CROOKES BROTHERS LIMITED

Co. No. 1913/000290/06

Interim results

for the six months ended 30 September 2019

Commentary on interim results

The board cautions against using interim earnings to project full year earnings, due to the impact of seasonality on the biological asset valuations at half year, particularly in the deciduous and macadamia segments.

Revenue from continuing operations increased by 20% to R404.2 million (2018: R337.8 million) driven largely by significant growth in our macadamia segment, which more than trebled revenue compared to the prior year. In addition, there was an improvement in sugar revenue on the back of a partial recovery in the SA RV sugar price compared to the prior corresponding period.

Operating profit before biological asset adjustments consequently increased by 38% to R113.5 million (2018: R82.1 million).

The group continues to generate sound cash flows. Operating cash flows before changes in working capital increased by 38% to R 147.9 million compared to the prior corresponding period (2018: R107.4 million).

These results were however offset by biological asset write-downs in our sugar segment. This was due to the harvesting of younger, lower yielding sugar cane in eSwatini, brought on by unseasonal early flowering, as well as drought conditions on our Malelane farms impacting yields. The result was a downward sugar cane biological asset valuation- adjustment of R 42 million (2018: R21 million).

Finance charges increased by 74% to R19.6 million compared to the prior corresponding period. This was due, in part, to additional finances charges incurred as a result of the adoption of the new accounting standard, IFRS 16. The adoption of the new standard added R6.8 million interest cost compared to the prior year.

Profit from continuing operations decreased by 72% down to R 6.1 million (2018: R21.5 million).

Sugar Cane

The South African sugar industry continues to remain under severe pressure due to lower local market demand and low world sugar prices.

The group's continuous improvement programme, focusing on higher yields, has partially shielded our sugar cane performance from the effects of a weak sugar price and this area of management is being given a renewed emphasis.

At a macro level, the industry anticipates an improvement in the SA RV price as the world sugar price continues to trend upwards, albeit off a very low base. Currently, regional sugar prices in Southern Africa are holding steady supported by rand weakness, a drop off in cheaper imports into South Africa and contraction in local sugar production. We expect regional sugar prices to continue an upward trend over the next 12 months.

Deciduous fruit

Deciduous fruit operating losses, before biological asset adjustments, have increased by 90% to R15.8 million (2018: R8.3 million loss) due to large once off costs and unforeseen weaker deciduous prices particularly in the small sizes which predominated after the drought conditions of the prior years.

Our deciduous fruit processor, Two-a-Day, observed a significant proportionate increase of smaller fruit compared to harvests in recent years, negatively impacting all farmers in the region. Small fruit size is ascribed to effects of prolonged drought conditions of recent years on deciduous trees, notwithstanding the drought ending in the preceding year and trees receiving a full water allocation in the build up to its 2019 harvest.

Furthermore, Two-a-Day is reporting lower world prices achieved for deciduous fruit in general in the build up to next year's crop, which does not bode well for this financial year's results in this segment.

Macadamia nuts

On the back of continuous price and volume growth as our younger orchards continue to come into production, operating profit before biological asset adjustments is up by 323% to R 12.9 million compared to the prior corresponding period

This division has to date planted 460 ha of macadamia orchards and it intends to expand the plantings to 800 ha over the next 2-3 years. We expect revenue and profits to continue to grow substantially over the next 5 years as this project matures and should become a significant cash generator for the group in the years ahead.

Bananas

On the back of softer prices, operating profit before biological asset adjustments decreased by 9% to R8.6 million compared to the prior year, which is nevertheless still a good result from this division.

Our banana segment continues to produce pleasing results although profits are expected to vary from year to year, given the price elasticity of this segment and its sensitivity around production and price variances.

The group continues to focus on producing high quality fruit.

Property

The sale of Renishaw Hills is expected to be finalised in January 2020, which will add approximately a R 100 million once- off cash injection to the group's cash flow.

The property division will continue to give focus to the sale of the balance of the 226 ha of developable land over the next 5 to 10 years. Interest in developable land in this area has increased over the past 6 months. We are in the initial stages of concluding the sale of the hospital site with agreements signed with outstanding conditions precedent being worked on. Short-term option agreements are being concluded for sizable developments in the Scottburgh precinct.

