CROOKES BROTHERS LIMITED

Interim results
and dividend declaration
for the six months ended 30 September 2017

Commentary

The period under review has been challenging in the wake of the drought and under the prevailing tough economic conditions. Profit after tax decreased by 70,5% to R26,4 million (2016: R89,4 million) driven mainly by a decrease in sugar cane revenue and a write down in the cane biological asset value, both factors resulting from the aftermath of drought conditions in the sugar producing areas. Commensurately, operating cash flows decreased by 33% to R115,9 million (2016: R173,5 million).

Good progress was made in bringing our development projects to fruition, in particular the macadamia project in Mozambique and the property development at Renishaw. This is reflected in capital expenditure of R87 million and a similar value of working capital, utilised in the construction of housing stock by Renishaw Property Developments, both of which were funded from existing cash and debt facilities. As indicated in our integrated report we intend raising short and medium-term debt of approximately R200 million to bring these other projects into production over the next two years.

The board cautions against using interim results to project full year earnings, due to the effect of seasonality of crop revenues and the impact of biological asset valuations on earnings particularly in the deciduous and macadamia segments at half year.

Operations

Sugar cane

Revenue decreased by 9,6% to R240,5 million (2016: R265,9 million) driven by a decrease in sugar prices in South Africa and Zambia and a production decrease attributable to a decline in area under crop of 646 hectares caused by the drought. These factors also resulted in a biological asset write down of R43,8 million (2016: R10,1 million) for the six-month period ended 30 September 2017. Consequently, sugar cane operating profit decreased by 49,5% to R67,8 million (2016: R134,3 million).

Deciduous fruit

Despite the precarious water supply position in the Western Cape, water resources at the group's deciduous farms in the Elgin-Grabouw-Villiersdorp area, supplied mainly from farm dams and boreholes, are adequate to meet the 2017/2018 summer requirements. While prices in the year to date have followed the depressed trend of the previous year, firmer prices are expected for our 2018 deciduous crop, which will be harvested in January through to May.

The deciduous operating loss of R18,3 million (2016: loss R24,8 million) includes operating costs incurred in the preparation of our 2018 deciduous crop which are not accounted for in the biological asset valuation at half year. These costs will be recovered from revenue from the 2018 crop.

Bananas

Banana operating profit decreased by 42,8% to R15,1 million (2016: R26,4 million) due mainly to a lag in production for the six months to September 2017 when compared to the prior corresponding period, again, driven by the drought and early season storm damage. Production is expected to catch up over the balance of the season and the annual production should compare favourably to that of last year. Banana prices remain firm in South Africa and Mozambique following the effects of the drought.

Macadamias

We are expecting our first significant macadamia crop in March 2018. This will be accounted for in the biological asset valuation at 31 March 2018.

Revenue and operating profit for the period ending September 2017 arises from our first small crop of 52 tons dry-nut-in-shell, which was harvested in the first three months of this financial year.

Property

In the six months ending 30 September 2017, Renishaw Property Developments closed contracts for 58 units in the lifestyle village currently under development. Of these, only 11 units were transferred by 30 September 2017, which is reflected in revenue of R16,5 million. Since then, 16 units have been transferred and we expect a further eight units to be transferred before year-end.

Prospects

Although profitability for the six months ended 30 September 2017 is down on that of the prior period, it is in line with our expectations, particularly given the impact of the drought on our sugar cane operations. We expect results for the full year to reflect a recovery from the current position, with a firming of the deciduous markets and the macadamia and property projects contributing for the first time. An expected recovery to normal rainfall in the Northern region also bodes well for the following financial year.

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 declared a gross cash dividend of 35,0 cents (2016: 50,0 cents) per share for the six-month period ended 30 September 2017, payable to shareholders recorded in the register of the company at the close of business on the record date, Friday, 5 January 2018.

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 20% resulting in a net dividend of 28,0 cents per share to those shareholders who are not exempt from the dividend withholding tax;
- the company's income 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, 8 January 2018 to shareholders recorded in the register of the company at close of business on the record date Friday, 5 January 2018.

