KAL GROUP

2023

Condensed consolidated interim financial statements

for the six months ended 31 March 2023

Salient features

+68,4%
12 086 848
REVENUE (R'000)
(2022: 7 177 366)

+11,6%
381,09
HEADLINE EARNINGS PER SHARE (CENTS)
(2022: 341,61)

+8,7%
381,64
RECURRING HEADLINE EARNINGS PER SHARE (CENTS)
(2022: 351,11)

+8,7%
50,0
INTERIM DIVIDEND PER SHARE (CENTS)
(2022: 46,0)

Contents

Commentary

Over the past seven years, KAL Group Limited ("KAL" or "Group") has diversified from a largely agricultural focussed business to a diversified Group with trading activities in agricultural, general retail, retail fuel, fuel convenience and quick service restaurant markets ("QSR"). Our customer base has expanded from mainly farmers to now also include families, friends, and our fur family. The Group's strategic footprint and facilities, which also includes financial, grain handling and agency services, support a diverse client network through 272 business units spread across all nine South African provinces and Namibia. This footprint now includes PEG Retail Holdings (Pty) Ltd ("PEG"), acquired in July 2022.

OPERATING ENVIRONMENT

The first six months of the 2023 financial year ("H1") were dominated by poor economic conditions and the ongoing and continuous high levels of loadshedding. Notwithstanding the widespread detrimental effect of the power crisis across the entire economy, and the negative financial impact on the KAL business and that of our stakeholders, management have embraced the challenge by implementing a ten point action plan, to reduce the net financial impact of these severe and continued power outages through identifying turnover opportunities, specific expense rationalisation initiatives and deliberate capital expenditure and working capital management. The long-term well-being and sustainability of the KAL business and our stakeholders remains our number one priority.

During H1, the Group, bolstered by the inclusion of the non-like-for-like contribution of PEG, generated strong revenue growth across the fuel and convenience channel while pressure remained on general retail and agricultural category growth. The building material sector has shown a severe downturn but despite being down year-on-year ("YOY"), our various building material categories have outperformed the sector. While still high, fuel and fertiliser inflation pulled back. However, packaging material and several other key categories experienced increased inflation. The growth in Group revenue was underpinned by a 183,6% increase in the number of transactions (4,0% increase excluding PEG).

Below average rainfall towards the end of the 2022 wheat season resulted in a more normalised wheat harvest compared to the prior year. Concerning trends in the agri environment including high input costs, curtailed capacity expansion and infrastructure spend and ongoing port logistics challenges, specifically export related, continued. The fruit and vegetable sectors have been severely dampened by loadshedding costs, weather events and increased input costs due to inflationary pressures. The retail sector has struggled off the back of higher interest rates reducing disposable income and industry wide fuel volume pressure has intensified.

FINANCIAL RESULTS

Notwithstanding the above challenges, KAL grew its revenue by 68,4% to R12,09 billion, up from R7,18 billion in the previous comparable financial period, with like-for-like comparable revenue growth of 11,8%. Product inflation is estimated at 19,7% for the year and fuel price inflation had a YOY impact on total inflation. However, when excluding the impact of fuel inflation in the revenue basket, inflation was 12,1%. Loadshedding had an indirect negative impact on revenue growth due to curtailed farm expenditure.

Commentary (continued)

The addition of the 41 PEG retail fuel and convenience business units contributed to Group fuel volumes increasing by 102,8%, with fuel site convenience and QSR performance exceeding expectations growing by 335,2%. With industry fuel volumes under pressure, market share gains have been made in the original TFC business units and through Agrimark fuel channels due to our product availability and reliability of supply.

Our distribution centre throughput growth has continued in support of our retail growth strategy and the implementation of several strategic supply chain imperatives have assisted in growing retail margins during a time of sector-wide margin pressure. However, it is expected that retail margins will remain under pressure as consumer spending patterns adapt to a changed and constrained economic environment. Although fuel price increases eased during H1, average prices for the period ended 12,7% higher (petrol) and 31,2% higher (diesel) compared to last year.

Despite the negative economic conditions, given our Group growth objectives, strong financial position and based on strict return on invested capital principles, we continue to explore various earnings enhancing agricultural and retail expansion opportunities.

Effective cost management remains a key management focus area, especially given increased inflation and trading margin pressures. During the period under review, operating expenses grew by 72,9% due largely to the inclusion of PEG, while like-for-like expenses grew by only 0,4%. Expenditure incurred directly related to loadshedding amounted to R35,2 million for the period. When excluding these costs, like-for-like expenditure decreased by 2,0%. Support services cost increased by 0,6% of gross profit and distribution centre cost to serve as a percentage of gross profit reduced.

Interest received increased by 118,1% due to a combination of higher debtor balances, increased interest rates on debtor's accounts and the inclusion of PEG's strong cash generation. Interest paid to banks increased by 151,2%, a combination of higher interest rates and higher average borrowings for the period, which included the funding of the PEG acquisition, resulting in an increase in net interest paid of R24,5 million.

EBITDA increased by 30,9% to R521,3 million, from R398,3 million in the prior corresponding period.

