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

Condensed consolidated interim financial statements for the six months ended 31 March 2019

Salient features

Revenue up 28,7% to R4 389 785
Recurring headline earnings per share up 3,2% to 230,34 cents
Headline earnings per share up 1,4% to 224,17 cents
Interim dividend per share up 4,7% to 33,50 cents

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 over 200 operating points located in all nine South African provinces, as well as in Namibia.

Operating environment

During the period under review, Kaap Agri's performance has been affected by the slower-than-anticipated recovery of agricultural conditions in the Western Cape and the continued drought conditions in the Northern Cape. The addition of the Forge business in KwaZulu-Natal, as well as market share gains in the Inland region, have positively impacted the trade division. Although consumer pressure remains, the Group's range expansion and improvement has generated strong retail growth in non-agri categories. Lower disposable income has also influenced the retail fuel sector. Wesgraan has performed well off the back of a more favourable wheat position.

Financial results

Kaap Agri increased revenue by 28,7% to R4,4 billion, up from R3,4 billion in the previous comparable financial period, with like-for-like comparable sales growth of 10,7%. The growth in the value of business transacted was driven by a 21,9% increase in the number of transactions. Product inflation, excluding the impact of fuel inflation, is estimated at -0,5%.

While the sales growth of the Trade division has been encouraging, the largest impact on revenue came from The Fuel Company ("TFC"), specifically in newly acquired and non-like-for-like sites. Group fuel volumes increased by 9,2%, of which TFC owned and managed sites have grown fuel volumes by 9,5%. Growth in fuel site convenience and quick service restaurant retail operations has exceeded fuel volume growth. Revenue from the newly acquired Forge business is included from 1 October 2018. Mechanisation sales exceeded expectation during the period and Wesgraan has shown a good recovery from the previous period. The business continues to explore agri, retail and manufacturing expansion opportunities.

Gross profit increased by 15,6% but has not grown in relation to revenue growth. The Group's gross profit margin reduced to 15,5% from 17,3%, impacted by increased turnover of low-margin agri products, fuel price increases and general retail margin pressure. Return on revenue has decreased to 3,8% from 4,6% in the previous interim period.

In support of increased revenue and market share gains, expenditure grew 20,5%, a direct result of new acquisitions and the annualisation of non-like-for-like stores. Also impacting expenditure growth were certain non-recurring costs associated with acquisitions of new businesses and other restructuring costs. Cost control remains a core focus area to alleviate the impact of suppressed margins. However, the business continues to invest in human capital and its supply chain, as well as various growth acceleration initiatives in line with our strategic medium-term plan.

Interest received grew by 3,1% due to increased credit sales and a higher average debtors book. Interest paid increased by 16,5% due to higher average borrowings during the interim period in support of acquisitions and growth. Gearing remains at acceptable levels with sufficient headroom available to increase borrowings to fund future growth to the extent required.

Headline earnings grew by 3,5% and headline earnings per share grew by 1,4%, while recurring headline earnings grew by 5,2% and recurring headline earnings per share increased by 3,2%. Once-off items are excluded from headline earnings to calculate recurring headline earnings.

EBITDA has grown by 6,6% and ahead of recurring headline earnings growth due to the impact of growth-related interest paid and depreciation.

Operating results

Revenue from the Trade division, which includes the Agrimark retail branches, Pakmark packaging material distribution centres, Forge, Mechanisation services and spare parts increased by 24,1% with operating profit before tax increasing by 0,7%. Excluding the impact of the recently acquired Forge business, non-agri retail sales have performed well, growing at 3,9% on the previous comparable period and with the exception of water storage categories coming off a large base last year as well as constrained cement sales, non-agri retail sales have delivered growth of 13,4%.

Significant growth was realised in TFC with revenue growing by 45,0% and operating profit before tax increasing by 24,7%. Sites previously operated under management agreement reflected only a management fee income earned, but subsequent to the required trading licences being issued, these sites are consolidated as owned sites, hence the disproportionate growth in revenue and operating profit. Growth in fuel site convenience and quick service restaurant retail operations has exceeded fuel volume growth. Continued strong growth in this division is expected.

Wesgraan, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing, grew revenue by 26,6% off improved wheat harvests in the Western Cape, resulting in a 16,8% increase in operating profit before tax. Certain transport costs incurred during the first six months will be recovered through sales in the second half of the financial year. The full impact of the Wesgraan recovery is weighted to the second half of the current financial year.

