

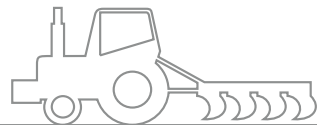
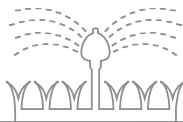


INTERIM REPORT 2016

KAAP  **AGRI**

Sedert 1912

Since 1912



The unaudited Group interim report provides an overview of the activities, results and financial position of the Group for the six months ended 31 March 2016.

Kaap Agri is a trading services and retail group that supplies a variety of products and services to the agricultural and retail sector. Kaap Agri's business units are located in various cities and towns, and include areas such as the Swartland, Boland, Winelands, Overberg, Langkloof, Namaqualand, Orange River, Sundays River Valley, Namibia and adjacent areas, as well as Limpopo, Mpumalanga and Gauteng.

Environment

As is the case in the rest of the country, the Swartland, Boland and Winelands in particular experienced conditions of severe drought and heat over the past six months, which negatively affected agriculture and related business. The impact of the lower wheat crop yield on our customers was partially offset by improved grade and price. Fruit, wine, table grape production, and associated businesses were also negatively impacted by the excessive heat. Furthermore, the mining industry, particularly in the Northern Cape, has seen a huge downturn, which in turn has put pressure on the regional economy.

Notwithstanding the difficult trading environment, Kaap Agri was successful in growing its earnings to 31 March 2016. This, to a degree, was the result of Kaap Agri's diversification strategy, which shielded the business from the full impact of the drought and downturn in mining activity.

Results

Revenue increased by 2,6% to R3 041 million. Inflation for the period was marginally negative, largely due to lower fuel prices, with the remaining income channels delivering strong turnover growth. Fuel volume growth was encouraging and expense growth was contained below targeted levels, despite the higher cost of improved offerings across the business units and an expanded fuel retail footprint. The first six months of 2016 saw the addition of a number of new fuel service stations as well as the upgrade of certain existing facilities.

Headline earnings increased by 18% to R130,6 million. Excluding the impact of fuel price movements, headline earnings increased by 14,6%.

Headline earnings per share increased by 18,0% to 185,2 cents per share. Net asset value per share increased by 12,7% to R19,09 per share.

The Group continued its acquisition, expansion and upgrading strategy, resulting in a R50,7 million increase in property, plant and equipment since the previous financial year-end.

Current assets increased by 13,8%, largely as a result of increased stock due to an expanded and upgraded footprint, as well as an increased debtor's book. Inventory and debtors are assessed on an ongoing basis to confirm the realisability thereof and the necessary provisions in place are considered adequate with no material risks identified.

The ratio of total shareholders' equity to total assets employed reduced marginally to 50,9% with the net interest bearing debt to total assets employed ratio increasing slightly to 24,9%. The ability to gear the business to enable further growth remains strong.

Cash profit from operations is 24,3% higher than the previous year but, due to a larger increase in net operating capital compared to the previous year, net cash from operations is lower. However, the change in net operating capital is partly a seasonal occurrence and not necessarily comparable year-on-year. Interest coverage from operations amounted to 8,1 times. The Group operates comfortably within its available financing facilities.



Dividend

An interim dividend of 26,5 cents per share (2015: 24 cents) will be paid on 10 June 2016. This is an increase of 10,4% over the previous year's interim dividend and in line with the company's dividend strategy, but also bearing in mind the company's own needs to continue its growth strategy. The last day to register is 20 May 2016.

Prospects

The trading environment in which Kaap Agri operates remains under pressure. Whilst expectations are that the 2016 wheat season will improve, the agriculture sector is still negatively impacted by last season's severe drought.

Despite subdued consumer confidence, we expect our retail mix to increase as new and improved offerings become available.

Kaap Agri will continue its growth strategy, both geographically and through offerings to existing and new markets.

The business remains on track to achieve its strategic medium-term targets.