Half-year headline earnings ("HE") grew by 21,3% while recurring headline earnings ("RHE") grew by 18,1%. Excluding the impact of additional direct costs incurred related to loadshedding, RHE grew by 27,2%. RHE has grown at a compound annual growth rate of 19,2% since March 2020 pre-COVID-19 levels. Once-off items, predominantly adjustments for the interest and remeasurement of liabilities relating to put options exercisable by non-controlling subsidiary shareholders, and costs associated with new business development, are excluded from HE to calculate RHE. Headline earnings per share increased by 11,6% to 381,09 cents, while recurring headline earnings per share grew by 8,7% to 381,64 cents.

OPERATING RESULTS

Income growth from the Agrimark division, which includes the Agrimark retail branches, Agrimark Packaging distribution centres, Agrimark Mechanisation agency services and spare parts and fuel depots increased by 8,9% YOY with operating profit before tax increasing by 1,2%. The key focus areas in this environment remain to be margin enhancement, cost management and stock and footprint optimisation remain.

Commentary (continued)

Retail fuel & convenience, which now also includes PEG, increased income by 252,8% with operating profit before tax increasing by 134,2%. Revenue increases were driven by the addition of PEG, non like-for-like sites, fuel price increases and strong contributions from convenience store and QSR offerings. Despite the positive impact on ROIC, the sale and leaseback of TFC Properties sites resulted in additional rental expenditure compared to the prior year. Overall good expense management and fuel price increases contributed to higher profitability. The performance of this division has been encouraging given the economic challenges faced by consumers. Costs incurred (R25,9 million) to trade during periods of power interruption were significant in this area given the nature of the business.

Agrimark Grain, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing experienced a decline in revenue of 16,8% off a lower wheat harvest, with operating profit before tax decreasing by 11,3%. The majority of grain services income is realised during the grain intake period, and in the form of storage income during the few months thereafter. However, storage facility costs are incurred throughout the year. As such the expectation is that operating profit before tax within grain services for the first six months will be higher than the second six months of the financial year.

Manufacturing produces dripline, sprinkler irrigation products and plastic bulk bins for the agricultural market and offering agency services for imported irrigation products. Irrigation related revenue was negatively impacted by the curtailment of infrastructure spend as mentioned above, with segment revenue decreasing by 14,4%. The performance of Tego Plastics (Pty) Ltd has improved due to constantly increasing contributions from the new XVP bulk bin. Segment operating profit before tax reduced by R4,7 million.

The Corporate division costs, which includes the cost of support services, and other costs not allocated to specific segments, reduced from 0,5% of revenue to 0,2% of revenue.

FINANCIAL POSITION

Capital spend during the period was prioritised and well controlled. R75,0 million was spent on various expansion and SHEQ related projects and the modernisation of the Group's ERP system. Included in the total capital expenditure was R17,0 million for replacement capital expenditure. Consideration is being given to reprioritising certain capital expenditure into alternate electricity generation capacity.

Working capital has been managed effectively. Trade debtors grew by 8,1% YOY and at a slower rate than the increase in credit sales, with debtors not within terms as a percentage of trade debtors increasing by 4,2%. Despite the increase in debtors not within terms, the largest portion of which relate to Citrus debtors, securities are held where appropriate and we believe we are suitably provided for when considering the health of the overall debtors' book. Inventory grew by only 17,5% compared to revenue growth of 68,4%, due to the impact of centralised procurement and distribution and the higher contributions of quicker moving convenience retail and fuel stock. Creditors' days have reduced, also due to the higher contribution of convenience retail and fuel stock.

The inclusion of PEG contributed to the YOY improvement in return on invested capital.

While strong trading performance and the effective management and capital expenditure had a positive impact on borrowings, high inflation increased working capital requirements and the PEG transaction resulted in a higher net debt position. As at 31 March 2023, net interest-bearing debt increased by R871,6 million (R109,1 million increase excluding PEG funding). When excluding the impact of the funding required for the PEG acquisition, the Group's debt-to-equity ratio, calculated on average

Commentary (continued)

balances, decreased to 52,9% (2022: 55,8%) with an interim net debt to EBITDA increasing to 4,3 times (2022: 3,9 times) and interest cover of 4,7 times (2022: 7,9 times). Including the impact of the PEG funding, the Group's debt-to-equity ratio increased to 73,8% when compared to last year. Gearing levels are in line with expectation given the PEG acquisition funding requirement which is fully ringfenced within TFC and being repaid according to plan. Inflationary pressures specifically on working capital have put pressure on funding headroom during H1. However, facilities are in place to meet ongoing requirements.

Group cash generation remains strong and will increase going forward due to the cash generative nature of PEG. The focus on driving returns on new and existing capital previously invested in the business continues. While the level of investment in terms of footprint growth was high during the previous year, mainly due to the PEG transaction, the current year will see a more normalised pattern of capital expenditure.

DIVIDEND

A gross interim dividend of 50,00 cents per share (2022: 46,00 cents per share) has been approved and declared by the Board of Directors of the Group ("Board") from income reserves for the six-months ended 31 March 2023. The interim dividend amount, net of South African dividends tax of 20% is 40,00 cents per share for those shareholders not exempt from dividend tax or who are not entitled to a reduced rate in terms of the applicable double tax agreement.