Revenue from Irrigation manufacturing decreased by 5,3% due to the lingering drought related impact on capital investments and upgrades. Operating profit reduced by 27,9%. The sales outlook is, however, improving with increased turnover experienced in the latter part of this period expected to continue. Investments have been made into this segment to improve manufacturing efficiencies and new product range opportunities are being investigated.

The Corporate division cost, which includes the cost of support services, as well as other costs not allocated to specific segments, increased by 10,9% for the six-month period.

Treasury income, which represents net internal interest received less external interest paid, remained constant year-on-year.

Financial position

Despite the challenging trading environment, investment activities continued, which included R67,9 million on the expansion and upgrade of properties, plant and equipment, as well as an additional R91,0 million in acquisitions since the end of the previous financial year.

Working capital has been well-controlled. Debtors have grown in line with credit sales and out-of-term debtors have reduced by 27,6% year-on-year. Management views the debtors book as being healthy and adequately provided for. Stock has grown at a rate slower than turnover and is turning quicker as the contribution of retail sales and fuel sales increases. Creditor payment terms have remained relatively constant during the period.

Return on net assets has reduced to 5,2% (2018: 5,8%) due to the full value of increased assets being included with only partial period or delayed returns.

Net interest-bearing borrowings increased by 20,0% to R1,4 billion year-on-year off the back of investments into expansions, upgrades and acquisitions, as well as working capital. The Group's debt to equity ratio increased to 70,9% from 65,2% last year with interest cover of 5,9 times (2018: 5,5 times). This is in line with previous indications that, despite the adverse trading conditions, we will continue with our investments in new TFC sites, as well as into other agri, retail and manufacturing opportunities. This will result in Kaap Agri's debt to equity position increasing accordingly.

The Group continues to generate strong cash flows from operations and significant investment has been made back into the business to support future growth.

Dividend

A gross interim dividend of 33,50 cents per share (2018: 32,00 cents) has been approved and declared by the Board from income reserves, which represents a 4,7% increase on the previous interim period. The interim dividend amount, net of South African dividend tax of 20%, is 26,80 cents per share for those shareholders that are not exempt from dividend tax. As at the declaration date, the Company had 74 170 277 shares in issue.

The salient dates for this dividend distribution are:

Declaration date	Friday, 10 May 2019
Last day to trade cum dividend	Tuesday, 4 June 2019
Trading ex dividend commences	Wednesday, 5 June 2019
Record date to qualify for dividend	Friday, 7 June 2019
Payment date	Monday, 10 June 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 June 2019 and Friday, 7 June 2019, both days inclusive.

Outlook

The second half of the year will remain challenging and improved performance will be dependent on normalised weather patterns and increased consumer confidence. We are committed to growing our market share in the areas where we operate and to enhance our customer offerings. Our core strategic themes of growth, optimisation, leveraging culture and diversity and digital transformation are aligned to create sustainable value for all our stakeholders. The recovery in Wesgraan, store upgrades and expansions, as well as the revenue from new TFC sites will contribute more significantly during the next six months.

Our footprint expansion continues, as will our investment in our people and in selective revenue and cash generating expansion and acquisition opportunities aligned with our strategic plans. We remain committed to achieving our strategic medium-term growth targets.

Events after the reporting date

There have been no 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
10 May 2019

S Walsh
Chief Executive Officer

STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	1 185 909	1 016 833	1 097 159
Intangible assets	6	276 684	98 951	168 165
Investment in joint venture	7	10 238	14 243	11 941
Loans		49 913	20 218	26 397
Deferred taxation		788	726	1 234
		1 523 532	1 150 971	1 304 896
Current assets				
Inventory		880 158	781 204	911 151
Trade and other receivables	8	1 745 613	1 582 067	1 664 483
Derivative financial instruments		-	2 401	6 487
Short-term portion of loans		3 127	2 679	-
Cash and cash equivalents		43 046	27 070	40 214
		2 671 944	2 395 421	2 622 335
Total assets		4 195 476	3 546 392	3 927 231
EQUITY AND LIABILITIES				
Capital and reserves		1 902 570	1 681 929	1 742 746
Non-current liabilities				
Deferred taxation		56 902	23 848	41 905
Finance lease liabilities		29 705	20 445	17 402
Employee benefit obligations		16 073	15 405	16 367
		102 680	59 698	75 674
Current liabilities				
Trade and other payables	9	737 440	602 528	1 095 812
Derivative financial instruments		2 618	2 401	-
Short-term portion of finance lease liabilities		11 668	9 648	8 542
Short-term portion of Employee benefit obligations		1 996	5 045	1 914
Short-term borrowings		1 427 579	1 180 770	1 000 907
Income tax		8 925	4 373	1 636
		2 190 226	1 804 765	2 108 811
Total liabilities		2 292 906	1 864 463	2 184 485
Total equity and liabilities		4 195 476	3 546 392	3 927 231
Total shareholders' equity to Total assets employed* (%)		46,3	47,3	45,3
Net interest-bearing debt to Total assets employed* (%)		32,8	30,8	23,8
Net asset value per share (rand)		27,09	23,87	24,84
Shares issued (number - '000)		70 237	70 462	70 162
Total number of ordinary shares in issue**		74 170	74 170	74 170
Treasury shares		(3 933)	(3 708)	(4 008)

