

100 YEARS

1918 • 2018

ACORN
AGRI & FOOD

**FINANCIAL
RESULTS**

2018



Revenue

up to R6.4 billion
(2017: R3.0 billion)

▲ 115%

Gross profit

up to R760.1 million
(2017: R536.7 million)

▲ 42%

Core headline earnings

down to R146.3 million
(2017: R159.0 million)

▼ 8%

Ordinary dividend per share

unchanged at R0.55*
(2017: R5.52)

* compared to 55.2 cents the previous financial year

INTRODUCTION

Overberg Agri and Acorn Agri entered into a merger agreement in November 2017 and the transaction to establish 'Acorn Agri and Food' was finally implemented on 2 May 2018. The financial results therefore still reflect the results of the former Overberg Agri, although there have been once-off costs as a result of the transaction.

To allow for meaningful comparisons with previous years, we report core headline earnings to facilitate a better understanding of the underlying financial performance of the Overberg Agri Group. The core headline earnings has not been reviewed or audited by PricewaterhouseCoopers Inc., the Group's appointed external auditor.

FINANCIAL RESULTS

With agriculture still the biggest contributor to Group earnings, the production environment plays an important role in the financial performance of our business. During the year under review, parts of our production areas experienced severe drought conditions, which naturally had a material impact on the performance of the Overberg Agri Group.

Revenue increased by R3.4 billion to R6.4 billion. The growth in the value of business transacted was mainly driven by the acquisition of an additional 2% interest in Moov Fuel following which the Group holds the majority shareholding in the company. The additional growth in the value of existing business of 10% was mainly driven by an increase in the number of transactions.

Gross profit increased by R223 million and the change in sales mix with higher sales in lower-margin fuel sales had a negative impact on gross profit margins of the Overberg Agri Group.

Expenditure increased by 43%, at a similar rate as the gross profit growth, with significant investment into improving the human capital pillar of our business. Although the increase in operating expenses was higher than in past years, costs were well controlled and certain investments have been made ahead of the curve to support the growth initiatives underpinning our strategic medium-term plan.

Interest received increased by 12.6% as a result of increased credit sales and a higher average debtors book. Finance cost increased by 18.7% due to higher average borrowings during the year in support of growth.

Core headline earnings per share of 1 878 cents have decreased by 8% compared to the previous financial year, primarily due to the prevailing drought conditions in the areas in which we operate.

COMMENTARY

FINANCIAL POSITION

Capital expenditure of R237.8 million was incurred during the year. Of this, R159 million was directed to capacity expansion while a further R78.8 million was spent on replacement assets.

The goodwill in Boltfast was impaired by an amount of R37 million after taking into account the operational results of the business.

Available-for-sale investments, which represent an investment in Pioneer Foods Group, decreased by R316 million to R661 million due to the disposal of a part of the investment, as well as a decrease of R32.24 in the value of a Pioneer Foods Group share during the financial year.

The Group continues to generate strong cash flows from operations (R118 million) of which a significant amount has been reinvested into the Group to support growth.

DIVIDEND

A gross final dividend of 55.0 cents per share, compared to 55.2 cents the previous year, has been declared by the Board from income reserves. Shareholders will be given the option to elect a cash dividend or capitalisation shares in lieu of a dividend. Documentation will follow.

The salient dates for this distribution are:

Declaration date	12 June 2018
Record date to qualify for dividend	29 June 2018
Payment date	31 July 2018

OUTLOOK

The adverse agricultural conditions experienced during the previous year will continue to impact on the Group's performance in the coming financial year. However, our increased diversification within the Acorn Agri and Food Group should make us less vulnerable to the effects thereof.

Due to its increased footprint and diverse service offering to customers, the extended Group will be able to maintain its solid organic growth and focus on new business opportunities, which will positively impact earnings.

EVENTS AFTER THE REPORTING DATE

Overberg Agri Ltd and Acorn Agri (Pty) Ltd have entered into an amalgamation agreement whereby they will amalgamate their respective businesses into one combined entity, Acorn Agri and Food Ltd. In terms of IFRS3 Overberg Agri Ltd was indicated as the accounting acquirer. The effective date was 2 May 2018.

Overberg Agri Ltd acquired all the investment held by Acorn Agri (Pty) Ltd, by following the steps set out below:

- (1) In terms of an Exit Offer to existing Overberg Agri Ltd shareholders, 288 474 shares of shareholders who accepted the offer, were repurchased on 30 April 2018 at R256 per share;
- (2) The number of Overberg Agri Ltd shares held by Acorn Agri (Pty) Ltd before the proposed amalgamation transaction, was 1 997 270. These shares were repurchased on 2 May 2018 as part of the transaction at R256 per share.
- (3) Overberg Agri Ltd issued 8 219 910 consideration shares to the new shareholders for the acquired investments held by Acorn Agri (Pty) Ltd. The acquisition date fair value of Acorn Agri (Pty) Ltd was R1 993 828 903;
- (4) Thereafter, on 2 May 2018, nine additional shares were allotted to each shareholder as capitalisation shares in respect of every one share held by that shareholder.

The issued share capital after implementation of the above steps is 137 302 770. For further details regarding the transaction please refer to the Circular issued on 7 February 2018.