The salient dates for this dividend distribution are:

Declaration date	Thursday, 4 May 2023
Last date to trade cum dividend	Tuesday, 6 June 2023
Trading ex dividend commences	Wednesday, 7 June 2023
Record date to qualify for dividend	Friday, 9 June 2023
Date of payment	Monday, 12 June 2023

The number of ordinary shares in issue at declaration date is 74 319 837 and the income tax number of KAL is 9312717177.

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both days inclusive.

OUTLOOK

The negative effects of loadshedding, both in terms of direct and indirect costs (lost turnover) are being closely monitored and action plans are in place to partially mitigate the financial impact. The wider economic impact of reduced GDP forecasts does not bode well for South African businesses and consumers alike.

The ongoing impact of the Russia-Ukraine conflict, which has negatively impacted farming input costs, specifically fertiliser and fuel, is expected to continue for the foreseeable future. Resulting from this conflict, global consumer demand and consumer buying power is expected to remain subdued, impacting fruit exporters negatively. Although the overall agriculture outlook in the areas where we operate is stable, producer cashflow pressure is expected to continue. Weather patterns are being closely monitored as the likelihood of El Nino seems to be increasing. As previously highlighted, the agricultural sector may endure more challenging conditions this year with the outlook not only dependent on general weather conditions but also high input costs.

Moderate growth and margin pressure in general retail is expected, with fuel prices and other inflationary pressures dampening this sector. The building material sector is expected to continue to struggle. It is expected that pressure will remain on fuel volume sales partly offset by constantly improving convenience and QSR spend. The addition of PEG will accelerate the growth in both retail and fuel revenue in the coming year and will increase the cash component of revenue significantly, boding well for future dividends once the acquisition related debt has been settled. Manufacturing performance is expected to be subdued as a result of a slowdown in infrastructural expansions.

Commentary (continued)

In line with previous years, the first six months earnings are expected to contribute more to full year earnings than the second six months. While there are many challenges, KAL has proven to be resilient throughout and continues to push hard to achieve its stated medium-term growth objectives. Management is cautiously optimistic regarding the performance of the business during the coming six-month period given the current economic and power supply challenges.

EVENTS AFTER THE REPORTING DATE

The Board proposed the implementation of an odd lot offer to facilitate the reduction in the number of odd lot shareholders in a fair manner. The general meeting to obtain shareholder approval for the odd lot offer was held on 30 March 2023, during which both the authority to repurchase shares from odd lot holders and the implementation of the odd lot offer was approved by 99,99% of shares voted. The odd lot offer closed on 21 April 2023 with settlement to applicable shareholders on 24 April 2023.

There have been no further events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the interim financial results by the Board.

On behalf of the Board

GM Steyn
Chairman
3 May 2023

S Walsh
Chief Executive Officer

Consolidated statement of financial position

	Notes	**Unaudited 31 March 2023 R'000**	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	**1 351 742**	1 187 463	1 317 415
Right-of-use-assets	6	**626 406**	613 848	617 701
Intangible assets	7	**1 616 496**	473 000	1 618 207
Investment in joint venture	8	**49 157**	39 660	41 377
Financial assets at fair value through other comprehensive income		**5 580**	5 580	5 580
Trade and other receivables	9	**45 964**	49 542	52 433
Loans		**16 848**	19 909	17 573
Deferred taxation		**15 496**	26 116	12 912
		3 727 689	2 415 118	3 683 198
Current assets				
Inventory		**1 502 374**	1 278 495	1 627 370
Trade and other receivables	9	**2 491 307**	2 501 064	2 661 293
Derivative financial instruments		**–**	7 253	2 492
Short-term portion of loans		**4 915**	12 500	4 915
Cash and cash equivalents		**285 840**	32 309	359 484
		4 284 436	3 831 621	4 655 554
Total assets		**8 012 125**	6 246 739	8 338 752
EQUITY AND LIABILITIES				
Capital and reserves				
Equity attributable to shareholders of the holding company		**2 879 600**	2 510 570	2 691 033
Non-controlling interest		**155 118**	50 732	131 444
Total equity		**3 034 718**	2 561 302	2 822 477
Non-current liabilities				
Deferred taxation		**58 686**	27 666	56 330
Financial liability at fair value through profit or loss	10	**86 318**	79 500	82 396
Lease liabilities	6	**639 934**	640 726	628 772
Instalment sale agreements		**35 040**	54 918	45 402
Employee benefit obligations		**14 335**	14 635	14 526
Borrowings	12	**690 500**	250 000	837 813
		1 524 813	1 067 445	1 665 239
Current liabilities				
Trade and other payables	11	**1 460 228**	1 259 866	2 504 155
Derivative financial instruments		**12 364**	–	–
Short-term portion of instalment sale agreements		**28 331**	29 122	28 030
Short-term portion of employee benefit obligations		**2 072**	2 143	2 032
Short-term portion of lease liabilities	6	**53 786**	48 446	50 019
Short-term borrowings	12	**1 868 376**	1 252 445	1 257 457
Income tax		**27 437**	25 970	9 343
		3 452 594	2 617 992	3 851 036
Total liabilities		**4 977 407**	3 685 437	5 516 275
Total equity and liabilities		**8 012 125**	6 246 739	8 338 752
Total shareholders' equity to Total assets employed* (%)		**35,8**	41,1	36,9
Net interest-bearing debt to Total assets employed* (%)		**26,4**	22,9	21,9
Net asset value per share (rand)		**40,89**	35,46	38,24
Shares issued (number – '000)		**70 425**	70 817	70 367
Total number of ordinary shares in issue**		**74 567**	74 567	74 567
Treasury shares		**(4 142)**	(3 750)	(4 200)