* Ratios calculated on average balances.
** There was no change in the issued share capital between 31 March 2019 and the dividend declaration date, being 74 170 277 shares.

INCOME STATEMENT

Restated

	Notes	Unaudited 31 March 2019 R'000	Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Revenue	10	4 389 785	3 410 763	6 548 793
Cost of sales		(3 707 950)	(2 820 830)	(5 446 480)
Gross profit		681 835	589 933	1 102 313
Operating expenses		(465 628)	(386 421)	(787 094)
Operating profit before interest received		216 207	203 512	315 219
Interest received		60 894	59 077	115 840
Operating profit		277 101	262 589	431 059
Finance costs		(52 248)	(44 843)	(82 739)
Share in profit/(loss) of joint venture		(1 703)	(1 114)	(3 416)
Profit before tax		223 150	216 632	344 904
Income tax		(61 958)	(60 420)	(95 947)
Profit for the period attributable to equity holders of the holding company		161 192	156 212	248 957
Attributable to equity holders of the holding company		157 495	156 212	246 247
Non-controlling interest		3 697	-	2 710
Earnings per share - basic (cents)		224,23	221,70	349,80
Earnings per share - diluted (cents)		222,98	219,80	346,90
Dividend per share (cents)		33,50	32,00	116,70

HEADLINE EARNINGS RECONCILIATION

	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Profit for the period	161 192	156 212	248 957
Attributable to equity holders of the holding company	157 495	156 212	246 247
Non-controlling interest	3 697	-	2 710
Net profit on disposal of assets	(44)	(489)	(578)
Gross	(61)	(679)	(803)
Tax effect	17	190	225
Headline earnings	161 148	155 723	248 379
Attributable to equity holders of the holding company	157 451	155 723	245 669
Non-controlling interest	3 697	-	2 710
Headline earnings per share - basic (cents)	224,17	221,00	348,98
Headline earnings per share - diluted (cents)	222,91	219,12	346,09
Weighted average number of shares (number - '000)	70 237	70 462	70 396
Weighted average number of diluted shares (number - '000)	70 633	71 069	70 984

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Profit for the period		161 192	156 212	248 957
Other comprehensive income:				
Cash flow hedges (can be classified to profit and loss)		-	-	(394)
Gross		-	-	(547)
Tax		-	-	153
Total comprehensive income for the period		161 192	156 212	248 563
Attributable to equity holders of the holding company		157 495	156 212	245 853
Non-controlling interest		3 697	-	2 710

STATEMENT OF CHANGES IN EQUITY

Restated

	Note	Unaudited 31 March 2019 R'000	Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Share capital		447 101	456 643	443 921
Gross shares issued		480 347	480 347	480 347
Treasury shares		(33 246)	(23 704)	(36 426)
Other reserves		8 063	5 830	9 172
Opening balance		9 172	3 893	3 893
Share-based payments		(1 109)	1 937	5 673
Other comprehensive income		-	-	(394)
Retained profit		1 389 764	1 219 456	1 286 943
Opening balance		1 286 943	1 121 445	1 121 445
Effect of adopting IFRS 9 - Financial Instruments	2.1	(815)	-	-
Gain on partial disposal of subsidiary		5 631	-	-
Profit for the period		157 495	156 212	246 247
Dividends paid		(59 490)	(58 201)	(80 749)
Non-controlling interest		57 642	-	2 710
Opening balance		2 710	-	-
Non-controlling interest on acquisition of subsidiary		12 014	-	-
Non-controlling interest on partial disposal of subsidiary		41 480	-	-
Profit for the period		3 697	-	2 710
Dividends paid		(2 259)	-	-
Capital and reserves		1 902 570	1 681 929	1 742 746