GM STEYN

Chairman

S WALSH

Managing director



STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 31 March 2016 R'000	Unaudited 31 March 2015 R'000	Audited 30 September 2015 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	658 445	529 407	607 756
Intangible assets	5	13 146	14 408	14 061
Investment in associated company		–	678	–
Loans		18 905	28 734	26 205
Deferred taxation		5 604	3 770	5 932
		696 100	576 997	653 954
Current assets				
Inventory		698 220	609 211	711 752
Trade and other receivables		1 252 114	1 113 333	1 280 416
Financial instruments for hedging		901	354	5 927
Short-term portion of loans		10 127	9 157	10 127
Cash and cash equivalents		17 268	6 385	23 502
		1 978 630	1 738 440	2 031 724
Total assets		2 674 730	2 315 437	2 685 678
EQUITY AND LIABILITIES				
Capital and reserves				
		1 344 930	1 193 665	1 255 222
Non-current liabilities				
Deferred taxation		5 263	5 000	4 138
Provisions for other liabilities and charges		26 786	27 068	27 055
		32 049	32 068	31 193
Current liabilities				
Trade and other payables		539 115	552 486	712 331
Financial instruments for hedging		901	354	5 927
Short-term portion of provisions for other liabilities and charges		6 895	4 693	6 895
Short-term borrowings		742 190	520 880	669 980
Income tax		8 650	11 291	4 130
		1 297 751	1 089 704	1 399 263
Total liabilities		1 329 800	1 121 772	1 430 456
Total equity and liabilities		2 674 730	2 315 437	2 685 678
Total shareholders' equity to Total assets employed		50,9%	51,3%	46,9%
Net interest-bearing debt to Total assets employed		24,9%	22,5%	23,1%
Net asset value per share (rand)		R19,09	R16,94	R17,81
Shares issued (number – '000)		70 462	70 462	70 462



INCOME STATEMENT

	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000
Revenue	3 040 950	2 964 697	5 341 402
Cost of sales	(2 561 680)	(2 530 501)	(4 517 977)
Gross profit	479 270	434 196	823 425
Operating expenses	(321 820)	(301 154)	(613 782)
Operating profit before interest received	157 450	133 042	209 643
Interest received	46 435	37 916	81 633
Operating profit	203 885	170 958	291 276
Finance costs	(25 046)	(20 082)	(35 635)
Share in profit of associated company	–	751	1 125
Profit before tax	178 839	151 627	256 766
Income tax	(48 263)	(40 918)	(67 572)
Profit for the period attributable to equity holders of the holding company	130 576	110 709	189 194
Earnings per share – basic and diluted (cents)	185,31	157,12	268,51

HEADLINE EARNINGS RECONCILIATION

	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000
Profit for the period	130 576	110 709	189 194
Net profit on disposal of assets and investments	(55)	(130)	(6 472)
Gross	(76)	(180)	(7 589)
Tax effect	21	50	1 117
Headline earnings attributable to equity holders of the holding company	130 521	110 579	182 722
Headline earnings per share (cents)	185,24	156,93	259,32
Weighted average number of shares (number – '000)	70 462	70 462	70 462

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000
Profit for the period	130 576	110 709	189 194
Other comprehensive income:			
Cash flow hedges	–	–	(17)
Gross	–	–	(24)
Tax	–	–	7
Total comprehensive income for the period attributable to equity holders of the holding company	130 576	110 709	189 177



STATEMENT OF CHANGES IN EQUITY

	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000
Share capital	456 643	456 643	456 643
Other reserves	150	167	150
Opening balance	150	167	167
Other comprehensive income	–	–	(17)
Retained profit	888 137	736 855	798 429
Opening balance	798 429	658 558	658 558
Profit for the period	130 576	110 709	189 194
Dividends paid	(40 868)	(32 412)	(49 323)
Capital and reserves	1 344 930	1 193 665	1 255 222

STATEMENT OF CASH FLOWS

	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000
Cash profit from operating activities	213 263	171 513	309 811
Changes in operating capital	(126 598)	(23 492)	(134 430)
Cash generated by operations	86 665	148 021	175 381
Income tax paid	(42 290)	(31 685)	(68 673)
Cash flow from operating activities	44 375	116 336	106 708
Cash flow from investment activities	(65 509)	(66 508)	(158 423)
Cash flow from financing activities	14 900	(65 454)	53 206
Net cash generated/(utilised)	(6 234)	(15 626)	1 491
Cash and cash equivalents at the beginning of the period	23 502	22 011	22 011
Cash and cash equivalents at the end of the period	17 268	6 385	23 502