* *Ratios calculated on average balances.*

** *There was a change in the issued share capital between 31 March 2023 and the dividend declaration date, relating to the odd-lot offer and repurchase of 247 843 shares. The number of ordinary shares in issue at declaration date is 74 319 837.*

Consolidated income statement

	Notes	**Unaudited 31 March 2023 R'000**	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
Revenue	13	**12 086 848**	7 177 366	15 700 499
Cost of sales		**(10 567 746)**	(6 196 076)	(13 697 089)
Gross profit		**1 519 102**	981 290	2 003 410
Operating expenses		**(1 080 730)**	(625 135)	(1 455 683)
Operating profit before interest received		**438 372**	356 155	547 727
Interest received		**122 872**	56 344	147 496
Operating profit		**561 244**	412 499	695 223
Finance costs		**(151 196)**	(60 195)	(145 387)
Share in profit of joint venture		**7 780**	5 737	7 454
Profit before tax		**417 828**	358 041	557 290
Income tax		**(116 864)**	(92 996)	(144 331)
Profit for the period		**300 964**	265 045	412 959
Attributable to shareholders of the holding company		**269 506**	258 689	396 368
Non-controlling interest		**31 458**	6 356	16 591
Earnings per share – basic (cents)		**382,29**	366,56	562,54
Earnings per share – diluted (cents)		**375,96**	362,49	553,23
Dividend per share (cents)		**50,00**	46,00	168,00

Headline earnings reconciliation

	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
Profit for the period	**300 964**	265 045	412 959
Attributable to shareholders of the holding company	**269 506**	258 689	396 368
Non-controlling interest	**31 458**	6 356	16 591
Net profit on disposal of subsidiary/assets	**(846)**	(17 602)	(4 419)
Gross	**(1 159)**	(17 704)	(4 722)
Tax effect	**313**	102	303
Headline earnings	**300 118**	247 443	408 540
Attributable to shareholders of the holding company	**268 660**	241 087	391 972
Non-controlling interest	**31 458**	6 356	16 568
Headline earnings per share – basic (cents)	**381,09**	341,61	556,30
Headline earnings per share – diluted (cents)	**374,78**	337,83	547,10
Weighted average number of shares (number – '000)	**70 498**	70 573	70 460
Weighted average number of diluted shares (number – '000)	**71 684**	71 364	71 646

Consolidated statement of comprehensive income

	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
Profit for the period	**300 964**	265 045	412 959
Other comprehensive income:			
Cash flow hedges (can be classified to profit or loss)	**–**	–	844
Gross	**–**	–	1 155
Tax	**–**	–	(311)
Total comprehensive income for the period	**300 964**	265 045	413 803
Attributable to shareholders of the holding company	**269 506**	258 689	397 212
Non-controlling interest	**31 458**	6 356	16 591

Consolidated statement of changes in equity

	Notes	**Unaudited 31 March 2023 R'000**	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
Stated capital		**453 716**	471 656	451 316
Gross shares issued		**496 664**	480 347	480 347
Shares issued		**–**	19 500	19 500
Share-based payments – shares issued		**2 400**	–	(3 183)
Treasury shares		**(45 348)**	(28 191)	(45 348)
Other reserves		**15 139**	13 705	15 129
Opening balance		**15 129**	12 552	12 552
Share-based payments		**2 410**	1 153	1 733
Vesting – shares issued		**(2 400)**	–	–
Other comprehensive income		**–**	–	844
Retained profit		**2 410 745**	2 025 209	2 224 588
Opening balance		**2 224 588**	1 829 321	1 829 321
Profit for the period		**269 506**	258 689	396 368
Share-based payments		**2 499**	3 447	–
Acquisition of minority shares in subsidiary		**–**	22 462	22 462
Change in ownership		**–**	–	17 116
Put Options relinquished		**–**	–	80 400
Put options lapsed		**–**	(10 544)	(10 544)
Dividends paid		**(85 848)**	(78 166)	(110 535)
Equity attributable to shareholders of the holding company		**2 879 600**	2 510 570	2 691 033
Non-controlling interest		**155 118**	50 732	131 444
Opening balance		**131 444**	109 722	109 722
Profit for the period		**31 458**	6 356	16 591
Sale of share in subsidiary		**–**	(34 467)	(34 467)
Acquisition of minority shares in subsidiary		**–**	(22 462)	(22 462)
Addition through business acquisition		**–**	–	96 462
Change in ownership		**–**	–	(17 116)
Dividends paid		**(7 784)**	(8 417)	(17 286)
Capital and reserves		**3 034 718**	2 561 302	2 822 477

