Summarised consolidated financial statements

for the year ended 30 September 2018

KAAP AGRI

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Salient features

8 786 451 **Value of transactions (R'000)** + 7,1%	**354,1** **Recurring headline earnings per share (cents)** + 0,7%
84,7 (2017: 82,6) **Final dividend per share (cents)** + 2,5%	**116,7** (2017: 112,0) **Total dividend per share (cents)** + 4,2%

Commentary

Financial review

The Kaap Agri summary report provides an overview of the activities, results and financial position of the Group for the year ended 30 September 2018.

The Group specialises in trading in agricultural, fuel and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities and client network, it follows a differentiated market approach. In support of the core retail business, the Group also offers financial, grain handling and agency services. Kaap Agri has over 200 operating points located in eight of the nine South African provinces as well as in Namibia.

Operating environment

The agricultural environment remains heavily impacted by climatic conditions in the various areas in which we operate as well as foreign exchange volatility. Policy uncertainty, especially with regard to expropriation without compensation, has negatively impacted capital investment and expansions in the agricultural sector. On the retail side, the consumer environment further deteriorated during the latter part of the financial year, driven by severe fuel price increases, the VAT increase and rising inflation. The ongoing diversification of Kaap Agri has mitigated these impacts to a degree, with strong real revenue growth experienced across all income streams.

Financial results

Kaap Agri increased revenue by 2,1% to approximately R6,55 billion, up from R6,42 billion in the previous financial year on a statutory basis. However, as shown in Annexure A on a pro forma basis, revenue increased by 8,1% with like-for-like comparable growth of 6,9%. This growth in revenue was driven mainly by a 12,1% increase in the number of transactions. Product inflation is estimated at 5,1% but excluding the large inflationary impact of fuel in the revenue basket, inflation was -0,1%. The strong revenue growth during exceptionally tough trading conditions is reflective of our ongoing diversification and resilience. Retail sales growth continues to outperform agricultural sales growth, albeit from a lower base; and for the first time the retail income channel generated trading profits in excess of the agriculture income channel.

During the period five new and managed retail fuel sites were opened with total Group fuel volumes increasing by 18,4% in the year. The Fuel Company ("TFC") grew fuel volumes by 15,8% on owned sites and by 38,5% when including managed sites awaiting regulatory approval. Further TFC site acquisitions are at various stages of conclusion. Additional sit-down as well as on-the-go food offerings were added to further complement existing retail fuel site offerings. Our upgraded retail format was rolled out to four Agrimark stores and a number of smaller upgrades and expansions were completed within the Agrimark and Pakmark environments. This continuing investment in the business is essential to deliver sustained revenue growth going forward. New Agrimark footprint expansion opportunities are being investigated.

Gross profit has increased by 0,9% on a statutory basis. However, as shown in Annexure A on a pro forma basis, gross profit increased by 5,0% but at a rate lower than revenue growth. The impact of higher margin retail sales has been offset by the increased contribution of fuel sales at lower margins. Fuel prices have increased by between 17,2% (petrol) and 23,1% (diesel) compared to last year with lower regulated margin growth, thus significantly reducing the margin % on fuel revenue as well as the overall Group margin %.

Expenditure increased by 0,7% on a statutory basis. However, as shown in Annexure A on a pro forma basis, expenditure increased by 6,7%, above gross profit growth and with the largest spend being on people and variable sales related costs. Further cost has been incurred in improving our supply chain capabilities in support of our strategic drive to increase and improve our retail offerings. Cost management remains a focus area within the business.

The Kaap Agri (Namibia) ("KAN") business has benefitted from the combined strength and offering of the two joint venture parties and is steadily contributing to an enhanced customer experience through improved execution and product ranging. The performance of this business is expected to improve over the medium term.

Interest received grew by 2,7%, a result of a higher average debtors book driven by increased credit sales. Interest paid increased by 19,1% due to additional gearing of R230,9 million to finance capital expansion and the acquisition of operations.

EBITDA grew by 6,9%, outperforming the growth in recurring headline earnings ("RHE"), due to the impact of depreciation and interest paid resulting from ongoing expansion and acquisition activities.

The Group's effective tax rate of 27,8% is in line with expectations (2017: 27,5%).

