

INTERIM RESULTS AND DIVIDEND DECLARATION
FOR THE SIX MONTHS ENDED 30 SEPTEMBER **2016**



**CROOKES
BROTHERS
LIMITED**

COMMENTARY

The board cautions against using interim results to project full year earnings, due to the effect of seasonality of crop revenues on profitability.

Earnings

Profit after tax has increased by 165% to R70,0 million compared to R26,4 million in the corresponding prior period. Headline earnings for the first half of the financial year have been favourably impacted by a number of factors, which have resulted in an increase of 54% to R39,2 million, compared to R25,5 million in the corresponding prior period. Profitability for the full year is expected to be higher than the prior year, but below that indicated by an extrapolation of the interim results.

On 1 April 2016 the company terminated a lease which had four years' remaining on a significant portion of the Komatipoort operation in exchange for a 49% participation in a community joint venture with a 20 year lease over the farm. Profit attributable to non-controlling interests increased by R30 million as a result.

The group's participation represents a positive contribution to the land transformation process. In the first year significant payments have been made in respect of lease fees and dividends to the community benefiting more than 500 families.

Change in accounting policy

Prior year earnings are adjusted to account for the effects of the adoption of IAS 16 whereby bearer biological assets are no longer fair valued, and are classified as Property Plant and Equipment at cost and depreciated over their useful life. The effects of this restatement are presented in note 6 of the interim financial statements.

Operations

Deciduous fruit

Operating profit for the six month period ended 30 September 2016 is R25,6 million lower than the corresponding prior period, mainly as a result of a decline in deciduous fruit prices since the beginning of the financial year. This resulted in a write-down against stock valuation at then forecast prices as at 31 March 2016, the effects of which are reversed in the current year and are reflected in the interim results.

Sugar cane

Sugar cane operating profit has increased by R84,5 million against the corresponding prior period, driven by higher prices across all regions. Cane production volumes decreased by 19% due to persistent drought conditions affecting the whole of Southern Africa.

South African cane operations in aggregate realised an improvement in operating profit of R56 million, mainly due to a 30% increase in the SA RV price. Operating profit from the Swaziland operation is R25 million higher than the corresponding prior period as a result of a 30% increase in the Swaziland sucrose price. Zambia operations have realised an improvement of R4 million as a result of a 21% increase in the ERC price.

Bananas

Banana production has improved by 6% on 2015 supported by a 48% increase in banana prices, as the market has been undersupplied as a result of the drought conditions. This resulted in a R16,6 million increase in operating profit against the corresponding prior period.

Macadamias

The macadamia orchards under development in northern Mozambique continue to make good progress, with the first small crop expected in March 2017.

Worldwide demand for macadamia nuts remains strong and continues to outstrip supply, keeping macadamia prices high. It is expected that this operation will become a major contributor to the group's operating profit in years to come, with positive cash flows from the project being achieved from around 2021.

Prospects

In addition to the macadamia project in northern Mozambique, two other major projects are currently under implementation following receipt of the required regulatory approvals.

The greenfield development of a 300 hectare banana farm in southern Mozambique, in partnership with our shareholder, SilverStreet, was initiated following receipt of environmental authority approval. The first 40 hectares of bananas will be planted in February 2017.

The first phase of the Renishaw property development, comprising a 550 unit mature lifestyle estate, commenced in April 2016. This six year project is on budget with all 28 units in phase one pre-sold to date and continuing strong demand. Initial revenue from first unit sales will reflect in the group's financial statements in the year ending March 2018.

The prospects of the group are encouraging, with these new projects under implementation, the macadamia project coming into production and the deciduous orchards approaching maturity. The group continues to seek expansion opportunities in the agricultural sector in Southern Africa to expand and diversify its portfolio of assets. The group has responded well to the drought conditions through a combination of better prices, quality farms and good agricultural practices.

COMMENTARY CONTINUED

Interim cash dividend declaration

The board continues to maintain a conservative dividend policy, given the group's ongoing growth and investment strategy.

