# 2021

KAAP AGRI

# Summary consolidated financial statements

# Salient features

**+23,4%**
**10 582 588**
**REVENUE (R'000)**
(2020: 8 574 668)

**+17,1%**
**454,92**
**HEADLINE EARNINGS PER SHARE (CENTS)**
(2020: 388,54)

**+21,7%**
**477,55**
**RECURRING HEADLINE EARNINGS PER SHARE (CENTS)**
(2020: 392,52)

**+122,0%**
**111,00**
**FINAL DIVIDEND PER SHARE (CENTS)**
(2020: 50,00)

**+202,0%**
**151,00**
**TOTAL DIVIDEND PER SHARE (CENTS)**
(2020: 50,00)

# Commentary

The Kaap Agri summary report provides an overview of the activities, results and financial position of the Group for the year ended 30 September 2021.

## FINANCIAL REVIEW

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 226 business units located in eight South African provinces as well as in Namibia.

## OPERATING ENVIRONMENT

The operating conditions under which the Group traded for the year continued to be impacted by COVID-19 ("Covid"); however, the impact of Covid on agri and general retail trade was limited due to the easing of the most stringent trading restrictions. A more significant impact was experienced within the Retail Fuel & Convenience segment, both in terms of fuel volumes as well as convenience retail and quick service restaurant ("QSR") performance.

Despite the effects of suppressed gross domestic product growth, a sluggish economy and constrained consumer behaviour, the year started positively. Retail trade growth was healthy and agri trade benefitted from positive weather conditions. This robust performance continued throughout the year. Although fruit and vegetable production has been largely positive, significant expansions and infrastructural spend slowed, partly due to Covid-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 continued to experience ongoing fuel volume decreases driven by record-high prices, changes in consumer driving patterns, and lockdown-related reductions in travel and road transport, and despite restaurants re-opening, QSR trade remained suppressed.

The general business environment in which the Group operates continues to be constrained, and while Covid-related lockdown regulations have eased, it remains to be seen what the long-term effects of Covid will be on general consumer behaviour.

## FINANCIAL RESULTS

Kaap Agri performed strongly during the year, increasing revenue by 23,4% to R10,6 billion, up from R8,6 billion in the previous financial year, with like-for-like comparable growth of 12,6%. The revenue growth was achieved off the back of a 17,0% increase in the number of transactions. It is important to note that this strong performance is compared to the 2020 financial year in which, despite a significant negative Covid impact, revenue still showed positive growth of 1,5% compared to 2019.

Retail sales growth outperformed agri sales growth; however, when taking into consideration the higher inflation experienced in the retail income channel, agri sales outperformed retail sales in real terms. Product inflation is estimated at 4,0% for the year. Despite high year-on-year ("YOY") fuel price inflation at year-end, annual average fuel price inflation had a lower impact on the Group basket this year compared to

# Commentary (continued)

previous years, and excluding the impact of fuel inflation in the revenue basket, inflation was 3,9%. Retail Fuel & Convenience sales were hardest hit by Covid restrictions but ended 23,3% up on 2019 levels.

Despite Covid, the Group showed a high degree of resilience under exceptionally challenging trading conditions. The riots and looting that swept across parts of the country in July had little direct impact on the Group, as our store presence is limited in the affected areas. The supply chain impact on our suppliers was minimal and has largely normalised. The Group's diversification is expected to generate improved results in the year ahead as income streams which were constrained during Covid recover further.

The Group's growth strategy of footprint expansion combined with the upgrade and improvement of existing offerings continued during the year, albeit at a reduced level. While no new fuel sites were added, Group fuel volumes increased by 13,0% in the year with The Fuel Company ("TFC") growing annual fuel volumes by 9,7%. Collectively, seven new retail and agri trade sites were added to the Group. A new standalone Agrimark Pet store was opened in Green Point, Cape Town to test the viability of this model. The Group, through its subsidiary Partridge Building Supplies (Pty) Ltd ("Forge"), acquired the business of Farmsave (Pty) Ltd ("Farmsave") effective 28 July 2021. Farmsave is a supplier of predominantly agri-input supplies into Central KwaZulu-Natal and will further enhance our reach in this area and provide opportunities to scale up in the new generation farmer channel. The Farmsave acquisition added five new stores. Forge added one store in Bulwer, KwaZulu-Natal. A number of smaller Agrimark upgrades and expansions were completed, and an additional 10 500 tons are being added to our grain storage capacity. The earlier decision to slow down further footprint expansion across the business and to focus on delivering returns on previously invested capital yielded positive results, with gearing levels and investment returns improving during the year. The business will continue to investigate value enhancing opportunities.

Gross profit increased by 20,2% and at a rate lower than revenue growth due partly to a higher contribution of lower margin fuel revenue as well as sales mix changes and margin pressures in certain retail and agri trade categories. It is expected that retail margins will remain under pressure as consumer spending patterns adapt to a changed and constrained economic environment. Fuel prices increased steadily throughout the year, ending 20,8% higher (petrol) and 16,4% higher (diesel) compared to last year.

Effective cost management remained a key focus area during the year, specifically the optimisation of salary-related expenditure and associated costs. During the previous financial year, the Group implemented several Covid-related cost interventions that did not repeat in the current year. The non-like-for-like impact of costs related to the conversion of two managed fuel sites to owned sites, the addition of seven new retail and agri trade sites and the impact of costs normalising after the prior year's savings, resulted in expenditure increasing by 18,8% in the current year while like-for-like expenditure only grew by 10,9% (7,3% when excluding the impact of Group performance incentives).

The operational performance of Kaap Agri (Namibia) improved significantly during the year largely due to the ongoing focus on margin improvement through procurement initiatives as well as in-store upgrades and sales execution.

Partridge Building Supplies (Pty) Ltd, which trades as Forge in the Southern KwaZulu-Natal Midlands, delivered exceptional results and has proven to be a solid acquisition. Further footprint expansion and revenue enhancing opportunities are being explored.

Interest received reduced by 20,0% due to a combination of lower interest rates on debtors' accounts and reduced average out-of-term debtor balances. Interest paid to banks reduced by 24,6%, a combination of lower interest rates and lower average borrowings for the year. Strong trading performance as well as reduced capital expenditure had a positive impact on borrowings. As at 30 September, net interest-bearing debt decreased by R118,1 million

# Commentary (continued)

compared to the prior year. R418,8 million of the original R450 million term debt remains.

EBITDA grew by 19,2% and lower than earnings growth, due partly to lower gross profit margins. Previously EBITDA was calculated including interest received but excluding interest paid. The calculation of EBITDA has been changed to exclude both interest received and interest paid as this is deemed to be a better reflection of the true operational performance of the Group and an improvement in disclosure. Comparable EBITDA performance has been updated with this improvement in methodology.