APPRECIATION

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

On behalf of the Board

DG de Kock	JAJ Uys
Overberg Agri Chairperson	Chief Executive Officer

Caledon
12 June 2018

The summary financial results were prepared by L de Villiers, the Overberg Agri Group Financial Manager, under supervision of LE Coetzer, Executive Director.

The complete set of audited financial statements of Acorn Agri and Food may be requested at 028 214 3800 or 021 852 2887.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Acorn Agri and Food Limited

OPINION

The summary consolidated financial statements of Acorn Agri and Food Limited, which comprise the summary consolidated statement of financial position as at 28 February 2018, the summary consolidated statements of comprehensive income and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Acorn Agri and Food Limited for the year ended 28 February 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the basis of preparation as described in the notes and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 12 June 2018.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the basis of preparation as described in the notes and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

Director: A Stemmet
Registered Auditor

Cape Town
12 June 2018

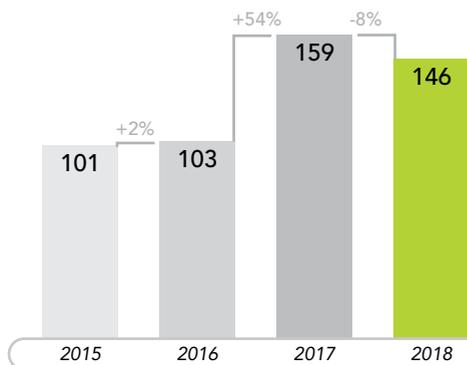
SUMMARY FINANCIAL STATEMENTS

SUMMARY CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018

	%	GROUP		
		2018 Rm	2017 Rm	2016 Rm
Gross revenue (including direct transactions)	108.20 ▲	6 625	3 182	2 883
Revenue (excluding direct transactions)	114.52 ▲	6 361	2 965	2 655
Cost of sales		(5 601)	(2 428)	(2 194)
Gross profit	41.61 ▲	760	537	461
Operating profit	13.19 ▲	314	277	550
Net finance costs		(103)	(88)	(52)
(Loss)/profit from equity-accounted investments		(12)	24	–
Profit before taxation	6.44 ▼	199	213	498
Taxation		(91)	(52)	(83)
Profit for the year from continuing operations	32.90 ▼	108	161	415
Profit from discontinued operations		2	(9)	3
Profit for the year		110	151	418
Headline earnings		120	157	100
– From continuing operations	19.59 ▼	118	147	97
– From discontinued operations	80.63 ▼	2	10	3
Headline earnings adjusted for				
Amalgamation costs		5	–	–
Amortisation on trademarks and client relationships		5	2	3
First year loss on investments in associates		16	–	–
Core headline earnings – continued and discontinued operations	7.94 ▼	146	159	103

Core headline earnings

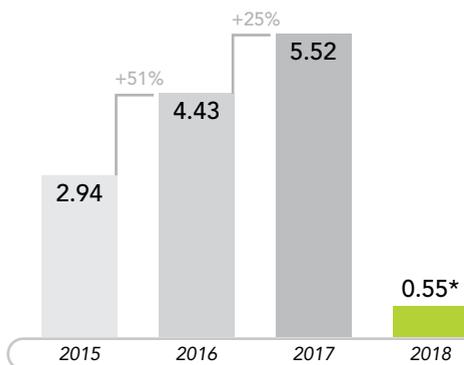
R'million



Dividend per share

– excluding all special dividends

Rand



* Compared to 55.2 cents the previous financial year.

SUMMARY FINANCIAL STATEMENTS

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2018

	GROUP		
	2018 Rm	2017 Rm	2016 Rm
ASSETS			
Non-current assets	2 148	2 105	1 550
Current assets			
Inventory	466	429	385
Trade and other receivables	1 226	893	629
Cash and cash equivalents	179	122	70
Other current assets	118	47	34
Non-current assets held for sale and assets of disposal groups	–	106	–
Total assets	4 137	3 702	2 668
EQUITY AND LIABILITIES			
Equity	2 164	2 113	1 783
Non-current liabilities	452	257	229
Current liabilities – borrowings and instalment sale agreements	1 093	916	350
Other current liabilities	428	385	306
Liabilities of disposal groups	–	31	–
Total equity and liabilities	4 137	3 702	2 668
Number of issued shares ('000)	7 794	7 553	7 550
Net asset value per share, excluding treasury shares (rand)	278	280	236

BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated income statement, consolidated statement of cash flows and other information which management determines are relevant. These summary consolidated financial statements are derived from the audited consolidated financial statements of Acorn Agri and Food Limited for the year ended 28 February 2018, which were prepared in accordance with International Financial Reporting Standards.

SUMMARY CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018

	GROUP		
	2018 Rm	2017 Rm	2016 Rm
Cash flows from/(utilised in) operating activities	118	331	25
Working capital changes	(79)	140	(108)
Income tax paid	(58)	(37)	(38)
Other	255	228	171
Cash flows (utilised in)/from investing activities	(68)	(417)	179
Income tax paid on sale of investments	(28)	(1)	(49)
Other	(40)	(416)	228
Cash flows from/(utilised in) financing activities	26	118	(168)
Dividends paid	(44)	(34)	(45)
Other	70	152	(123)
Net cash increase for the year	76	32	36
Net cash, cash equivalents and overdrafts at the beginning of the year	102	70	34
Net cash, cash equivalents and overdrafts at the end of the year	178	102	70