Consolidated statement of cash flows

	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
Cash flow from operating activities	**(180 652)**	(239 319)	213 072
Net cash profit from operating activities	**480 457**	416 166	709 832
Interest received	**122 872**	56 344	148 731
Working capital changes	**(667 306)**	(628 783)	(419 934)
Income tax paid	**(116 675)**	(83 046)	(225 557)
Cash flow from investment activities	**(70 264)**	74 714	(427 375)
Purchase of property, plant and equipment	**(74 950)**	(90 482)	(217 571)
Proceeds on disposal of property, plant and equipment	**4 605**	3 551	6 641
Proceeds on disposal of subsidiary	**–**	205 000	455 949
Gross decrease in loans	**81**	1 171	11 482
Acquisition of operations	**–**	(44 526)	(44 526)
Acquisition of share in subsidiary	**–**	–	(639 350)
Cash flow from financing activities	**177 272**	145 380	522 253
Increase/(decrease) in short-term borrowings	**608 481**	404 099	262 924
Gross increase in long-term borrowings	**–**	–	725 000
Repayment of long-term borrowings	**(144 875)**	(68 750)	(97 750)
Repayment of instalment sale agreements	**(13 819)**	(14 667)	(29 367)
Acquisition of shares from non-controlling shareholders	**–**	(15 068)	(15 068)
Lease payments	**(25 922)**	(15 172)	(32 401)
Interest paid	**(151 196)**	(60 081)	(143 395)
Treasury shares acquired	**(2 409)**	–	(19 869)
Dividends paid	**(92 988)**	(84 981)	(127 821)
Net increase/(decrease) in cash and cash equivalents	**(73 644)**	(19 225)	307 950
Cash and cash equivalents at the beginning of the period	**359 484**	51 534	51 534
Cash and cash equivalents at the end of the period	**285 840**	32 309	359 484

Notes to the condensed consolidated interim financial statements

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited ("the JSE"), the information as required by International Accounting Standards ("IAS") 34 – Interim Financial Reporting and the requirements of the South African Companies Act, 71 of 2008, as amended. The consolidated interim financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 September 2022.

The directors take full responsibility for the preparation of the condensed consolidated interim financial statements and that the financial information has been correctly extracted from the underlying financial records.

The condensed consolidated interim financial statements for the six months ended 31 March 2023 were prepared by GC Victor CA(SA), the Group's Financial Manager under the supervision of GW Sim CA(SA), the Group's Financial Director ("FD").

The condensed consolidated interim financial statements has not been audited or reviewed by the Company's auditors.

IFRS and amendments effective for the first time

Annual improvements cycle 2018 – 2020 (1 January 2022)

These amendments include minor changes to:

IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (1 January 2022)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Notes to the condensed consolidated interim financial statements (continued)

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Amendment to IFRS 3, 'Business combinations (1 January 2022)

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

IFRS interpretations and amendments issued but not yet effective

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group:

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023)

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2023)

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2023 but not yet effective on that dates.

2 ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements from which the condensed consolidated interim financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these condensed consolidated interim financial statements, the significant estimates and judgements made by management in applying the Group's accounting policies of estimation uncertainty were the same as those that applied to the Group annual financial statements for the year ended 30 September 2022.

Notes to the condensed consolidated interim financial statements (continued)

4 FAIR VALUE ESTIMATION

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instruments that are carried at fair value are derivative financial instruments held for hedging. The fair value is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price (Level 2). The investment in Signafi Capital (Pty) Ltd is a level 3 financial instrument based on the observable market data as these are unlisted shares.

Level 2 hedging derivatives comprise forward purchase and sale contracts and options. The effects of discounting are generally insignificant for Level 2 derivatives.

The fair value of the following financial instruments approximate their carrying amount at the reporting date:

- Trade and other receivables
- Loans
- Trade and other payables
- Short-term borrowings
- Long-term borrowings
- Instalment sale agreements

Notes to the condensed consolidated interim financial statements (continued)

		Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
5	**PROPERTY, PLANT AND EQUIPMENT**			
	Reconciliation of movements in carrying value:			
	Carrying value beginning of period	**1 317 415**	1 545 524	1 545 524
	Additions	**77 722**	97 367	228 290
	Land and buildings	**26 267**	2 528	108 826
	Grain Silo's	**1 890**	1 867	5 145
	Machinery and equipment	**17 224**	13 782	39 382
	Vehicles	**3 829**	6 917	14 473
	Office furniture and equipment	**10 309**	4 968	24 612
	Assets under construction	**18 203**	67 305	35 852
	Additions through business combinations	**–**	1 455	36 060
	Disposal of subsidiary	**–**	(420 978)	(420 978)
	Disposals	**(3 438)**	(3 443)	(4 598)
	Depreciation	**(39 957)**	(32 462)	(66 883)
	Carrying value end of period	**1 351 742**	1 187 463	1 317 415
	Land and buildings	**851 526**	724 104	828 261
	Grain silos	**26 436**	27 193	26 177
	Machinery and equipment	**244 921**	214 526	240 816
	Vehicles	**44 050**	43 282	45 150
	Office furniture and equipment	**119 341**	104 093	128 543
	Assets under construction	**65 468**	74 265	48 468
	Vehicles include the following amounts where the Group has instalment sale agreements:			
	Cost	**40 995**	49 109	45 468
	Accumulated depreciation	**(13 958)**	(16 870)	(16 022)
	Carrying value	**27 037**	32 239	29 446
	Machinery and equipment include the following amounts where the Group has instalment sale agreements:			
	Cost	**107 548**	107 781	107 548
	Accumulated depreciation	**(14 995)**	(10 806)	(12 306)
	Carrying value	**92 553**	96 975	95 242

Notes to the condensed consolidated interim financial statements (continued)

		Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
6	**RIGHT-OF-USE ASSETS AND LEASE LIABILITY**			
	Right-of-use assets			
	Buildings	**622 067**	612 425	612 806
	Vehicles	**4 339**	1 423	4 895
		626 406	613 848	617 701
	Reconciliation of movements in carrying value:			
	Carrying value beginning of period	**617 701**	253 804	253 804
	Additions	**5 780**	379 548	441 230
	Modification of lease contracts	**37 278**	1 135	(22 315)
	Depreciation charge of right-of-use assets	**(34 353)**	(20 639)	(55 018)
	Buildings	**(33 630)**	(20 294)	(53 480)
	Vehicles	**(723)**	(345)	(1 538)
	Carrying value end of period	**626 406**	613 848	617 701
	Lease liabilities			
	Current	**53 786**	48 446	50 019
	Non-current	**639 934**	640 726	628 772
		693 720	689 172	678 791
	Interest expense (included in finance costs)	**24 354**	13 070	37 917
	Expense relating to short-term leases and low value assets (included in administrative expenses)	**9 212**	6 624	17 060
	Cashflow expense for leases and low value and short-term leases	**(35 134)**	(21 796)	(49 461)

The Group leases various retail stores, storage sites and forklifts. Rental contracts are typically made for fixed periods of 2 to 15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Notes to the condensed consolidated interim financial statements (continued)

		Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
7	**INTANGIBLE ASSETS**			
	Goodwill	**1 399 631**	454 233	1 399 631
	Fuel retail licences	**193 738**	–	193 738
	Tradename	**14 210**	14 639	14 405
	Cost	**15 596**	15 596	15 596
	Accumulated amortisation	**(1 386)**	(957)	(1 191)
	Customer relations	**2 551**	4 128	3 359
	Cost	**8 077**	8 077	8 077
	Accumulated amortisation	**(5 526)**	(3 949)	(4 718)
	Computer software	**6 366**	–	7 074
	Cost	**8 711**	–	8 711
	Accumulated amortisation	**(2 345)**	–	(1 637)
		1 616 496	473 000	1 618 207
	Reconciliation of movements in carrying value:			
	Goodwill	**1 399 631**	454 233	1 399 631
	Carrying value beginning of period	**1 399 631**	497 995	497 995
	Additions through business combinations	**–**	38 144	992 949
	Disposal of subsidiary	**–**	(81 906)	(91 313)
	Fuel retail licences	**193 738**	–	193 738
	Carrying value beginning of period	**193 738**	–	–
	Additions through business combinations	**–**	–	193 738
	Tradename	**14 210**	14 639	14 405
	Carrying value beginning of period	**14 405**	14 795	14 795
	Amortisation recognised in profit or loss	**(195)**	(156)	(390)
	Customer relations	**2 551**	4 128	3 359
	Carrying value beginning of period	**3 359**	4 974	4 974
	Amortisation recognised in profit or loss	**(808)**	(846)	(1 615)
	Computer software	**6 366**	–	7 074
	Carrying value beginning of period	**7 074**	–	–
	Additions through business combinations	**–**	–	7 623
	Amortisation recognised in profit or loss	**(708)**	–	(549)
	Carrying value end of period	**1 616 496**	473 000	1 618 207

No impairment indicators identified by management, thus no impairment of goodwill during this period.

Notes to the condensed consolidated interim financial statements (continued)

		Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
8	**INVESTMENT IN JOINT VENTURE**			
	Kaap Agri (Namibia) (Pty) Ltd			
	Beginning of period	**41 377**	33 923	33 923
	Share in total comprehensive income	**7 780**	5 737	7 454
		49 157	39 660	41 377
9	**TRADE AND OTHER RECEIVABLES**			
	Trade debtors	**2 468 682**	2 283 663	2 583 856
	Expected credit loss allowance	**(47 544)**	(57 769)	(44 213)
		2 421 138	2 225 894	2 539 643
	VAT	**24 861**	34 676	94 053
	Outstanding proceeds with sale of subsidiary	**–**	250 949	–
	Other debtors	**91 272**	39 087	80 030
		2 537 271	2 550 606	2 713 726
	Trade and other receivables – current	**2 491 307**	2 501 064	2 661 293
	Trade and other receivables – non-current	**45 964**	49 542	52 433
		2 537 271	2 550 606	2 713 726

Included in the non-current portion of trade and other receivables are long term facilities granted to producers to assist in capital expansion related to the establishment and/or expansion of production. The nature of these accounts are the same as normal trade debtors. These facilities vary in duration between 2 and 5 years, are suitably secured and bear interest in line with the policies regarding interest for all trade receivables and are considered to be market related.