STATEMENT OF CASH FLOWS

	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Cash flow from operating activities	(106 916)	(81 045)	237 025
Net cash profit from operating activities	306 381	246 706	451 431
Working capital changes	(372 818)	(276 310)	(127 150)
Income tax paid	(40 479)	(51 441)	(87 256)
Cash flow from investment activities	(184 868)	(235 510)	(283 503)
Purchase of property, plant and equipment	(67 946)	(85 092)	(130 615)
Proceeds on disposal of property, plant and equipment	702	2 421	2 736
Prepayments made during the year	(41 150)	(167 400)	(52 900)
Decrease/(increase) in loans	(26 643)	14 561	11 776
Acquisition of operations	(49 831)	-	(114 500)
Cash flow from financing activities	294 616	308 537	51 604
Increase/(decrease) in short-term loans	412 070	415 878	236 015
Decrease in finance lease liabilities	(3 457)	(4 297)	(8 201)
Interest paid	(52 248)	(44 843)	(82 739)
Treasury shares acquired	-	-	(12 722)
Dividends paid	(61 749)	(58 201)	(80 749)
Net increase/(decrease) in cash and cash equivalents	2 832	(8 018)	5 126
Cash and cash equivalents at the beginning of the period	40 214	35 088	35 088
Cash and cash equivalents at the end of the period	43 046	27 070	40 214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34 - Interim Financial Reporting and the requirements of the South African Companies Act, 71 of 2008. 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 2018, except for instances listed in note 2.

The condensed consolidated interim financial statements for the six months ended 31 March 2019 were prepared by GC Victor CA(SA), the Group's Financial Manager under supervision of GW Sim CA(SA), the Group's Financial Director.

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

International Financial Reporting Standards and amendments effective for the first time

- Amendments to IFRS 2 - Share-based Payments (effective from 1 January 2018)
  This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.
- IFRS 9 - Financial Instruments - Financial Assets (effective from 1 January 2018)
  This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.
- Amendment to IFRS 9 - Financial Instruments (effective from 1 January 2018)
  The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.
- IFRS 15 - Revenue from Contracts with Customers (effective from 1 January 2018)
  The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

International Financial Reporting Standards, 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):

New standards

- IFRS 16 - Leases (effective from 1 January 2019)
  This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

Amendments

- 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 IFRS: use a consistent definition of materiality through IFRS and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IAS 19 - Employee Benefits on plan amendment, curtailment or settlement (effective from 1 January 2019)
  These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised).
- Amendment to IFRS 3 - Business Combinations (effective from 1 January 2020)
  This amendment revises the definition of a business. According to feedback received by the 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.
- Amendments to IAS 28 - Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (effective from 1 January 2019)
  The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

  Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2019 but not yet effective on that date. The most significant of these standards is IFRS 16, which will be effective for the Group's 2020 financial year.

  The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the balance sheet for almost all lease contracts. Currently operating lease expenses are charged to the income statement on a straight line basis over the term of the lease. The Group leases various properties, machinery, equipment and vehicles under operating lease agreements. A more detailed assessment of the impact is under way as the Group will evaluate the effect of IFRS 16 on its consolidated financial statements.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements 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.

2.1 Effect of adopting IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The adoption of IFRS 9 with effect from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has elected not to restate its comparative information as permitted by IFRS 9. Accordingly, the impact of IFRS 9 has been applied retrospectively with an adjustment to opening retained earnings on 1 October 2018. Therefore comparative information in the prior period annual financial statements has not been amended for the impact of IFRS 9.

The total impact on the Group's retained earnings as at 1 October 2018 is as follows:

	Notes	R'000
Closing retained earnings on 30 September 2018 as previously reported		1 286 943
Adjustments to retained earnings on initial application of IFRS 9	2.1.2	(815)
Increase in impairment allowance for trade and other receivables		
Opening retained earnings on 1 October 2018		1 286 128

The application of IFRS 9 had no material impact on the reported earnings or financial position for the interim period under review.

2.1.1 Classification and measurement of financial instruments
IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. It was determined that all of the Group's financial assets which were measured at amortised cost under IAS 39, satisfy the conditions for classification at amortised cost under IFRS 9. Hence there is no change to the measurement of these assets.

