

SUMMARISED AUDITED
CONSOLIDATED
FINANCIAL RESULTS
FOR THE
YEAR ENDED
30 JUNE 2019



KEY FEATURES

- REVENUE FROM OPERATIONS INCREASED BY 7,8% TO R1 533 MILLION (30 JUNE 2018: R1 422 MILLION)

- HEADLINE EARNINGS INCREASED BY 95,0% TO 23,87 CENTS PER SHARE (30 JUNE 2018: 12,4 CENTS PER SHARE)

- CASH GENERATED FROM OPERATIONS INCREASED BY 28,9% TO R82,8 MILLION (30 JUNE 2018: R64,2 MILLION)

- NET DEBT REDUCED BY R26,7 MILLION TO R165,1 MILLION (30 JUNE 2018: R191,8 MILLION)

- CONCLUSION OF THE SALE OF THE COLOUR BUSINESS AND ASSETS SUBSEQUENT TO YEAR END

Rolfes is a leading black empowered, industry-compliant supplier of agricultural, food, industrial and water chemical management solutions for the local and international markets.

COMMENTARY

STRATEGIC OVERVIEW

Rolfes is a leading black empowered, industry-compliant supplier of agricultural, food, industrial and water chemical management solutions for the local and international markets.

As part of its core organic growth strategy, the Group concentrates on the expansion of its product ranges. While the Group will continue to seek acquisitions which have a high barrier to entry, management's priority remains to focus on the core businesses, their stability, organic growth and real returns.

DIVISIONAL STRUCTURE

Agricultural

The Agricultural division develops, manufactures and distributes products that promote plant root and foliar health, soil nutrition, disease prevention and control as well as various other agricultural remedies into the agricultural industry.

Food chemicals

Bragan Chemicals is an additive and ingredient supplier, the division imports and locally procures chemical commodities. Through bulk importation and distribution of additives, ingredients and chemicals we supply to our clients who focus on food manufacturing.

Industrial chemicals

The Chemicals division distributes various products and additives including solvents, lacquer thinners, surfactants, cleaning solvents, water treatment products, creosotes and waxes into the industrial manufacturing, construction and water industry. The division further develops, manufactures and provides leather chemicals and treatment solutions into the leather tanning industry.

Colour

Rolfes Colour supplies organic and inorganic products, additives, in-plant and point-of-sale dispersions and pigments to all sectors of the paint industry.

Water

Rolfes Water provides total industrial water management solutions, including specialised water purification solutions and products for the commercial cooling sector and the industrial sector. Opportunities exist within petrochemical, primary metals, sugar and mining industries.

GROUP FINANCIAL REVIEW

Revenue increased by 7,8% to R1 533 million (June 2018: R1 422 million). Revenue was positively impacted by increased volumes in certain divisions but these could only be achieved at a lower margin; the market was tough and pricing was key so as to maintain, and in some areas gain, market share. Pressure on margins, specifically in the food chemical division, resulted in a lower translation of revenue through to gross profit. In terms of the general economic environment the group saw a strong first four months followed by a slowdown thereafter.

Gross profit increased by 2,2% to R297,6 million (June 2018: R291,1 million) and resulted in a gross margin of 19,4% which represents a decline from the comparative period of 20,5%. The reduction in margin percentage was due to pricing pressure in the food chemical division and the decrease in sales relating to the higher margin products in the Agri division.

Adjusted EBIT from continuing operations increased by 25,6% to R76,8 million (June 2018: R61,1 million) at a margin of 5,0 % of revenue (June 2018: 4,3%), which included the following costs; R7 million to move our banking facilities to RMB, R2,9 million to close our Europe and Africa operations and R2,4 million for legal fees. The continued under performance of the Agri and Water divisions necessitated impairments of R96,0 million. The impairments relates to Agri Goodwill of R31,0 million, Agri IP of R52,7 million and Water IP of R12,3 million. In the comparative period a R19,0 million of impairments was needed, relating to Water Goodwill R9,2 million, Colour Goodwill R6,7 million and other assets of R3,1 million.

The remaining goodwill and IP in the group relates to the Food and Chemical businesses and the valuation models shows sufficient excess and therefore future impairments remains unlikely should the current performances of the divisions be maintained.