RHE grew by 1,7%. We estimate the drought impact on Wesgraan and agri-retail to be 11,3% of the targeted 15% growth with a further 6,5% impact due to regulatory delays in the retail fuel environment. The remainder of the business grew by 4,5%.

RHE per share of 354,10 cents have grown by 0,7% on last year, resulting in a five year compound annual growth rate of 14,1% until 30 September 2018. Once-off items, predominantly costs associated with new business development, are excluded from headline earnings to calculate RHE. Return on revenue has reduced to 3,8% from 4,1% last year, largely impacted by fuel price increases and the increased mix contribution of lower margin fuel.

Operating results

Income growth from the Trading division, which includes the Agrimark retail branches, Pakmark packaging material distribution centres, mechanisation services and spare parts was down 0,3% year on year with operating profit before tax increasing by 9,4%. The impact of equity accounting KAN negatively impacted income growth by 9,5%. Improved agri and retail margins have been partially offset by agricultural related fuel sales at reduced margins.

Significant growth was realised in TFC with income growing 30,1% and operating profit before tax increasing by 34,5%. This division is expected to continue reflecting ongoing strong growth.

Wesgraan, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing, was heavily impacted by the drought and lower wheat volumes and income dropped by 38,2%, resulting in a decrease in operating profit before tax of 54,5%. This performance is expected to recover to normalised levels in the new year off significantly improved wheat harvests.

Irrigation manufacturing, also impacted by drought conditions in the Western Cape but partly offset by positive agricultural conditions in the northern parts of the country, grew income by 3,2% and operating profit before tax by 2,8%.

The Corporate division, which includes the cost of support services as well as other costs not allocated to specific segments, represents 1,4% of turnover (2017:1,7%).

Treasury income, which represents the net internal interest received less interest paid, decreased by 18,5% due to increased gearing used for expansion and growth purposes.

Financial position

Capital expenditure of R245,1 million was incurred during the year. Of this, R126,8 million was directed to capacity expansion while a further R3,8 million was spent on replacement assets. An additional R114,5 million was spent on the acquisition of business operations.

Working capital has been well controlled. Although debtors have grown slightly above the increase in credit sales, this has been due to select payment extensions granted to a small number of producers who have been severely impacted by the drought. The financial strength of these producers, assisted by an improved current year yield, is expected to allow for a full repayment within the first six months of the new financial year. Adequate securities are held on these producers.

Stock days have remained relatively constant year on year, supported by higher retail and fuel sales contributions and the increased participation of our centralised distribution centre. Creditors' payment terms have increased marginally. Return on net assets has decreased to 9,7% from 10,6% last year, the result of lower current year earnings growth and continued investment in the business. This is expected to improve going forward as earnings recover and grow in line with our strategic plans.

Net interest-bearing borrowings increased by 31,6% to R961,6 million, largely due to the impact of capital expenditure to support growth and the increased debtors book as well as timing of cash flows at the 2017 year-end. Average borrowings increased by R82,2 million year on year. The Group's debt-to-equity ratio, calculated on average balances, decreased to 50,9% (2017: 51,1%) with net debt to EBITDA of 2,0 times (2017: 1,6 times) and interest cover of 5,5 times (2017: 6,9 times). Gearing is within appropriate levels, with sufficient facilities available to enable medium-term growth and access to adequate additional financing facilities, if required. Return on equity decreased to 15,2% (2017: 16,6%), but remains above the targeted minimum level of 15%.

The Group continues to generate strong cash flows from operations and significant investment has been made back into the business to support growth, in terms of increased capital expenditure and acquisitions.

Dividend

A gross final dividend of 84,70 cents per share (2017: 82,60 cents) has been approved and declared by the Board from income reserves, representing a 2,5% increase on the previous year. The final dividend amount, net of South African dividends tax of 20%, is 67,76 cents per share for those shareholders not exempt from dividends tax. Including the interim dividend, the total dividend for the year ended 30 September 2018 of 116,70 cents per share (2017: 112,00 cents) increased by 4,2% over the prior year and has grown at a compound annual growth rate ("CAGR") of 18,5% over the past five years. The total dividend per share represents a dividend cover of 2,9 times (2017: 3,0 times).