INFORMATION ABOUT BUSINESS SEGMENTS

SEGMENT INCOME AND RESULTS

	Segment income			Segment results		
	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000	Unaudited six months to 31 March 2016 R'000	Unaudited six months to 31 March 2015 R'000	Audited twelve months to 30 September 2015 R'000
Trade	2 587 688	2 523 822	4 677 068	147 571	134 554	218 445
Wesgraan	450 703	438 529	658 874	27 700	19 633	33 497
Total for reportable segments	3 038 391	2 962 351	5 335 942	175 271	154 187	251 942
Corporate	2 559	2 346	5 460	(35 605)	(36 990)	(68 761)
Treasury	–	–	–	39 173	34 430	73 585
Total external income	3 040 950	2 964 697	5 341 402			
Profit before tax				178 839	151 627	256 766
Income tax				(48 263)	(40 918)	(67 572)
Profit for the period				130 576	110 709	189 194

SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	Unaudited 31 March 2016 R'000	Unaudited 31 March 2015 R'000	Audited 30 September 2015 R'000	Unaudited 31 March 2016 R'000	Unaudited 31 March 2015 R'000	Audited 30 September 2015 R'000
Trade	1 225 341	947 014	1 222 312	522 003	503 818	636 515
Wesgraan	74 261	87 832	75 400	2 817	6 714	17 442
Total for reportable segments	1 299 602	1 034 846	1 297 712	524 820	510 532	653 957
Corporate	143 795	204 932	175 770	57 527	85 360	102 381
Trade debtors	1 225 729	1 071 211	1 206 264	–	–	–
Short-term borrowings	–	–	–	742 190	520 880	669 980
Investment in associated company	–	678	–	–	–	–
Deferred taxation	5 604	3 770	5 932	5 263	5 000	4 138
	2 674 730	2 315 437	2 685 678	1 329 800	1 121 772	1 430 456



NOTES

1. Basis of presentation and accounting policies

The condensed Group interim financial statements for the six months to 31 March 2016 were prepared in accordance with IAS 34 – *Interim Financial Reporting*. The condensed Group interim financial statements should be read in conjunction with the Group annual financial statements for the year ended 30 September 2015. The accounting policies used to prepare the interim results are consistent with those applied in the previous period, except as described below.

Amendments to IFRS standards effective for the financial year ending 30 September 2016 are not expected to have a material impact on the Group.

Taxes on income in the interim financial statements are accrued using the expected tax rate that would be applicable to the annual profits or losses.

2. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those applied to the consolidated financial statements for the year ended 30 September 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

3. Fair value estimation

Financial instruments measured at fair value are disclosed by level of the following fair value hierarchy:

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

The only financial instruments that are carried at fair value are derivative financial instruments held for hedging. The fair value is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price (level 2).

Level 2 hedging derivatives comprise forward purchase and sale contracts and options. The effects of discounting are generally insignificant for level 2 derivatives.

The fair value of the following financial instruments approximates their carrying amount at the reporting date:

- Trade and other receivables
- Trade and other payables
- Short-term borrowings
- Loans



	Unaudited 31 March 2016 R'000	Unaudited 31 March 2015 R'000	Audited 30 September 2015 R'000
4. Property, plant and equipment			
Reconciliation of movements in carrying value:			
Carrying value beginning of period	607 756	473 822	473 822
Additions	65 686	67 355	159 678
Disposals	(100)	(141)	(496)
Improvements to leased premises written off	(1 078)	(1 055)	(2 122)
Depreciation	(13 819)	(10 574)	(23 126)
Carrying value end of period	658 445	529 407	607 756
5. Intangible assets			
Reconciliation of movements in carrying value:			
Carrying value beginning of period	14 061	15 293	15 293
Carrying value on acquisition of operations	–	–	556
Amortisation	(915)	(885)	(1 788)
Carrying value end of period	13 146	14 408	14 061



ADMINISTRATION

Board of directors

Non-executive

GM Steyn (Chairman)

BS du Toit

JH le Roux

NC Loubser

HS Louw

CA Otto

HM Smit

S Totaram

JH van Niekerk

Executive

S Walsh (Managing)

GW Sim (Financial)

JJ Matthee (Business development)

SJ Liebenberg (Operations)

Company secretary and registered office

RH Köstens

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Telephone number: 022 482 8000

Fax number: 022 482 8008

Website: www.kaapagri.co.za

Share transfer office

Contact person: Lizelle Bleeker

PO Box 13, Porterville, 6810

Telephone number: 022 931 8200

Fax number: 086 636 7200

E-mail: lbleeker@kaapagri.co.za