Headline earnings per share increased by 95,0% to 23,87 cents (30 June 2018: 12,24 cents). However the group reported a basic loss per share of 26,81 cents (30 June 2018: 0,93 cents earnings).

Normalised Headline earnings per share for 30 June 2018 amounted to 34,24 cents. Refer to Annexure A for details of the prior year normalised earnings adjustments.

COMMENTARY continued

The weighted average number of shares in issue for the year was 161 301 470 and remained unchanged from the comparative period.

GROUP CASH FLOW PERFORMANCE

Cash generated from operations increased by 28,9% to R82,8 million (30 June 2018: R64,2 million). Net working capital increased by R17,3 million and is represented by an increase in inventory of R14,4 million, a decrease in trade and other receivables of R7,3 million and a decrease in accounts and other payables of R10,2 million. The management of working capital remains a key focus area with the priority of ensuring the businesses have sufficient stock available to trade over peak periods. Net interest paid amounting to R24,0 decreased by 14,6% from R28,1 million in 2018; this is a direct result of the decreased net debt which was R165,1 million as at 30 June 2019 compared to R191,8 million as at 30 June 2018.

Tax paid amounted to R13,6 million. Dividends paid amounting to R12,9 million represents the 4 cents paid as a final dividend for the 2018 financial year and an interim dividend of 4 cents per share paid for 2019. Cash utilised in investing activities amounting to R7,2 million (30 June 2018: R9,7 million). Included in this is the total proceeds of R11,6 million received which relates to R8,0 million in respect of the Silica mine discontinued and subsequently sold and R3,6 million in respect of the properties owned in Botswana.

There remains continued focus on managing the return on capital employed at a business unit level so as to maximise returns for shareholders.

OPERATIONAL REVIEW

Agricultural

Revenue decreased by 3,0% to R277,4 million (June 2018: R285,8 million). Gross profit margin increased at 27,0% (June 2018: 24,0%). The division's performance initially reflected an improved position due to the recovery in the Western Cape but the lack of, and late rains inland resulted in subdued performance from the division.

Largely due to R83,7 million impairment of Goodwill and IP, profit before interest and tax declined to R73,5 million loss (June 2018: R10,6 million profit). Management is focusing on efficiencies and revenue

growth. The business has a fairly fixed cost base and an increase in revenue would result in a flow through to operating profit.

Food chemicals

Revenue increased by 10,5% to R744,1 million (June 2018: R673,1 million) mainly due to higher stock levels available for sale and a drive to win deals and maintain/improve market share in a tough environment. Gross profit margins unfortunately decreased to 14,7% (June 2018: 16,4%). Our pricing strategies to maintain and increase market share and a stronger ZAR exchange rate environment had impacted the achieved gross profit margins. The gross profit amounted to R109,5 million compared to the prior year of R110,2 million. Management are continuously trying to balance margin percentage with market share and believe the strategy applied to be appropriate. We are also in the process of outsourcing the warehousing and logistic operations to improve the control environment around our stock to minimise stock losses.

Profit before interest and tax for the year amounted to R64,5 million (June 2018: R62,6 million).

Chemicals

Revenue increased by 7,2% to R424,8 million (June 2018: R396,3 million). Gross margin decreased to 17,6% (June 2018: 19,6%) resulting in a gross profit of R74,7 million (June 2018: R77,6 million). The decrease in gross margin was consistent across both the bulk industrial chemicals and the more specialised leather solutions due to a competitive environment with pricing pressure across the board.

Costs remained well controlled and resulted in a profit before interest and tax of R36,6 million (June 2018: R38,0 million).

Colour

Revenue decreased by 1,7% to R73,4 million (June 2018: R74,7 million) gross profit achieved was R10,0 million representing a margin of 13,7%. The Colour division was previously impacted by inventory impairments. The focus is on the re-introduction of a full basket of goods while targeting a reduced working capital requirement over a period of time. The management team has made reasonable progress in this regard by reducing net working capital to R20,1 million (June 2018: R36,8 million).

COMMENTARY continued

Subsequent to year end a sales contract was concluded to sell the business and assets of this division and proceeds of about R36 million is expected to be received on 4 November 2019. Refer to note 10 for more details regarding the terms of this subsequent to year-end sale. The proceeds will be used to reduce the group's debt.

