

# 2021

## KAAP AGRI

### Condensed consolidated interim financial statements

for the six months ended 31 March 2021



# Salient features

**+15,6%**  
**5 665 998**

REVENUE (R'000)  
(2020: 4 899 956)

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**+24,0%**  
**299,96**

HEADLINE EARNINGS  
PER SHARE (CENTS)  
(2020: 241,83)

**+23,3%**  
**305,34**

RECURRING HEADLINE EARNINGS  
PER SHARE (CENTS)  
(2020: 247,65)

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**40,00**

INTERIM DIVIDEND  
PER SHARE (CENTS)  
(2020: 0,0)

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# Commentary

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 218 operating points located in eight South African provinces, as well as in Namibia.

## OPERATING ENVIRONMENT

The first six months of the financial year generated higher than expected growth in retail categories as well as a strong contribution from the new retail fuel sites of The Fuel Company ("TFC") in terms of convenience sales. Agri-channel performance was stable and increased during the second quarter driven by packaging material sales. Business and consumer confidence remained subdued and inflation was at low levels.

We continue to experience the positive impact of the 2020/21 wheat season and conditions for the upcoming wheat season look encouraging, although always weather dependent. Fruit and vegetable production has been largely positive, but significant expansions and infrastructural spend have slowed, partly due to COVID-19-related cash flow curtailment as well as ongoing concerns around land policies, with the main agri focus being on replacement infrastructure spend. The fuel industry has experienced significant fuel volume pressures throughout the various COVID-19 lockdown levels.

## FINANCIAL RESULTS

Kaap Agri grew revenue by 15,6% to R5,7 billion, up from R4,9 billion in the previous comparable financial period, with like-for-like comparable sales growth of 1,6%. This growth in revenue was driven by an 8,6% increase in the number of transactions. Product inflation, excluding the impact of fuel inflation, is estimated at 2,2%. Our ongoing diversification strategy and resilience continue to yield strong revenue growth despite tough trading conditions.

Revenue growth from the Trade division accounted for 47,9% of total revenue growth, driven by a 15,4% increase in retail trade and

a 6,7% increase in agri-business. Group fuel volumes increased by 11,9%, of which TFC owned and managed sites have grown fuel volumes by 8,3%. Fuel site convenience and quick-service restaurant performance lagged fuel volume growth in like-for-like sites due to COVID-19-related restrictions. Grain trading benefited from an improved wheat harvest and earlier grain trading income. The Group continues to explore earnings-enhancing agri and retail expansion opportunities in line with its growth strategy. Significant distribution centre throughput growth was achieved during the period.

Gross profit increased by 17,9% and above revenue growth due to the larger growth contribution of higher margin retail categories. Return on revenue has increased to 3,9% from 3,6% in the previous interim period.

Cost control remains a management focus area, especially given tighter trading margins and the pressure on revenue. During the period under review operating expenses grew by 13,6% (3,9% like-for-like, excluding non-comparable incentive provisions) with support services and distribution centre cost to serve as a percentage of gross profit reducing.

Interest received reduced by 33,0% due to lower interest rates and lower interest earned on overdue debtors' accounts due to improved collections and a healthier book. Interest paid reduced by 25,0%, a direct result of lower net interest-bearing debt and lower interest rates.

EBITDA grew by 13,9%, reflecting the impact of lower interest received.

Headline earnings grew by 26,1% while recurring headline earnings grew by 25,0%. Once-off items, predominantly adjustments for the interest and remeasurement of

# Commentary (continued)

liabilities relating to put options exercisable by non-controlling subsidiary shareholders, as well as costs associated with new business development, are excluded from headline earnings to calculate recurring headline earnings. Headline earnings per share increased by 24,0% to 299,96 cents per share, while recurring headline earnings per share grew by 23,3% to 305,34 cents per share.

The impact of the COVID-19 lockdown on the prior period interim results is minimal given that only three and a half days of trading were impacted, and this effect was partially offset by pre-lockdown increased sales.

## OPERATING RESULTS

Income from the Trade division, which includes the Agrimark retail branches, Forge Agri, Forge Build, Agrimark Packaging distribution centres and Agrimark Mechanisation services and spare parts, increased by 12,5%, with operating profit before tax increasing by 31,3%.

Retail Fuel & Convenience income grew by 11,7% and operating profit before tax increased by 45,2%. This segment has been the most impacted by COVID-19 due to various travel restrictions and curfew regulations, resulting in lower footfall. Contributing to the growth was the inclusion of non-like-for-like sites. Of the four managed fuel sites at March 2020, all four converted to owned sites, and an additional two new owned sites were added.

Grain Services, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing, grew revenue by 38,5% and operating profit before tax by 19,3%. The improved performance, due to the increased wheat harvest and earlier grain trading income, has resulted in a heavy weighting of full-year profitability in the first six months of the year. This performance will not re-occur in the second six months.

Manufacturing produces dripline, sprinkler irrigation products and plastic bulk bins for the agricultural market, as well as offering agency services for imported irrigation products. Irrigation-related revenue was impacted by the curtailment of infrastructure spent due to COVID-19 uncertainty. Bulk bin revenue from

Tego has improved but has not yet reached the desired levels. Manufacturing income grew by 19,9%, with operating profit before tax increasing by 45,4%.

The Corporate division cost, which includes the cost of support services and other costs not allocated to specific segments, increased by 29,3%, largely due to incentive provisions resulting from the strong earnings performance.

Treasury income, which represents net internal interest received less external interest paid, reduced by 50,3%.

## FINANCIAL POSITION

Capital spend during the period was limited to essential capital and retail fuel site acquisitions where regulatory approval was received. Capital spend of R52,8 million was incurred and all managed retail fuel sites have now converted to owned sites with full payment made.

The drive to effectively manage working capital has delivered positive results. Trade debtors grew by only 3,2%, aided by a 14,2% reduction in out-of-terms debt year-on-year. Securities are held where appropriate and we believe the Group is suitably provided for when considering the health of the debtors' book. Stock value has grown at a slower rate than revenue due to the impact of higher contributions of quicker moving retail and fuel stock and the continued increased participation of our centralised distribution centre. Creditors' days have increased, partly the effect of timing of certain direct transaction payments.

Return on invested capital has improved year-on-year due to strong returns and lower net interest-bearing debt.

Net interest-bearing debt decreased by 19,3% to R1,5 billion, largely the result of reduced capital expenditure, lower working capital levels, reduced dividends paid and strong cash generation. The Group's debt-to-equity ratio, calculated on average balances, decreased to 63,0% (2020: 77,1%) with interest cover of 8,2 times (2020: 5,6 times). Gearing has improved in line with expectation, with sufficient headroom available to fund identified growth opportunities.