The salient dates for the distribution are:

Declaration date	Thursday, 29 November 2018
Last day to trade cum dividend	Tuesday, 12 February 2019
Trading ex dividend commences	Wednesday, 13 February 2019
Record date to qualify for dividend	Friday, 15 February 2019
Date of payment	Monday, 18 February 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 February 2019 and Friday, 15 February 2019, both days inclusive.

Outlook

Agricultural conditions in the Western Cape have largely improved year on year and farm dam levels are in a good position. Currently the outlook for a vastly improved wheat harvest and a normalised year in the fruit and vegetable environments is positive. The wheat harvest commenced in late October and indications are positive regarding total yield and quality. Conditions in the northern regions of the country are encouraging. The issue of expropriation without compensation is having an impact on confidence as well as expansions in the agricultural space.

Retail sales and general retail performance remain under pressure with glimpses of improvement starting to emerge. The November and December trading performance, being strong retail months, will give a better indication as to whether a sustained retail recovery is underway. Weakening exchange rates will negatively impact product and raw material imports.

The past year has been a challenging one, but our various growth strategies have partially mitigated the impact of the drought. We have continued on our path of selective strategic revenue generating expansion and acquisition and immersed ourselves in the customer experience to ensure that sustained and mutually beneficial engagements and relationships will continue. We believe that the continued focus on our strategic goals will contribute to the business recovering from the subdued 2018 performance and we remain on track to achieve our strategic medium-term plan growth targets of a minimum 15% CAGR in RHE at a minimum ROE of 15%.

Events after the reporting date

Subsequent to year-end, Kaap Agri acquired the majority shareholding in Partridge Building Supplies (Pty) Ltd ("PBS") which trades as Underberg Forge in Southern KwaZulu-Natal ("KZN") Midlands. PBS trades under three divisions: Forge Agri, Forge Build and Forge Trans. This acquisition provides Kaap Agri with an entry point into a new geographical region, KZN, as well as an additional business stream in the pasture-based dairy sector. This is fully aligned with our strategic intent to do more business, in more places, with more customers and with more products generating increased revenue.

The Group also obtained control of three retail fuel stations, two purchased from C-Max Investments 71 (Pty) Ltd and one from Edopax CC. The acquisition dates for the businesses were during October and November 2018.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the summary consolidated financial results by the Board.

Appreciation

The Board of directors records its appreciation for the continued support and loyalty of the Group's employees, shareholders, customers and suppliers.

On behalf of the Board

GM Steyn
Chairman

S Walsh
Chief Executive Officer

29 November 2018

Statement of financial position
at 30 September

	Notes	2018 R'000	Restated 2017 R'000	Restated 2016 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	**1 097 159**	947 617	769 208
Intangible assets	6	**168 165**	99 482	48 094
Investment in joint venture	7	**11 941**	15 357	–
Loans		**26 397**	13 533	–
Deferred taxation		**1 234**	823	6 008
		1 304 896	1 076 812	823 310
Current assets				
Inventory		**911 151**	774 244	829 210
Trade and other receivables	8	**1 664 483**	1 499 420	1 444 292
Derivative financial instruments		**6 487**	348	10 335
Short-term portion of loans		**–**	23 925	26 821
Cash and cash equivalents		**40 214**	35 088	16 983
		2 622 335	2 333 025	2 327 641
Total assets		**3 927 231**	3 409 837	3 150 951
EQUITY AND LIABILITIES				
Capital and reserves		**1 742 746**	1 581 981	1 405 316
Non-current liabilities				
Deferred taxation		**41 905**	16 562	5 718
Finance lease liabilities		**17 402**	18 420	14 920
Employee benefit obligations		**16 367**	17 621	24 003
		75 674	52 603	44 641
Current liabilities				
Trade and other payables	9	**1 095 812**	987 819	805 329
Derivative financial instruments		**–**	348	10 335
Short-term portion of finance lease liabilities		**8 542**	6 192	3 657
Short-term portion of employee benefit obligations		**1 914**	13 478	7 569
Short-term borrowings		**1 000 907**	764 892	871 058
Income tax		**1 636**	2 524	3 046
		2 108 811	1 775 253	1 700 994
Total liabilities		**2 184 485**	1 827 856	1 745 635
Total equity and liabilities		**3 927 231**	3 409 837	3 150 951
Total shareholders' equity to total assets employed* (%)		**45,3%**	46,4%	47,1%
Net interest-bearing debt to total assets employed* (%)		**23,1%**	23,7%	25,3%
Net asset value per share (rand)		**R24,84**	R22,45	R19,94
Shares in issue (number – '000)		**70 162**	70 462	70 462
Total number of ordinary shares in issue**		**74 170**	74 170	74 170
Treasury shares		**(4 008)**	(3 708)	(3 708)