There has been no change to the classification of the Group's financial liabilities and they continue to be classified and measured at amortised cost.

2.1.2 Impairment of financial assets under the expected credit loss model
IFRS 9 has introduced new expected credit loss (ECL) impairment requirements, as opposed to an incurred loss model applied in terms of IAS 39. The ECL requirements apply to all financial assets measured at amortised cost and will result in the earlier recognition of credit provisions.

At a minimum, an impairment provision is required to be measured at an amount equal to the 12-month ECL for financial assets measured at amortised cost. A loss allowance for full lifetime ECLs is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

For trade and other receivables, the Group has adopted the simplified approach which recognises lifetime ECLs regardless of stage classification. The Group has established a provision matrix that is based on risk factors per type of debtor, adjusted for forward-looking factors specific to such trade and other receivables and the economic environment.

2.2 Effect of adopting IFRS 15 - Revenue from Contracts with Customers
IFRS 15 replaces IAS 18 - Revenue. It addresses the classification, measurement and disclosure of revenue from contracts with customers. It establishes a five-step model to account for revenue from contracts with customers, based on the principle that revenue is recognised either over time or at a point in time, as or when the Group satisfies performance obligations and transfers control of goods or services to its customers.

The Group's revenue consists mostly of sales of products delivered to customers at the point of sale and does not have multiple element arrangements included in it. It is therefore assessed that the timing and measurement of the Group's revenue will not change as a result of the implementation of IFRS 15.

2.2.1 Agent versus principal assessment
IFRS 15 provides new guidance for the Group's assessment of whether it acts as principal or agent when recognising revenue from certain value-added services. Management assessed these changes and has concluded that Kaap Agri is acting as an agent in this scenario and revenue will be accounted for on a net basis. The same conclusion was reached under the current revenue standard and thus there will be no change in treatment upon implementation of IFRS 15.

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

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

4. FAIR VALUE ESTIMATION

Financial instruments measured at fair value are disclosed by level of the following fair value hierarchy:
- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

The fair value of the following financial instruments approximate their carrying amount at the reporting date:
- Trade and other receivables
- Trade and other payables
- Short-term borrowings
- Loans

	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
5. PROPERTY, PLANT AND EQUIPMENT			
Reconciliation of movements in carrying value:			
Carrying value beginning of period	1 097 159	947 617	947 617
Additions	71 501	94 870	140 148
Land and buildings	11 185	16 624	31 275
Grain Silo's	3 512	-	4 122
Machinery and equipment	9 810	8 526	13 027
Vehicles	9 920	9 078	10 397
Office furniture and equipment	5 232	6 122	11 198
Leasehold properties	4 884	4 281	433
Assets under construction	26 958	50 239	69 696
Additions through business combinations	46 740	-	61 017
Disposals	(657)	(1 742)	(1 933)
Depreciation	(28 834)	(23 912)	(49 690)
Carrying value end of period	1 185 909	1 016 833	1 097 159
Land and buildings	863 090	685 071	807 595
Grain silos	25 972	15 986	21 636
Machinery and equipment	100 263	87 760	95 877
Vehicles	45 744	32 270	28 915
Office furniture and equipment	96 683	75 476	87 116
Leasehold properties	22 244	17 600	22 568
Assets under construction	31 913	102 670	33 452
Vehicles include the following amounts where the Group is a lessee under a finance lease:			
Cost	71 023	38 327	39 451
Accumulated depreciation	(29 341)	(12 838)	(16 826)
Carrying value	41 682	25 489	22 625
6. INTANGIBLE ASSETS			
Reconciliation of movements in carrying value:			
Carrying value beginning of period	168 165	99 482	99 482
Additions through business combinations	108 707	-	69 744
Amortisation	(188)	(531)	(1 061)
Carrying value end of period	276 684	98 951	168 165
Goodwill	276 402	97 950	167 695
Customer relations	282	1 001	470
7. INVESTMENT IN JOINT VENTURE			
Kaap Agri (Namibia) (Pty) Ltd			
Carrying value beginning of period	11 941	15 357	15 357
Share in total comprehensive income/(loss)	(1 703)	(1 114)	(3 416)
Carrying value end of period	10 238	14 243	11 941

8. TRADE AND OTHER RECEIVABLES

Trade debtors	1 658 613	1 413 588	1 549 498
	(40 764)	(44 859)	(39 909)
Provision for impairment			
	1 617 849	1 368 729	1 509 589
VAT	14 714	9 191	45 932
Prepayments	41 150	167 400	52 900
Other debtors	71 900	36 747	56 062
	1 745 613	1 582 067	1 664 483