# Commentary (continued)

Group cash generation remains strong with a focus on driving returns on capital previously invested in the business. As previously mentioned, opportunities are being pursued to free up underperforming capital specifically related to properties owned in the retail fuel environment. A number of other growth opportunities are in various stages of assessment.

## DIVIDEND

A gross interim dividend of 40,00 cents per share (2020: nil cents per share) has been approved and declared by the Board from income reserves for the six months ended 31 March 2021. The interim dividend amount, net of South African dividends tax of 20%, is 32,00 cents per share for those shareholders not exempt from dividend tax or who are not entitled to a reduced rate in terms of the applicable double tax agreement.

The salient dates for this dividend distribution are:

|                                     |                           |
|-------------------------------------|---------------------------|
| Declaration date                    | Thursday,<br>6 May 2021   |
| Last day to trade cum dividend      | Tuesday,<br>8 June 2021   |
| Trading ex dividend commences       | Wednesday,<br>9 June 2021 |
| Record date to qualify for dividend | Friday,<br>11 June 2021   |
| Date of payment                     | Monday,<br>14 June 2021   |

The number of ordinary shares in issue at declaration date is 74 170 277 and the income tax number of Kaap Agri is 9312717177.

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 June 2021 and Friday, 11 June 2021, both days inclusive.

## OUTLOOK

Consumer confidence, although low, has seen an improvement in the past few months. Retail sales have rebounded, especially building materials, and general agricultural conditions

in the areas we operate in bode well for the second half of the financial year. Retail fuel sales have improved as COVID-19-related restrictions eased. Fuel price inflation will weigh on trading margins. No new retail fuel sites are planned for the remainder of the financial year. As a result of COVID-19, the business has adapted the way in which we interact with customers to ensure we continue to provide a relevant and sustainable offering in a responsible manner. We remain cautious regarding the potential impact of further COVID-19 infection cycles.

As in previous years, the first six months' earnings will contribute more to full-year earnings than the second six months. Management is positive regarding the performance of the business during the coming six-month period and remains committed to achieving our strategic medium-term growth targets.

## EVENTS AFTER THE REPORTING DATE

In line with the Group's growth strategy, one of the Group subsidiaries, Partridge Building Supplies (Pty) Ltd ("Forge"), has acquired a business trading as Farmsave, an agricultural inputs and building materials supplier operating in the central to Northern KwaZulu-Natal area. This acquisition increases our footprint in KwaZulu-Natal in line with our footprint growth strategic initiative and allows us a strong entry point into the new generation agri-farmer sector in that area.

There have been no further 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 interim financial results by the Board.

On behalf of the Board



**GM Steyn**

Chairman

6 May 2021



**S Walsh**

Chief Executive Officer  
("CEO")

# Consolidated statement of financial position

|                                                                   | Notes | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------------------------|-------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>ASSETS</b>                                                     |       |                                        |                                        |                                          |
| <b>Non-current assets</b>                                         |       |                                        |                                        |                                          |
| Property, plant and equipment                                     | 5     | 1 513 667                              | 1 392 385                              | 1 525 678                                |
| Right-of-use-assets                                               | 6     | 242 379                                | 211 590                                | 236 302                                  |
| Intangible assets                                                 | 7     | 511 019                                | 362 188                                | 471 012                                  |
| Investment in joint venture                                       | 8     | 33 755                                 | 8 446                                  | 6 542                                    |
| Financial assets at fair value through other comprehensive income |       | 5 580                                  | 5 580                                  | 5 580                                    |
| Trade and other receivables                                       | 9     | 49 677                                 | 47 807                                 | 43 039                                   |
| Loans                                                             |       | 35 805                                 | 57 499                                 | 54 764                                   |
| Deferred taxation                                                 |       | –                                      | –                                      | 2 772                                    |
|                                                                   |       | <b>2 391 882</b>                       | <b>2 085 495</b>                       | <b>2 345 689</b>                         |
| <b>Current assets</b>                                             |       |                                        |                                        |                                          |
| Inventory                                                         |       | 1 056 084                              | 961 551                                | 1 104 191                                |
| Trade and other receivables                                       | 9     | 1 843 429                              | 1 891 265                              | 1 782 355                                |
| Derivative financial instruments                                  |       | –                                      | 3 052                                  | 1 385                                    |
| Short-term portion of loans                                       |       | –                                      | –                                      | 5 026                                    |
| Cash and cash equivalents                                         |       | 47 079                                 | 30 255                                 | 34 817                                   |
|                                                                   |       | <b>2 946 592</b>                       | <b>2 886 123</b>                       | <b>2 927 774</b>                         |
| <b>Total assets</b>                                               |       | <b>5 338 474</b>                       | <b>4 971 618</b>                       | <b>5 273 463</b>                         |
| <b>EQUITY AND LIABILITIES</b>                                     |       |                                        |                                        |                                          |
| <b>Capital and reserves</b>                                       |       |                                        |                                        |                                          |
| Equity attributable to shareholders of holding company            |       | 2 207 784                              | 1 921 468                              | 2 028 158                                |
| Non-controlling interest                                          |       | 105 729                                | 98 054                                 | 98 545                                   |
| <b>Total equity</b>                                               |       | <b>2 313 513</b>                       | <b>2 019 522</b>                       | <b>2 126 703</b>                         |
| <b>Non-current liabilities</b>                                    |       |                                        |                                        |                                          |
| Deferred taxation                                                 |       | 115 195                                | 77 897                                 | 100 271                                  |
| Financial liability at fair value through profit or loss          | 10    | 79 700                                 | 81 100                                 | 76 600                                   |
| Financial liability at amortised cost                             | 11    | 14 573                                 | 13 750                                 | 14 213                                   |
| Lease liabilities                                                 | 6     | 222 480                                | 167 677                                | 220 642                                  |
| Instalment sale agreements                                        |       | 68 776                                 | 89 228                                 | 79 975                                   |
| Employee benefit obligations                                      |       | 15 160                                 | 15 484                                 | 15 380                                   |
| Borrowings                                                        | 13    | 350 000                                | –                                      | 418 750                                  |
|                                                                   |       | <b>865 884</b>                         | <b>445 136</b>                         | <b>925 831</b>                           |
| <b>Current liabilities</b>                                        |       |                                        |                                        |                                          |
| Trade and other payables                                          | 12    | 1 002 199                              | 765 421                                | 1 330 472                                |
| Derivative financial instruments                                  |       | 6 949                                  | –                                      | –                                        |
| Short-term portion of lease liabilities                           | 6     | 20 882                                 | 31 973                                 | 14 499                                   |
| Short-term portion of instalment sale agreements                  |       | 30 808                                 | 31 651                                 | 32 371                                   |
| Short-term portion of employee benefit obligations                |       | 2 135                                  | 2 196                                  | 2 223                                    |
| Short-term borrowings                                             | 13    | 1 068 819                              | 1 646 576                              | 830 039                                  |
| Income tax                                                        |       | 27 285                                 | 29 143                                 | 11 325                                   |
|                                                                   |       | <b>2 159 077</b>                       | <b>2 506 960</b>                       | <b>2 220 929</b>                         |
| <b>Total liabilities</b>                                          |       | <b>3 024 961</b>                       | <b>2 952 096</b>                       | <b>3 146 760</b>                         |
| <b>Total equity and liabilities</b>                               |       | <b>5 338 474</b>                       | <b>4 971 618</b>                       | <b>5 273 463</b>                         |
| Total shareholders' equity to Total assets employed* (%)          |       | 41,8                                   | 40,4                                   | 40,3                                     |
| Net interest-bearing debt to Total assets employed* (%)           |       | 26,4                                   | 31,2                                   | 26,2                                     |
| Net asset value per share (R)                                     |       | 31,41                                  | 27,34                                  | 28,86                                    |
| Shares issued (number – '000)                                     |       | 70 281                                 | 70 281                                 | 70 281                                   |
| Total number of ordinary shares in issue**                        |       | 74 170                                 | 74 170                                 | 74 170                                   |
| Treasury shares                                                   |       | (3 889)                                | (3 889)                                | (3 889)                                  |

