headline earnings per ordinary share (cents)	13.1%	**82.4**		**110.2**	97.4
Diluted earnings per ordinary share (cents)	(38.8%)	**81.9**		**109.6**	179.2
Diluted headline earnings per ordinary share (cents)	12.4%	**81.9**		**109.5**	97.4
KEY RATIOS					
Gross profit margin	%	**51.0**		**51.0**	54.6
Retail operating costs to turnover	%	**41.7**		**44.1**	46.3
Other operating costs to revenue	%	**41.1**		**43.3**	46.3
Operating profit margin	%	**10.1**		**7.6**	9.2
Retail segment operating profit margin	%	**9.3**		**6.9**	8.4
Net profit after tax margin	%	**4.2**		**5.8**	10.6

6. Pro forma financial information (continued)

6.1. Excluding the impact of IFRS 16 (continued)

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2019 Unaudited R'000	Adjustments As at 31 December 2019 Unaudited R'000	Pro forma under IAS 17 As at 31 December 2019 Unaudited R'000	As at 31 December 2018 Unaudited R'000
ASSETS				
Right-of-use asset	**305,984**	(305,984)	**-**	-
Deferred tax asset	**9,645**	(2,216)	**7,429**	2,360
Total assets	**838,649**	(308,200)	**530,449**	399,197
EQUITY AND LIABILITIES				
Capital and reserves	**343,117**	5,775	**348,892**	309,461
Retained earnings	**294,746**	5,775	**300,521**	280,083
Non-current liabilities	**369,179**	(267,492)	**101,687**	20,608
Lease liability	**280,125**	(280,125)	**-**	-
Accrued operating lease liability	**-**	12,633	**12,633**	13,903
Current liabilities	**126,353**	(46,483)	**79,870**	69,128
Lease liability	**56,101**	(56,101)	**-**	-
Accrued operating lease liability	**-**	6,029	**6,029**	4,635
Trade and other payables	**56,059**	3,589	**59,648**	53,072
Total equity and liabilities	**838,649**	(308,200)	**530,449**	399,197

OTHER INFORMATION AND KEY RATIOS					
Return on equity *	%	**7.1**		**8.8**	**14.5**
Return on capital *	%	**16.1**		**13.1**	**18.9**
Return on assets *	%	**8.5**		**9.3**	**14.9**
Inventory turn *	times	**2.8**		**2.8**	**2.9**
Asset turn *	times	**1.1**		**1.5**	**1.7**
Net asset value per share	R	**16.07**		**16.35**	**14.99**

* Ratios for December are based on a rolling twelve month period

PRO FORMA RETAIL SEGMENT REPORT

	% Change (like for like)	Six months ended 31 December 2019 Unaudited R'000	Adjustments Six months ended 31 December 2019 Unaudited R'000	Pro forma under IAS 17 Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited R'000
Segment operating profit	(11.2%)	**35,217**	(9,151)	**26,066**	29,364
Segment net profit after tax	(10.3%)	**12,908**	5,775	**18,683**	20,822
Depreciation and amortisation	8.8%	**48,162**	(36,939)	**11,223**	10,317
Segment assets	13.9%	**584,316**	(308,200)	**276,116**	242,492
Segment liabilities	13.6%	**402,475**	(312,616)	**89,859**	79,123

6.2. Notes to the pro forma financial information

The pro forma financial information, which is the responsibility of the group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information.

The accounting policies adopted by the group in the latest Annual Financial Statements for the period ended 30 June 2019, which have been prepared in accordance with IFRS, have been used in preparing the pro forma financial information.

The pro forma financial information is derived by excluding IFRS 16 adjustments and including IAS 17 adjustments.

The calculation of earnings per share, headline earnings per share and other share measures for the pro forma information is based on the weighted average number of shares in issue for the six months ended 31 December 2019.

These accounts have been prepared on the basis stated, for illustrative purposes only, to show the impact of the IFRS 16 adjustments on the unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated statement of financial position, the unaudited interim retail segment report and selected key ratios. Due to their nature, the pro forma financial information may not fairly present the financial position and the results of the group in terms of IFRS.