Water

Revenue increased by 0,3% to R42,1 million (June 2018: R41,9 million). The lower than expected revenue growth is disappointing as the business relies significantly on tenders which in the current environment are continuously delayed. The quality of business however has significantly improved and has resulted in an increase in gross profit of R3,4 million. IP of R12.3 million has been impaired.

The Water business, which has a predominantly fixed cost base and strong intellectual property, has had numerous successes recently and despite the long lead time for tender awards, momentum is being gained.

Other

The Other division within the segmental analysis includes the Jet Park property, Zambia and Head office expenses. The loss before interest and tax for this segment amounted to R35,2 million (June 2018: R44,3 million); A forex loss of R3,6 million was incurred due to the weakening of the Zambian kwacha from R1,38 to R1,09 to the kwacha in the reporting period. Management is always looking at ways to reduce overhead cost and gain efficiencies within the group's current structures.

OPERATING ENVIRONMENT AND PROSPECTS

The group has made sound progress in a tough operating environment and have concentrated on maximising market share, working capital management and debt reduction. In the current difficult economic environment the Board expects the Group to trade satisfactorily and to continue with good cash generation. Shareholders are referred to the Cautionary Announcement published on SENS on Friday, 26 July 2019, and are advised that negotiations are still ongoing. An expression of interest has been received relating to a potential offer for all, or a majority, of the shares in issue and a due diligence is currently under way.

Any forward-looking statements in this announcement have not been reviewed and reported on by the Company's auditors.

DIVIDENDS

Consideration of a final dividend in respect of the year ended 30 June 2019 has been deferred subject to the outcome of possible corporate action, as per the current cautionary announcements.

CHANGES TO THE BOARD

No changes to the Board during the current period.

On behalf of the Board

MS Teke **RM Buttle**

Chairman *Chief Executive Officer*

30 September 2019

REGISTERED OFFICE

First floor, The Oval West, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

DIRECTORS

MS Teke*, (Chairman), RM Buttle (Chief Executive Officer), AP Broodryk (Chief Financial Officer), SS Mafoyane ** (Lead Independent Director), MM Dyasi*#, DM Mncube*#, MG Mokoka*#, CS Seabrooke*, JR Winer*

* Non-executive # Independent

COMPANY SECRETARY

CorpStat Governance Services Proprietary Limited

PREPARED BY

RM Buttle and AP Broodryk

SPONSORS

Grindrod Bank Limited

REGISTERED AUDITORS

KPMG Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	2019 R'000	2018 R'000
ASSETS		
Non-current assets	270 650	356 432
Property, plant and equipment	90 576	86 612
Intangible assets and goodwill	154 722	251 688
Deferred tax asset	25 352	18 132
Current assets	603 738	667 216
Inventories	349 530	334 739
Trade and other receivables	239 823	250 533
Derivative asset	—	6 454
Cash and cash equivalents	8 017	43 148
Current tax asset	6 368	10 205
	603 738	645 079
Assets classified as held for sale	—	22 137
Total assets	874 388	1 023 648
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	207 721	207 721
Retained earnings	204 166	260 313
Share-based payment reserve	2 913	2 496
Foreign currency translation reserve	(87)	(1 679)
Total equity	414 713	468 851
Non-current liabilities	143 585	233 509
Interest-bearing liabilities	135 250	208 395
Deferred tax liability	5 119	17 155
Provisions	3 216	7 959
Current liabilities	316 090	321 288
Trade and other payables	268 505	284 143
Provisions	5 000	—
Derivative liability	3 311	—
Interest-bearing liabilities	22 589	26 562
Bank overdraft	15 290	—
Current tax liability	1 395	835
	316 090	311 540
Liabilities directly associated with assets classified as held for sale	—	9 748
Total equity and liabilities	874 388	1 023 648