The Group's effective tax rate of 27,8% (2020: 26,9%) is higher than last year due mainly to the effect of the non-taxable revaluation of put options.

Headline earnings increased by 19,4% while recurring headline earnings ("RHE") grew by 23,8%. Once-off items, predominantly adjustments for the interest and remeasurement of 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 RHE. The performance of Forge during the year was exceptional and above expectation, which necessitated an upward revaluation of the put option for the remaining 40% shareholding. While this negatively impacts headline earnings, it is added back to calculate RHE and furthermore bodes well for future earnings enhancement.

Headline earnings per share of 454,92 cents increased by 17,1% while recurring headline earnings per share ("RHEPS") of 477,55 cents grew by 21.7% on last year. RHEPS has grown 27.3% compared to 2019, a non-Covid-19 reporting period.

## OPERATING RESULTS

The methodology applied to segmental reporting has been improved in that trade debtors and borrowings, as well as the associated interest received and interest paid, have been allocated to the segment to which they relate. This will provide a more accurate representation of invested capital within the various segments.

Income growth from the Trade division, which includes the Agrimark retail branches, Forge branches, Agrimark Packaging distribution centres, Agrimark Mechanisation agency services and spare parts as well as fuel depots increased by 18,1% YOY with operating profit before tax increasing by 35,8%. Key focus areas in this environment were margin enhancement and cost management.

Retail Fuel & Convenience income increased by 31,2% with operating profit before tax increasing by 66,1%. Revenue increases were driven by a combination of non-like-for-like sites, fuel price increases and improved contributions from convenience store and QSR offerings. Good expense management and fuel price increases contributed to higher profitability. The performance of this division has been encouraging but below expectation due to the longer than anticipated impact of Covid-related restrictions.

Grain Services, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing, delivered pleasing results, growing revenue by 38,1% and operating profit before tax by 12,5%. The improved performance was due to the increased wheat harvest and higher grain trading income. Latest harvest estimates indicate the likelihood of an above average wheat harvest for the new financial year across the total Swartland region, which bodes well for performance going forward.

Manufacturing produces dripline, sprinkler irrigation products and plastic bulk bins for the agricultural market as well as offering agency services for imported irrigation products. Although impacted by the curtailment of infrastructure spent due to Covid uncertainty, irrigation-related revenue recovered well during the year. Bulk bin revenue from Tego has not yet reached its potential due to product-related challenges, which negatively impacted sales volumes. Plans are in place to improve the product offering during 2022. Manufacturing

# Commentary (continued)

income grew by 20,4%. During the previous year interest paid on borrowings relating to manufacturing assets acquired in Tego was capitalised prior to commissioning. This contributed to the YOY interest expense being higher in 2021 resulting in operating profit before tax decreasing by 13,9% this year.

The Corporate division, which includes the cost of support services as well as other costs not allocated to specific segments, increased from 0,3% of revenue to 0,8%, largely the impact of performance-related Group incentives.

## FINANCIAL POSITION

Capital investment of R124,0 million was incurred of which R59,3 million related to the acquisition of Total Atlas Road and Caltex PE, both of which relate to acquisitions entered into during the prior period, and Farmsave. A further R32,3 million was spent on replacement capital expenditure with the balance relating to a multitude of smaller upgrades and expansion as well as further modules of Supply Chain Optimisation software.

Working capital was well controlled increasing by only R108,1 million YOY. Debtors grew at a rate lower than the increase in credit sales, and out of terms increased by only 3,3%, highlighting the quality of the debtors' book. Debtors turn on average 4,1 times per year (2020: 4,2 times). Securities are held where appropriate and we believe we are suitably provided for when considering the health of the debtors' book.

Our investment in centralised procurement and distribution as well as stock management continues to generate positive returns with inventory growing by only 10,6% compared to revenue growth of 23,4%. Creditors days decreased slightly. Return on net assets increased to 9,8% from 8,4% last year. YOY return on invested capital ("ROIC") improved from 10,6% last year to 11,1% this year and remained above the weighted average cost of capital in the business.

Net interest-bearing debt decreased by 8,9% to R1,2 billion. The Group's debt-to-equity ratio, calculated on average balances, decreased to 56,1% (2020: 64,9%) with net debt to EBITDA reducing to 2,2 times (2020: 2,9 times) and interest cover of 6,8 times (2020: 5,0 times). Gearing reduced in line with expectation due to a prudent approach to capital expenditure, strict working capital management and a strong trading performance. Sufficient funding headroom is available to meet the coming year's requirements. Return on equity increased to 15,3% (2020: 13,8%).

Group cash generation remains strong with a focus on driving returns on capital previously invested in the business. While the level of investment in terms of footprint growth was lower this year, the coming year will see an increase in capital expenditure, both related to capacity enhancements as well as footprint expansion.

## DIVIDEND

A gross final dividend of 111,00 cents per share (2020: 50,00 cents) has been approved and declared by the Board of Directors ("Board") from income reserves, for the year ended 30 September 2021. The final dividend amount, net of South African dividends tax of 20%, is 88,80 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. Including the interim dividend, the total dividend for the year ended 30 September 2021 of 151,00 cents per share (2020: 50,00 cents) increased by 202,0% over the

# Commentary (continued)

prior year. The total dividend per share represents a dividend cover of 3,0 times (2020: 7,4 times).

The salient dates for this dividend distribution are:

| | |
|---|---|
| Declaration date | Thursday, 25 November 2021 |
| Last day to trade cum dividend | Tuesday, 8 February 2022 |
| Trading ex dividend commences | Wednesday, 9 February 2022 |
| Record date to qualify for dividend | Friday, 11 February 2022 |
| Date of payment | Monday, 14 February 2022 |

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 February 2022 and Friday, 11 February 2022, both days inclusive.

## OUTLOOK

Agricultural conditions in the areas in which we operate have largely been positive; however, certain areas remain under pressure, particularly the Eastern Cape and northern regions of the country. Good rainfall throughout the wheat season resulted in high expectations for the coming wheat harvest, with all indications pointing to an above average yield across the total Swartland region. Although always weather dependent, the outlook for fruit and vegetable production in the upcoming agricultural season looks encouraging. The agricultural sector remains cautious regarding policy uncertainty around land rights.