Over the medium term, this division will return the capital invested by the group into the project and a fair project return is expected over the next five years.

Liquidity and gearing

The group remains focused on disposing non-core assets in the short term.

The board intends introducing more appropriate long-term debt funding into the group to match cash flows of long-term projects thereby reducing reliance on short term banking facilities to fund long-term projects.

Prospects

We anticipate a difficult full year on the back of a poor deciduous performance together with the impact of continued uncertainty in the price of sugar.

Macadamias are set to deliver strong growth and cash generation and this, together with land sales in our RenProp company, are expected to make a contribution to cash flows and profits in the next 12 months.

Finance costs should decrease as our cash position improves with the disposals of non-core assets and management continues to give attention to non-performing assets.

Under the new executive leadership, we will continue to evaluate individual asset performance and financial projections to target above average returns to shareholders in the future.

INTERIM CASH DIVIDEND DECLARATION

The board continues to maintain a conservative dividend policy during this recovery period and has taken the decision not to declare an interim dividend for the six-month period ended 30 September 2019.

Any reference to the group's future financial performance included in this announcement has not been reviewed nor reported on by the company's auditors.

For and on behalf of the board

M T Rutherford (Chairman)	**K A Sinclair** (Chief Executive Officer)
Durban	26 November 2019

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Directors:
M T Rutherford* (Chairman), K A Sinclair (CEO), G L Veale (CFO), R G F Chance*, T J Crookes*, T K Denton*#, P Mnganga*, G Vaughan-Smith*#, L W Riddle*

* Non-executive director #British

Company secretary:
ZC Nqwenya

Condensed consolidated statement of profit or loss

for the period ended 30 September 2019

	Notes	Unaudited Six months to 30 September 2019 R'000	Unaudited Restated Six months to 30 September 2018* R'000	Audited 12 months to 31 March 2019 R'000
Continuing operations				
Revenue		**404 216**	337 759	576 106
Operating profit before biological assets		**113 517**	82 110	25 847
Change in fair value of biological assets		**(86 645)**	(43 009)	48 086
Operating profit after biological assets		**26 872**	39 101	73 933
Share of profit of joint venture and associate companies		**-**	-	1 209
Investment income		**1 507**	791	1 801
Finance costs	2	**(19 558)**	(11 190)	(20 051)
Profit before tax		**8 821**	28 702	56 892
Income tax expense		**(2 699)**	(7 223)	(14 447)
Profit for the period from continuing operations		**6 122**	21 479	42 445
Discontinued operations				
Profit/(loss) for the year from discontinued operations	4	**1 996**	(1 008)	(1 760)
Profit for the period		**8 118**	20 471	40 685
Profit for the period attributable to:				
Owners of Crookes Brothers Limited		**(7 731)**	9 963	25 584
Non-controlling interests		**15 849**	10 508	15 101
		8 118	20 471	40 685
Profit for the period from continuing operations attributable to:				
Owners of Crookes Brothers Limited		**(9 426)**	10 861	26 964
Non-controlling interests		**15 548**	10 618	15 481
		6 122	21 479	42 445
Profit/(loss) for the period from discontinued operations attributable to:				
Owners of Crookes Brothers Limited		**1 695**	(898)	(1 380)
Non-controlling interests		**301**	(110)	(380)
		1 996	(1 008)	(1 760)
(Loss)/earnings per share				
Continuing and discontinued operations				
Basic	(cents)	**(50.6)**	65.3	167.6
Diluted	(cents)	**(50.6)**	65.3	167.6
Continuing operations				
Basic	(cents)	**(61.8)**	71.2	176.6
Diluted	(cents)	**(61.8)**	71.2	176.6

