

Crookes Brothers Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1913/000290/06)
 Share code: CKS ISIN: ZAE000001434
 ("Crookes Brothers" or "the group" or "the company")



**CROOKES
BROTHERS**

Summarised results for the year ended 31 March 2024

Financial overview	Index	Year ended 31 March 2024	Year ended 31 March 2023	% change
Continuing operations				
Revenue	R'000	727 913	615 730	18
Operating profit/(loss) before biological assets	R'000	60 867	(137 204)	144
Change in fair value of biological assets	R'000	50 296	(11 356)	543
Operating profit/(loss) after biological assets	R'000	111 163	(148 560)	175
Investment income	R'000	12 149	5 544	119
Finance costs	R'000	(52 329)	(44 553)	(17)
Discontinued operations				
Profit/(loss) from discontinued operations	R'000	37 805	(22 147)	271
Total operations				
Profit/(loss) for the year	R'000	89 328	(199 575)	145
Headline earnings/(loss)	R'000	51 054	(108 201)	147
Shareholders' equity	R'000	1 087 491	1 008 644	8
Cash generated from/(utilised in) operations	R'000	206 859	(12 461)	1 760
Cash generated by/(utilised in) operating activities	R'000	139 364	(46 045)	403
Weighted average number of ordinary shares	shares	15 264 317	15 264 317	-
Net asset value per share	cents	7 124	6 608	8
Cash flow from operating activities per share	cents	913,0	(301,7)	403
Basic earnings/(loss) per share	cents	401,8	(1 284,9)	131
Headline earnings/(loss) per share	cents	334,5	(708,8)	147
Dividend per share	cents	200,0	-	100

What a difference a year makes. The group's state of affairs improved from a headline loss of 708.8 cents per share to headline earnings of 334.5 cents per share.

During the 2023 reporting period, the group faced challenges such as low crop prices, high input costs, idiosyncrasies specific to Mozambique, the fall-out from the Tongaat-Hulett business rescue process, and geo-political and weather events, resulting in a significant loss.

By contrast, the 2024 reporting period saw a marked improvement in prices in the group's sugar cane and banana operations and a reduction in fertilizer and other agricultural input costs. Additionally, the group sold its deciduous fruit business and used the proceeds to settle debt, reducing interest costs going forward.

As a result, the 2024 reporting period has experienced a pleasing turnaround, not just in operating and headline earnings, but also in cash flow.

FINANCIAL PERFORMANCE

The results of the deciduous fruit business have been accounted for as a discontinued operation due to its disposal. Revenue from continuing operations increased by 18% to R727.9 million (2023: R615.7 million), driven by strong contributions from the sugar cane and banana segments. Fertiliser and other agricultural input costs reduced from the excessive levels experienced in the prior two years caused by geo-political events beyond the group's control.

The fair value movement in biological assets from continuing operations increased by R50.3 million (2023: decrease of R11.4 million), mainly due to higher crop price estimates and higher yield expectations for our sugar cane and macadamia crops.

We are pleased to report an operating profit after biological assets of R111.2 million (2023: operating loss of R148.6 million).

Higher banana prices benefited our associates Lebombo Growers and Quinta Da Bela Vista, resulting in a R3.3 million share of profit from these associates (2023: R2.0 million).

Finance costs rose 17% to R52.3 million (2023: R44.6 million) as a result of a general increase in interest rates as well the impact of the weakening Rand on the Rand value of US Dollar denominated interest payments. Actual net interest (finance costs less interest income) on bank borrowings increased by R3.5 million to R28.0 million (2023: R24.5 million).

The final prices received for the 2023 deciduous crop were higher than expected. Together with the capital profit on the sale of the deciduous farms, a net profit of R37.8 million was earned from this discontinued operation (2023: loss of R22.1 million).

The group reported a total net profit of R89.3 million (2023: loss of R199.6 million). Headline earnings was R51.1 million (2023: headline loss: R108.2 million).

Basic earnings per share was 401.8 cents (2023: basic loss per share: 1 284.9 cents). Headline earnings per share was 334.5 cents (2023: headline loss per share: 708.8 cents).

SEGMENTAL PERFORMANCE

Sugar cane

Revenue from sugar cane rose by 28% to R516.1 million (2023: R404.6 million).

The 2022/23 special sugar industry levy had a substantial negative impact on the group's South African operations in the previous year. However, the significant improvement in sugar export prices and local market price increases for the year under review contributed to a material increase in the South African RV and Eswatini Sucrose prices in 2023/24. The buoyant regional markets for Zambian sugar exports boosted the Zambian ERC price to record highs in 2023/2024.

The February 2023 Lowveld floods brought about by Cyclone Freddy negatively affected sucrose yields at our Mpumalanga and Eswatini operations during the 2023/24 season. This was a problem also experienced by the rest of the growers in this region.

Cost savings in fertilizer and other agricultural product costs, along with a 29% increase in the value of our biological assets, further supported the improved financial performance.

Operating profit has increased materially, by 131% to R205.1 million (2023: R88.8 million).

Bananas

Revenue from bananas increased by 25% to R152.0 million (2023: R121.2 million).

Early in the calendar year of 2023, Cyclone Freddy caused severe damage across Mpumalanga, Eswatini, and southern Mozambique. Waterlogging and cold temperatures negatively affected early-season fruit quality, leading to smaller bunches and higher wastage due to bronzing and inter-finger rust. The poor weather affected all growers in the region, reducing fruit supply significantly. This lower supply, coupled with stable demand, increased market prices per carton.

The banana segment pleasingly reported an operating profit of R16.4 million (2023: operating loss of R12.2 million).