Covid has had an indelible impact on the lives of all people, and consumer behaviour and patterns have been permanently affected. While agri trade has been the least impacted by Covid due to the essential nature of food production, it has been encouraging to see areas within our retail trade returning to pre-Covid levels. Concerning trends in the agri environment are rising input costs, curtailed capacity expansion and ongoing logistics challenges, specifically export related. It is also expected that pressure will remain on fuel volume sales with a longer recovery period anticipated in business and leisure travel and associated convenience and QSR spend. Although the focus remains on driving returns on capital already invested in the business, selective high-return-generating capital investment opportunities will be pursued. The disposal of TFC Properties (Pty) Ltd will free up underperforming capital and enhance Group ROIC returns.

Notwithstanding the challenges we have endured with Covid and the impact of immense economic hardships facing many consumers, business performance was positive, and the Group again delivered results ahead of expectation under the current circumstances and ahead of pre-Covid levels compared to our competitors. Our balance sheet strengthened during the year and cash generation improved. We continue to monitor the Covid situation closely and have embedded all necessary protocols in our daily operations. In doing so, we have embraced the opportunities that Covid has presented to better serve our

# Commentary (continued)

customers and to enhance our various digital engagement platforms to improve customer safety and convenience.

We are committed to our growth and diversification strategy and will continue the drive to reduce our overall group risk position and enhance value creation. We believe the Group is well positioned and equipped to capitalise on any improvement in trading conditions, and we look forward to the challenges of the new year.

## EVENTS AFTER THE REPORTING DATE

On 4 October 2021, an announcement was made regarding the disposal of TFC Properties (Pty) Ltd ("TFC Properties") subject to the fulfilment or waiver of certain conditions precedent, notably approval in terms of the Competition Act, 89 of 1998. The historical rationale for acquiring retail fuel and convenience properties was aligned with the strategic drive of footprint growth in this new market. Given that TFC has successfully entered the retail fuel and convenience markets, and upon reviewing the returns generated on capital invested, it was decided to dispose of TFC Properties, and in doing so enter into long-term leases to ensure tenure on its fuel retail sites. The disposal of TFC Properties has no impact on the ongoing trading of TFC Operations (Pty) Ltd. Proceeds from the disposal of TFC Properties will in the interim be used to reduce borrowings and to fund higher return-generating acquisition opportunities. The purchase consideration payable to Kaap Agri, taking into account its equity value and shareholder loan balance, approximates to R445,6 million.

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

## DETAILS OF THE AGM

The annual general meeting ("AGM") of Kaap Agri shareholders has been scheduled to take place on Thursday, 10 February 2022 at 12:30 in Paarl.

The notice for the AGM will be published on SENS and dispatched to shareholders in due course, accompanied by a summary of the company's consolidated financial statements for the year ended 30 September 2021.

## APPRECIATION

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

On behalf of the Board

**GM Steyn**
Chairman

**S Walsh**
Chief Executive Officer

23 November 2021

# Statement of financial position

at 30 September

| | Note | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | **1 545 524** | 1 525 678 |
| Right-of-use assets | 6 | **253 804** | 236 302 |
| Intangible assets | 7 | **517 764** | 471 012 |
| Investment in joint venture | 8 | **33 923** | 6 542 |
| Financial assets at fair value through other comprehensive income | | **5 580** | 5 580 |
| Trade and other receivables | 9 | **52 153** | 43 039 |
| Loans | | **26 732** | 54 764 |
| Deferred taxation | | **7 181** | 2 772 |
| | | **2 442 661** | 2 345 689 |
| **Current assets** | | | |
| Inventory | | **1 221 339** | 1 104 191 |
| Trade and other receivables | 9 | **2 053 669** | 1 782 355 |
| Derivative financial instruments | | **35 983** | 1 385 |
| Short-term portion of loans | | **7 238** | 5 026 |
| Cash and cash equivalents | | **51 534** | 34 817 |
| | | **3 369 763** | 2 927 774 |
| **Total assets** | | **5 812 424** | 5 273 463 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Equity attributable to shareholders of the holding company | | **2 288 444** | 2 028 158 |
| Non-controlling interest | | **109 722** | 98 545 |
| | | **2 398 166** | 2 126 703 |
| **Non-current liabilities** | | | |
| Deferred taxation | | **108 683** | 100 271 |
| Financial liability at fair value through profit or loss | 11 | **76 100** | 76 600 |
| Financial liability at amortised cost | 11 | **–** | 14 213 |
| Lease liabilities | 6 | **232 208** | 220 642 |
| Instalment sale agreements | | **62 914** | 79 975 |
| Employee benefit obligations | | **14 875** | 15 380 |
| Borrowings | | **325 000** | 418 750 |
| | | **819 780** | 925 831 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **1 656 660** | 1 330 472 |
| Financial liability at amortised cost | 11 | **23 651** | – |
| Short-term portion of instalment sale agreements | | **29 166** | 32 371 |
| Short-term portion of Employee benefit obligations | | **2 169** | 2 223 |
| Short-term portion of lease liabilities | 6 | **23 827** | 14 499 |
| Short-term borrowings | | **842 097** | 830 039 |
| Income tax | | **16 909** | 11 325 |
| | | **2 594 478** | 2 220 929 |
| **Total liabilities** | | **3 414 258** | 3 146 760 |
| **Total equity and liabilities** | | **5 812 424** | 5 273 463 |
| Total shareholders' equity to Total assets employed* (%) | | **40,8%** | 40,3% |
| Net interest bearing debt to Total assets employed* (%) | | **22,9%** | 26,2% |
| Net asset value per share (rand) | | **R32,56** | R28,86 |
| Shares issued (number – '000) | | **70 282** | 70 282 |
| Total number of ordinary shares in issue** | | **74 170** | 74 170 |
| Treasury shares | | **(3 888)** | (3 888) |

* *Ratios calculated on average balances.*

** *There was no change in the issued share capital between 30 September 2021 and the dividend declaration date, being 74 170 277 shares.*

# Income statement

for the year ended 30 September

| | 2021<br>R'000 | 2020<br>R'000 |
|---|---|---|
| Revenue | **10 582 588** | 8 574 668 |
| Cost of sales | **(9 006 338)** | (7 263 775) |
| Gross profit | **1 576 250** | 1 310 893 |
| Operating expenses | **(1 118 450)** | (926 305) |
| Operating profit before interest received | **457 800** | 384 588 |
| Interest received | **99 066** | 123 848 |
| Operating profit | **556 866** | 508 436 |
| Finance costs | **(99 048)** | (124 563) |
| Share in profit/(loss) of joint venture | **2 381** | (2 359) |
| Profit before tax | **460 199** | 381 514 |
| Income tax | **(127 923)** | (102 336) |
| Profit for the period | **332 276** | 279 178 |
| Attributable to equity holders of the holding company | **321 099** | 275 081 |
| Non-controlling interest | **11 177** | 4 097 |
| Earnings per share – basic (cents) | **456,88** | 391,49 |
| Earnings per share – diluted (cents) | **451,79** | 391,49 |
| Dividend per share (cents) | **151,00** | 50,00 |