* *Ratios calculated on average balances.*
** *There was no change in the issued share capital between 30 September 2018 and the dividend declaration date, being 74 170 277 shares.*

Income statement

for the year ended 30 September

	2018 R'000	Restated 2017 R'000
Revenue	**6 548 793**	6 415 697
Cost of sales	**(5 446 480)**	(5 323 055)
Gross profit	**1 102 313**	1 092 642
Operating expenses	**(787 094)**	(803 520)
Operating profit before interest received	**315 219**	289 122
Interest received	**115 840**	112 780
Operating profit	**431 059**	401 902
Finance costs	**(82 739)**	(69 481)
Share in profit/(loss) of joint venture	**(3 416)**	201
Profit before tax	**344 904**	332 622
Income tax	**(95 947)**	(91 497)
Profit for the period	**248 957**	241 125
Attributable to equity holders of the holding company	**246 247**	241 125
Non-controlling interest	**2 710**	–
Earnings per share – basic (cents)	**349,80**	342,21
Earnings per share – diluted (cents)	**346,90**	339,35
Dividend per share (cents)	**116,70**	112,00

Headline earnings reconciliation

for the year ended 30 September

	2018 R'000	Restated 2017 R'000
Profit for the period	**248 957**	241 125
Attributable to equity holders of the holding company	**246 247**	241 125
Non-controlling interest	**2 710**	–
Net profit on disposal of assets	**(578)**	(137)
Gross	**(803)**	(190)
Tax effect	**225**	53
Net loss on disposal of share in subsidiary and impairment of joint venture	**–**	2 211
Loss on disposal of share in subsidiary	**–**	1 088
Fair value adjustment on loss of control	**–**	1 123
Tax effect	**–**	–
Headline earnings	**248 379**	243 199
Attributable to equity holders of the holding company	**245 669**	243 199
Non-controlling interest	**2 710**	–
Non-recurring expenses*	**3 604**	4 470
Recurring headline earnings	**251 983**	247 669
Attributable to equity holders of the holding company	**249 273**	247 669
Non-controlling interest	**2 710**	–
Headline earnings per share – basic (cents)	**348,98**	345,15
Headline earnings per share – diluted (cents)	**346,09**	342,26
Recurring headline earnings per share (cents)	**354,10**	351,49
Weighted average number of shares (number – '000)	**70 396**	70 462
Weighted average number of diluted shares (number – '000)	**70 984**	71 056

* *Non-recurring expenses consist predominantly of once-off costs associated with acquisitions of new businesses and other restructuring costs in the current year and the JSE listing in the previous year.*

Statement of comprehensive income
for the year ended 30 September

	2018 R'000	Restated 2017 R'000
Profit for the period	**248 957**	241 125
Other comprehensive income:		
Cash flow hedges	**(394)**	384
Gross	**(547)**	533
Tax	**153**	(149)
Total comprehensive income for the period	**248 563**	241 509
Attributable to equity holders of the holding company	**245 853**	241 509
Non-controlling interest	**2 710**	–

Statement of changes in equity
for the year ended 30 September

	2018 R'000	Restated 2017 R'000
Share capital	**443 921**	456 643
Gross shares issued	**480 347**	480 347
Treasury shares	**(36 426)**	(23 704)
Other reserves	**9 172**	3 893
Opening balance	**3 893**	(277)
Share-based payments	**5 673**	3 786
Other comprehensive income	**(394)**	384
Retained profit	**1 286 943**	1 121 445
Opening balance – restated	**1 121 445**	948 950
Profit for the period	**246 247**	241 125
Dividends paid	**(80 749)**	(68 630)
Non-controlling interest		
Profit for the period	**2 710**	–
Capital and reserves	**1 742 746**	1 581 981