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	2019 R'000	Restated® 2018 R'000
Continuing operations		
Revenue	1 532 533	1 421 648
Cost of sales – salaries and wages	(25 910)	(23 636)
Cost of sales – cost of materials sold	(1 209 022)	(1 106 888)
Gross profit	297 601	291 124
Other income	9 227	12 938
Operating expenses	(210 645)	(225 178)
Impairment of trade and other receivables	(3 424)	(2 741)
Adjusted EBITDA[#]	92 759	76 143
Depreciation and amortisation	(16 002)	(15 010)
Adjusted EBIT^{&}	76 757	61 133
Impairment	(95 993)	(19 016)
Profit on sale of property, plant and equipment	363	1 050
Share-based payment expense	(417)	(2 496)
Operating (loss)/profit before interest	(19 290)	40 671
Finance income	1 739	1 309
Finance cost	(26 192)	(29 558)
(Loss)/profit before taxation	(43 743)	12 422
Income tax	269	(12 717)
(Loss) from continuing operations	(43 474)	(295)
Discontinued operations		
Profit/(Loss) from discontinued operations, net of tax	231	(583)
(Loss) for the year	(43 243)	(878)
Other comprehensive income/(loss), net of taxation		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating of foreign operations*	1 592	(982)
Total comprehensive (loss)	(41 651)	(1 860)
(Loss)/profit for the year attributable to:		
Owners of the parent	(43 243)	1 494
Non-controlling interest	—	(2 372)
	(43 243)	(878)
Total comprehensive (loss)/income attributable to:		
Owners of parent	(41 651)	512
Non-controlling interest	—	(2 372)
	(41 651)	(1 860)
Earnings per share:		
Group (includes continuing and discontinued):		
– Earnings (basic) (cents)	(26,81)	0,93
– Earnings (diluted) (cents)	(26,81)	0,92
Continuing operations:		
– Earnings (basic) (cents)	(26,95)	1,29
– Earnings (diluted) (cents)	(26,95)	1,28
Discontinued operations:		
– Earnings (basic) (cents)	0,14	(0,36)
– Earnings (diluted) (cents)	0,14	(0,36)

[®] Refer to note 9 for more details regarding the reclassification adjustments made to the Consolidated statement of profit or loss and other comprehensive income.

[#] Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, before impairment, profit on sale of property, plant and equipment and share-based payment expense.

[&] Adjusted EBIT is earnings before interest and tax, before impairment, profit on sale of property, plant and equipment and share-based payment expense.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

	Stated capital R'000	Retained earnings R'000	Reserves Share- based payment reserve R'000	Foreign currency translation reserve R'000	Non- controlling interest R'000	Total equity R'000
Balance at 30 June 2017	207 721	281 778	—	(697)	(3 169)	485 633
Total comprehensive income for the year	—	1 494	—	(982)	(2 372)	(1 860)
Share-based payment expense	—	—	2 496	—	—	2 496
Dividends paid	—	(12 919)	—	—	—	(12 919)
Acquisition of non- controlling interest	—	(10 040)	—	—	5 541	(4 499)
Balance at 30 June 2018	207 721	260 313	2 496	(1 679)	—	468 851
Total comprehensive (loss)/ income for the year	—	(43 243)	—	1 592	—	(41 651)
Share-based payment expense	—	—	417	—	—	417
Dividends paid	—	(12 904)	—	—	—	(12 904)
Balance at 30 June 2019	207 721	204 166	2 913	(87)	—	414 713

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	2019 R'000	2018 R'000
Cash generated from operations:		
Cash generated from operations (before net working capital investment)	100 059	105 184
Net working capital investment	(17 281)	(40 942)
Cash generated from operations	82 778	64 242
Net interest paid	(24 025)	(28 138)
Tax paid	(13 592)	(26 334)
Cash generated from operations available for investment and redistribution	45 161	9 770
Dividends paid	(12 904)	(12 919)
Cash generated/(utilised in) operating activities	32 257	(3 149)
Additions to property, plant and equipment	(14 171)	(7 615)
Additions to intangible assets	(5 570)	(5 852)
Proceeds from disposal of property, plant and equipment	935	3 720
Proceeds from disposal of assets and liabilities held for sale	11 650	—
Cash (utilised in) investing activities	(7 156)	(9 747)
Interest-bearing liabilities raised	180 280	10 537
Interest-bearing liabilities repaid	(257 398)	(20 523)
Purchase of non-controlling interest	—	(4 500)
Cash (outflow) from financing activities	(77 118)	(14 486)
Net decrease in cash and cash equivalents	(52 017)	(27 382)
Effects of exchange rate fluctuation on cash balances	1 596	(1 440)
Cash and cash equivalents		
Cash and cash equivalents – beginning of the year	43 148	71 970
Cash and cash equivalents – end of the year	(7 273)	43 148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING AND PREPARATION

1.1 Introduction

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these consolidated financial statements from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements except for the changes described in 1.2 below.