# Headline earnings reconciliation

for the year ended 30 September

| | 2021<br>R'000 | 2020<br>R'000 |
|---|---|---|
| Profit for the period | **332 276** | 279 178 |
| Attributable to equity holders of the holding company | **321 099** | 275 081 |
| Non-controlling interest | **11 177** | 4 097 |
| Net profit on disposal of assets | **(1 470)** | (2 069) |
| Gross | **(2 042)** | (2 874) |
| Tax effect | **572** | 805 |
| Headline earnings | **330 806** | 277 109 |
| Attributable to equity holders of the holding company | **319 722** | 273 012 |
| Non-controlling interest | **11 084** | 4 097 |
| Headline earnings per share – basic (cents) | **454,92** | 388,54 |
| Headline earnings per share – diluted (cents) | **449,86** | 388,54 |
| Weighted average number of shares (number – '000) | **70 281** | 70 266 |
| Weighted average number of diluted shares (number – '000) | **71 072** | 70 266 |

# Statement of comprehensive income

for the year ended 30 September

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Profit for the period | **332 276** | 279 178 |
| Other comprehensive income: | | |
| Cash flow hedges | **204** | (1 340) |
| Gross | **283** | (1 861) |
| Tax | **(79)** | 521 |
| Total comprehensive income for the period | **332 480** | 277 838 |
| Attributable to equity holders of the holding company | **321 303** | 273 741 |
| Non-controlling interest | **11 177** | 4 097 |

# Statement of changes in equity

for the year ended 30 September

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| **Stated capital** | **446 571** | 446 571 |
| Gross shares issued | **480 347** | 480 347 |
| Treasury shares | **(33 776)** | (33 776) |
| **Other reserves** | **12 552** | 10 112 |
| Opening balance | **10 112** | 9 797 |
| Share-based payments | **2 236** | 1 655 |
| Other comprehensive income | **204** | (1 340) |
| **Retained profit** | **1 829 321** | 1 571 475 |
| Opening balance | **1 571 475** | 1 371 364 |
| Initial recognition of IFRS 16 | **–** | (11 721) |
| Profit for the period | **321 099** | 275 081 |
| Dividends paid | **(63 253)** | (63 249) |
| **Equity attributable to shareholders of the holding company** | **2 288 444** | 2 028 158 |
| **Non-controlling interest** | **109 722** | 98 545 |
| Opening balance | **98 545** | 100 186 |
| Initial recognition of IFRS 16 | **–** | (638) |
| Profit for the period | **11 177** | 4 097 |
| Dividends paid | **–** | (5 100) |
| **Capital and reserves** | **2 398 166** | 2 126 703 |

# Statement of cash flows

for the year ended 30 September

| | 2021<br>R'000 | 2020<br>R'000 |
|---|---|---|
| Cash flow from operating activities | **425 734** | 494 477 |
| Net cash profit from operating activities | **563 226** | 483 458 |
| Interest received | **101 304** | 126 956 |
| Working capital changes | **(108 104)** | (20 415) |
| Income tax paid | **(130 692)** | (95 522) |
| Cash flow from investment activities | **(109 603)** | (310 892) |
| Purchase of property, plant and equipment | **(64 764)** | (138 845) |
| Proceeds on disposal of property, plant and equipment | **13 623** | 7 996 |
| Deposits made during the year | **–** | (4 500) |
| Gross increase/(decrease) in loans | **820** | (5 931) |
| Acquisition of operations | **(59 282)** | (169 612) |
| Cash flow from financing activities | **(299 414)** | (195 137) |
| Decrease in short-term borrowings | **(50 443)** | (425 445) |
| Increase/(decrease) in long-term borrowings | **(31 250)** | 450 000 |
| Repayment of instalment sale agreements | **(31 087)** | (22 063) |
| Lease payments | **(25 612)** | (11 149) |
| Interest paid | **(97 769)** | (123 231) |
| Dividends paid | **(63 253)** | (63 249) |
| Net (decrease)/increase in cash and cash equivalents | **16 717** | (11 552) |
| Cash and cash equivalents at the beginning of the year | **34 817** | 46 369 |
| Cash and cash equivalents at the end of the year | **51 534** | 34 817 |

# Notes to the summary consolidated financial statements

for the year ended 30 September

## 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summary consolidated financial statements for the year ended 30 September 2021 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements require preliminary reports statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 "Interim Financial Reporting".

The summary report is extracted from the audited information, but is not itself audited. The annual financial statements for the year were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office and on the website, www.kaapagri.co.za. The Group's auditors have not reviewed nor reported on any comments relating to prospects.

The directors take full responsibility for the preparation of the preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

The summary consolidated financial statements for the year ended 30 September 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.

## 2 ACCOUNTING POLICIES

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

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies of estimation uncertainty were the same as those that applied to the Group annual financial statements for the year ended 30 September 2021. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### Estimates

Loss allowance on trade receivables

In estimating the loss allowance on trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors. This includes an assessment of current and expected future payment profiles and customer specific risk factors such as economic circumstances, geographical location and the value of security held.

Financial liabilities related to put options

The measurement of these financial instruments is based on various valuation calculations requiring estimated inputs and assumptions as disclosed in notes 11.

### Judgements

Management agreements

Retail Fuel & Convenience site acquisitions are at various stages of conclusion. On these sites the Group enters into management agreements while waiting for regulatory approval for the retail site licences. The Group manages these sites under management agreements, but does not have the right to control the relevant activities. Therefore these sites are not consolidated in the Group.

Purchase price allocations

Judgement is used in determining the fair value of the identifiable assets within a purchase price allocation. Properties are valued by using experts through doing the net income capitalised approach and fair values are assigned to plant and equipment acquired through the business combination by applying a fair value to the items identified. Refer to note 15 for the synergies listed that result in the recognition of goodwill in the business combination transactions as well as the considerations applied to other intangible assets.

Inventory provisions

The Group makes certain judgements relating to the provision of inventory, based on the frequency of movement in different inventory types. This determines the rates applied per age bucket in calculating the inventory provision to be recognised.

Goodwill

The Group makes certain judgements relating to the impairment testing of goodwill, based on projections and assumed growth rates in income, expenses and terminal growth rates while using a pre-tax discount rate determined by management. These judgements are used to determine if an impairment of goodwill is applicable.