\* Ratios calculated on average balances.

\*\* There was no change in the issued share capital between 31 March 2021 and the dividend declaration date, being 74 170 277 shares.

# Consolidated income statement

|                                                       | Notes | Unaudited<br>31 March<br>2021<br>R'000 | Restated<br>Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------------|-------|----------------------------------------|----------------------------------------------------|------------------------------------------|
| Revenue                                               | 14    | 5 665 998                              | 4 899 956                                          | 8 574 668                                |
| Cost of sales                                         |       | (4 834 323)                            | (4 194 527)                                        | (7 263 775)                              |
| Gross profit                                          |       | 831 675                                | 705 429                                            | 1 310 893                                |
| Operating expenses                                    |       | (527 289)                              | (464 062)                                          | (926 305)                                |
| Operating profit before interest received             |       | 304 386                                | 241 367                                            | 384 588                                  |
| Interest received                                     |       | 45 460                                 | 67 820                                             | 123 848                                  |
| Operating profit                                      |       | 349 846                                | 309 187                                            | 508 436                                  |
| Finance costs                                         |       | (50 745)                               | (67 686)                                           | (124 563)                                |
| Share in profit/(loss) of joint venture               |       | 2 213                                  | (455)                                              | (2 359)                                  |
| Profit before tax                                     |       | 301 314                                | 241 046                                            | 381 514                                  |
| Income tax                                            |       | (83 058)                               | (67 887)                                           | (102 336)                                |
| Profit for the period                                 |       | 218 256                                | 173 159                                            | 279 178                                  |
| Attributable to equity holders of the holding company |       | 211 072                                | 170 191                                            | 275 081                                  |
| Non-controlling interest                              |       | 7 184                                  | 2 968                                              | 4 097                                    |
| Earnings per share – basic (cents)                    |       | 300,39                                 | 242,21                                             | 391,49                                   |
| Earnings per share – diluted (cents)                  |       | 299,25                                 | 240,17                                             | 391,49                                   |
| Dividend per share (cents)                            |       | 40,00                                  | –                                                  | 50,00                                    |

## Headline earnings reconciliation

|                                                           | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-----------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| Profit for the period                                     | 218 256                                | 173 159                                | 279 178                                  |
| Attributable to equity holders of the holding company     | 211 072                                | 170 191                                | 275 081                                  |
| Non-controlling interest                                  | 7 184                                  | 2 968                                  | 4 097                                    |
| Net profit on disposal of assets                          | (302)                                  | (266)                                  | (2 069)                                  |
| Gross                                                     | (420)                                  | (369)                                  | (2 874)                                  |
| Tax effect                                                | 118                                    | 103                                    | 805                                      |
| Headline earnings                                         | 217 954                                | 172 893                                | 277 109                                  |
| Attributable to equity holders of the holding company     | 210 770                                | 169 925                                | 273 012                                  |
| Non-controlling interest                                  | 7 184                                  | 2 968                                  | 4 097                                    |
| Headline earnings per share – basic (cents)               | 299,96                                 | 241,83                                 | 388,54                                   |
| Headline earnings per share – diluted (cents)             | 298,82                                 | 239,79                                 | 388,54                                   |
| Weighted average number of shares (number – '000)         | 70 266                                 | 70 266                                 | 70 266                                   |
| Weighted average number of diluted shares (number – '000) | 70 533                                 | 70 863                                 | 70 266                                   |

# Consolidated statement of comprehensive income

|                                                       | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| Profit for the period                                 | 218 256                                | 173 159                                | 279 178                                  |
| Other comprehensive income/(loss):                    |                                        |                                        |                                          |
| Cash flow hedges                                      | -                                      | -                                      | (1 340)                                  |
| Gross                                                 | -                                      | -                                      | (1 861)                                  |
| Tax                                                   | -                                      | -                                      | 521                                      |
| Total comprehensive income for the period             | 218 256                                | 173 159                                | 277 838                                  |
| Attributable to equity holders of the holding company | 211 072                                | 170 191                                | 273 741                                  |
| Non-controlling interest                              | 7 184                                  | 2 968                                  | 4 097                                    |

# Consolidated statement of changes in equity

|                                                                   | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>Stated capital</b>                                             | <b>446 571</b>                         | 447 409                                | 446 571                                  |
| Gross shares issued                                               | <b>480 347</b>                         | 480 347                                | 480 347                                  |
| Treasury shares                                                   | <b>(33 776)</b>                        | (32 938)                               | (33 776)                                 |
| <b>Other reserves</b>                                             | <b>13 806</b>                          | 8 803                                  | 10 112                                   |
| Opening balance                                                   | <b>10 112</b>                          | 9 797                                  | 9 797                                    |
| Share-based payments                                              | <b>3 694</b>                           | (994)                                  | 1 655                                    |
| Other comprehensive income                                        | <b>–</b>                               | –                                      | (1 340)                                  |
| <b>Retained profit</b>                                            | <b>1 747 407</b>                       | 1 465 256                              | 1 571 475                                |
| Opening balance                                                   | <b>1 571 475</b>                       | 1 371 364                              | 1 371 364                                |
| Initial recognition of IFRS 16*                                   | <b>–</b>                               | (9 986)                                | (11 721)                                 |
| Day one IFRS 16 right-of-use asset impairment*                    | <b>–</b>                               | (3 064)                                | –                                        |
| Profit for the period                                             | <b>211 072</b>                         | 170 191                                | 275 081                                  |
| Dividends paid                                                    | <b>(35 140)</b>                        | (63 249)                               | (63 249)                                 |
| <b>Equity attributable to shareholders of the holding company</b> | <b>2 207 784</b>                       | 1 921 468                              | 2 028 158                                |
| <b>Non-controlling interest</b>                                   | <b>105 729</b>                         | 98 054                                 | 98 545                                   |
| Opening balance                                                   | <b>98 545</b>                          | 100 186                                | 100 186                                  |
| Initial recognition of IFRS 16                                    | <b>–</b>                               | –                                      | (638)                                    |
| Profit for the period                                             | <b>7 184</b>                           | 2 968                                  | 4 097                                    |
| Dividends paid                                                    | <b>–</b>                               | (5 100)                                | (5 100)                                  |
| <b>Capital and reserves</b>                                       | <b>2 313 513</b>                       | 2 019 522                              | 2 126 703                                |