1.2 CHANGES IN ACCOUNTING POLICIES

The adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts from Customers, which became effective from 1 July 2018 for the Group, has not had a material impact on the financial position or performance of the Group. No transition adjustments have been recognised in retained earnings.

IFRS 9 Financial Instruments

IFRS 9 is the new financial instrument accounting standard and includes the requirements for classification and measurement of financial assets, the impairment and derecognition of financial assets, as well as general hedge accounting.

The classification and measurement of the Group's financial assets has remained the same as under IAS 39, except for:

- the measurement of the loss allowances relating to trade and other receivables.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised costs are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in profit or loss. As a result, the Group reclassified impairment losses amounting to R3,4 million (June 2018: R3,3 million), recognised under IAS 39, from operating expenses to impairment loss on trade receivables in profit or loss.

The Group has taken an exemption not to restate comparative information for prior periods in respect of measurement, i.e., impairment, requirements. Accordingly, there was no amount recognised in retained earnings and the information presented in 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model for entities to use in accounting for revenue arising from contracts with customers. The new standard is based on the principle that revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard supersedes all current revenue recognition requirements under IFRS.

The Group adopted IFRS 15 using the cumulative effect method (without practical expedients). Accordingly, the information presented for 2018 has not been restated. A full analysis was performed on the revenue streams of the Group, concluding that there is no material change to revenue recognition under IFRS 15 from IAS 18.

2. FINANCIAL PREPARATION AND REVIEW

The summarised consolidated financial statements for the year ended 30 June 2019 have been prepared by Rolfes Holding Limited's group financial reporting team. This process was supervised by the group's chief financial officer Mr AP Broodryk, and approved by the Rolfes Holdings Limited board of directors on 30 September 2019.

These summarised consolidated financial statements are extracted from audited information, but not itself audited. The annual financial statements were audited by KPMG Inc., who expressed an unmodified audit opinion. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The board of directors takes full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. SEGMENT REPORT

Segmental analysis for the year ended 30 June 2019:

	Agri- culture 2019 R'000	Food 2019 R'000	Chemi- cals 2019 R'000	Colour 2019 R'000	Water 2019 R'000	Other 2019 R'000	Total (Contin- uing) 2019 R'000	Discon- tinued (Silica) 2019 R'000	Total 2019 R'000
Total revenue	277 378	744 081	424 777	73 427	42 090	17 282	1 579 035	—	1 579 035
– External revenue	270 535	736 584	396 551	69 620	41 980	17 263	1 532 533	—	1 532 533
– Inter-segment revenue	6 843	7 497	28 226	3 807	110	19	46 502	—	46 502
Gross profit/ (loss)	74 802	109 511	74 725	10 040	26 173	2 350	297 601	—	297 601
Adjusted EBITDA	17 590	66 068	37 869	333	3 516	(32 617)	92 759	(25)	92 734
HEPS adjustments	(83 454)	(18)	180	(83)	(12 590)	335	(95 630)	(910)	(96 540)
Depreciation & amortisation	(7 617)	(1 405)	(1 337)	(843)	(1 905)	(2 895)	(16 002)	—	(16 002)
Share-based payment expense	—	(124)	(157)	—	(78)	(58)	(417)	—	(417)
PBIT	(73 481)	64 521	36 555	(593)	(11 057)	(35 235)	(19 290)	(935)	(20 225)
Total assets	166 894	436 547	178 103	35 949	20 146	36 749	874 388	—	874 388
Total liabilities	27 331	173 117	69 206	7 718	4 898	177 405	459 675	—	459 675
NAV	139 563	263 430	108 897	28 231	15 248	(140 656)	414 713	—	414 713
Inventories	77 855	180 598	66 454	20 077	4 546	—	349 530	—	349 530
Trade receivables	32 134	119 225	56 321	6 319	8 700	3 935	226 634	—	226 634
Trade payables	(14 365)	(160 530)	(52 921)	(6 320)	(1 622)	(3 260)	(239 018)	—	(239 018)
Net working capital	95 624	139 293	69 854	20 076	11 624	675	337 146	—	337 146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. SEGMENT REPORT CONTINUED