Extension periods with regards to lease contracts

The Group makes certain judgements relating to the extension periods of leases during the IFRS 16 right-of-use asset and lease liabilities calculations. If it is more likely than not that the lease will be extended based on all the available factors, the extension option is taken into account in determining the lease. Most of the rent paid is for Agrimark stores and based on the history of the relationship with lessors and the Group's strategies with the stores, the contracts will be extended. Most of the store leases are renewed based on the fact that the stores are at strategic locations and most have been there for some time, it will disrupt business if moved to different locations. Where the lease is not beneficial to the Group, the extension option will not be applied. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### Judgements (continued)

IFRS 5 assessment

The Group has taken the decision to dispose of TFC Properties (Pty) Ltd. Subsequent to the disposal of the entity the Group, through TFC Operations (Pty) Ltd, will leaseback the properties within TFC Properties. As at 30 September 2021 not all conditions precedent have been met. The most significant being Competition Commission approval. TFC Properties will be sold in its entirety and the Group will no longer have any form of control over the entity. As such, the Group will deconsolidate TFC Properties on the effective date of the sale. Due to the continued use of the properties, post the sales transaction through the sale and leaseback arrangement to be entered into and the judgement exercised in concluding that the transfer of the asset does not qualify as a sale, TFC Properties was concluded to not be an asset held for sale as at 30 September 2021.

## 4 FAIR VALUE ESTIMATION

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

> Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

> Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

The only financial instruments that are carried at fair value are derivative financial instruments held for hedging. The fair value is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price (Level 2). The investment in Signafi Capital (Pty) Ltd is a level 3 financial instrument based on the observable market data as these are unlisted shares.

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

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

> Trade and other receivables

> Loans

> Trade and other payables

> Short-term borrowings

> Long-term borrowings

> Instalment sale agreements

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

| | | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **5** | **PROPERTY, PLANT AND EQUIPMENT** | | |
| | Reconciliation of movements in carrying value: | | |
| | Carrying value beginning of period | **1 525 678** | 1 375 392 |
| | Additions | **75 585** | 148 227 |
| | Land and buildings | **7 297** | 34 503 |
| | Grain silos | **2 196** | 369 |
| | Machinery and equipment | **27 857** | 29 132 |
| | Vehicles | **9 418** | 10 228 |
| | Office furniture and equipment | **17 280** | 9 047 |
| | Leasehold properties | **–** | 408 |
| | Assets under construction | **11 537** | 64 540 |
| | Additions through business combinations | **17 229** | 97 911 |
| | Leasehold improvements reclassified to right-of-use assets | **–** | (31 358) |
| | Disposals | **(11 581)** | (5 122) |
| | Depreciation | **(61 387)** | (59 372) |
| | Carrying value end of period | **1 545 524** | 1 525 678 |
| | Land and buildings | **1 143 791** | 1 092 958 |
| | Grain silos | **24 193** | 24 737 |
| | Machinery and equipment | **213 364** | 211 564 |
| | Vehicles | **41 941** | 44 328 |
| | Office furniture and equipment | **109 951** | 103 315 |
| | Assets under construction | **12 284** | 48 776 |
| | Vehicles include the following amounts where the Group has instalment sale agreements: | | |
| | Cost | **56 059** | 66 250 |
| | Accumulated depreciation | **(23 505)** | (30 173) |
| | Carrying value | **32 554** | 36 077 |
| | Equipment include the following amounts where the Group has instalment sale agreements: | | |
| | Cost | **107 781** | 107 548 |
| | Accumulated depreciation | **(7 041)** | (1 552) |
| | Carrying value | **100 740** | 105 996 |
| **6** | **RIGHT-OF-USE ASSETS AND LEASE LIABILITY** | | |
| | Right-of-use assets | | |
| | Buildings | **251 898** | 235 095 |
| | Vehicles | **1 906** | 1 207 |
| | | **253 804** | 236 302 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

| | | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **6** | **RIGHT-OF-USE ASSETS AND LEASE LIABILITY (CONTINUED)** | | |
| | Reconciliation of movements in carrying value: | | |
| | Carrying value at beginning of year | **236 302** | – |
| | Initial recognition of IFRS 16 | **–** | 166 395 |
| | Additions | **39 221** | 60 051 |
| | Leasehold improvements reclassified to right-of-use assets | **–** | 31 357 |
| | Modification of lease contracts | **10 871** | 3 487 |
| | Cancellations of lease contracts | **–** | (848) |
| | Depreciation charge of Right-of-use assets | **(32 590)** | (24 140) |
| | Buildings | **(31 389)** | (23 522) |
| | Vehicles | **(1 201)** | (618) |
| | Carrying value at end of year | **253 804** | 236 302 |
| | Lease liabilities | | |
| | Current | **23 827** | 14 499 |
| | Non-current | **232 208** | 220 642 |
| | | **256 035** | 235 141 |
| | Interest expense (included in finance costs) | **20 573** | 20 868 |
| | Expense relating to short-term leases and low value assets (included in administrative expenses) | **10 439** | 12 169 |
| | Cash flow expense for leases and low value and short term leases | **(36 051)** | (23 318) |

### The group's leasing activities and how these are accounted for

The Group leases various retail stores, storage sites and forklifts. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

| | | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **7** | **INTANGIBLE ASSETS** | | |
| | Reconciliation of movements in carrying value: | | |
| | Carrying value beginning of period | **471 012** | 298 169 |
| | Additions through business combinations | **48 135** | 174 195 |
| | Amortisation | **(1 383)** | (1 352) |
| | | **517 764** | 471 012 |
| | Reconciliation of movements in carrying value: | | |
| | Goodwill | **497 995** | 455 532 |
| | Carrying value at beginning of year | **455 532** | 281 337 |
| | Additions through business combinations | **42 463** | 174 195 |
| | Tradename | **14 795** | 12 480 |
| | Carrying value at beginning of year | **12 480** | 12 740 |
| | Additions through business combinations | **2 595** | – |
| | Amortisation recognised in profit or loss | **(280)** | (260) |
| | Customer relationships | **4 974** | 3 000 |
| | Carrying value at beginning of year | **3 000** | 4 092 |
| | Additions through business combinations | **3 077** | – |
| | Amortisation recognised in profit or loss | **(1 103)** | (1 092) |
| | | **517 764** | 471 012 |

The goodwill originated from business acquisitions in the Trade and Retail Fuel & Convenience segments and to assess for impairment of goodwill, a value in use calculation was done per Cash Generating Unit ("CGU"). More information with regards to each segment is disclosed below:

The Retail Fuel & Convenience acquisition strategy is cluster based, focusing on increasing scale in identified geographic locations, thus the goodwill is monitored for impairment based on these clusters. The fuel clusters are included in the Retail Fuel & Convenience segment. The most significant clusters to which goodwill has been allocated include the clusters listed below:

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| **Carrying value** | | |
| Eastern Cape cluster | **65 880** | 42 423 |
| Northern Cape cluster | **133 719** | 133 719 |
| Northern Province cluster | **272 093** | 254 913 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 7 INTANGIBLE ASSETS (CONTINUED)

The following table sets out the key assumptions applied in determining the recoverable amount of each CGU used per cluster:

| | **2021 %** | 2020 % |
|---|---|---|
| Pre-tax discount rate | **10,0 – 11,0** | 9,0 – 11,0 |
| Revenue growth rate | **9,0 – 9,5** | 9,0 – 9,5 |
| Expenses growth rate | **7,5 – 8,0** | 8,5 – 9,0 |
| Terminal growth rate | **6,0** | 6,0 |

The approved budget for the next financial year was used as base data after which the relevant inputs were extrapolated for the next 4 years with the long term growth rate being applied in the terminal year. The growth rate in revenue is more or less the same as the prior year based on sustainable strategic plans in place to focus on the growth of the sites in the clusters. The expenses were grown with more or less the same range as the prior year. The pre-tax discount rate is higher as a result of a higher cost of capital based on a higher cost of equity.

Management has performed sensitivity analyses on the key assumptions in the impairment model using possible changes in these key assumptions including pre-tax discount rates, growth in expenses, expenses growth rate and terminal growth rate used. Listed below is the increase/decrease in assumptions required to deplete the headroom after which a portion of goodwill will start to be impaired:

| | **PRE-TAX DISCOUNT RATE** | | **GROSS PROFIT PERCENTAGE** | | **EXPENSES GROWTH RATE** | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Eastern Cape cluster | **+4,9%** | +5,2% | **-7,8%** | -6,0% | **+7,8%** | +6,2% |
| Northern Cape cluster | **+12,5%** | +12,1% | **-12,9%** | -12,2% | **+15,5%** | +14,3% |
| Northern Province cluster | **+10,7%** | +9,3% | **-10,0%** | -8,6% | **+11,6%** | +10,3% |

Even if the terminal growth rate is zero, no impairment is identified. There is sufficient headroom and no risk of impairment noted.

The Trade acquisition strategy focusses on increasing scale in identified geographic locations and diversifying the business. Partridge Building Supplies is included in the Trade segment for the group. The goodwill raised through the business combination with Partridge Building Supplies ("PBS") was tested for impairment using a value in use calculation.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 7 INTANGIBLE ASSETS (CONTINUED)

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| **Carrying value** | | |
| Goodwill – business combination relating to PBS | **22 033** | 22 033 |
| Goodwill – business combination relating to Farmsave | **1 827** | – |

The following table sets out the key assumptions applied in determining the recoverable amount of the goodwill raised:

| | 2021 % | 2020 % |
|---|---|---|
| **Goodwill – business combination relating to PBS** | | |
| Pre-tax discount rate | **15,7** | 10,0 |
| Revenue growth rate | **10,0** | 9,0 – 12,0 |
| Expenses growth rate | **8,0** | 6,0 |
| Terminal growth rate | **6,0** | 6,0 |
| **Goodwill – business combination relating to Farmsave** | | |
| Pre-tax discount rate | **15,7** | – |
| Revenue growth rate | **7,5 – 14,0** | – |
| Expenses growth rate | **5,0 – 7,0** | – |
| Terminal growth rate | **6,0** | – |

The approved budget for the next financial year was used as base data after which the relevant inputs were extrapolated for the next 4 years with the long term growth rate being applied in the terminal year. The pre-tax discount rate is higher as a result of a higher cost of capital. Growth in revenue is more or less in line with prior years. Expenses increased in line with inflation. No impairment was noted.

Management has performed sensitivity analyses on the goodwill relating to the business combination with PBS. Sensitivity analyses were performed on key assumptions in the impairment model, considering possible changes in these key assumptions (including pre-tax discount rate, growth in gross profit, expenses and terminal value).

An impairment only becomes applicable when the discount rate is increased to 40% (2020: 33%). If the expenses increase by 10,1% per year (2020: 9,2% per year), a portion of goodwill will be impaired. If the gross profit decreases by 3,6% (2020: 3,2%), a portion of goodwill will be impaired. Even if the terminal growth rate is zero, no impairment is identified. Thus, there is sufficient headroom and no risk of impairment.

The remaining CGU in the Trade segment was also assessed for goodwill impairment and sufficient headroom noted. Carrying amount of R2,4 million (2020: R2,4 million).

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

| | | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **8** | **INVESTMENT IN JOINT VENTURE** | | |
| | *Kaap Agri (Namibia) (Pty) Ltd* | | |
| | *Beginning of year* | **6 542** | 8 901 |
| | Loan capitalised – shares issued | **25 000** | – |
| | Share in total comprehensive income | **2 381** | (2 359) |
| | | **33 923** | 6 542 |
| **9** | **TRADE AND OTHER RECEIVABLES** | | |
| | Trade debtors | **2 056 188** | 1 769 806 |
| | Provision for impairment | **(54 460)** | (50 631) |
| | | **2 001 728** | 1 719 175 |
| | VAT | **43 788** | 34 780 |
| | Deposits | **–** | 4 500 |
| | Other debtors | **60 306** | 66 939 |
| | | **2 105 822** | 1 825 394 |
| | Trade and other receivables – current | **2 053 669** | 1 782 355 |
| | Trade and other receivables – non-current | **52 153** | 43 039 |
| | | **2 105 822** | 1 825 394 |
| **10** | **TRADE AND OTHER PAYABLES** | | |
| | Trade creditors | **1 501 529** | 1 218 752 |
| | Employee accruals | **75 467** | 46 740 |
| | Other creditors | **79 664** | 64 980 |
| | | **1 656 660** | 1 330 472 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

| | | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **11** | **DERIVATIVE FINANCIAL INSTRUMENTS** | | |
| | Financial liability at amortised cost | | |
| | *Written Put Option* | | |
| | *Partridge Building Supplies (Pty) Ltd* | **(23 651)** | (14 213) |
| | Opening balance | **(14 213)** | (14 800) |
| | Interest | **(1 279)** | (1 332) |
| | Remeasurement through profit and loss | **(8 159)** | 1 919 |
| | Financial liability at fair value through profit or loss | | |
| | *Written Put Option* | | |
| | *C-Max Investments (Pty) Ltd* | **(76 100)** | (76 600) |
| | Opening balance | **(76 600)** | (79 100) |
| | Remeasurement through profit and loss | **500** | 2 500 |
| | | **(84 951)** | (76 013) |

Through the acquisition of the 60% shareholding in Partridge Building Supplies (Pty) Ltd in prior years, 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 date 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. In the current year valuation, a growth ratio of between 65% and 68% (2020: 60% – 65%) was used and an EBITDA multiple of 6,5 times (2020: 6,5 times).