** Re-presented to account for discontinued operations per note 4.*

Condensed consolidated statement of comprehensive income

for the period ended 30 September 2019

	Unaudited Six months to 30 September 2019 R'000	Unaudited Restated Six months to 30 September 2018* R'000	Audited 12 months to 31 March 2019 R'000
Profit for the period	**8 118**	20 471	40 685
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment medical aid obligation	**-**	-	261
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	**(1 453)**	(3 937)	(2 496)
Other comprehensive loss, net of income tax	**(1 453)**	(3 937)	(2 235)
Total comprehensive income for the period	**6 665**	16 534	38 450
Total comprehensive income for the period attributable to:			
Owners of Crookes Brothers Limited	**(9 184)**	6 026	23 349
Non-controlling interests	**15 849**	10 508	15 101
	6 665	16 534	38 450
Total comprehensive income for the period from continuing operations attributable to:			
Owners of Crookes Brothers Limited	**(10 879)**	6 924	24 729
Non-controlling interests	**15 548**	10 618	15 481
	4 669	17 542	40 210
Total comprehensive income/(loss) for the period from discontinued operations attributable to:			
Owners of Crookes Brothers Limited	**1 695**	(898)	(1 380)
Non-controlling interests	**301**	(110)	(380)
	1 996	(1 008)	(1 760)

** Re-presented to account for discontinued operations per note 4.*

Condensed consolidated statement of financial position

as at 30 September 2019

	Notes	**Unaudited 30 September 2019 R'000**	Unaudited Restated 30 September 2018* R'000	Audited 31 March 2019 R'000
ASSETS				
Non-current assets		**1 204 561**	1 064 251	1 076 056
Property, plant and equipment		**934 242**	967 627	960 879
Right-of-use asset	5	**157 208**	-	-
Investment property		**30 435**	19 995	30 336
Deferred tax assets		**11 162**	8 972	14 406
Other financial assets		**5 132**	4 151	4 056
Investments in joint venture and associates		**61 214**	59 843	61 393
Unsecured loans		**5 168**	3 663	4 986
Current assets		**622 185**	564 663	605 876
Biological assets		**173 705**	169 837	260 806
Inventories		**37 823**	45 336	30 541
Trade and other receivables		**183 453**	171 744	136 414
Current tax assets		**13 116**	5 688	7 362
Other financial assets		**-**	107	110
Retirement benefit surplus		**1 693**	10 212	1 693
Unsecured loans		**-**	3 803	2 792
Cash and bank balances		**83 693**	61 303	56 683
		493 483	468 030	496 401
Assets classified as held for sale	4.1	**128 702**	96 633	109 475
Total assets		**1 826 746**	1 628 914	1 681 932
EQUITY AND LIABILITIES				
Capital and reserves		**1 066 257**	1 048 690	1 059 620
Share capital and premium		**226 271**	226 271	226 271
Investment revaluation reserve		**951**	951	951
Foreign currency translation reserve		**(32 951)**	(32 939)	(31 498)
Share-based payment reserve		**4 612**	3 473	4 612
Retained earnings		**823 585**	815 434	831 316
Equity attributable to owners of the company		**1 022 468**	1 013 190	1 031 652
Non-controlling interests		**43 789**	35 500	27 968
Non-current liabilities		**418 105**	253 070	267 674
Deferred tax liabilities		**129 514**	118 868	129 596
Borrowings - interest-bearing		**69 230**	73 020	70 765
Other financial liabilities		**19 481**	13 543	19 692
Obligation to restore leased farmland		**41 034**	44 998	44 045
Lease liability - right-of-use asset	5	**155 270**	-	-
Post-employment medical aid obligation		**3 576**	2 641	3 576
Current liabilities		**342 384**	327 154	354 638
Trade and other payables and provisions		**65 422**	62 382	92 768
Current tax liabilities		**-**	13 304	2 775
Post-employment medical aid obligation		**-**	7 693	-
Borrowings - interest-bearing		**254 158**	218 847	251 500
Lease liability - right-of-use asset	5	**4 413**	-	-
Bank overdraft		**18 391**	24 928	7 595
Total equity and liabilities		**1 826 746**	1 628 914	1 681 932