9. TRADE AND OTHER PAYABLES

Trade creditors	696 093	550 478	1 000 982
Employee accruals	31 796	28 776	42 177
Other creditors	9 551	23 274	52 653
	737 440	602 528	1 095 812

10. REVENUE

Sale of goods and services	4 337 465	3 362 369	6 448 084
- Trade	2 538 767	2 039 633	4 021 209
- The Fuel Company (TFC)	1 221 149	842 105	1 802 049
- Wesgraan	491 125	387 647	438 071
- Irrigation manufacturing	86 424	91 302	186 755
- Corporate	-	1 682	-
Margin on direct transactions	52 320	48 394	100 709
- Trade	52 042	47 877	99 659
- Wesgraan	278	517	1 050
Total	4 389 785	3 410 763	6 548 793

11. INFORMATION ABOUT OPERATING SEGMENTS

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

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

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

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

Segment revenue and results

	Segment revenue			Segment results		
		Restated			Restated	
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	31 March 2019	31 March 2018	30 September 2018	31 March 2019	31 March 2018	30 September 2018
	R'000	R'000	R'000	R'000	R'000	R'000
Trade	2 590 809	2 087 510	4 120 868	152 413	151 347	241 947
TFC	1 221 149	842 105	1 802 049	53 796	43 153	85 809
Wesgraan	491 403	388 164	439 121	28 885	24 736	23 611
Irrigation manufacturing	86 424	91 302	186 755	9 315	12 925	25 952
Total for reportable segments	4 389 785	3 409 081	6 548 793	244 409	232 161	377 319
Corporate	-	1 682	-	(52 374)	(47 228)	(94 237)
Treasury	-	-	-	32 818	32 813	65 238
Share in profit/(loss) of joint venture	-	-	-	(1 703)	(1 114)	(3 416)
Total external revenue	4 389 785	3 410 763	6 548 793			
Profit before tax				223 150	216 632	344 904
Income tax				(61 958)	(60 420)	(95 947)
Profit after tax				161 192	156 212	248 957

Segment assets and liabilities

	Segment revenue	Segment results

	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Trade	1 401 769	1 260 066	1 430 303	607 625	530 927	888 404
TFC	679 124	554 059	546 449	86 475	33 803	121 215
Wesgraan	126 651	92 596	97 440	50 435	30 897	12 638
Irrigation manufacturing	74 695	70 988	71 740	13 156	12 311	25 925
Total for reportable segments	2 282 239	1 977 709	2 145 932	757 691	607 938	1 048 182
Corporate	284 362	184 985	258 535	50 734	51 907	93 491
Trade debtors	1 617 849	1 368 729	1 509 589	-	-	-
Investment in joint venture	10 238	14 243	11 941	-	-	-
Short-term borrowings	-	-	-	1 427 579	1 180 770	1 000 907
Deferred taxation	788	726	1 234	56 902	23 848	41 905
	4 195 476	3 546 392	3 927 231	2 292 906	1 864 463	2 184 485

12. BUSINESS COMBINATIONS

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

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

The Group also acquired a 60% shareholding in Partridge Building Supplies (Pty) Ltd in line with the Group's growth strategy and to expand its footprint and range of products.

A purchase price allocation was provisionally performed and possible other intangible assets might be raised as the valuations are still pending. Thus the purchase price allocation is deemed to be provisional and will be finalised in the financial statement for the year ending 30 September 2019.

The Group acquired the following assets through business combinations:
A 60% shareholding in Partridge Building Supplies (Pty) Ltd - October 2018 Sasol
Verbaard service station - October 2018
Sasol East Rand Mall service station - November 2018
Total Summit Road service station - December 2018

