



Summarised consolidated interim results  
for the six months ended 31 August 2019

**R1.14 billion**  
of proceeds received through  
strategic divestments (during and after  
reporting period)

**R0.15**  
per share special dividend

**R16 million**  
approved to repurchase shares

## Introduction

Overberg Agri Ltd and Acorn Agri (Pty) Ltd amalgamated on 2 May 2018 into one combined entity, Acorn Agri & Food Ltd. For the 2020 interim period, Acorn Agri & Food disclosed consolidated financial results containing the entities related to Overberg Agri and Acorn Agri for the entire period. The comparative financial results contain the entities related to Overberg Agri for the entire comparative period and for the entities previously owned by Acorn Agri for 4 months from 2 May 2018.

Due to the seasonal nature of many of our group companies, the results for the first six months of the financial year could differ substantially from the second six months of the financial year.

## Operational Performance

Acorn Agri & Food continued to experience a very challenging operating environment which resulted in depressed financial performance for the interim period. Various operational initiatives are underway to mitigate the effects of the current conditions and ensure sustainable long term profitability.

### Agri Inputs & Services

Although there was a good start to the year with regards to rain, it did unfortunately not continue into the winter season. The adverse weather conditions resulted in a harvest that was below the long-term average in terms of volume and quality.

### Agri Inputs: Fuel

This focus area performed to expectation with a solid pipeline of opportunities to support future growth.

### Fresh Fruit

Profitability was under severe pressure due to challenging harvests for both the table grapes and citrus. Table grape yields were 9% lower than budget, with international prices declining significantly. The citrus yield was 30% lower than budget with prices in line with expectations.

### Food Processing

Soft consumer demand affected selling prices and volumes for both Overberg Meat (renamed from Bredasdorp Abattoir) and Lesotho Milling.

### Health Foods

The disposal of Grassroots Bear Division was completed which resulted in Grassroots management being able to rededicate their focus to pursuing growth opportunities. Substantial capital expenditure is planned to commercialise new products, largely for the international markets.

Montagu Snacks completed their rebranding exercise with a renewed focus on providing healthier snack alternatives as opposed to only dried fruit and nuts. The roll-out of the refreshed brand and new product range into the formal retail sector is gaining traction.

## Financial Results

### Income statement

Revenue from continuing operations increased by 10.2% to R4.05 billion (2018: R3.67 billion). Gross profit from continuing operations increased by 1.3% to R394 million (2018: R390 million). The gross profit margin decreased to 9.74% (2018: 10.62%) due to cost pressures.

Operating profit from continuing operations increased by 107.1% to R319 million (2018: R154 million). The increase is due to the profit on sale of the Grassroots Bear Division.

Core headline earnings decreased by 155.9% to -R30 million (2018: R53 million). Core headline earnings per share decreased by 154.8% to -23 cents (2018: 42 cents). This was due to the depressed performance as outlined under the Operational Performance section.

The Group is of the view that core headline earnings and core headline earnings per share provide a fair reflection of the performance of the Group by eliminating the impact of unusual, non-recurring income and/or expenditure.

### Financial position

The financial position of the Group strengthened during the period under review with total assets increasing to R7.78 billion (2018: 7.2 billion). Equity attributable to equity holders of the partner increased to R3.29 billion (2018: R3.16 billion).

Net working capital increased to R3.14 billion (2018: R2.11 billion) and net interest-bearing debt increased to R3.06 billion (2018: R2.61 billion). The net interest-bearing debt-to-equity ratio increased to 0.80 (2018: 0.78).

### Cash flow

A negative net cash flow from operating activities of R90 million was generated (2018: negative R123 million), which can largely be attributed to an increase in the net working capital and finance costs.

The Group continued to invest in its future growth by incurring capital expenditure of R120 million while proceeds from the sale of property, plant and equipment were R16 million. The Group's cash balances increased to R667 million (2018: R283 million) largely due to the proceeds on the sale of investments.

## Capital Allocation

During the interim period, Acorn Agri & Food divested of investments totalling R702.8 million, with a further R437.9 million after the reporting period. This unlocked substantial value for shareholders which is not reflected in the headline earnings of the Group.

### Grassroots

During the interim period, the divestment of the Grassroots Bear division to Lotus Bakeries, a multinational, was implemented. Proceeds of R496.1 million are attributed to Acorn Agri & Food's 65% shareholding in Grassroots Group. As part of the divestment transaction, the Group issued 4 622 577 ordinary shares in terms of the amalgamation agreement, and incurred capital and other expenditure on behalf of the acquirer, offset by the profit realised on sale of investment of R253.6 million.

## BKB

The non-core 11.1% stake in BKB was disposed of in June 2019 for R165.8 million. Since Acorn Agri's initial investment in BKB in April 2014, the investment in BKB generated an attractive cumulative return of 110% and an IRR of 20.0%.

## Pioneer Foods

In March 2019, 500 000 shares in Pioneer Foods were disposed for R40.9 million.

## Share repurchase

Due to the share price of Acorn Agri & Food trading at a substantial discount to the board's estimate of intrinsic value, the board approved a share repurchase scheme whereby Group shares to the value of R16 million can be repurchased to unlock value for shareholders. The repurchase scheme will commence on 17 December 2019 through the share administration desk on a first come, first served basis.

## Dividend

The value unlocked for shareholders during the interim period through the strategic divestments allowed the board to approve the declaration of a dividend of 15 cents per share. The dividend record date is 4 December 2019 and will be paid on or before 18 December 2019.