Macadamias

Revenue from the 2023 macadamia harvest, falling into the 2023/24 financial year, dropped 62% to R13.5 million (2023: R35.5 million), largely due to depressed global prices. We harvested and sold 633 tons in 2023/24, down from 806 tons in the previous year. Despite disappointing yields, quality improved significantly compared to the prior season and our peers.

World US Dollar macadamia nut prices per kg remain depressed and price realisations in the kernel market were well below our expectations for the 2023 nut harvest.

Rand weakness against the Mozambican Metical, which has been pegged to the US Dollar in the last two years, increased costs for our Mozambican operation when translated into Rand.

The 2024 harvest estimate is 1,054 tons, leading to a R10.7 million increase in biological assets' fair value (2023: decrease of R40.6 million). However, pest control issues caused by heavy rains, have affected the 2024 harvest's quality, which in turn will have a negative impact on the prices received for our crop.

The division's operating loss decreased to R38.4 million (2023: loss of R166.6 million), although the 2023 figure included R93 million in write-downs in the valuations of assets associated with this division.

Property

Revenue from the property segment decreased by 29% to R22.6 million (2023: R31.7 million) because of reduced demand for retirement units due to the adverse effects of high interest rates and load shedding on the KwaZulu-Natal property market.

The division reported an operating loss of R8.8 million (2023: profit of R1.8 million). The business has however signed sale agreements for important land parcels post-year end, which are expected to be catalytic for future land sales.

Other operations

Revenue from other continuing operations increased by 5% to R23.8 million (2023: R22.7 million).

Crocworld experienced an uptick in visitors, especially school groups, but entrance fees have not risen sufficiently to cover inflation, contributing to an operating loss of R2.7 million (2023: loss of R1.4 million).

CAPITAL EXPENDITURE

Capital expenditure for the year amounted to R32.8 million (2023: R77.3 million).

After a challenging 2022/23, the group has been focusing on preserving free cash flow, prioritizing only essential capital items for planting, harvesting, and critical replacements.

LIQUIDITY AND FINANCING ACTIVITIES

Strong operating earnings from our sugar cane and banana segments increased cash generated from operations to R206.9 million, compared to a negative cash requirement of R12.5 million to supplement operations in the previous financial year.

A portion of the proceeds from the sale of our deciduous farms was used to pay off a R140 million debt facility. A new R100 million facility was secured in December 2023 but has not yet been drawn on by the end of the reporting period.

Interest payments on borrowings rose 21% to R47.2 million (2023: R38.9 million).

Net cash generated by operating activities was R139.4 million, compared to a negative figure of R46.0 million in 2023.

Net debt (total interest-bearing borrowings, net of cash balances) decreased by 75% to R80.7 million (2023: R318.5 million).

OUTLOOK

Our production teams are working hard to improve our sugar cane yields at all our operations, with the biggest improvements anticipated at our Eswatini and Mawecro farms.

The group's Mozambique macadamia operation will be focusing on quality improvement initiatives.

Property sales agreements of in aggregate R28.5 million have been concluded just after year-end at the Renishaw Coastal Precinct. The board believes that the successful conclusion of these sales agreements will be catalytic to unlocking further sales of land parcels in the Renishaw Coastal Precinct. Banana operations continue to face quality issues arising from cyclonic activity with Cyclone Filipo in March 2024 being the most recent. These cyclones typically lead to substantial damage for the industry and the shortage of bananas typically leads to higher prices, offsetting some of the negative impact from any damage received.

Improved cash reserves have allowed capital projects to be re-started, such as replacing water infrastructure piping at the Mawecro farm. The group remains committed to conserving operating cash and using long-term financing for expansion opportunities.

CASH DIVIDEND DECLARATION

Given the improved operating and free cash flow position, the board of directors ("the board") has resolved to declare a final gross cash dividend of 200.00000 cents per ordinary share ("the cash dividend") to ordinary shareholders recorded in the register of the company at the close of business on Thursday, 8 August 2024.

In respect of the final gross cash dividend:

- the dividend has been declared from income reserves;
- the dividend withholding tax rate is 20% resulting in a net dividend of 160.00000 cents per share to those shareholders who are not exempt from dividend withholding tax;
- Crookes Brothers Limited tax reference number is 9696/001/71/9; and
- the issued number of shares as at declaration date is 15 264 317.

The cash dividend will be paid on Monday, 12 August 2024 to shareholders recorded in the books of the company at close of business on the record date, Thursday, 8 August 2024.

The salient dates of the declaration and payment of these dividends are as follows:

Last day to trade cum-dividend:	Monday, 5 August 2024
Shares commence trading ex-dividend:	Tuesday, 6 August 2024
Record date:	Thursday, 8 August 2024
Payment date:	Monday, 12 August 2024

Share certificates may not be dematerialised or re-materialised between Tuesday, 6 August 2024 and Thursday, 8 August 2024, both days inclusive.

No interim dividend was declared, bringing the aggregate dividend in respect of the year ended 31 March 2024 to 200.00000 cents per share (2023: nil).

SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the board of directors of Crookes Brothers Limited. It contains a summary of the information in the full annual financial statements and does not contain full or complete details. The annual financial statements can be found at:

<https://senspdf.jse.co.za/documents/2024/jse/isse/cks/cbl2024.pdf>

BDO South Africa Inc. expressed an unmodified audit opinion on the audited consolidated financial statements in their report dated 28 June 2024.

Copies of the annual financial statements are available for viewing on the company's website at https://www.cbl.co.za/wp-content/uploads/2024/06/AFS_2024.pdf or may be requested in person at the company's registered office at no charge, during office hours.

Any investment decisions by shareholders should be based on consideration of the full financial statements.

Durban
28 June 2024

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