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

Last day to trade *cum*-dividend	Tuesday, 2 January 2018
Shares commence trading *ex*-dividend	Wednesday, 3 January 2018
Record date	Friday, 5 January 2018
Payment date	Monday, 8 January 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 January 2018 and Friday, 5 January 2018, 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 2017

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Sasfin Capital
A division of Sasfin Bank Limited

Directors
JR Barton* *(Chairman)*, GS Clarke *(Managing)*, GL Veale *(Financial)*, T Abdool-Samad*, RGF Chance*, TJ Crookes*
TK Denton*#, P Mnganga*, MT Rutherford*, RE Stewart*, G Vaughan-Smith*#
**Non-executive director* *#British*

Company secretary
Highway Corporate Services Proprietary Limited

Condensed consolidated statement of profit or loss

	Note	Unaudited Six months to 30 September 2017 R'000	Unaudited Restated Six months to 30 September 2016* R'000	Audited 12 months to 31 March 2017 R'000
Revenue		**412 267**	452 036	663 951
Operating profit before biological assets		**101 648**	157 262	102 156
Change in fair value of biological assets		**(57 803)**	(34 278)	22 998
Operating profit after biological assets		**43 845**	122 984	125 154
Share of profit of joint venture and associate companies		**–**	–	2 105
Dividend income		**–**	–	97
Net finance (cost)/income	1	**(7 232)**	1 140	3 505
Profit before tax		**36 613**	124 124	130 861
Income tax expense		**(10 252)**	(34 663)	(34 655)
Profit for the period		**26 361**	89 461	96 206
Profit attributable to:				
Owners of the company		**7 209**	58 195	64 826
Non-controlling interests		**19 152**	31 266	31 380
		26 361	89 461	96 206
Earnings per share				
Basic	(cents)	**47,2**	381,2	424,7
Diluted	(cents)	**47,1**	380,2	424,6
Headline earnings per share				
Basic	(cents)	**47,2**	380,9	424,1
Diluted	(cents)	**47,1**	379,9	424,0
Dividend per share				
Interim	(cents)	**35,0**	50,0	50,0
Final	(cents)	**–**	–	115,0

** Prior period restated to account for change in functional currency per note 3.*

Condensed consolidated statement of other comprehensive income

	Unaudited Six months to 30 September 2017 R'000	Unaudited Restated Six months to 30 September 2016* R'000	Audited 12 months to 31 March 2017 R'000
Net profit for the period	**26 361**	89 461	96 206
Other comprehensive income	**445**	1 942	1 756
Items that may not be reclassified subsequently to profit or loss, net of tax:			
Remeasurement of defined benefit surplus	**–**	–	(211)
Remeasurement of post-employment medical aid obligation	**–**	–	462
Items that may be reclassified subsequently to profit or loss, net of tax:			
Net fair value loss on available-for-sale financial assets	**–**	–	(46)
Exchange differences on translating foreign operations	**445**	1 942	1 551
Total comprehensive income for the period	**26 806**	91 403	97 962
Total comprehensive income for the period attributable to:			
Owners of the company	**7 654**	60 137	66 582
Non-controlling interests	**19 152**	31 266	31 380
	26 806	91 403	97 962