Notes to the condensed consolidated interim financial statements (continued)

		Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
10	**FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS**			
	Written Put Option – C-Max Investments (Pty) Ltd			
	Opening balance	**–**	(76 100)	(76 100)
	Remeasurement through profit or loss	**–**	(3 400)	(4 300)
	Put relinquished through equity	**–**	–	80 400
		–	(79 500)	–
	Low risk retention payment – contingent consideration			
	Opening balance	**(82 396)**	–	–
	Purchase	**–**	–	(80 778)
	Interest	**(3 922)**	–	(1 618)
		(86 318)	–	(82 396)
		(86 318)	(79 500)	(82 396)

The low risk retention payment resulted with the purchase of the subsidiary PEG Retail Holdings (Pty) Ltd in the prior year. A contingent consideration amount has been allocated in respect of each site where a required 5 year renewal of the lease agreement should be obtained. Within five business days of receipt by TFC of the signed renewal agreement, TFC will make the relevant payments. The low risk retention payment will be increased by a factor equal to prime less 1% calculated from effective date to the date of actual payment. Management is of the opinion that based on history and the current relationships with the Oil companies, the probability of the lease agreements to be renewed and the low risk retention payment to be made in full is highly probable. This liability is expected to be settled before 31 December 2025.

Notes to the condensed consolidated interim financial statements (continued)

		Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
11	**TRADE AND OTHER PAYABLES**			
	Trade creditors	**1 250 464**	1 112 245	2 220 823
	Employee accruals	**67 460**	57 301	136 427
	Other creditors	**142 304**	90 320	146 905
		1 460 228	1 259 866	2 504 155
12	**BORROWINGS**			
	Long-term bank borrowings	**690 500**	250 000	837 813
	Borrowings	**935 125**	350 000	1 084 000
	Short-term portion of long-term bank borrowings	**(244 625)**	(100 000)	(246 187)
	Short-term bank borrowings	**1 868 376**	1 252 445	1 257 457
	Overdraft facility	**1 623 751**	1 152 445	1 011 270
	Short-term portion of long-term bank borrowings	**244 625**	100 000	246 187
13	**REVENUE FROM CONTRACTS WITH CUSTOMERS**			
	Sale of goods	**11 930 258**	7 015 378	15 417 266
	– Agrimark	**4 314 201**	3 959 944	7 647 108
	– Retail Fuel & Convenience	**6 641 345**	1 882 489	6 274 506
	– Agrimark Grain	**895 641**	1 080 594	1 290 884
	– Manufacturing	**79 071**	92 351	204 768
	Sale of services	**80 584**	92 527	133 400
	– Agrimark	**13 283**	15 960	35 646
	– Agrimark Grain	**67 301**	76 567	97 754
	Margin on direct transactions	**76 006**	69 461	149 833
	– Agrimark	**74 587**	68 010	146 541
	– Agrimark Grain	**1 419**	1 451	3 292
	Total	**12 086 848**	7 177 366	15 700 499

Notes to the condensed consolidated interim financial statements (continued)

14 INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive Committee (whom are considered to be the Chief Operating Decision Maker (CODM)) that are used to make strategic decisions as well as the fact that they share similar economic characteristics. The Executive Committee considers the business from a divisional perspective. The performance of the following divisions are separately considered: Agrimark, Retail Fuel & Convenience, Agrimark Grain as well as Manufacturing. The performance of the operating segments are assessed based on a measure of revenue and net profit before taxation.

Agrimark provides a complete range of production inputs, mechanisation equipment and services, and other goods to agricultural producers as well as the general public.

Retail Fuel & Convenience provides a full retail fuel offering to a diverse range of customers and includes convenience store and quick service restaurant outlets of TFC Operations (Pty) Ltd ("TFC") and PEG Retail Holdings (Pty) Ltd ("PEG"). The nature of products, services, type of customers and regulatory environment of both TFC and PEG have similar economic characteristics and are thus aggregated into one reporting segment.

Agrimark Grain includes the sale of grain products and provides a complete range of services including storage and handling of grain products.

Manufacturing, manufactures and sells dripper pipe, other irrigation equipment, food grade plastic bulk bins for the agricultural market and distributes other irrigation parts.

Corporate includes all assets and liabilities not specifically used by the other identified segments to generate income or expenses.