The board has consequently declared a gross cash dividend of 50,0 cents (2016: 35,0 cents) per share for the six month period ended 30 September 2016, payable to shareholders recorded in the register of the company at the close of business on the record date, Friday, 6 January 2017.

In respect of the gross interim cash dividend, the following further information is provided:

- The dividend has been declared from income reserves;
- The dividend withholding tax rate is 15% resulting in a net dividend of 42,5 cents per share to those shareholders who are not exempt from the dividend withholding tax;
- The company's tax reference number is 9696/001/71/9; and
- The issued number of shares as at declaration date is 15 264 317.

The interim dividend will be paid on Monday, 9 January 2017 to shareholders recorded in the register of the company at close of business on the record date Friday, 6 January 2017.

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

Last day to trade cum-dividend	Tuesday, 3 January 2017
Shares commence trading ex-dividend	Wednesday, 4 January 2017
Record date	Friday, 6 January 2017
Payment date	Monday, 9 January 2017

Share certificates may not be dematerialised or re-materialised between Wednesday, 4 January 2017 and Friday, 6 January 2017, both days inclusive.

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

For and on behalf of the board

JR Barton
Chairman

GS Clarke
Managing Director

Durban
29 November 2016

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Transfer secretaries

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PO Box 61051, Marshalltown, 2107

Sponsor

Sasfin Capital
A division of Sasfin Bank Limited

Directors:

JR Barton* (*Chairman*), GS Clarke (*Managing*), GL Veale (*Financial*), RGF Chance*, TJ Crookes*, TK Denton**#, JAF Hewat*, P Mnganga*, MT Rutherford*, RE Stewart*, G Vaughan-Smith**

*Non-executive director #British

Company secretary:

Highway Corporate Services (Pty) Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Six months to 30 September 2016 R'000	Unaudited Six months to 30 September 2015* R'000	Unaudited 12 months to 31 March 2016* R'000
Revenue		451 699	353 162	542 712
Operating profit		103 342	43 456	72 212
Share of profit of associate companies		–	–	3 549
Dividend income		–	–	109
Net finance income/(cost)	1	1 295	(4 693)	(4 179)
Profit before taxation		104 637	38 763	71 691
Taxation		(34 636)	(12 301)	(21 638)
Profit for the period		70 001	26 462	50 053
Profit attributable to:				
Owners of the company		39 287	25 462	48 893
Non-controlling interests		30 714	1 000	1 160
		70 001	26 462	50 053
Earnings per share				
Basic	(cents)	257,4	202,5	366,9
Diluted	(cents)	256,7	198,7	365,5
Headline earnings per share				
Basic	(cents)	257,0	203,1	366,0
Diluted	(cents)	256,4	199,3	364,6
Dividend per share				
Interim	(cents)	50,0	35,0	35,0
Final	(cents)	–	–	115,0

* Prior periods restated to account for change in accounting policy per note 6.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months to 30 September 2016 R'000	Unaudited Six months to 30 September 2015* R'000	Unaudited 12 months to 31 March 2016* R'000
Net profit for the period	70 001	26 462	50 053
Other comprehensive loss	(58 143)	(8 661)	(26 254)
Items that may not be reclassified subsequently to profit or loss, net of tax:			
Remeasurement of defined benefit surplus	-	-	(115)
Remeasurement of post-employment medical aid obligation	-	-	1 773
Items that may be reclassified subsequently to profit or loss, net of tax:			
Net fair value gain on available-for-sale financial assets	-	-	128
Exchange differences on translating foreign operations (refer to note 5)	(58 143)	(8 661)	(28 040)
Total comprehensive income for the period	11 858	17 801	23 799
Total comprehensive income for the period attributable to:			
Owners of the company	(18 856)	16 801	22 639
Non-controlling interests	30 714	1 000	1 160
	11 858	17 801	23 799