\* The initial recognition of IFRS 16 was incorrectly disclosed in the interim financial statements for the period ended 31 March 2021. Subsequently, it was correctly disclosed and treated in the audited financial statements for the year ended 30 September 2020. Refer to note 6 for more information.

# Consolidated statement of cash flows

|                                                          | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|----------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| Cash flow from operating activities                      | 473                                    | (191 561)                              | 494 477                                  |
| Net cash profit from operating activities                | 371 212                                | 267 075                                | 483 458                                  |
| Interest received                                        | 45 460                                 | 66 821                                 | 126 956                                  |
| Working capital changes                                  | (357 248)                              | (482 520)                              | (20 415)                                 |
| Income tax paid                                          | (58 951)                               | (42 937)                               | (95 522)                                 |
| Cash flow from investment activities                     | (43 357)                               | (109 837)                              | (310 892)                                |
| Purchase of property, plant and equipment                | (23 596)                               | (61 957)                               | (138 845)                                |
| Proceeds on disposal of property, plant and equipment    | 9 475                                  | 5 728                                  | 7 996                                    |
| Deposits made during the year                            | –                                      | (48 694)                               | (4 500)                                  |
| Gross increase in loans                                  | –                                      | (3 640)                                | (5 931)                                  |
| Acquisition of operations                                | (29 236)                               | (1 274)                                | (169 612)                                |
| Cash flow from financing activities                      | 55 146                                 | 285 284                                | (195 137)                                |
| Increase/(decrease) in short-term borrowings             | 182 530                                | 422 129                                | (425 445)                                |
| Increase/(decrease) in long-term borrowings              | (12 500)                               | –                                      | 450 000                                  |
| Repayment of instalment sale agreements                  | (15 926)                               | (6 315)                                | (22 063)                                 |
| Lease payments                                           | (13 073)                               | (8 114)                                | (11 149)                                 |
| Interest paid                                            | (50 745)                               | (59 167)                               | (123 231)                                |
| Dividends paid                                           | (35 140)                               | (63 249)                               | (63 249)                                 |
| Net increase/(decrease) in cash and cash equivalents     | 12 262                                 | (16 114)                               | (11 552)                                 |
| Cash and cash equivalents at the beginning of the period | 34 817                                 | 46 369                                 | 46 369                                   |
| Cash and cash equivalents at the end of the period       | 47 079                                 | 30 255                                 | 34 817                                   |

# Notes to the condensed consolidated interim financial statements

## 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited ("the JSE"), the information as required by International Accounting Standards ("IAS") 34 – Interim Financial Reporting and the requirements of the South African Companies Act, 71 of 2008, as amended. The consolidated interim financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 September 2020.

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

The condensed consolidated interim financial statements for the six months ended 31 March 2021 were prepared by GC Victor CA(SA), the Group's Financial Manager under supervision of GW Sim CA(SA), the Group's Financial Director ("FD").

The condensed consolidated interim financial statements has not been audited or reviewed by the Company's auditors.

### **IFRS and amendments effective for the first time**

Amendment to IFRS 3 – Business Combinations on the definition of a business (effective from 1 January 2020)

This amendment revises the definition of a business. According to feedback received by the International Accounting Standards Board ("IASB"), application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors on the definition of material (effective from 1 January 2020)

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting
- Clarify the explanation of the definition of material
- Incorporate some of the guidance in IAS 1 about immaterial information

The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

# Notes to the condensed consolidated interim financial statements (continued)

## 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

IFRS 16 – Leases COVID-19-Related Rent Concessions Amendment  
(effective from 1 June 2020)

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

### **IFRS interpretations and amendments issued but not yet effective**

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

Amendment to IAS 1 – Presentation of Financial Statements on Classification of Liabilities as Current or Non-current (effective from 1 January 2022)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Amendment to IFRS 3 – Business Combinations (effective from 1 January 2022)

The Board has updated IFRS 3 – Business Combinations, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21 – Levies, rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Amendments to IAS 16 – Property, Plant and Equipment on Proceeds before Intended Use (effective from 1 January 2022)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Annual improvements cycle 2018 – 2020 (effective from 1 January 2022)

These amendments include minor changes to:

- IFRS 1 – First-time Adoption of IFRS has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- IFRS 9 – Financial Instruments has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of “the 10% test” for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16 – Leases, amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2021 but not yet effective on that dates.

# Notes to the condensed consolidated interim financial statements (continued)

## 2 ACCOUNTING POLICIES

The accounting policies applied in the preparation of the Group financial statements from which the condensed Group financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous Group annual financial statements except the instances listed below.

## 3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these condensed consolidated interim financial statements, the significant estimates and 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 2020.

## 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)
- > Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The investment in Signafi Capital (Pty) Ltd is a level 3 financial instrument as the shares are not listed and unobservable. The financial liability at fair value through profit and loss comprising the redemption obligation for a written put option is recorded at fair value.

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
- > Trade and other payables
- > Financial liability at fair value through profit or loss
- > Short-term borrowings
- > Loans