## Outlook

The Group continues to face headwinds that are outside Acorn Agri & Food's control, such as adverse weather and soft consumer demand. The political rhetoric surrounding expropriation without compensation seems to have softened and more policy clarity has been provided.

The Group has undertaken a review of its management and operating structure and is in the process of finalising a comprehensive restructuring plan that will result in an optimised management approach.

The Agri Inputs & Services focus area will continue to feel the effects of the adverse weather conditions experienced during the interim period. Geographic diversification continues to be pursued.

The Agri Inputs: Fuel focus area is anticipated to perform to expectations.

The restructuring of the Fresh Fruit focus area is gaining momentum with the implementation of a revised management structure and in-principle agreements reached for the debt restructuring as well as a non-core farm sale. Additional farms sales are being pursued.

Green shoots are seen in the Food Processing focus area which might indicate a strengthening of local consumer demand.

Although the performance of the Health Foods focus area was subdued, the new business pipeline of both Grassroots Group and Montagu Snacks looks promising.

## Events after the reporting period

After the interim period, 4 000 000 shares in Pioneer Foods were disposed for R437.9 million.

## Appreciation

On behalf of the board, I thank all our stakeholders, including our employees, shareholders, partners, customers and suppliers, for their continued support and trust in the Group. We are looking forward to continue building value and growing the future.

**Cobus Visser**  
Chairperson

**André Uys**  
CEO

## The Summarised Consolidated Interim Results

The summarised consolidated interim results of Acorn Agri and Food Ltd for the six months ended 31 August 2019, comprise of the company, all its subsidiaries, jointly controlled entities and associates (jointly referred to as "the Group"). The Group's summarised consolidated interim results, including the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, for the six months ended 31 August 2019, are prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, No.71 of 2008, as amended. The accounting policies applied in the preparation of these summarised consolidated interim results are in accordance with IFRS and are consistent with the accounting policies applied in the preparation of the Group's previous audited summarised consolidated annual financial statements.

The summarised consolidated interim results do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 28 February 2019.

In accordance with the Group's accounting policies, impairment of non-financial assets (such as goodwill, intangible assets and deferred tax) are tested annually for impairment. This test, which includes the evaluation of events or changes in circumstances indicating that the carrying amount exceeds the recoverable amount, will be carried out by management in reporting of the financial position and annual performance for the year ending 29 February 2020.

The directors of the Group take full responsibility for the preparation of this report. The preparation of the Group's results was supervised by the Chief Financial Officer, Louw Coetzer.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	GROUP		
	UNAUDITED SIX MONTHS ENDED 31 AUGUST		AUDITED YEAR ENDED 28 FEBRUARY
	2019 Rm	2018 Rm	2019 Rm
<b>ASSETS</b>			
Non-current assets	3 510	4 000	3 297
Current assets			
Biological assets	184	199	214
Inventory	604	548	627
Trade and other receivables	2 305	1 890	1 484
Cash and cash equivalents	730	392	245
Other current assets	244	176	208
Non-current assets held-for-sale and assets of disposal groups	199	–	581
<b>Total assets</b>	<b>7 776</b>	<b>7 205</b>	<b>6 656</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>3 811</b>	<b>3 359</b>	<b>3 523</b>
Non-current liabilities	1 098	980	951
Current liabilities			
Borrowings and instalment sale agreements	2 248	1 866	1 477
Other current liabilities	619	1 001	586
Liabilities of disposal groups	–	–	119
<b>Total equity and liabilities</b>	<b>7 776</b>	<b>7 206</b>	<b>6 656</b>
Number of issued shares ('000)	143 618	138 374	138 374
Treasury shares held by subsidiaries ('000)	10 598	10 598	10 598
Net asset value per share, excluding treasury shares (rand)	24.71	24.75	24.50
SUMMARISED CONSOLIDATED INCOME STATEMENT	UNAUDITED SIX MONTHS ENDED 31 AUGUST		AUDITED YEAR ENDED 28 FEBRUARY
	2019 Rm	2018 Rm	2019 Rm
Revenue	4 047	3 672	7 896
Change in fair value of biological assets	(28)	–	60
Cost of sales	(3 625)	(3 282)	(7 013)
Gross profit	394	390	943
Operating profit	319	154	375
Net finance costs	(97)	(53)	(144)
Loss from equity accounted investments	(12)	(6)	(5)
Profit before taxation	210	95	226
Taxation	(41)	(36)	(61)
<b>Profit for the period from continuing operations</b>	<b>169</b>	<b>59</b>	<b>165</b>
Profit from discontinued operations	18	7	(22)
<b>Profit for the period</b>	<b>187</b>	<b>66</b>	<b>143</b>
<b>Core headline earnings</b>	<b>(30)</b>	<b>53</b>	<b>161</b>
SUMMARISED CONSOLIDATED CASH FLOW STATEMENT	UNAUDITED SIX MONTHS ENDED 31 AUGUST		AUDITED YEAR ENDED 28 FEBRUARY
	2019 Rm	2018 Rm	2019 Rm
Cash flows utilised in operating activities	(90)	(123)	(47)
Working capital changes	(121)	(158)	(302)
Other	31	35	255
Cash flows (utilised in)/from investing activities	576	(287)	(208)
Acquisition of property, plant and equipment	(120)	(254)	(247)
Other	696	(33)	39
Cash flows from/(utilised in) financing activities	(23)	514	281
Dividends paid	(55)	(47)	(43)
Other	32	561	324
Net cash increase for the period	463	104	26
Net cash, cash equivalents and overdrafts at beginning of the period	204	178	178
Net cash, cash equivalents and overdrafts at the end of the period	667	282	204