** Prior period restated to account for change in functional currency per note 3.*

Condensed consolidated statement of financial position

	Unaudited 30 September 2017 R'000	Unaudited Restated 30 September 2016* R'000	Audited 31 March 2017# R'000
ASSETS			
Non-current assets	**1 006 212**	846 678	944 326
Property, plant and equipment	**937 599**	790 517	874 815
Other financial assets	**2 738**	710	1 019
Investment in joint venture and associates	**56 361**	53 030	55 410
Unsecured loans	**3 402**	–	–
Deferred tax assets	**6 112**	2 421	13 082
Current assets	**520 615**	542 318	523 495
Inventories	**137 863**	53 733	151 191
Biological assets	**155 762**	161 402	213 272
Trade and other receivables	**166 815**	188 768	84 512
Current tax assets	**2 673**	2 580	6 900
Retirement benefit surplus	**10 212**	9 708	10 212
Unsecured loans	**5 232**	540	540
Cash and bank balances	**42 058**	125 587	56 868
Total assets	**1 526 827**	1 388 996	1 467 821
EQUITY AND LIABILITIES			
Capital and reserves	**1 076 230**	1 077 966	1 066 978
Share capital and premium	**226 271**	226 271	226 271
Investment revaluation reserve	**951**	997	951
Foreign currency translation reserve	**(23 319)**	(23 373)	(23 764)
Share-based payment reserve	**2 414**	1 434	2 414
Retained earnings	**816 618**	837 456	836 706
Equity attributable to owners of the company	**1 022 935**	1 042 785	1 042 578
Non-controlling interests	**53 295**	35 181	24 400
Non-current liabilities	**220 662**	208 322	218 918
Deferred tax liabilities	**132 568**	130 106	148 326
Long-term borrowings: interest-bearing	**49 590**	47 141	33 169
Long-term liability: interest-free	**38 504**	31 075	37 423
Current liabilities	**229 935**	102 708	181 925
Trade payables, other payables and provisions	**46 890**	33 672	67 992
Short-term borrowings: interest-bearing	**30 519**	32 095	65 341
Outside shareholders' loan	**604**	617	597
Current tax liabilities	**25 899**	27 321	14 074
Dividend withholding tax	**–**	63	–
Post-employment medical aid obligation	**9 023**	8 940	9 023
Bank overdraft	**117 000**	–	24 898
Total equity and liabilities	**1 526 827**	1 388 996	1 467 821
Net asset value per share	**7 051**	7 062	6 990
Number of shares			
In issue	**15 264 317**	15 264 317	15 264 317
Weighted average (basic)	**15 264 317**	15 264 317	15 264 317
Weighted average (diluted)	**15 295 846**	15 304 690	15 268 767

** Prior period restated to account for change in functional currency per note 3.*

 # Reclassified demand deposit facilities to bank overdraft.

Condensed consolidated statement of cash flows

	Unaudited Six months to 30 September 2017 R'000	Unaudited Restated Six months to 30 September 2016* R'000	Audited 12 months to 31 March 2017# R'000
Operating activities			
Operating profit for the period	**43 845**	122 984	125 154
Other comprehensive income	**–**	–	348
Depreciation	**21 856**	22 580	48 557
Change in fair value of biological assets	**57 803**	34 278	(22 998)
Other non-cash items	**(7 647)**	(6 305)	2 262
Operating cash flows before movements in working capital	**115 857**	173 537	153 323
Net outflow from changes in working capital	**(87 749)**	(103 256)	(51 505)
Interest received	**634**	4 304	8 958
Interest paid	**(7 866)**	(3 164)	(5 453)
Income taxes paid	**(3 038)**	(6 769)	(15 962)
Net cash generated by operating activities	**17 838**	64 652	89 361
Investing activities			
Proceeds on disposal of property, plant and equipment	**3 463**	7 027	1 743
Investment in joint venture and associate companies	**(951)**	(29 418)	(31 798)
Investment in property, plant and equipment	**(87 824)**	(33 577)	(158 999)
Other net investing activities	**(1 719)**	–	(212)
Net cash flows before dividends and financing activities	**(69 193)**	8 684	(99 905)
Dividends paid	**(17 554)**	(17 554)	(36 081)
Net (decrease)/increase in borrowings	**(20 165)**	8 714	42 213
Net decrease in cash and cash equivalents	**(106 912)**	(156)	(93 773)
Cash and cash equivalents at beginning of the period	**31 970**	125 743	125 743
Cash and cash equivalents at end of the period	**(74 942)**	125 587	31 970

* *Prior period restated to account for change in functional currency per note 3.*

Reclassified demand deposit facilities to bank overdraft.