# Notes to the condensed consolidated interim financial statements (continued)

## 5 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of movements in carrying value:

|                                                                                                       | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| Carrying value beginning of period                                                                    | 1 525 678                              | 1 375 392                              | 1 375 392                                |
| Additions                                                                                             | 28 379                                 | 62 638                                 | 148 227                                  |
| Land and buildings                                                                                    | 2 611                                  | 5 941                                  | 34 503                                   |
| Grain silos                                                                                           | 535                                    | 370                                    | 369                                      |
| Machinery and equipment                                                                               | 2 957                                  | 4 940                                  | 29 132                                   |
| Vehicles                                                                                              | 3 394                                  | 3 239                                  | 10 228                                   |
| Office furniture and equipment                                                                        | 1 940                                  | 1 265                                  | 9 047                                    |
| Leasehold properties                                                                                  | –                                      | 173                                    | 408                                      |
| Assets under construction                                                                             | 16 942                                 | 46 710                                 | 64 540                                   |
| Additions through business combinations                                                               | 536                                    | 19 607                                 | 97 911                                   |
| Disposals                                                                                             | (9 055)                                | (3 660)                                | (5 122)                                  |
| Depreciation                                                                                          | (31 871)                               | (32 077)                               | (59 372)                                 |
| Reclassification to right-of-use asset                                                                | –                                      | (29 515)                               | (31 358)                                 |
| Carrying value end of period                                                                          | 1 513 667                              | 1 392 385                              | 1 525 678                                |
| Land and buildings                                                                                    | 1 117 961                              | 979 466                                | 1 092 958                                |
| Grain silos                                                                                           | 23 932                                 | 26 064                                 | 24 737                                   |
| Machinery and equipment                                                                               | 211 615                                | 194 329                                | 211 564                                  |
| Vehicles                                                                                              | 38 728                                 | 43 658                                 | 44 328                                   |
| Office furniture and equipment                                                                        | 103 046                                | 103 021                                | 103 315                                  |
| Assets under construction                                                                             | 18 385                                 | 45 847                                 | 48 776                                   |
| Vehicles include the following amounts where the Group has instalment sale agreements:                |                                        |                                        |                                          |
| Cost                                                                                                  | 72 665                                 | 62 111                                 | 66 250                                   |
| Accumulated depreciation                                                                              | (36 487)                               | (26 749)                               | (30 173)                                 |
| Carrying value                                                                                        | 36 178                                 | 35 362                                 | 36 077                                   |
| Machinery and equipment include the following amounts where the Group has instalment sale agreements: |                                        |                                        |                                          |
| Cost                                                                                                  | 107 548                                | 91 605                                 | 107 548                                  |
| Accumulated depreciation                                                                              | (4 431)                                | –                                      | (1 552)                                  |
| Carrying value                                                                                        | 103 117                                | 91 605                                 | 105 996                                  |

# Notes to the condensed consolidated interim financial statements (continued)

|                                                            | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>6 RIGHT-OF-USE ASSETS AND LEASE LIABILITY</b>           |                                        |                                        |                                          |
| <b>Right-of-use assets</b>                                 |                                        |                                        |                                          |
| Reconciliation of movements in carrying value:             |                                        |                                        |                                          |
| Carrying value beginning of period                         | <b>236 302</b>                         | –                                      | –                                        |
| Initial recognition of IFRS 16*                            | –                                      | 146 337                                | 166 395                                  |
| Additions                                                  | <b>24 346</b>                          | 44 493                                 | 60 051                                   |
| Leasehold improvements reclassified to right-of-use assets | –                                      | 29 515                                 | 31 357                                   |
| Modification of lease contracts                            | <b>(3 052)</b>                         | –                                      | 3 487                                    |
| Cancellations of lease contracts                           | –                                      | –                                      | (848)                                    |
| Depreciation charge of right-of-use assets                 | <b>(15 217)</b>                        | (8 755)                                | (24 140)                                 |
| Carrying value end of period                               | <b>242 379</b>                         | 211 590                                | 236 302                                  |
| Land and buildings                                         | <b>240 330</b>                         | 211 590                                | 235 095                                  |
| Vehicles                                                   | <b>2 049</b>                           | –                                      | 1 207                                    |
| <b>Lease liabilities</b>                                   |                                        |                                        |                                          |
| Current                                                    | <b>20 882</b>                          | 31 973                                 | 14 499                                   |
| Non-current                                                | <b>222 480</b>                         | 167 677                                | 220 642                                  |
|                                                            | <b>243 362</b>                         | 199 650                                | 235 141                                  |

\* The reconciliation was incorrectly disclosed in the prior year unaudited condensed consolidated interim financial statements for the period ended 31 March 2020. The variance is due to a change in interpretation in applying the extension periods of lease payment values. The updated discounted cash flows indicated that no impairment of the right-of-use assets were required. The incorrect transition method was also mentioned in the previous interim financial statements, but correctly applied namely that right-of-use assets were measured fully retrospectively as if IFRS 16 has always been applied. Refer to the full integrated report for the year ended 30 September 2020 for more information.

# Notes to the condensed consolidated interim financial statements (continued)

|                                                                                                                     | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|---------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>7 INTANGIBLE ASSETS</b>                                                                                          |                                        |                                        |                                          |
| Reconciliation of movements in carrying value:                                                                      |                                        |                                        |                                          |
| Carrying value beginning of period                                                                                  | <b>471 012</b>                         | 298 169                                | 298 169                                  |
| Additions through business combinations                                                                             | <b>40 637</b>                          | 64 695                                 | 174 196                                  |
| Amortisation                                                                                                        | <b>(630)</b>                           | (676)                                  | (1 353)                                  |
| Carrying value end of period                                                                                        | <b>511 019</b>                         | 362 188                                | 471 012                                  |
| Goodwill                                                                                                            | <b>496 169</b>                         | 346 032                                | 455 532                                  |
| Trade name                                                                                                          | <b>12 350</b>                          | 12 610                                 | 12 480                                   |
| Customer relations                                                                                                  | <b>2 500</b>                           | 3 546                                  | 3 000                                    |
| No impairment indicators were identified by management, thus no impairment of goodwill occurred during this period. |                                        |                                        |                                          |
| <b>8 INVESTMENT IN JOINT VENTURE</b>                                                                                |                                        |                                        |                                          |
| <i>Kaap Agri (Namibia) (Pty) Ltd</i>                                                                                |                                        |                                        |                                          |
| Beginning of period                                                                                                 | <b>6 542</b>                           | 8 901                                  | 8 901                                    |
| Loan converted to share capital                                                                                     | <b>25 000</b>                          | –                                      | –                                        |
| Share in total comprehensive income                                                                                 | <b>2 213</b>                           | (455)                                  | (2 359)                                  |
|                                                                                                                     | <b>33 755</b>                          | 8 446                                  | 6 542                                    |

# Notes to the condensed consolidated interim financial statements (continued)

|                                           | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>9 TRADE AND OTHER RECEIVABLES</b>      |                                        |                                        |                                          |
| Trade debtors                             | 1 886 136                              | 1 827 003                              | 1 769 806                                |
| Expected credit loss allowance            | (52 187)                               | (47 948)                               | (50 631)                                 |
|                                           | <b>1 833 949</b>                       | 1 779 055                              | 1 719 175                                |
| VAT                                       | 13 789                                 | 31 928                                 | 34 780                                   |
| Deposits                                  | –                                      | 75 613                                 | 4 500                                    |
| Other debtors                             | 45 368                                 | 52 476                                 | 66 939                                   |
|                                           | <b>1 893 106</b>                       | 1 939 072                              | 1 825 394                                |
| Trade and other receivables – current     | <b>1 843 429</b>                       | 1 891 265                              | 1 782 355                                |
| Trade and other receivables – non-current | 49 677                                 | 47 807                                 | 43 039                                   |
|                                           | <b>1 893 106</b>                       | 1 939 072                              | 1 825 394                                |

Included in the non-current portion of trade and other receivables are long term facilities granted to producers to assist in capital expansion related to the establishment and/or expansion of production. The nature of these accounts are the same as normal trade debtors. These facilities vary in duration between two and five years, are suitably secured and bear interest in line with the policies regarding interest for all trade receivables and are considered to be market related.