Segment revenue and results

	SEGMENT REVENUE			SEGMENT RESULTS		
	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 Sept 2022 R'000	**Unaudited 31 March 2023 R'000**	Unaudited 31 March 2022 R'000	Audited 30 Sept 2022 R'000
Agrimark	**4 402 071**	4 043 914	7 829 295	**295 828**	292 226	481 343
Retail Fuel & Convenience	**6 641 345**	1 882 489	6 274 506	**108 148**	46 169	100 462
Agrimark Grain	**964 361**	1 158 612	1 391 930	**49 359**	55 647	70 939
Manufacturing	**79 071**	92 351	204 768	**(7 119)**	(2 377)	7 443
Total for reportable segments	**12 086 848**	7 177 366	15 700 499	**446 216**	391 665	660 187
Corporate	**–**	–	–	**(28 388)**	(33 624)	(102 897)
Total external revenue	**12 086 848**	7 177 366	15 700 499			
Profit before tax				**417 828**	358 041	557 290
Income tax				**(116 864)**	(92 996)	(144 331)
Profit after tax				**300 964**	265 045	412 959

Notes to the condensed consolidated interim financial statements (continued)

14 INFORMATION ABOUT OPERATING SEGMENTS (CONTINUED)

Segment assets and liabilities

	SEGMENT ASSETS			SEGMENT LIABILITIES		
	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 Sept 2022 R'000	**Unaudited 31 March 2023 R'000**	Unaudited 31 March 2022 R'000	Audited 30 Sept 2022 R'000
Trade	**4 580 642**	4 233 295	4 901 360	**2 331 144**	2 372 349	2 774 111
Retail Fuel & Convenience	**2 873 896**	1 502 790	2 910 698	**2 284 523**	875 343	2 373 086
Grain Services	**151 332**	115 036	94 630	**53 746**	66 375	30 545
Manufacturing	**314 914**	315 477	338 407	**254 578**	233 924	252 698
Total for reportable segments	**7 920 784**	6 166 598	8 245 095	**4 923 991**	3 547 991	5 430 440
Corporate	**75 845**	72 960	80 745	**40 954**	109 780	75 826
Deferred taxation	**15 496**	7 181	12 912	**12 462**	27 666	10 009
	8 012 125	6 246 739	8 338 752	**4 977 407**	3 685 437	5 516 275

15 RECURRING HEADLINE EARNINGS

KAL Group considers recurring headline earnings to be a key benchmark to measure performance and to allow for meaningful year-on-year comparison.

These adjustments relate to non-recurring expenses, which consist predominantly of costs associated with acquisitions of new businesses, and the revaluation of put options.

	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000	Audited 30 September 2022 R'000
Headline earnings	**300 118**	247 443	408 540
Attributable to shareholders of the holding company	**268 660**	241 087	391 972
Non-controlling interest	**31 458**	6 356	16 568
Non-recurring items	**389**	6 908	21 981
Non-recurring expenses	**389**	3 134	17 307
Revaluation of put options	**–**	3 774	4 674
Recurring headline earnings	**300 507**	254 351	430 521
Attributable to shareholders of the holding company	**269 049**	247 789	407 421
Non-controlling interest	**31 458**	6 562	23 100
Recurring headline earnings per share (cents)	**381,64**	351,11	578,23

Notes to the condensed consolidated interim financial statements (continued)

16 GOING CONCERN

Based on the interim financial statements, the present financial position of the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the interim financial statements.

17 EVENTS AFTER REPORTING DATE

Odd-lot offer

The Board proposed the implementation of an odd-lot offer to facilitate the reduction in these odd-lot holders in a fair manner, which resulted in the repurchase by the Company of the odd-lot holdings from the odd-lot holders at the offer price. This will reduce the administrative time and costs associated with the large number of odd-lot holders. Shareholder approval was given in March at the General Meeting and the repurchase of the shares amounted to R10,1 million paid to odd-lot holders on 24 April 2023.

Notes

Corporate information

KAL Group Limited

(previously Kaap Agri Limited)
Incorporated in the Republic of South Africa
Registration number: 2011/113185/06
Income tax number: 9312717177
Share code: KAL
ISIN code: ZAE000244711

Directors

GM Steyn (Chairman)*#
S Walsh (Chief Executive Officer)
GW Sim (Financial Director)
I Chalumbira*
BS du Toit*#
D du Toit*#
JH le Roux*
B Mathews
EA Messina*#
WC Michaels*#@
CA Otto*#
HM Smit*#

* *Non-executive*
\# *Independent*
@ *Resigned 14 February 2023*

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue,
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Fax number: 086 636 7200

Company Secretary

KAL Corporate Services (Pty) Ltd

Registered address

1 Westhoven Street, Paarl, 7646
Suite 110, Private Bag X3041, Paarl, 7620
Telephone number: 021 860 3750
Fax number: 021 860 3314
Website: www.kalgroup.co.za

Auditors

PricewaterhouseCoopers Inc.

Sponsor

PSG Capital (Pty) Ltd
Registration number: 2006/015817/07
1st Floor, Ou Kollege Building, 35 Kerk Street,
Stellenbosch, 7600
PO Box 7403, Stellenbosch, 7599

and

Suite 1105, 11th Floor, Sandton Eye Building
126 West Street, Sandton, 2196
PO Box 650957, Benmore, 2010

Announcement date

4 May 2023