** Re-presented to account for held for sale assets per note 4.1.*

Condensed consolidated statement of cash flows

for the period ended 30 September 2019

	Notes	Unaudited Six months to 30 September 2019 R'000	Unaudited Restated Six months to 30 September 2018* R'000	Audited 12 months to 31 March 2019 R'000
Operating activities				
Operating cash flows before changes in working capital		**147 947**	107 369	96 097
Net (out)/inflow from changes in working capital:				
- continuing operations		**(75 749)**	(47 127)	19 264
- discontinued operations		**(19 205)**	(7 982)	2 587
Cash generated from operations		**52 993**	52 260	117 948
Interest received		**1 302**	481	1 076
Interest paid - continuing operations		**(10 091)**	(6 855)	(16 030)
Interest paid - discontinued operations	4	**(4 277)**	(2 411)	(6 696)
Income taxes paid		**(8 234)**	(1 725)	(16 552)
Net cash generated by operating activities		**31 693**	41 750	79 746
Investing activities				
Investment in other financial assets		**(955)**	(955)	(766)
Decrease in unsecured loans		**2 792**	-	-
Proceeds on disposal of property, plant and equipment		**23 772**	398	1 538
Investment in property, plant and equipment		**(30 444)**	(28 876)	(78 920)
Investment in investment property		**(99)**	(4 704)	(5 770)
Investment in joint venture and associate companies		**(450)**	558	216
Other net investing activities		**-**	113	78
Net cash used in investing activities		**(5 384)**	(33 466)	(83 624)
Free cash flow		**26 309**	8 284	(3 878)
Financing activities				
Proceeds from loans and borrowings		**1 450**	42 040	55 000
Repayment of loans and borrowings		**(4 431)**	(21 677)	(23 087)
Net increase in general banking facilities		**1 800**	-	19 097
Net increase in other financial liabilities		**-**	4 904	11 257
Repayment of IFRS 16 lease liability		**(2 120)**	-	-
Interest paid on IFRS 16 lease liability	2	**(6 766)**	-	-
Dividends paid - ordinary shareholders		**-**	-	-
Dividends paid - community partners		**(28)**	-	(12 125)
Net cash (used in)/from financing activities		**(10 095)**	25 267	50 142
Net increase in cash and cash equivalents		**16 214**	33 551	46 264
Cash and cash equivalents at beginning of the period		**49 088**	2 824	2 824
Cash and cash equivalents at end of the period		**65 302**	36 375	49 088

** Re-presented to account for discontinued operations per note 4.*

Condensed consolidated statement of changes in equity

for the period ended 30 September 2019

	Unaudited Six months to 30 September 2019 R'000	Unaudited Six months to 30 September 2018 R'000	Unaudited 12 months to 31 March 2019 R'000
Balance at beginning of period	**1 059 620**	1 032 156	1 032 156
Share-based payment expense	**-**	-	1 139
Other comprehensive income for the period	**6 665**	16 534	38 450
Dividends declared and paid	**(28)**	-	(12 125)
Balance at end of period	**1 066 257**	1 048 690	1 059 620

Condensed consolidated segmental analysis

for the period ended 30 September 2019

	Unaudited Six months to 30 September 2019 R'000	Unaudited Restated Six months to 30 September 2018* R'000	Audited 12 months to 31 March 2019 R'000
Revenue			
Sugar cane	**276 738**	232 963	321 855
Deciduous fruit	**37 308**	35 917	100 226
Bananas	**43 780**	48 775	117 052
Macadamias	**30 737**	8 007	8 070
Property^	**3 623**	-	1 981
Other operations	**12 030**	12 097	26 922
Total continuing operations	**404 216**	337 759	576 106
Discontinued operations	**33 666**	35 241	89 587
	437 882	373 000	665 693
Operating profit before biological assets			
Sugar cane	**130 840**	99 424	50 391
Deciduous fruit	**(15 840)**	(8 294)	140
Bananas	**8 595**	9 475	39 779
Macadamias	**12 867**	3 041	(2 931)
Property^	**(1 245)**	1 709	2 865
Other operations	**5 831**	(265)	(3 118)
Disposal of plant and equipment and unlisted shares	**508**	220	399
Corporate expenses	**(28 039)**	(23 200)	(61 678)
Total continuing operations	**113 517**	82 110	25 847
Discontinued operations	**7 053**	1 119	4 569
	120 570	83 229	30 416
Change in fair value of biological assets			
Sugar cane	**(42 121)**	(21 010)	19 920
Deciduous fruit	**(28 796)**	(18 817)	9 979
Bananas	**1 792**	(1 528)	(2 976)
Macadamias	**(17 520)**	(1 654)	21 163
	(86 645)	(43 009)	48 086
Operating profit after biological assets			
Sugar cane	**88 719**	78 414	70 311
Deciduous fruit	**(44 636)**	(27 111)	10 119
Bananas	**10 387**	7 947	36 803
Macadamias	**(4 653)**	1 387	18 232
Property^	**(1 245)**	1 709	2 865
Other operations	**5 831**	(265)	(3 118)
Disposal of plant and equipment and unlisted shares	**508**	220	399
Corporate expenses	**(28 039)**	(23 200)	(61 678)
Total continuing operations	**26 872**	39 101	73 933
Discontinued operations	**7 053**	1 119	4 569
	33 925	40 220	78 502