Deposits are early payments made on Retail Fuel & Convenience site acquisitions awaiting regulatory approval.

|                                                                    | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|--------------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>10 FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                                        |                                        |                                          |
| <i>Written Put Option</i>                                          |                                        |                                        |                                          |
| <i>C-Max Investments (Pty) Ltd</i>                                 |                                        |                                        |                                          |
| Opening balance                                                    | (76 600)                               | (79 100)                               | (79 100)                                 |
| Remeasurement through profit or loss                               | (3 100)                                | (2 000)                                | 2 500                                    |
|                                                                    | <b>(79 700)</b>                        | (81 100)                               | (76 600)                                 |

# Notes to the condensed consolidated interim financial statements (continued)

## 10 FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As part of the asset-for-share transaction, the Group entered into a once-off written put agreement, which became effective during the previous years, whereby C-Max Investments (Pty) Ltd may put their 23,5% shareholding in both TFC Operations (Pty) Ltd and TFC Properties (Pty) Ltd ("the TFC Companies") to Kaap Agri Bedryf Limited. This option shall not apply in the event that any of the TFC Companies are listed on the JSE. The put option is not exercisable prior to the end of the financial year ending 30 September 2021.

The value of the put option is based on the lower of the market value of TFC Operations (Pty) Ltd (which has been calculated with reference to the enterprise value to EBITDA ("EV/EBITDA") multiple of comparable listed companies, adjusted for company-specific risk) and a value determined based on a recurring headline earnings multiple of the Kaap Agri Group (which has been performed by applying the current price to recurring headline earnings ("Price/RHEPS") multiple of Kaap Agri, to the forecasted profit after tax). For the six-month period a revaluation was done and only the discount rate was updated to reflect the current prime rate and the discounted period.

|                                                 | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>11 FINANCIAL LIABILITY AT AMORTISED COST</b> |                                        |                                        |                                          |
| <i>Written Put Option</i>                       |                                        |                                        |                                          |
| <i>Partridge Building Supplies (Pty) Ltd</i>    |                                        |                                        |                                          |
| Opening balance                                 | (14 213)                               | (14 800)                               | (14 800)                                 |
| Interest                                        | (497)                                  | (666)                                  | (1 332)                                  |
| Remeasurement through profit or loss            | 137                                    | 1 716                                  | 1 919                                    |
|                                                 | (14 573)                               | (13 750)                               | (14 213)                                 |

Through the acquisition of the 60% shareholding in Partridge Building Supplies (Pty) Ltd in the previous periods, the Group entered into a once-off written put agreement over the remaining 40% interest in the aforementioned company. The option is exercisable after the finalisation of the financial Statements for the year ending 30 September 2021 and the consideration on exercise will be determined based on the growth ratio (determined as the actual/forecasted EBITDA divided by the targeted EBITDA over the period determined), net debt value and EBITDA figures of Partridge Building Supplies (Pty) Ltd at that time. The exercise price is formula based. For the current six-month period a valuation was done by updating the growth ratio and discounted period.

# Notes to the condensed consolidated interim financial statements (continued)

|                                                 | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| <b>12 TRADE AND OTHER PAYABLES</b>              |                                        |                                        |                                          |
| Trade creditors                                 | 874 624                                | 683 006                                | 1 218 752                                |
| Employee accruals                               | 45 929                                 | 23 912                                 | 46 740                                   |
| Other creditors                                 | 81 646                                 | 58 503                                 | 64 980                                   |
|                                                 | <b>1 002 199</b>                       | 765 421                                | 1 330 472                                |
| <b>13 BORROWINGS</b>                            |                                        |                                        |                                          |
| Long-term bank borrowings                       | 350 000                                | –                                      | 418 750                                  |
| Borrowings                                      | 437 500                                | –                                      | 450 000                                  |
| Short-term portion of long-term bank borrowings | (87 500)                               | –                                      | (31 250)                                 |
| Short-term bank borrowings                      | 1 068 819                              | 1 646 576                              | 830 039                                  |
| Overdraft facility                              | 981 319                                | 1 646 576                              | 798 789                                  |
| Short-term portion of long-term bank borrowings | 87 500                                 | –                                      | 31 250                                   |
| <b>14 REVENUE FROM CONTRACTS WITH CUSTOMERS</b> |                                        |                                        |                                          |
| Sale of goods                                   | 5 522 242                              | 4 778 452                              | 8 362 714                                |
| – Trade                                         | 3 224 045                              | 2 864 774                              | 5 091 062                                |
| – Retail Fuel & Convenience                     | 1 429 263                              | 1 279 678                              | 2 317 237                                |
| – Grain Services                                | 767 879                                | 549 692                                | 759 681                                  |
| – Manufacturing                                 | 101 055                                | 84 308                                 | 194 734                                  |
| Sale of services                                | 85 622                                 | 70 081                                 | 109 593                                  |
| – Trade                                         | 16 041                                 | 14 456                                 | 32 321                                   |
| – Grain Services                                | 69 581                                 | 55 625                                 | 77 272                                   |
| Margin on direct transactions                   | 58 134                                 | 51 423                                 | 102 361                                  |
| – Trade                                         | 56 874                                 | 50 991                                 | 100 788                                  |
| – Grain Services                                | 1 260                                  | 432                                    | 1 573                                    |
| <b>Total</b>                                    | <b>5 665 998</b>                       | 4 899 956                              | 8 574 668                                |

# Notes to the condensed consolidated interim financial statements (continued)

## 15 INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive committee (which is considered to be the Chief Operating Decision Maker ("CODM")) 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, Retail Fuel & Convenience, Grain Services as well as Manufacturing. The performance of the operating segments is 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.

Retail Fuel & Convenience provides a full retail fuel offering to a diverse range of customers, including convenience store and quick-service restaurant outlets.

Grain Services includes the sale of grain products and provides a complete range of services including storage and handling of grain products.

Manufacturing, manufactures and sells dripper pipe, other irrigation equipment, food grade plastic bulk bins for the agricultural market and distributes other irrigation parts.

Corporate includes all assets and liabilities not specifically used by the other identified segments to generate income or expenses.