* Prior periods restated to account for change in accounting policy per note 6.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015* R'000	Unaudited 31 March 2016* R'000
ASSETS				
Non-current assets				
		760 916	824 545	801 209
Property, plant and equipment		731 988	794 947	769 941
Unlisted investments		710	627	710
Investment in associates		23 612	19 336	23 612
Retirement benefit surplus		–	9 095	–
Unsecured loans: long-term		–	540	–
Deferred taxation asset		2 421	–	6 946
Goodwill	7	2 185	–	–
Current assets				
		575 791	297 312	495 433
Inventories		51 863	28 917	105 058
Biological assets		159 018	127 906	196 065
Trade and other receivables		184 993	123 050	53 963
Taxation		2 587	786	4 356
Retirement benefit surplus		9 708	–	9 708
Unsecured loans: short-term		540	–	540
Other financial assets		–	6 221	–
Cash and cash equivalents		167 082	10 432	125 743
Total assets				
		1 336 707	1 121 857	1 296 642
EQUITY AND LIABILITIES				
Capital and reserves				
		1 025 249	790 714	1 004 117
Share capital and premium		226 271	13 009	226 271
Investment revaluation reserve		997	869	997
Foreign currency translation reserve	5	(83 458)	(5 936)	(25 315)
Share-based payment reserve		1 434	1 036	1 434
Retained earnings		818 548	776 128	796 815
Equity attributable to owners of the company		963 792	785 106	1 000 202
Non-controlling interests		61 457	5 608	3 915
Non-current liabilities				
		206 378	215 826	209 485
Deferred taxation		130 080	118 050	132 559
Long-term borrowings: interest-bearing		45 223	47 492	42 967
Long-term liability: interest-free		31 075	39 714	33 959
Post-employment medical aid obligation		–	10 570	–
Current liabilities				
		105 080	115 317	83 040
Trade, other payables and provisions		34 167	26 223	46 441
Short-term borrowings: interest-bearing		33 973	85 845	24 629
Outside shareholders' loan		616	624	660
Taxation		27 321	2 590	2 307
Dividend withholding taxation		63	35	63
Post-employment medical aid obligation		8 940	–	8 940
Total equity and liabilities				
		1 336 707	1 121 857	1 296 642
Net asset value per share				
		6 717	6 287	6 578
Number of shares				
In issue		15 264 317	12 576 817	15 264 317
Weighted average (basic)		15 264 317	12 576 817	13 325 792
Weighted average (diluted)		15 304 690	12 812 817	13 376 735

* Prior periods restated to account for change in accounting policy per note 6.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 30 September 2016 R'000	Unaudited Six months to 30 September 2015* R'000	Unaudited 12 months to 31 March 2016* R'000
Operating profit for the period	103 342	43 456	72 212
Other comprehensive income	–	–	2 302
Depreciation	22 490	23 690	51 326
Change in fair value of biological assets	34 143	33 171	(24 327)
Other non-cash items	5 059	2 194	13 388
Operating cash flows before movements in working capital	165 034	102 511	114 901
Net outflow from changes in working capital	(83 943)	(40 856)	(30 778)
Interest received	4 304	178	3 847
Interest paid	(3 009)	(4 871)	(8 026)
Income taxes paid	(6 772)	(1 500)	(8 358)
Purchase of annuities for post-employment medical aid benefits	–	–	(366)
Net cash flows from operating activities	75 614	55 462	71 220
Net investing activities			
Proceeds on disposal of investments	–	100	100
Proceeds on disposal of property, plant and equipment	7 027	1 078	665
Net cash gained from acquisition of subsidiary	18 237	–	–
Investment in expansion of area under crop	2 019	(14 827)	(45 530)
Capital expenditure and other investing activities	(52 677)	(22 630)	(27 915)
Net cash flows before dividends and financing activities	50 220	19 183	(1 460)
Dividends paid	(17 554)	(10 690)	(16 945)
Proceeds from issue of equity instruments of the company	–	–	215 000
Payment for share issue costs	–	–	(1 738)
Net increase/(decrease) in borrowings	8 673	(11 134)	(82 187)
Net increase/(decrease) in cash and cash equivalents	41 339	(2 641)	112 670
Cash and cash equivalents at beginning of the period	125 743	13 073	13 073
Cash and cash equivalents at end of the period	167 082	10 432	125 743