Condensed consolidated statement of changes in equity

	Unaudited Six months to 30 September 2017 R'000	Unaudited Restated Six months to 30 September 2016* R'000	Audited 12 months to 31 March 2017 R'000
Balance at beginning of period	**1 066 978**	1 004 117	1 004 117
Share-based payment expense	**–**	–	980
Total comprehensive income for the period	**26 806**	91 403	97 962
Dividends declared and paid	**(17 554)**	(17 554)	(36 081)
Total equity	**1 076 230**	1 077 966	1 066 978

** Prior period restated to account for change in functional currency per note 3.*

Condensed consolidated segmental analysis

	Unaudited Six months to 30 September 2017 R'000	Unaudited Restated Six months to 30 September 2016* R'000	Audited 12 months to 31 March 2017 R'000
Revenue			
Sugar cane	**240 462**	265 909	342 844
Deciduous fruit	**92 462**	99 720	170 219
Bananas	**53 533**	74 590	126 493
Macadamias	**2 514**	–	–
Property	**16 518**	–	–
Other operations	**6 778**	11 817	24 395
	412 267	452 036	663 951
Operating profit			
Sugar cane	**67 806**	134 336	136 979
Deciduous fruit	**(18 306)**	(24 861)	(10 386)
Bananas	**15 085**	26 402	38 076
Macadamias^	**2 679**	6 373	2 317
Property	**(646)**	–	(1 530)
Other operations	**(2 037)**	87	9 261
Group overheads	**(20 736)**	(19 353)	(49 563)
	43 845	122 984	125 154

* *Prior period restated to account for change in functional currency per note 3.*

^ *Operating profit from the macadamia operation in the current period arises mainly from the sale of macadamia nuts, whereas operating profit from the corresponding prior period is mainly due to foreign exchange gains from the translation of foreign operations.*

Condensed consolidated notes

	Unaudited Six months to 30 September 2017 R'000	Unaudited Restated Six months to 30 September 2016* R'000	Audited 12 months to 31 March 2017 R'000
1. Net finance (cost)/income			
Interest paid	**(7 866)**	(3 164)	(5 453)
Interest received	**634**	4 304	8 958
	(7 232)	1 140	3 505
2. Headline earnings			
Profit for the period attributable to owners of the company	**7 209**	58 195	64 826
Adjusted for:			
Gain on disposal of property, plant and equipment	**–**	(73)	(128)
Tax effect of the adjustments	**–**	21	36
Headline earnings	**7 209**	58 143	64 734

** Prior period restated to account for change in functional currency per note 3.*

Condensed consolidated notes continued

3. Change in functional currency

Mozambique operations

With effect from 1 April 2016, due to changes in trading arrangements that meet the requirements of IAS 21:36, the functional currency of the group's Mozambique operations changed from Meticais (MZN) to Rands (ZAR). In accordance with IAS 21:37, the group has applied the new functional currency prospectively from 1 April 2016, with the prior interim period ended 30 September 2016 restated accordingly.

The effect of the change in functional currency on the measurement of account balances and transactions disclosed in the consolidated financial statements is as follows:

- **Non-monetary assets** – translated at the actual ZAR/MZN spot exchange rate at the date of acquisition or disposal.
- **Monetary assets** – translated at the closing ZAR/MZN spot exchange rate as at 30 September 2017. In the case of ZAR denominated cash and bank balances, measured at the actual ZAR amount in the bank account as at 30 September 2017.
- **Liabilities** – translated at the closing ZAR/MZN spot exchange rate as at 30 September 2017. In the case of ZAR creditor and loan accounts with related or unrelated parties, measured at the actual ZAR amount owing as at 30 September 2017.
- **Equity (including share capital)** – translated at the historical exchange rate at the date of issue of the equity instruments.
- **Opening retained earnings** – recorded at the actual ZAR value of closing retained earnings, as at the end of the previous financial year.
- **Current year profit or loss** – translated at the average ZAR/MZN exchange rate for each month, in which the transaction was recorded, or the actual ZAR/MZN spot exchange rate where practiceable.
- **The foreign currency translation reserve** as reported in the prior year, is retained in the current year and in future financial periods.

4. Basis of preparation and accounting policies

The condensed consolidated unaudited results for the half-year ended 30 September 2017 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 2017 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 2017.

The adoption of these standards had no recognition and measurement impact on the financial results of the current reporting period.

29 November 2017

Sponsor
SASFIN CAPITAL (a member of the SASFIN Group)

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