### Segment revenue and results

|                                         | SEGMENT REVENUE                        |                                        |                                     | SEGMENT RESULTS                        |                                        |                                     |
|-----------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|
|                                         | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 Sept<br>2020<br>R'000 | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 Sept<br>2020<br>R'000 |
| Trade                                   | 3 296 960                              | 2 930 221                              | 5 312 682                           | 223 682                                | 170 320                                | 287 475                             |
| Retail Fuel & Convenience               | 1 429 263                              | 1 279 678                              | 2 309 904                           | 74 894                                 | 51 593                                 | 88 330                              |
| Grain Services                          | 838 720                                | 605 749                                | 759 681                             | 52 190                                 | 43 737                                 | 56 466                              |
| Manufacturing                           | 101 055                                | 84 308                                 | 192 401                             | 1 790                                  | 1 231                                  | 14 402                              |
| Total for reportable segments           | 5 665 998                              | 4 899 956                              | 8 574 668                           | 352 556                                | 266 881                                | 446 673                             |
| Corporate                               | –                                      | –                                      | –                                   | (66 335)                               | (51 316)                               | (109 723)                           |
| Treasury                                | –                                      | –                                      | –                                   | 12 880                                 | 25 936                                 | 46 923                              |
| Share in profit/(loss) of joint venture | –                                      | –                                      | –                                   | 2 213                                  | (455)                                  | (2 359)                             |
| <b>Total external revenue</b>           | <b>5 665 998</b>                       | <b>4 899 956</b>                       | <b>8 574 668</b>                    |                                        |                                        |                                     |
| Profit before tax                       |                                        |                                        |                                     | 301 314                                | 241 046                                | 381 514                             |
| Income tax                              |                                        |                                        |                                     | (83 058)                               | (67 887)                               | (102 336)                           |
| Profit after tax                        |                                        |                                        |                                     | 218 256                                | 173 159                                | 279 178                             |

# Notes to the condensed consolidated interim financial statements (continued)

## 15 INFORMATION ABOUT OPERATING SEGMENTS (CONTINUED)

### Segment assets and liabilities

|                               | SEGMENT ASSETS                         |                                        |                                     | SEGMENT LIABILITIES                    |                                        |                                     |
|-------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|
|                               | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 Sept<br>2020<br>R'000 | Unaudited<br>31 March<br>2021<br>R'000 | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 Sept<br>2020<br>R'000 |
| Trade                         | 1 691 181                              | 1 553 449                              | 1 748 810                           | 937 946                                | 694 701                                | 1 233 115                           |
| Retail Fuel & Convenience     | 1 189 341                              | 1 010 502                              | 1 214 656                           | 208 607                                | 173 234                                | 194 875                             |
| Grain Services                | 102 036                                | 95 838                                 | 96 842                              | 39 883                                 | 47 945                                 | 41 692                              |
| Manufacturing                 | 280 231                                | 288 802                                | 299 801                             | 107 289                                | 129 321                                | 137 247                             |
| Total for reportable segments | 3 262 789                              | 2 948 591                              | 3 360 109                           | 1 293 725                              | 1 045 201                              | 1 606 929                           |
| Corporate                     | 207 981                                | 201 968                                | 150 101                             | 197 222                                | 182 422                                | 190 771                             |
| Trade debtors                 | 1 833 949                              | 1 779 055                              | 1 719 175                           | –                                      | –                                      | –                                   |
| Investment in joint venture   | 33 755                                 | 42 004                                 | 41 306                              | –                                      | –                                      | –                                   |
| Short-term borrowings         | –                                      | –                                      | –                                   | 1 068 819                              | 1 646 576                              | 830 039                             |
| Borrowings                    | –                                      | –                                      | –                                   | 350 000                                | –                                      | 418 750                             |
| Deferred taxation             | –                                      | –                                      | 2 772                               | 115 195                                | 77 897                                 | 100 271                             |
|                               | 5 338 474                              | 4 971 618                              | 5 273 463                           | 3 024 961                              | 2 952 096                              | 3 146 760                           |

# Notes to the condensed consolidated interim financial statements (continued)

## 16 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, which represents synergies within the Group and have further earnings potential.

The TFC acquisition strategy is cluster based, focusing on increasing scale in identified geographic locations. This geographic scale allows for enhanced synergistic benefits which include, but are not limited to, the following:

- > Alignment and improvement of supplier and service provider trading terms and service level agreements, both fuel and non-fuel related
- > Ability to convert fuel brand offering to preferred supply
- > Enhanced logistics, both fuel and non-fuel related
- > Ability to add or convert convenience store and quick-service restaurant offerings
- > Alignment of franchise trading terms
- > Utilisation of Group shared services, including information management, finance, human resources, property management and internal audit
- > Shared regional operational structures
- > Improved skills transfer and succession planning

Improved synergies contribute to either a lower cost per litre to serve or a higher cents per litre income, thus enhancing returns on invested capital.

A purchase price allocation ("PPA") as required by IFRS 3 – Business Combinations was provisionally performed and no intangible assets were identified, other than fuel site operating licences. The site licences are considered to be identifiable due to arising from contractual/legal rights, with an indefinite useful life. The site licence useful life is assessed to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows for the Group. The site licences do not require any renewals or renewal payments and the Group expects to continue selling fuel products indefinitely from the businesses acquired. The licences are grouped with the land that it relates to as one asset as these assets have similar useful lives, being indefinite. The Group assessed all intangible assets that can typically be expected in a business combination of this nature, the most relevant of which are trade names and customer relations. No trade name was recognised as there was no trade name acquired as part of these transactions. In addition, any payments made in relation to the brand are considered to be market related. No customer relations were recognised as the Group did not acquire any customer list, they are commercial sites offering products to clients that could be purchased anywhere.

The Group acquired the following assets through business combinations:

- > Caltex PE convenience – February 2021
- > Total Atlas Road – March 2021

# Notes to the condensed consolidated interim financial statements (continued)

## 16 BUSINESS COMBINATIONS (CONTINUED)

The assets and liabilities at the date of acquisition can be summarised as follows:

|                                  | Total<br>R'000 | Total<br>Atlas Road<br>R'000 | Caltex PE<br>Convenience<br>R'000 |
|----------------------------------|----------------|------------------------------|-----------------------------------|
| <b>Carrying value</b>            |                |                              |                                   |
| Assets                           |                |                              |                                   |
| Inventory                        | 2 153          | 616                          | 1 537                             |
| Moveable assets                  | 536            | 193                          | 343                               |
| Property*                        | 32 000         | 32 000                       | –                                 |
| Liabilities                      |                |                              |                                   |
| Deferred taxation                | (8 848)        | (8 848)                      | –                                 |
|                                  | 25 841         | 23 961                       | 1 880                             |
| <b>Fair value</b>                |                |                              |                                   |
| Assets                           |                |                              |                                   |
| Inventory                        | 2 153          | 616                          | 1 537                             |
| Moveable assets                  | 536            | 193                          | 343                               |
| Property                         | 31 600         | 31 600                       | –                                 |
| Liabilities                      |                |                              |                                   |
| Deferred taxation                | (8 848)        | (8 848)                      | –                                 |
| Goodwill                         | 40 637         | 17 180                       | 23 457                            |
| Purchase consideration           | 66 077         | 40 741                       | 25 337                            |
| – paid in cash (current period)  | 29 236         | 6 400                        | 22 837                            |
| – paid in cash (previous period) | 36 841         | 34 341                       | 2 500                             |

The land, inclusive of the site licence, are valued using the Net Income Capitalised Approach.