** Re-presented to account for discontinued operations per note 4.*

^ The property segment includes development, infrastructure costs and future land sales not affiliated with the Renishaw Hills residential development, which has been re-presented as a discontinued operation.

Abbreviated notes to the unaudited interim results
for the period ended 30 September 2019

1. Basis of preparation and accounting policies

The condensed consolidated unaudited results for the half-year ended 30 September 2019 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by International Accounting Standard 34 Interim Financial Reporting and the requirements of the Companies Act of South Africa, as amended.

The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 March 2019 and were prepared under the supervision of the Group Financial Director, Mr GL Veale CA (SA).

Crookes Brothers Limited has adopted all the new or revised accounting pronouncements as issued by the IASB which were effective for Crookes Brothers Limited from 1 January 2019. The adoption of these standards and its recognition and measurement impact on the financial results of the group, have been disclosed in note 5.

26 November 2019

Sponsor
Sasfin Capital (a member of the Sasfin Group)

Abbreviated notes to the unaudited interim results

for the period ended 30 September 2019

		Unaudited Six months to 30 September 2019 R'000	Unaudited Restated Six months to 30 September 2018* R'000	Audited 12 months to 31 March 2019 R'000
2.	**Finance costs**			
	Interest paid - bank overdraft and borrowings	**16 692**	13 395	26 247
	Interest paid - reversionary sale and transfer obligations	**377**	206	500
	Interest paid - IFRS 16 lease liability	**6 766**	-	-
		23 835	13 601	26 747
	Attributable to:			
	Continuing operations	**19 558**	11 190	20 051
	Discontinued operations	**4 277**	2 411	6 696
		23 835	13 601	26 747
3.	**Headline (loss)/earnings per share**			
3.1	**Number of shares**			
	In issue	**15 264 317**	15 264 317	15 264 317
	Weighted average (basic)	**15 264 317**	15 264 317	15 264 317
	Weighted average (diluted)	**15 264 317**	15 264 317	15 264 317
3.2	**Headline (loss)/earnings**			
	(Loss)/profit for the period attributable to owners of Crookes Brothers Limited	**(7 731)**	9 963	25 584
	Adjusted for:			
	Gain on disposal of property, plant and equipment	**(508)**	(190)	(369)
	Gain on disposal of financial assets	**-**	(30)	(30)
	Impairment of goodwill	**-**	-	393
	Gain arising on changes in fair value of investment property	**-**	(2 393)	(4 787)
	Tax effect of the adjustments	**142**	732	1 342
	Headline (loss)/earnings	**(8 097)**	8 082	22 133
	Headline (loss)/earnings per share (basic) (cents)	**(53.0)**	52.9	145.0
	Headline (loss)/earnings per share (diluted) (cents)	**(53.0)**	52.9	145.0

** Re-presented to account for discontinued operations per note 4.*

Abbreviated notes to the unaudited interim results
for the period ended 30 September 2019

4. Discontinued operations

During the current reporting period, the directors concluded and signed an agreement with a buyer, for the purchase of the group's Renishaw Hills residential development in the Scottburgh area, administered by the group's property company Renishaw Property Developments (Pty) Ltd.