Statement of cash flows
for the year ended 30 September

	2018 R'000	Restated 2017 R'000
Cash flow from operating activities	**237 025**	489 704
Net cash profit from operating activities	**451 431**	481 053
Working capital changes	**(127 150)**	103 162
Income tax paid	**(87 256)**	(94 511)
Cash flow from investment activities	**(283 503)**	(272 985)
Purchase of property, plant and equipment	**(130 615)**	(201 616)
Proceeds on disposal of property, plant and equipment	**2 736**	775
Prepayments made during the year	**(52 900)**	–
Decrease in loans	**11 776**	18 555
Acquisition of operations	**(114 500)**	(90 699)
Cash flow from financing activities	**51 604**	(198 614)
Increase/(decrease) in short-term loans	**236 015**	(56 045)
Increase in finance lease liabilities	**(8 201)**	(4 458)
Interest paid	**(82 739)**	(69 481)
Treasury shares acquired	**(12 722)**	–
Dividends paid	**(80 749)**	(68 630)
Net increase in cash and cash equivalents	**5 126**	18 105
Cash and cash equivalents at the beginning of the year	**35 088**	16 983
Cash and cash equivalents at the end of the year	**40 214**	35 088

Notes to the summarised consolidated financial statements

for the year ended 30 September

1. Basis of presentation and accounting policies

The Group's preliminary summarised consolidated financial statements for the year ended 30 September 2018 have been prepared in accordance with the requirements of the JSE Limited ("JSE") for summary financial statements, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements of the JSE require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 "Interim Financial Reporting".

The Group's summarised consolidated financial statements is an extract from the audited information, but this summary report has not been audited. The Group annual financial statements for the year were audited by PricewaterhouseCoopers Inc., and their unmodified audit report on this set of information, is available for inspection at the company's registered office. The Group's auditors have not reviewed nor reported on any comments relating to prospects.

The directors take full responsibility for the preparation of the summarised Group financial statements and that the financial information has been correctly extracted from the underlying financial records.

The Group's summarised consolidated financial statements for the year ended 30 September 2018 were prepared by GC Victor CA(SA), the Group's financial manager under supervision of GW Sim CA(SA) the Group's financial director.

2. Accounting policies

The accounting policies applied in the preparation of the Group financial statements from which the Group's summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous Group financial statements.

3. Critical accounting estimates and assumptions

In preparing the Group's summarised financial statements, the significant judgements made by management in applying the Group's accounting policies of estimation uncertainty were the same as those that applied to the Group annual financial statements for the year ended 30 September 2018. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of trade receivables

In estimating the provision for impairment of trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors who are deemed to be impaired. This includes an assessment of current and expected future payment profiles and customer specific risk factors such as economic circumstances, geographical location and the value of security held.

4. 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 approximate their carrying amount at the reporting date:

- Trade and other receivables
- Loans
- Trade and other payables
- Short-term borrowings
- Finance lease liabilities

Notes to the summarised consolidated financial statements

for the year ended 30 September

	2018 R'000	Restated 2017 R'000
5. Property, plant and equipment		
Reconciliation of movements in carrying value:		
Carrying value beginning of period	**947 617**	769 208
Additions	**140 148**	212 109
Land and buildings	**31 275**	32 521
Grain silos	**4 122**	–
Machinery and equipment	**13 027**	23 015
Vehicles	**10 397**	14 144
Office furniture and equipment	**11 198**	13 000
Leasehold properties	**433**	816
Assets under construction	**69 696**	128 613
Additions through business combinations	**61 017**	43 067
Sale of share in subsidiary	**–**	(35 393)
Disposals	**(1 933)**	(584)
Depreciation	**(49 690)**	(40 790)
Carrying value end of period	**1 097 159**	947 617
Land and buildings	**807 595**	651 842
Grain silos	**21 636**	16 782
Machinery and equipment	**95 877**	90 362
Vehicles	**28 915**	27 927
Office furniture and equipment	**87 116**	54 083
Leasehold properties	**22 568**	14 708
Assets under construction	**33 452**	91 913
Vehicles include the following amounts where the Group is a lessee under a finance lease:		
Cost	**39 451**	29 918
Accumulated depreciation	**(16 826)**	(9 299)
Carrying value	**22 625**	20 619
6. Intangible assets		
Reconciliation of movements in carrying value:		
Carrying value beginning of period	**99 482**	48 094
Additions through business combinations	**69 744**	53 217
Amortisation	**(1 061)**	(1 829)
Carrying value end of period	**168 165**	99 482
Goodwill	**167 695**	97 951
Customer relations	**470**	1 531