The amount that may become payable under the option on exercise date is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated performance and increased/decreased up to the redemption amount that is payable at the date at which the option is exercised. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Given that the fair value of the liability varies with non-financial variables that are specific to the parties in the contract, management has classified this put option as a financial liability at amortised cost.

A 10% increase in the growth ratio will change the liability and profit before tax by R4,9 million (2020: R3,9 million)

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As part of the asset-for-share transaction in the prior year, the Group entered into a once-off written put agreement, which became effective in prior 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 and it lapses after the notice period has passed, which is 30 days after sign-off of the 30 September 2023 financial statements. 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). In the current year valuation, a multiple of between 4 and 5 times (2020: 4 and 6 times) was used and a discount rate of 8% – 9% (2020: 8% – 9%).

The amount that may become payable under the option on exercise date is initially recognised at the present value of the value as determined in line with the principles outlined above. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards of the shares have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated market value and increased/decreased up to the amount that is payable at the date at which the option is exercised. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

The financial liability has been designated at fair value through profit or loss because the put option obligation varies with changes in TFC's share price. Any changes in the future fair value of the liability will be accounted for in the income statement. A 1% change in the discount rate will change the liability and profit before tax by R1,5 million (2020: R2,6 million). A 0,5 change in the multiple will change the liability and profit before tax by R18,4 million (2020: R12 million).

During the current year it has been decided to dispose of TFC Properties (Pty) Ltd. This transaction is still subject to conditions precedent with the most important one still in process, namely that the transaction (to the extent necessary) have to be unconditionally approved in terms of the Competition Act, 1998, or conditionally approved on terms and conditions acceptable to the parties to the Agreement. Based on this information and knowledge, no value was put on the TFC Properties portion of the PUT liability. In terms of the agreement, C-Max Investments (Pty) Ltd no longer has the contractual right to put the shares of TFC Properties to Kaap Agri.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 12 INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive Committee (whom are considered to be the Chief Operating Decision Maker (CODM)) that are used to make strategic decisions as well as the fact that they share similar economic characteristics. 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 are assessed based on a measure of revenue and net profit before taxation.

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

Retail Fuel & Convenience provides a full retail fuel offering to a diverse range of customers and includes 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 | | SEGMENT RESULTS | |
|---|---|---|---|---|
| | **2021 R'000** | 2020 R'000 | **2021 R'000** | 2020 R'000 |
| **Segment revenue and results** | | | | |
| Trade | **6 271 932** | 5 312 682 | **401 457** | 295 719 |
| Retail Fuel & Convenience | **3 029 734** | 2 309 904 | **72 036** | 43 376 |
| Grain Services | **1 049 238** | 759 681 | **61 972** | 55 096 |
| Manufacturing | **231 684** | 192 401 | **14 040** | 16 308 |
| Total for reportable segments | **10 582 588** | 8 574 668 | **549 505** | 410 499 |
| Corporate | **–** | – | **(89 306)** | (28 985) |
| **Total external revenue** | **10 582 588** | 8 574 668 | | |
| Profit before tax | | | **460 199** | 381 514 |
| Income tax | | | **(127 923)** | (102 336) |
| Profit after tax | | | **332 276** | 279 178 |

In the prior year disclosure the results of Treasury and Share in loss/profit of joint venture was shown separately, which was moved in the current year disclosure to be part of the relevant segment it relates to, as well as the results of Corporate which could be allocated to identified segments. This is a more reasonable presentation of the segments reported on. Comparatives have been restated accordingly.

Included in the Trade segment's results is a share in profit of joint venture of R2,3 million. Refer note 8.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

| | SEGMENT ASSETS | | SEGMENT LIABILITIES | |
|---|---|---|---|---|
| | **2021 R'000** | 2020 R'000 | **2021 R'000** | 2020 R'000 |
| **12 INFORMATION ABOUT OPERATING SEGMENTS (CONTINUED)** | | | | |
| **Segment assets and liabilities** | | | | |
| Trade | **3 962 781** | 3 493 170 | **2 162 664** | 1 952 225 |
| Retail Fuel & Convenience | **1 309 023** | 1 257 613 | **801 573** | 768 698 |
| Grain Services | **133 385** | 102 123 | **39 543** | 41 692 |
| Manufacturing | **317 978** | 340 401 | **212 646** | 231 001 |
| Total for reportable segments | **5 723 167** | 5 193 307 | **3 216 426** | 2 993 616 |
| Corporate | **82 076** | 77 384 | **171 545** | 125 271 |
| Deferred taxation | **7 181** | 2 772 | **26 287** | 27 873 |
| | **5 812 424** | 5 273 463 | **3 414 258** | 3 146 760 |

In the prior year disclosure the Trade debtors, Investment in joint venture, Short-term borrowings and Borrowings balances were shown separately, which was moved in the current year disclosure to be part of the relevant segment it relates to as well as Corporate assets and liabilities which could be allocated to identified segments. This is a more reasonable presentation of the segments reported on. Comparatives have been restated accordingly.

Included in the Trade segment's assets is an Investment in Joint Venture of R33,9 million. Refer note 8.

| | **2021 R'000** | 2020 R'000 |
|---|---|---|
| **13 CAPITAL COMMITMENTS** | | |
| **Contracted** | **33 888** | 9 821 |

These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds. The Group remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 14 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.

| | **2021 R'000** | 2020 R'000 |
|---|---|---|
| Headline earnings | **330 806** | 277 109 |
| Attributable to equity holders of the holding company | **319 722** | 273 012 |
| Non-controlling interest | **11 084** | 4 097 |
| Non-recurring items | **16 402** | 3 344 |
| Non-recurring expenses | **7 464** | 6 432 |
| Revaluation of Put Options | **8 938** | (3 088) |
| Recurring headline earnings | **347 208** | 280 453 |
| Attributable to equity holders of the holding company | **335 630** | 275 810 |
| Non-controlling interest | **11 578** | 4 643 |
| Recurring headline earnings per share (cents) | **477,55** | 392,52 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 15 BUSINESS COMBINATIONS

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and in some instances accompanying retail fuel properties were acquired. If no property was acquired, the retail licence was obtained and thus the operations was acquired and still treated as business combination under IFRS 3. Goodwill on acquisition was paid on these businesses which represents synergies within the Group and have future earnings potential.