Segmental analysis for the year ended 30 June 2018:

	Agri- culture 2018 R'000	Food 2018 R'000	Chemicals 2018 R'000	Colour 2018 R'000	Water 2018 R'000	Other 2018 R'000	Total (Con- tinuing) 2018 R'000	Discon- tinued (Silica) 2018 R'000	Total 2018 R'000
Total revenue	285 810	673 108	396 301	74 713	41 944	29 900	1 501 776	1 307	1 503 083
– External revenue	276 502	656 779	355 410	63 244	39 813	29 900	1 421 648	1 307	1 422 955
– Inter-segment revenue	9 308	16 329	40 891	11 469	2 131	—	80 128	—	80 128
Gross profit/ (loss)	68 529	110 217	77 609	8 444	22 758	3 567	291 124	—	291 124
Adjusted EBITDA	18 649	64 171	39 918	(3 715)	(7 628)	(35 252)	76 143	(77)	76 066
HEPS adjustments	(714)	(76)	(83)	(5 621)	(5 328)	(6 144)	(17 966)	4	(17 962)
Depreciation & amortisation	(6 972)	(1 192)	(1 386)	(1 371)	(2 300)	(1 789)	(15 010)	(753)	(15 763)
Share-based payment expense	(317)	(319)	(476)	—	(239)	(1 145)	(2 496)	—	(2 496)
PBIT	10 646	62 584	37 973	(10 707)	(15 495)	(44 330)	40 671	(826)	39 845
Total assets	276 479	383 922	213 639	52 851	39 882	36 063	1 002 836	20 812	1 023 648
Total liabilities	60 430	137 646	96 780	7 331	11 227	229 713	543 127	11 670	554 797
NAV	216 049	246 276	116 859	45 520	28 655	(193 650)	459 709	9 142	468 851
Inventories	82 430	127 289	86 306	29 790	3 726	5 198	334 739	—	334 739
Trade receivables	45 721	111 505	58 677	11 629	6 162	(289)	233 405	638	234 043
Trade payables	(35 872)	(129 510)	(82 021)	(4 632)	(5 355)	8 285	(249 105)	(716)	(249 821)
Net working capital	92 279	109 284	62 962	36 787	4 533	13 194	319 039	(78)	318 961

During the current year the information for Rolfes Logistics (Pty) Ltd was moved from the Colour segment into the Other segment. Additionally the segment report was adjusted to conform with the way management now manage gross profit. The segmental report was aligned accordingly and is in line with what is reported to key decision makers. The comparatives were accordingly adjusted as well.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. REVENUE

The Group manufactures or procures and sells:

- Speciality fertilisers, adjuvants and remedies from its Agriculture division.
- Food ingredient chemicals and personal care chemicals from its Food as well as Other divisions.
- Industrial solvents and commodity chemicals, speciality chemicals as well as water treatment chemicals from its Chemicals and Other divisions.
- Solvent and water-based products as well as traded products from its Colour and Other divisions.
- The Water division provides value-added services and solutions (including chemicals products) to its customers in the commercial cooling and industrial and mining industries.

Sales from these products are recognised when control is transferred to the customer. Transfer of control is dependent on each contract. In some contracts, transfer of control of the product takes place when the product is collected from Group entities while in others it is upon delivery to the customer.

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, as allowed by the practical expedient in IFRS 15, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from providing services (in the Water division) is recognised over a period of time. Revenue is recognised based on the actual services and goods provided to the customer as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Invoicing is done monthly on actual services provided to date and the consideration is payable when invoiced. There is not a practice to invoice in advance for performance obligations and accordingly at the reporting date there are no outstanding performance obligations.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

All inter-segment revenue eliminates on a group level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. REVENUE CONTINUED

Revenue per regions for the period ended 30 June 2019:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
South Africa	268 232	660 078	391 717	70 750	41 996	—	1 432 773
Africa	4 918	84 003	33 059	2 677	94	17 282	142 033
International	4 228	—	1	—	—	—	4 229
Total (gross)	277 378	744 081	424 777	73 427	42 090	17 282	1 579 035
Inter-segment revenue	6 843	7 497	28 226	3 807	110	19	46 502
External revenue	270 535	736 584	396 551	69 620	41 980	17 263	1 532 533