To assess for impairment of goodwill, a value in use calculation was done per CGU. Income and expenses were increased at the expected inflation rate and a discount rate of 11% to 15% was used depending on the CGU's specific risk profile. No impairment was recognised, with no indicators that the calculation is sensitive to reasonable change in assumptions. The most significant CGU being Total Clayville (carrying value: R37,8 million), Engen Clayville (carrying value: R31,9 million) and MBT Brits (carrying value: R35,9 million) calculated with discount rates of between 11% – 15% and terminal growth rates of between 7% – 10%.

Notes to the summarised consolidated financial statements
for the year ended 30 September

	2018 R'000	Restated 2017 R'000
7. Investment in joint venture		
Kaap Agri (Namibia) (Pty) Ltd		
Beginning of year	**15 357**	–
Carrying value at date of acquisition	**–**	16 279
Fair value adjustment on loss of control	**–**	(1 123)
Share in total comprehensive income	**(3 416)**	201
	11 941	15 357
8. Trade and other receivables		
Trade debtors	**1 549 498**	1 438 292
Provision for impairment	**(39 909)**	(45 313)
	1 509 589	1 392 979
VAT	**45 932**	44 842
Prepayments	**52 900**	–
Pupkewitz Holdings	**–**	16 550
Other debtors	**56 062**	45 049
	1 664 483	1 499 420
9. Trade and other payables		
Trade creditors	**1 000 982**	871 343
Employee accruals	**42 177**	50 179
Other creditors	**52 653**	66 297
	1 095 812	987 819

Notes to the summarised consolidated financial statements

for the year ended 30 September

10. Information about operating segments

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business from a divisional perspective. The performance of the following divisions are separately considered: Trade, The Fuel Company ("TFC"), Wesgraan as well as Irrigation manufacturing. The performance of the operating segments are assessed based on a measure of revenue and net profit before taxation.

Trade provides a complete range of production inputs, mechanisation equipment and services, and other goods to agricultural producers as well as the general public.

TFC provides a full retail fuel offering to a diverse range of customers, including convenience store and quick service restaurant outlets.

Wesgraan provides a complete range of marketing and hedging options as well as handling grain products between producer and buyer.

Irrigation manufacturing, manufactures dripper pipe and other irrigation equipment and distributes franchise and other irrigation parts.

Segment revenue and results

	SEGMENT REVENUE		SEGMENT RESULTS	
	2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
Trade	**4 120 868**	4 134 625	**241 947**	221 257
TFC	**1 802 049**	1 385 271	**85 809**	63 782
Wesgraan	**439 121**	710 239	**23 611**	51 922
Irrigation manufacturing	**186 755**	180 976	**25 952**	25 248
Total for reportable segments	**6 548 793**	6 411 111	**377 319**	362 209
Corporate	**–**	4 586	**(94 237)**	(109 851)
Treasury	**–**	–	**65 238**	80 063
Share in profit/(loss) of joint venture	**–**	–	**(3 416)**	201
Total external revenue	**6 548 793**	6 415 697		
Profit before tax			**344 904**	332 622
Income tax			**(95 947)**	(91 497)
Profit after tax			**248 957**	241 125

Segment assets and liabilities

	SEGMENT ASSETS		SEGMENT LIABILITIES	
	2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
Trade	**1 430 303**	1 251 648	**888 404**	840 833
TFC	**546 449**	340 921	**121 215**	24 420
Wesgraan	**97 440**	68 980	**12 638**	25 704
Irrigation manufacturing	**71 740**	64 016	**25 925**	29 822
Total for reportable segments	**2 145 932**	1 725 565	**1 048 182**	920 779
Corporate	**258 535**	275 113	**93 491**	125 623
Trade debtors	**1 509 589**	1 392 979	**–**	–
Investment in joint venture	**11 941**	15 357	**–**	–
Short-term borrowings	**–**	–	**1 000 907**	764 892
Deferred taxation	**1 234**	823	**41 905**	16 562
	3 927 231	3 409 837	**2 184 485**	1 827 856

Notes to the summarised consolidated financial statements

for the year ended 30 September

	2018 R'000	2017 R'000
11. Capital commitments		
Contracted	**71 956**	74 250

These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds.