The pro forma financial information has not been reviewed or reported on by the group's external auditors.

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited R'000	Year ended 30 June 2019 Audited R'000
7. Loan payable			
Unsecured loan raised to finance investment in associate			
Long-term loan payable			
Balance at the beginning of the period	**(75,200)**	-	-
Loans received during the period	**-**	-	(72,000)
Loans repaid during the period	**2,244**	-	-
Interest accrued during the period	**(4,689)**	-	(3,200)
Balance at the end of the period	**(77,645)**	-	(75,200)

The group received loan funding from 27four Life Limited for the sole purpose of acquiring the group's 30% interest in SA Waterworks Holding Company (RF) Proprietary Limited ("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.

COMMENTARY

Financial review

Adoption of IFRS 16: The statutory results for this period include the first time adoption of IFRS 16 on a modified retrospective basis, with no restatement of the prior period reported results. The key financial metrics reflect the results on both a post and pre IFRS 16 basis; however, to aid comparability, the commentary that follows excludes the impact of IFRS 16.

Group profile

Rex Trueform is an investment holding company and is currently invested in retail, property and water infrastructure. Its interest in retail is through its wholly-owned subsidiary company, Queenspark Proprietary Limited ("Queenspark"), and its subsidiary. Rex Trueform's interest in property includes direct property ownership as well as indirect property investment through a subsidiary. Rex Trueform's investment in water infrastructure is through its subsidiary, Ombrecorp Trading (RF) Proprietary Limited, and its investment in SAWW, an associate company of the Group.

The group managed to secure a solid performance for the period under review amidst a challenging and unpredictable economic environment. Revenue, mainly driven by the retail segment, increased by 10.3% to R399.0 million (2018: R361.9 million). Other income included in revenue, which mainly comprises of rental income, decreased marginally. Finance income included in revenue increased by 263.0% to R11.8 million (2018: R3.3 million) due to loan funding granted to SAWW.

Gross profit increased by 1.0% with an increase of 3.1% in other operating costs. The result was that operating profit decreased by 10.4% to R28.9 million (2018: R32.2 million). Profit after tax decreased by 40.9% to R21.8 million (2018: R37.0 million) due to lower operating profits in the current period as well as prior period once-off capital re-measurements emanating from the group's investment in SAWW (refer to reconciliation of headline earnings). As a result, earnings per share decreased by 38.4% to 110.3 cents per share (2018: 179.2 cents per share) whereas the headline earnings per share increased by 13.1% to 110.2 cents per share (2018: 97.4 cents per share).

The group's capital and reserves increased by R39.4 million to R348.9 million (2018: R309.5 million). Net asset value per share increased by 9.1% to R16.35 (2018: R14.99).

Retail

The Queenspark store growth strategy progressed well with the opening of four (4) new stores for the period bringing the total number of walk-in stores in South Africa and Namibia to eighty-one (81) stores. Despite subdued trading conditions, turnover increased by 8.2% to R378.2 million (2018: R349.6 million). Discounting and increased promotional activity negatively impacted the gross profit margin which decreased to 51.0% (2018: 54.6%). Increased sales volumes resulted in gross profit increasing by 1.0% to R192.8 million (2018: R190.8 million). The group continued to focus on containing operating costs which increased by 3.1% to R166.8 million (2018: R161.7 million). The resultant effect was that operating profit for the segment decreased by 11.2% to R26.1 million (2018: R29.4 million).

Property

The Rex Trueform Office Park complex in Salt River is the main income generating operation within the group's property segment. There are a further two undeveloped properties in the Salt River precinct: one has heritage significance and the other is vacant land. One further property is situated in the Wynberg precinct in Cape Town and is leased to Queenspark as a distribution centre. Property segment revenue increased 6.7% to R12.2 million (2018: R11.5 million) due to lease escalations. The result was that operating profit increased by 24.4% to R5.7 million (2018: R4.6 million).