* Prior periods restated to account for change in accounting policy per note 6.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months to 30 September 2016 R'000	Unaudited Six months to 30 September 2015* R'000	Unaudited 12 months to 31 March 2016* R'000
Balance at beginning of period	1 004 117	783 603	783 603
Share-based payment reserve movement	–	–	398
Total comprehensive income for the period	11 858	17 801	23 799
Dividends declared and paid	(17 554)	(10 690)	(16 945)
Share issue	–	–	215 000
Share issue costs	–	–	(1 738)
Additional non-controlling interests arising on the acquisition of subsidiary (refer to note 7)	26 828	–	–
Total equity	1 025 249	790 714	1 004 117

* Prior periods restated to account for change in accounting policy per note 6.

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	Unaudited Six months to 30 September 2016 R'000	Unaudited Six months to 30 September 2015* R'000	Unaudited 12 months to 31 March 2016* R'000
Revenue			
Sugar cane	265 909	222 740	283 321
Deciduous fruit	99 720	69 424	134 012
Bananas	74 590	49 035	104 962
Other operations	11 480	11 963	20 417
	451 699	353 162	542 712
Operating profit*			
Sugar cane [^]	134 336	49 872	49 108
Deciduous fruit	(24 861)	832	46 719
Bananas [^]	26 582	9 934	23 718
Macadamias [^]	(11 837)	(11 258)	(13 782)
Other operations/sundry income	(595)	6 164	6 291
Group [^]	(20 283)	(12 088)	(39 842)
	103 342	43 456	72 212
The effects of foreign exchange losses included in operating segments above, are as follows:			
Sugar cane	691	(3 085)	(1 820)
Bananas	297	-	-
Macadamias	(12 697)	(4 692)	(8 119)
	(11 709)	(7 777)	(9 939)

* Prior periods restated to account for change in accounting policy per note 6.

[^] Operating lease rentals and unrealised foreign exchange losses have been reclassified and allocated to relevant crop segments in current and prior periods.

CONDENSED CONSOLIDATED NOTES

	Unaudited Six months to 30 September 2016 R'000	Unaudited Six months to 30 September 2015* R'000	Unaudited 12 months to 31 March 2016* R'000
1. NET FINANCE INCOME/(COST)			
Interest paid	(3 009)	(4 871)	(8 026)
Interest received	4 304	178	3 847
	1 295	(4 693)	(4 179)
2. CAPITAL EXPENDITURE			
Capital expenditure			
– Incurred	36 639	25 955	46 305
Capital commitments			
– Contracted	14 442	5 940	9 880
– Authorised but not contracted	152 677	7 914	221 351
	167 119	13 854	231 231
3. HEADLINE EARNINGS			
Profit for the period attributable to owners of the company	39 287	25 462	48 893
Adjusted for:			
(Profit)/loss on disposal of plant and equipment	(73)	53	(399)
Tax effect of the adjustments	21	23	280
Headline earnings	39 235	25 538	48 774
4. EXCHANGE RATES			
Rand/US Dollar closing	13,87	13,90	14,85
Rand/US Dollar average	14,56	12,55	13,79
Rand/Metical closing	0,18	0,33	0,29
Rand/Metical average	0,23	0,33	0,33
Rand/Kwacha closing	1,40	1,24	1,33
Rand/Kwacha average	1,44	1,58	1,40
<i>* Prior periods restated to account for change in accounting policy per note 6.</i>			
5. FOREIGN CURRENCY TRANSLATION RESERVE			
Exchange differences relating to the translation of foreign operations from their functional currency to the group's presentation currency are recognised through other comprehensive income and accumulated in the foreign currency translation reserve.			
The movement in the foreign currency translation reserve, arising mainly from the devaluation of the Meticais over the past six months, is as follows:			
Balance at beginning of period	(25 315)	2 725	2 725
Exchange differences recognised in other comprehensive income	(58 143)	(8 661)	(28 040)
Balance at end of period	(83 458)	(5 936)	(25 315)
<i>* Prior periods restated to account for change in accounting policy per note 6.</i>			

CONDENSED CONSOLIDATED NOTES CONTINUED

6. AMENDMENTS TO IAS 16 AND IAS 41 – AGRICULTURE: BEARER PLANTS

The amendments to IAS 16 Property Plant and Equipment and IAS 41 Biological Assets require bearer assets to be accounted for under property, plant and equipment in accordance with IAS 16 instead of IAS 41.