Revenue per regions for the year ended 30 June 2018:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
South Africa	238 419	599 761	353 424	64 791	39 534	—	1 295 929
Africa	11 156	73 347	42 877	7 993	2 410	29 900	167 683
International	36 235	—	—	1 929	—	—	38 164
Total (gross)	285 810	673 108	396 301	74 713	41 944	29 900	1 501 776
Inter-segment revenue	9 308	16 329	40 891	11 469	2 131	—	80 128
External revenue	276 502	656 779	355 410	63 244	39 813	29 900	1 421 648

Revenue (timing of recognition) for the period ended 30 June 2019:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
Sales at a point in time	277 378	744 081	424 777	73 427	36 405	17 282	1 573 350
Sales recognised over time	—	—	—	—	5 685	—	5 685
Total (gross)	277 378	744 081	424 777	73 427	42 090	17 282	1 579 035
Inter-segment revenue	6 843	7 497	28 226	3 807	110	19	46 502
External revenue	270 535	736 584	396 551	69 620	41 980	17 263	1 532 533

Revenue (timing of recognition) for the year ended 30 June 2018:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
Sales at a point in time	285 810	673 108	396 301	74 713	37 274	29 900	1 497 106
Sales recognised over time	—	—	—	—	4 670	—	4 670
Total (gross)	285 810	673 108	396 301	74 713	41 944	29 900	1 501 776
Inter-segment revenue	9 308	16 329	40 891	11 469	2 131	—	80 128
External revenue	276 502	656 779	355 410	63 244	39 813	29 900	1 421 648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. RECONCILIATION OF EARNINGS AND HEADLINE EARNINGS

	2019 Group R'000	2019 Continuing operations R'000	2019 Dis- continued operations R'000	2018 Group R'000	2018 Continuing operations R'000	2018 Dis- continued operations R'000
Numerator						
(Loss)/profit for the year attributable to equity holders of the parent	(43 243)	(43 474)	231	1 494	2 077	(583)
Adjusted for:						
(Gain) from sale of property, plant and equipment (net)	(261)	(261)	—	(759)	(756)	(3)
(Gain) from sale of property, plant and equipment (gross)	(363)	(363)	—	(1 054)	(1 050)	(4)
(Gain) from sale of property, plant and equipment (tax)	102	102	—	295	294	1
Loss from sale of property, plant and equipment (net)	655	—	655	—	—	—
Loss from sale of property, plant and equipment (gross)	910	—	910	—	—	—
Loss from sale of property, plant and equipment (tax)	(255)	—	(255)	—	—	—
Impairment property, plant and equipment (gross)	—	—	—	2 364	2 364	—
Impairment intangible assets and goodwill (net)	81 358	81 358	—	16 652	16 652	—
Impairment intangible assets and goodwill (gross)	95 993	95 993	—	16 652	16 652	—
Impairment intangible assets and goodwill (tax)	(14 635)	(14 635)	—	—	—	—
Headline earnings	38 509	37 623	886	19 751	20 337	(586)
Denominator						
Weighted average number of shares used in basic earnings per share and headline earnings per share ('000)	161 302	161 302	161 302	161 302	161 302	161 302
Dilutive shares	843	843	843	648	648	648
Weighted average number of shares used in diluted earnings per share and diluted headline earnings per share ('000)	162 145	162 145	162 145	161 950	161 950	161 950
Earnings per share (cents)						
Basic	(26,81)	(26,95)	0,14	0,93	1,29	(0,36)
Diluted	(26,81)	(26,95)	0,14	0,92	1,28	(0,36)
Headline Earnings per share (cents)						
Basic	23,87	23,32	0,55	12,24	12,61	(0,36)
Diluted	23,75	23,20	0,55	12,20	12,56	(0,36)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. IMPAIRMENT

During the year impairment losses were recognised.