\* The property of Total Atlas Road was already purchased in the prior year and recognised as a purchase of property, but the corporate transaction was not yet complete. Thus the property is disclosed in the current year as part of the purchase, price allocation and the goodwill and deferred tax recognised for the year ending 30 September 2021, as the full corporate transaction was completed in the current year and the business combination concluded.

The acquired businesses contributed as follows since acquisition to the Group's results:

|                                        | Total<br>R'000 | Total<br>Atlas Road<br>R'000 | Caltex PE<br>Convenience<br>R'000 |
|----------------------------------------|----------------|------------------------------|-----------------------------------|
| Revenue                                |                |                              |                                   |
| – since acquisition date               | 27 597         | 8 298                        | 19 299                            |
| – as if from the beginning of the year | 112 740        | 51 329                       | 61 411                            |
| Net profit/(loss) before tax           |                |                              |                                   |
| – since acquisition date               | 1 114          | 313                          | 801                               |
| – as if from the beginning of the year | 3 437          | 1 931                        | 1 506                             |

# Notes to the condensed consolidated interim financial statements (continued)

## 17 RECURRING HEADLINE EARNINGS

Kaap Agri considers recurring headline earnings to be a key benchmark to measure performance and to allow for meaningful year-on-year comparison.

These adjustments relate to non-recurring expenses which consist predominantly of costs associated with acquisitions of new businesses, and the revaluation of put options.

|                                                       | <b>Unaudited<br/>31 March<br/>2021<br/>R'000</b> | Unaudited<br>31 March<br>2020<br>R'000 | Audited<br>30 September<br>2020<br>R'000 |
|-------------------------------------------------------|--------------------------------------------------|----------------------------------------|------------------------------------------|
| Headline earnings                                     | <b>217 954</b>                                   | 172 893                                | 277 109                                  |
| Attributable to equity holders of the holding company | <b>210 770</b>                                   | 169 925                                | 273 012                                  |
| Non-controlling interest                              | <b>7 184</b>                                     | 2 968                                  | 4 097                                    |
| Non-recurring items                                   | <b>3 918</b>                                     | 4 550                                  | 3 344                                    |
| Non-recurring expenses                                | <b>458</b>                                       | 3 600                                  | 6 432                                    |
| Remeasurement of put options                          | <b>3 460</b>                                     | 950                                    | (3 088)                                  |
| Recurring headline earnings                           | <b>221 872</b>                                   | 177 443                                | 280 453                                  |
| Attributable to equity holders of the holding company | <b>214 551</b>                                   | 174 012                                | 275 810                                  |
| Non-controlling interest                              | <b>7 321</b>                                     | 3 431                                  | 4 643                                    |
| Recurring headline earnings per share (cents)         | <b>305,34</b>                                    | 247,65                                 | 392,52                                   |

# Notes to the condensed consolidated interim financial statements (continued)

## 18 GOING CONCERN

The Board will continue to monitor the impact of the COVID-19 pandemic on the company's operations and its financial position. The impact of COVID-19 has been limited to only certain areas of the business and, while concerning, has not materially impacted the Group results. The business has been able to partially mitigate lost income via a range of cost and working capital initiatives, thus ensuring a lower overall financial impact. Liquidity has remained within the various banking covenants and no relaxation of covenants or additional facilities have been required. Revenue has largely recovered and although footfall remains down, the business is performing in line with expectation. The balance sheet has remained strong throughout the various lockdown levels. Kaap Agri remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control. Management is comfortable to conclude that the business will continue as a going concern and is very satisfied with the results the Group has delivered during a very challenging period.

## 19 RESTATEMENT OF COMPARATIVE AMOUNTS

### Reclassification between operating expenses and cost of sales

Internal distribution costs incurred by the distribution centre, included under operating, administration, selling and distribution expenses instead of cost of sales in the prior year, have been reclassified to cost of sales to better reflect the nature of these expenses. The classification error had no impact on the profit for the prior year or on the costing of inventory as these costs were correctly included in the build up of inventory.

The effect on the income statement for March 2020 is set out below:

|                                                    | Original<br>balance<br>R'000 | Restatement<br>R'000 | Restated<br>balance<br>R'000 |
|----------------------------------------------------|------------------------------|----------------------|------------------------------|
| <i>Effect on Statement of comprehensive income</i> |                              |                      |                              |
| Cost of sales                                      | (4 163 918)                  | (30 609)             | (4 194 527)                  |
| Operating expenses                                 | (494 671)                    | 30 609               | (464 062)                    |
| Profit before tax                                  | 241 046                      | –                    | 241 046                      |

## 20 EVENTS AFTER REPORTING DATE

In line with the Group's growth strategy, one of the Group subsidiaries, Partridge Building Supplies (Pty) Ltd, acquired a business trading as "Farmsave", an agricultural inputs and building materials supplier, operating in the central to Northern KwaZulu-Natal area. This acquisition increases our footprint in KwaZulu-Natal, in line with our footprint growth strategic initiative, and allows us a strong entry point into the new generation agri farmer sector in that area.

The purchase consideration of approximately R38 million is still to be paid. 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 and, if applicable, to other intangible assets. At the date of the publication of the interim consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

# Corporate information

## Kaap Agri Limited

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 (CEO)

GW Sim (FD)

BS du Toit\*#

D du Toit\*#

JH le Roux\*

EA Messina\*#

WC Michaels\*#

CA Otto\*#

HM Smit\*#

I Chalumbira\*

\* Non-executive

# Independent

## Transfer secretaries

Computershare Investor Services (Pty) Ltd

Registration number: 2004/003647/07

Rosebank Towers, 15 Biermann Avenue

Rosebank, Johannesburg, 2196

Private Bag X9000, Saxonwold, 2132

Fax number: 086 636 7200

## Company Secretary

KAL Corporate Services (Pty) Ltd

Per T Rasiluma

## Registered address

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Telephone number: 021 860 3750

Fax number: 021 860 3314

Website: [www.kaapagri.co.za](http://www.kaapagri.co.za)

## Auditors

PricewaterhouseCoopers Inc.

## Sponsor

PSG Capital (Pty) Ltd

Registration number: 2006/015817/07

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## Announcement date

6 May 2021

# KAAP AGRI



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