Previously under IAS 41, bearer assets were fair valued through profit and loss on an annual basis resulting in the group enjoying a non-cash flow profit, as bearer fair values increased over time. Under the new standard, the bearer asset is capitalised at cost, to property plant and equipment and depreciated over its useful life.

Agricultural produce growing on bearer plants continues to be accounted for at fair value in accordance with IAS 41.

In terms of the adoption of IAS 16, prior year comparatives must be restated by adjusting for the effects of prior year bearer fair value adjustments. The prior period's adjustment on the group's income statement is as follows:

	Unaudited Six months to 30 September 2015 R'000	Unaudited 12 months to 31 March 2016 R'000
Operating profit	4 112	(15 326)
Deferred tax	(1 507)	3 616
Total attributable to:	2 605	(11 710)
Non-controlling interests	113	138
Owners of the company	2 718	(11 572)

In terms of the adoption of IAS 16, bearer biological assets are now reclassified as property, plant and equipment.

The effect of the reclassification adjustment on the prior periods group balance sheet is as follows:

Deemed cost of bearer biological assets reclassified as property, plant and equipment	284 891	309 652
Effect of change in accounting policy	4 112	(15 326)
Net book value of bearer biological assets reclassified as property, plant and equipment	289 003	294 326

CONDENSED CONSOLIDATED NOTES CONTINUED

7. ACQUISITION OF SILVERLANDS MOZAMBIQUE HOLDINGS LIMITED

As part of the group's investment into a 300 hectare banana project, on 7 September 2016, the group acquired a 49,5% share in Silverlands Mozambique Holdings Limited ("SMHL"). SMHL is incorporated in Mauritius and is the parent company of Quinta da Bela Vista Limitada ("QBV"), the wholly owned operating entity incorporated in Mozambique.

The remaining 50,5% ownership interest in SMHL is held by SilverStreet Private Equity Strategies ("SilverStreet"), a subsidiary of the group's majority shareholder Silverlands (SA) Plantations S.A.R.L. a company incorporated in the United Kingdom.

Based on the contractual arrangements between the group and SilverStreet, the group has the power to direct the relevant activities of SMHL, and thereby QBV. The directors therefore concluded that the group has control over SMHL and QBV.

Fair value of SMHL net assets acquired	R'000
As at 7 September 2016	
Share capital	57 770
Pre-acquisition retained losses	(3 090)
Pre-acquisition foreign currency translation reserve	(1 506)
Fair value of identifiable net assets	53 174
Adjusted for non-controlling interests @ 50,5%	(26 828)
Fair value of identifiable net assets attributable to owners of the company	26 346
Consideration paid	(28 621)
Goodwill – at acquisition	2 275
Effect of foreign currency exchange differences ¹	(90)
Goodwill – at end of period	2 185

¹ In accordance with IAS 21, goodwill arising from the acquisition of SMHL, has been translated at period end at the spot exchange rate, with the corresponding exchange difference accumulated in equity, reflected under foreign currency translation reserve.

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated unaudited results for the half-year ended 30 September 2016 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by International Accounting Standard 34 Interim Financial Reporting and the requirements of the Companies Act of South Africa, as amended.

The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 March 2016 and were prepared by Mr N Naidoo CA(SA) under the supervision of the Group Financial Director, Mr GL Veale CA(SA).

Crookes Brothers Limited has adopted all the new or revised accounting pronouncements as issued by the IASB which were effective for Crookes Brothers Limited from 1 January 2016. The adoption of these standards and its recognition and measurement impact on the financial results of the group, have been disclosed in note 6.

29 November 2016

Sponsor

SASFIN CAPITAL (a division of SASFIN Bank Limited)



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