The disposal will involve the sale of all inventory related to the work in progress construction of incomplete units on the group's balance sheet.

The disposal of the operation is consistent with the group's long-term strategy to focus its activities on agriculture and farming. These operations, which are expected to be sold within six months, have been classified as a disposal group held for sale and separately disclosed as such, on the statement of financial position.

The results of the discontinued operation included in the statement of profit or loss for the period is set out below. The comparative statement of profit or loss from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

Statement of profit or loss	**Unaudited Six months to 30 September 2019 R'000**	Unaudited Six months to 30 September 2018 R'000	Audited 12 months to 31 March 2019 R'000
Revenue	**33 666**	35 241	89 587
Cost of sales	**(24 650)**	(32 172)	(81 596)
Gross profit	**9 016**	3 069	7 991
Other gains and losses	**327**	210	471
Operating and administrative expenses	**(2 290)**	(2 160)	(3 893)
Operating profit	**7 053**	1 119	4 569
Finance costs	**(4 277)**	(2 411)	(6 696)
Profit/(loss) before tax	**2 776**	(1 292)	(2 127)
Tax	**(780)**	284	367
Profit/(loss) for the year from discontinued operations	**1 996**	(1 008)	(1 760)

4.1 Assets classified as held for sale

Statement of financial position	**Unaudited Six months to 30 September 2019 R'000**	Unaudited Six months to 30 September 2018 R'000	Audited 12 months to 31 March 2019 R'000
Inventory - Renishaw Hills	**105 270**	96 633	86 064
Property, plant and equipment - Malelane farms[1]	**23 432**	-	-
Property, plant and equipment - Aircraft[2]	**-**	-	23 411
	128 702	96 633	109 475

[1] During the current reporting period, the directors resolved to dispose of the group's remaining owned sugar cane farms in Malelane, being Strathmore and Shalimar. The proceeds on disposal are expected to substantially exceed the carrying amount of the associated property, plant and equipment in these estates. Accordingly no impairment loss has been recognised on the classification of these assets as held for sale. The cane operations in Strathmore and Shalimar do not constitute a material or reportable segment of the group, as the group has not exited the cane segment in the Mpumalanga region and still has cane farm operations in the region through its leased Chamotte, Mthayiza and Mawecro farms. Therefore, the expected sale is not accounted for as a discontinued operation.

[2] Held for sale as at 31 March 2019, and sold on 31 August 2019.

Abbreviated notes to the unaudited interim results

for the period ended 30 September 2019

5. Adoption of IFRS 16 Leases

Background

A key feature of IFRS 16 compared to the previous IAS 17 leases standard, is that all leases barring a few exceptions, are now treated as finance leases.

Under the old leases standard, lease payments for rented assets were expensed through profit or loss. IFRS 16 requires that rented assets are now recognised as "right-of-use" assets in the balance sheet, with a corresponding rental obligation recognised as a lease liability.

Impact

The directors have identified the following two lease contracts that materially impact the group's financial results:

Lease contract	Annual lease amount
Mawecro farm - Komatipoort, Mpumalanga	**13 728**
Mthayiza farm - Malelane, Mpumalanga	**3 825**
	17 553

The group has applied what is referred to in the standard a “modified retrospective approach”. Under this approach, the group is not required to restate comparative information, but rather, make a prospective adjustment recognising the present value of future lease payments under right-of-use assets and lease liabilities.

The impact on the group's statement of financial position is as follows

Statement of financial position	Unaudited Six months to 30 September 2019 R'000
Right-of-use asset - increase	157 208
Deferred tax asset - increase	693
Lease liability - increase	(159 683)
Net effect on retained earnings	**(1 782)**

In addition, the pattern of the group’s expenses have changed. Instead of a lease expense included in other operating expenses, the group now recognises additional depreciation on the asset and an additional interest expense on the liability.

The impact on the group's statement of profit or loss is as follows

Statement of profit or loss	Unaudited Six months to 30 September 2019 R'000
Depreciation - increase	(4 595)
Operating lease rental - decrease	8 886
Finance costs - increase	(6 766)
Deferred tax expense - decrease	693
Net effect on profit for the period	**(1 782)**