12. Business combinations

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and accompanying retail fuel properties were acquired. Goodwill on acquisition was paid on these businesses as the price is competitive in the context of other retail fuel operations and the business combination presents synergies within the Group and have further earnings potential.

A purchase price allocation as required by IFRS 3 – Business combinations was provisionally performed and no material intangible assets were identified, other than fuel site operating licenses, which are recognised with the property that it relates to as one asset as these assets have similar useful lives.

The Group does not disclose revenue and profit of the combined entities as if the acquisitions occurred at the beginning of the reporting period, because the Group does not have access to the relevant information before the Group obtained control over the businesses.

The Group acquired the following assets through business combinations:

Total Clayville service station on 1 July 2018

Engen Clayville service station on 1 August 2018

	Total R	Engen Clayville R	Total Clayville R
Carrying value			
Assets			
Property, plant and equipment	**71 100**	**32 200**	**38 900**
Inventory	**824**	**157**	**667**
	71 924	**32 357**	**39 567**
Fair value			
Assets			
Property, plant and equipment	**61 016**	**25 108**	**35 908**
Inventory	**824**	**157**	**667**
Deferred taxation	**(17 084)**	**(7 030)**	**(10 054)**
Goodwill	**69 744**	**31 965**	**37 779**
Purchase consideration paid in cash	**114 500**	**50 200**	**64 300**
The acquired businesses contributed as follows since acquisition to the Group's results:			
Revenue	**65 680**	**23 173**	**42 507**
Net profit	**3 454**	**1 801**	**1 653**

Notes to the summarised consolidated financial statements

for the year ended 30 September

13. Events after reporting date

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and accompanying retail fuel properties were acquired after year-end.

Two service stations were purchased from C-Max Investments 71 (Pty) Ltd. The acquisition dates for the two businesses were during October and November 2018 respectively. Goodwill is recognised based on the expected synergies from combining operations with the acquiree. The purchase consideration of R84,9 million will be paid through issuance of shares in a subsidiary company.

A service station (Total Summit Road) was purchased from Edopax CC. The purchase consideration of R52,9 million was paid and treated as a prepayment in the current year.

In terms of IFRS 3 Business Combinations the purchase price of the transaction will be allocated to tangible assets (mainly property, plant and equipment and other net assets) and the balance will be allocated to goodwill. At the date of the publication of the audited consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

The Group also acquired a 60% shareholding in Partridge Building Supplies (Pty) Ltd in exchange for cash consideration of R48 million.

In terms of IFRS 3 Business Combinations the purchase price of the Partridge Building Supplies (Pty) Ltd business will be allocated to tangible assets (mainly property, plant and equipment and other net assets) and intangible assets (mainly trade names and customer relationships) and the balance will be allocated to goodwill. At the date of the publication of the audited consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

14. Restatement of comparative amounts

Other income

In the prior year the internal delivery costs recovered were disclosed under other income and should have been set off against the internal expense.

The 2017 income statement of the Group was restated. The effect on the financial statements of the Group is as follows:

	2017		
	Original balance R'000	Restatement R'000	Restated balance R'000
Effect on statement of comprehensive income			
Other operating income	181 705	(29 337)	152 368
Selling and distribution costs	(123 311)	29 337	(93 974)
Profit before tax	332 622	–	332 622

Notes to the summarised consolidated financial statements
for the year ended 30 September

14. Restatement of comparative amounts (continued)

Classification of leases

During the year, the Group reassessed the classification of leases relating to their vehicle fleet and identified that a number of leases previously classified as operating leases should be classified as finance leases.