Water infrastructure

Revenue from the water infrastructure segment, which solely comprises of interest income earned in the current period, increased by 484.3% to R10.3 million (2018: 1.8 million) due to the loan advanced to SAWW in the latter half of the prior financial year.

Group services

Costs for group services increased by 56.2% to R2.9 million (2018: R1.8 million). This was mainly due to equity-settled share-based expenditure accounted for in the current period.

Prospects

The effects of the COVID-19 pandemic are changing rapidly and, while it is envisaged that there will be a negative impact on Rex Trueform's performance over the remainder of the financial year, the quantum thereof cannot be reasonably estimated at this time. Notwithstanding this and many other challenges, the group has meaningful growth aspirations and will, consistent with past practice, strive to achieve reasonable targets within the current landscape. We continue to utilise our entrepreneurial flexibility to seek opportunities for the business in other closely aligned areas.

Retail

Very difficult trading conditions, impacted by the COVID-19 pandemic, subsequent lockdown and resultant closure of Queenspark's retail chain in South Africa and Namibia, are expected to continue over the short to medium-term, with the effects of the COVID-19 pandemic changing rapidly and constantly evolving. The South African economy was furthermore already officially in recession in the last half of 2019, and power supply interruptions as well as the local and global impact of the COVID-19 pandemic continue to be of concern. It is envisaged that this will have a negative impact on Queenspark's revenue, performance and cash generation. That being said, in addition to working towards mitigating the effects of the COVID-19 pandemic on Queenspark's operations, the Queenspark team will continue to focus on cost efficiencies, right-sizing stores, maximising space utilisation, new and existing brands and customer satisfaction with a focus on adapting to an evolving retail environment and diverse customer profile.

Property

In line with most other sectors of the economy, and even prior to the COVID-19 pandemic and subsequent lockdown, the commercial property sector has been facing challenging times. Notwithstanding this, the Salt River and Woodstock nodes have seen a remarkable rejuvenation over the last decade as many seek to live and work closer to the Cape Town CBD. Many old buildings (predominantly redundant factories) have been revamped into mixed-use developments. While the as yet to be quantified effects of the COVID-19 pandemic remain a concern, the group has a strong balance sheet and with the current property portfolio, the group is well positioned to both contribute and benefit from future development in the area. Given the large capital outlay required and long term nature of any property development, the group continues to seek opportunities that will yield a satisfactory return on any capital employed.

Water infrastructure

Our recent investment into the water infrastructure sector was an important milestone in the diversification of the group. The sustainable management of the country's water resources is inextricably linked to the macroeconomy. A combination of poor infrastructure, mismanagement of state funds, lack of accountability and low rainfall patterns have seen the increased prevalence of drought-stricken areas across the country. Together with our consortium partners and the skills and experience inherent in the SAWW group, we are ready to play a key role in water security across the country. The SAWW group's operating subsidiaries are successful working examples of private-public partnerships within the water infrastructure sector. The provision of water services has been declared an essential service by government. Clean and safe water plays a critical role in maintaining hygiene which is crucial in preventing the spread of COVID-19 throughout our communities. As a result, the underlying operating subsidiaries will therefore be fully operational, albeit under constrained conditions, during the lockdown period.

MA Golding	**CL Lloyd**
(Chairman)	(Chief Executive Officer)

Cape Town
31 March 2020

JSE share codes: RTO - RTN - RTOP **ISIN:** ZAE000250387 – ZAE000250395 – ZAE000250403
Directors: MA Golding† (Chairman), CL Lloyd (Chief Executive Officer), D Franklin (Financial Director), HB Roberts*, PM Naylor*, LK Sebatane*, MR Molosiwa*
† Non-executive * Independent non-executive
Registered office: 263 Victoria Road, Salt River, Cape Town, 7925
Company secretary: AT Snitcher
Transfer secretaries: Computershare Investor Services Proprietary Limited; Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Sponsor: Java Capital
Websites: www.rextrueform.com - www.queenspark.com