	Total R'000	Partridge Building Supplies R'000	Sasol Verbaard R'000	Sasol East Rand Mall R'000	Total Summit R'000
Carrying value					
Assets					
Moveable assets	19 460	18 593	230	123	514
Property	40 900	-	-	-	40 900
Trade and other receivables	43 606	43 606	-	-	-
Inventory	39 751	37 735	1 217	799	-
Liabilities					
Trade and other payables	(54 017)	(54 017)	-	-	-
Deferred taxation	(1 279)	(1 279)	-	-	-
Bank overdraft	(14 602)	(14 602)	-	-	-
	73 819	30 036	1 447	922	41 414
Fair value					
Assets					
Moveable assets	19 460	18 593	230	123	514
Property	27 281	-	-	-	27 281
Trade and other receivables	43 606	43 606	-	-	-
Inventory	40 340	37 735	1 217	799	589
Liabilities					
Trade and other payables	(54 017)	(54 017)	-	-	-
Deferred taxation	(8 918)	(1 279)	-	-	(7 639)
Bank overdraft	(14 602)	(14 602)	-	-	-
Goodwill	108 707	29 204	36 109	10 649	32 745
Equity					

Non-controlling interest	(12 014)	(12 014)	-	-	-
Purchase consideration	149 843	47 226	37 556	11 571	53 490
- paid in cash (current period)	49 831	47 226	1 217	799	589
- paid in cash (previous period)	52 901	-	-	-	52 901
- paid through issue of subsidiary shares	47 111	-	36 339	10 772	-

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

	Total R'000	Partridge Building Supplies R'000	Sasol Verbaard R'000	Sasol East Rand Mall R'000	Total Summit R'000
Revenue	307 207	177 462	78 258	14 210	37 277
Net profit/(loss)	6 936	2 002	3 871	(39)	1 102

13. RESTATEMENT OF COMPARATIVE AMOUNTS
Classification of leases

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

The correction of the incorrect classification has been applied retrospectively. This has resulted in the restatement of the comparative consolidated interim financial statements for the period ended 31 March 2018, with the impact on the respective financial statement line items as follows:

	31 March 2018		
	Original balance R'000	Restatement R'000	Restated balance R'000
Effect on Statement of financial position			
Non-current assets			
Property, plant and equipment	991 344	25 489	1 016 833
Current assets			
Trade and other receivables	1 578 086	3 981	1 582 067
Non-current liabilities			
Finance lease liabilities	-	(20 445)	(20 445)
Deferred taxation	(23 839)	(9)	(23 848)
Current liabilities			
Short-term portion finance lease liabilities	-	(9 648)	(9 648)
Capital and reserves			
Retained profit	(1 220 088)	632	(1 219 456)
Effect on Statement of comprehensive income			
Operating expenses	(388 078)	1 657	(386 421)
Finance costs	(43 216)	(1 627)	(44 843)
Profit before tax	216 602	30	216 632
Profit attributable to shareholders of the holding company	216 602	30	216 632
Effect on Statement of cash flows			
Cash flow from operating activities			
Net cash profit from operating activities	(85 601)	4 556	(81 045)
Working capital changes	(276 280)	(30)	(276 310)
Cash flow from investment activities			
Increase/(decrease) in finance lease liabilities	-	(4 297)	(4 297)
Interest paid	(43 216)	(1 627)	(44 843)
Basic earnings per share (cents)	221,67	0,03	221,70
Diluted earnings per share (cents)	219,77	0,03	219,80
Basic headline earnings per share (cents)	220,97	0,03	221,00
Diluted headline earnings per share (cents)	219,09	0,03	219,12

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.

The pro forma adjustments below regarding recurring headline earnings are shown for illustrative purposes only and, because of their nature, may not fairly present Kaap Agri's financial position, changes in equity, results of operations or cash flows. These adjustments relate to non-recurring expenses and consist predominantly of once-off costs associated with acquisitions of new businesses and other restructuring costs.

The pro forma financial effects are presented in accordance with the JSE Listings Requirements, the Guide on Pro Forma Financial Information issued by SAICA and the measurement and recognition requirements of International Financial Reporting Standards. The accounting policies applied in quantifying pro forma adjustments are consistent with Kaap Agri's accounting policies at 31 March 2019. The pro forma financial information is the responsibility of the directors and has not been reviewed or reported on by the company's external auditors.

	Unaudited 31 March 2019 R'000	Restated Unaudited 31 March 2018 R'000	Audited 30 September 2018 R'000
Headline earnings	161 148	155 723	248 379
Attributable to equity holders of the holding company	157 451	155 723	245 669
Non-controlling interest	3 697	-	2 710
Non-recurring expenses	4 335	1 513	3 604
Recurring headline earnings	165 483	157 236	251 983
Attributable to equity holders of the holding company	161 786	157 236	249 273
Non-controlling interest	3 697	-	2 710
Recurring headline earnings per share (cents)	230,34	223,15	354,10

CORPORATE INFORMATION

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

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