The correction of the classification has been applied retrospectively. This has resulted in restatement of the comparative consolidated financial statements for the year ended 30 September 2017, with the impact on the respective financial statement line items as follows:

	2017		
	Original balance R'000	Restatement R'000	Restated balance R'000
Effect on statement of financial position			
Non-current assets			
Property, plant and equipment	926 998	20 619	947 617
Current assets			
Trade and other receivables	1 496 333	3 087	1 499 420
Non-current liabilities			
Finance lease liabilities	–	(18 420)	(18 420)
Deferred taxation	(16 815)	253	(16 562)
Current liabilities			
Short-term portion finance lease liabilities	–	(6 192)	(6 192)
Capital and reserves			
Retained profit	(1 122 098)	653	(1 121 445)

2016		
Original balance R'000	Restatement R'000	Restated balance R'000
753 593	15 615	769 208
1 441 831	2 461	1 444 292
–	(14 920)	(14 920)
(5 858)	140	(5 718)
–	(3 657)	(3 657)
(949 311)	361	(948 950)

Notes to the summarised consolidated financial statements

for the year ended 30 September

14. Restatement of comparative amounts (continued)

	2017		
	Original balance R'000	Restatement R'000	Restated balance R'000
Effect on statement of comprehensive income			
Administrative expenses	(514 110)	(4)	(514 114)
Other operating expenses	(234 888)	2 079	(232 809)
Finance costs	(67 001)	(2 480)	(69 481)
Profit before tax	333 027	(405)	332 622
Profit attributable to shareholders of the holding company	241 417	(292)	241 125
Effect on statement of cash flows			
Cash flow from operating activities			
Net cash profit from operating activities	473 489	7 564	481 053
Working capital changes	103 788	(626)	103 162
Cash flow from investment activities			
Increase in finance lease liabilities	–	(4 458)	(4 458)
Interest paid	(67 001)	(2 480)	(69 481)
Basic earnings per share (cents)	342,62	(0,41)	342,21
Diluted earnings per share (cents)	339,76	(0,41)	339,35
Basic headline earnings per share (cents)	345,56	(0,41)	345,15
Diluted headline earnings per share (cents)	342,67	(0,41)	342,26

Annexure A

Pro forma financial information: Partial disposal of Kaap Agri (Namibia)

As announced on SENS on 3 August 2017, the company disposed of 50% of its interest in KAN, which was previously a wholly-owned subsidiary of the company. In terms of International Financial Reporting Standards, Kaap Agri's remaining non-controlling interest in KAN is equity accounted from 1 August 2017, while it was consolidated prior to this date. To allow for a meaningful comparison, the commentary and pro forma adjustments regarding revenue, gross profit and expenditure have been prepared for illustrative purposes only and on the basis of the consistent treatment of KAN as an equity investment for both the years ending 30 September 2017 and 30 September 2018.

The pro forma financial effects are presented in accordance with the JSE Listings Requirements, the Guide on Pro Forma Financial Information issued by SAICA and the measurement and recognition requirements of International Financial Reporting Standards. The accounting policies applied in quantifying pro forma adjustments are consistent with Kaap Agri's accounting policies at 30 September 2018. The pro forma financial information is the responsibility of the directors and has not been reviewed or reported on by the company's external auditors.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the company.

	Statutory 12 months[(1)] R'000	KAN 10 months[(2)] R'000	Pro forma 12 months[(3)] R'000
Revenue	6 415 697	(359 976)	6 055 721
Gross profit	1 092 642	(42 399)	1 050 243
Expenditure	(843 108)	47 899	(795 209)

[(1)] *The column titled "Statutory 12 months" has been extracted without adjustment from the Kaap Agri audited results for the period ended 30 September 2017.*

[(2)] *The column titled "KAN 10 months" represents the unaudited revenue, gross profit and expenditure of KAN for the period ended 31 July 2017.*

[(3)] *The column titled "Pro forma 12 months" represents the Kaap Agri pro forma revenue, gross profit and expenditure after adjustment for the KAN disposal.*

All pro forma adjustments will have a continuing effect on the financial results of Kaap Agri.

Corporate information

Kaap Agri Limited ("Kaap Agri" or "the Group")
Incorporated in the Republic of South Africa
Registration number: 2011/113185/06
Income tax number: 9312717177
Share code: KAL
ISIN code: ZAE000244711

Directors
GM Steyn (Chairman)*#
S Walsh (Chief Executive Officer)
GW Sim (Financial Director)
BS du Toit*#
D du Toit*#
JH le Roux*
EA Messina*#
WC Michaels*#
CA Otto*#
HM Smit*#
JH van Niekerk*#
I Chalumbira* (Appointed 19 September 2018)
* Non-executive
# Independent

Transfer Secretaries
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Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
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Company Secretary
RH Köstens

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