The Group also acquired Farmsave, a business in the agricultural sector. The business serves all core farmer requirements through five branches located in Bergville and Ladysmith. The business caters for retail and bulk trade to surrounding farmers across feed, seed, fertiliser, packaging, fencing and other farming inputs. Goodwill on acquisition was paid on this business which represents synergies within the company and has future earnings potential.

The Group's acquisition strategy specific in the Retail Fuel & Convenience sector is cluster based, focusing on increasing scale in identified geographic locations. This geographic scale allows for enhanced synergistic benefits. The same goes for the growth in the agricultural business relating to the Farmsave purchase. The synergies 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 offerings to preferred suppliers
> 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

In the Retail Fuel & Convenience sector, 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.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 15 BUSINESS COMBINATIONS (CONTINUED)

Based on the purchases in the fuel sector, a provisional purchase price allocation ("PPA") as required by IFRS 3 – Business Combinations was 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 licences' 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 tradenames and customer relations. No tradename was recognised as there was no tradename 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.

Based on the purchase in the agricultural sector, a provisional purchase price allocation as required by IFRS 3 – Business Combinations was performed and no material intangible assets were identified, other than a tradename and customer relations. The tradename was valued based on the relief from royalty method. This estimates the amount someone would be prepared to pay for the tradename if they wished to utilise the same asset. The multi-period excess earnings method ("MEEM") was used to determine the fair value of the customer relationships. The MEEM is a variation of the income method whereby the projected cash flows that a business expects to generate is allocated to the assets that contribute to generating this cash flow.

The Group acquired the following assets through business combinations in the fuel and agricultural sector:

- Caltex PE Convenience – February 2021 (fuel sector)
- Total Atlas Road – March 2021 (fuel sector)
- Farmsave – August 2021 (agricultural sector)

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 15 BUSINESS COMBINATIONS (CONTINUED)

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

| | Total R'000 | Farmsave R'000 | Total Atlas Road R'000 | Caltex PE Convenience R'000 |
|---|---|---|---|---|
| **Carrying value** | | | | |
| Assets | | | | |
| Land and buildings | 46 700 | 14 700 | 32 000 | – |
| Plant and Equipment | 2 528 | 1 992 | 193 | 343 |
| Inventory | 11 006 | 8 853 | 616 | 1 537 |
| | 60 234 | 25 545 | 32 809 | 1 880 |
| **Fair value** | | | | |
| Assets | | | | |
| Land and buildings | 46 300 | 14 700 | 31 600 | – |
| Plant and Equipment | 2 528 | 1 992 | 193 | 343 |
| Tradename | 2 595 | 2 595 | – | – |
| Customer relations | 3 077 | 3 077 | – | – |
| Goodwill | 42 465 | 1 828 | 17 180 | 23 457 |
| Inventory | 11 006 | 8 853 | 616 | 1 537 |
| Liabilities | | | | |
| Deferred taxation | (8 848) | – | (8 848) | – |
| Purchase consideration | 99 123 | 33 045 | 40 741 | 25 337 |
| – paid in cash (current period) | 59 282 | 30 045 | 6 400 | 22 837 |
| – paid in cash (previous period) | 36 841 | – | 34 341 | 2 500 |
| – deferred payment | 3 000 | 3 000 | – | – |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September

## 15 BUSINESS COMBINATIONS (CONTINUED)

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

Buildings at the value of R3,7 million in the current year's PPA are valued at the replacement cost method and have a finite useful life. Depreciation is recognised over the useful live of the buildings.

The acquired businesses contributed as follows to the Group's results for the full financial year:

| | Total R'000 | Farmsave R'000 | Total Atlas Road R'000 | Caltex PE Convenience R'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| – since acquisition date | **178 555** | **21 942** | **62 381** | **94 232** |
| – as if from the beginning of the year | **380 683** | **138 926** | **105 412** | **136 345** |
| **Profit/(loss) before tax** | | | | |
| – since acquisition date | **4 053** | **39** | **2 148** | **1 866** |
| – as if from the beginning of the year | **11 220** | **3 088** | **5 410** | **2 722** |

## 16 EVENTS AFTER REPORTING DATE

The historical rationale for acquiring retail fuel and convenience properties was aligned with the strategic drive of footprint growth in this new market. Given that TFC has now successfully entered the retail fuel and convenience markets, and upon reviewing the returns generated on capital invested, it has been decided to dispose of TFC Properties (Pty) Ltd, and in doing so enter into long-term leases to ensure tenure on its fuel retail sites. This transaction is still subject to conditions precedent of which the main outstanding condition is that the transaction have (to the extent necessary) be unconditionally approved in terms of the Competition Act, 1998, or be conditionally approved on terms and conditions acceptable to the parties to the Agreement. As this will be a sale-and-leaseback transaction, it does not comply with IFRS 5 and no asset held for sale or discontinued operations is required to be disclosed.

A gross final dividend of 111,00 cents per share (2020: 50,00 cents) has been approved and declared by the Board from income reserves, for the year ended 30 September 2021.

The directors are not aware of any further matters or circumstances that occurred since the end of the financial year up to the date of this report that has not been dealt with in the report or financial statements and which may have a significant influence on the activities of the Group or the results of those activities.

# Corporate information

## KAAP AGRI LIMITED ("KAAP AGRI")

Incorporated in the Republic of South Africa
Registration number: 2011/113185/06
Income tax number: 9312717177
Share code: KAL
ISIN code: ZAE000244711

### Directors

GM Steyn (Chairman)*#
S Walsh (Chief Executive Officer)
GW Sim (Financial Director)
BS du Toit*#
D du Toit*#
JH le Roux*
EA Messina*#
WC Michaels*#
CA Otto*#
HM Smit*#
I Chalumbira*

* *Non-executive*
\# *Independent*

### Company Secretary

KAL Corporate Services (Pty) Ltd

### Registered address

1 Westhoven Street, Paarl, 7646
Suite 110, Private Bag X3041, Paarl, 7620
Telephone number: 021 860 3750
Fax number: 021 860 3314
Website: www.kaapagri.co.za

### Auditors

PricewaterhouseCoopers Inc.

### 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

### Sponsor

PSG Capital (Pty) Ltd
Registration number: 2006/015817/07
1st Floor, Ou Kollege Building, 35 Kerk Street,
Stellenbosch, 7600
PO Box 7403, Stellenbosch, 7599

and

2nd Floor, Building 3, 11 Alice Lane, Sandhurst,
Sandton, 2196
PO Box 987, Parklands, 2121

### Announcement date

25 November 2021

GREYMATTERFINCH # 15248

KAAP AGRI

AGRIMARK FORGE TEGO PLASTICS agriplas the fuel company

www.kaapagri.co.za