Segment	2019 R'000	2018 R'000
<i>Agriculture</i>		
– Impairment of intangible assets	43 370	714
– Impairment of Agriculture intangible assets (recognised at Group)	9 333	—
– Impairment of Agriculture goodwill (recognised at Group)	30 967	—
<i>Chemicals</i>		
– Impairment of property, plant and equipment	—	111
<i>Colour</i>		
– Impairment of goodwill	—	5 639
– Impairment of property, plant and equipment	—	287
<i>Water</i>		
– Impairment of goodwill	—	9 225
– Impairment of Water intangible assets	12 323	—
– Impairment of Property (classified as held for sale)	—	1 966
<i>Group</i>		
– Impairment of Colour goodwill	—	1 074
Total impairments	95 993	19 016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. TAX

	Group	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations
	2019	2019	2019	2018	2018	2018
	R'000	R'000	R'000	R'000	R'000	R'000
Current tax:						
South African normal tax	15 445	15 445	—	20 436	20 436	—
Deferred tax	(19 256)	(18 260)	(996)	(8 257)	(7 387)	(870)
Prior year (overstatement) understatement	2 546	2 546	—	(332)	(332)	—
Amounts recognised in profit or loss	(1 265)	(269)	(996)	11 847	12 717	(870)
	%	%	%	%	%	%
Tax rate reconciliation						
– Statutory rate	(28,0)%	(28,0)%	(28,0)%	28,0%	28,0%	28,0%
– Effect of non-allowable expenditure/exempt income*	1,8%	1,8%	—%	14,4%	12,6%	(1,3)%
– Effect of research and development allowance	(0,9)%	(0,9)%	—%	(1,9)%	(1,7)%	—%
– Effect of different tax rates of subsidiaries operating in other jurisdictions	(0,6)%	(0,6)%	—%	6,2%	5,5%	—%
– Effect of IFRS 2 charge	0,2%	0,2%	—%	6,4%	5,6%	—%
– Effect of prior year (overstatement)/understatement	5,2%	5,3%	—%	0,7%	0,6%	—%
– Effect of deferred tax not recognised	19,5%	21,6%	(102,3)%	54,3%	51,8%	33,1%
Effective rate	(2,8)%	(0,6)%	(130,3)%	108,1%	102,4%	59,8%

* Mainly relates to legal fees, SARS penalties and interest as well as donations.

8. FAIR VALUE DISCLOSURE

The Group does not have any material items reported at fair value at the year end. Certain financial instruments, being forward exchange contracts are measured using level 2 inputs, and presented under derivative assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

9. RECLASSIFICATION ADJUSTMENTS

During the current year, management has decided to change the classification and presentation of expense items in the Consolidated statement of profit or loss and other comprehensive income. The reclassifications were made to disaggregate expenses according to their nature and by including a total for adjusted earnings before interest, tax, depreciation and amortisation (EBITDA), as the representation of expenses will provide more relevant information. In addition, impairment of trade and other receivables has been separately presented to provide comparative information in line with the new requirements in terms of IFRS 9 Financial Instruments.

Reconciliation between previously presented information and restated information:

	2018 R'000
Previous separately presented items:	
Cost of sales	(1 132 489)
Distribution expenses	(9 200)
Marketing expenses	(4 334)
Administration expenses	(32 159)
Other expenses	(195 271)
	<u>(1 373 453)</u>
New separately presented items:	
Cost of sales – salaries and wages	(23 636)
Cost of sales – cost of materials sold	(1 106 888)
Operating expenses	(225 178)
Depreciation and amortisation (previously presented under Other expenses)	(15 010)
Impairment of trade and other receivables (previously presented under Other expenses)	(2 741)
	<u>(1 373 453)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. SUBSEQUENT EVENTS

Sale of Colour business

Shareholders are advised that Rolfes has entered into an agreement with Chromaflo Technologies South Africa (Pty) Ltd. In terms of the agreement, Rolfes will dispose of the business, stock and fixed assets of Rolfes Colour Pigments International (Pty) Ltd (a 100% subsidiary of Rolfes), for a purchase consideration amounting to R36,2 million ("Purchase Consideration") before adjustments referred to under point 10.3. The agreement was concluded on 5 August 2019.

10.1 Background and rationale for the proposed transaction

RCPI has not delivered Rolfes' required return for an extended period of time and a sale is therefore considered to be in the best interests of Rolfes shareholders.

10.2 Key terms of the proposed transaction

- Sale of assets and Effective Date: In terms of the agreement, adjustments based on closing inventory and fixed assets balances as at 31 October 2019, may be applied to determine the final Purchase Consideration. These adjustments will not exceed 10% (R3.62 million) of the Purchase Consideration. The Effective date of the transaction is 1 November 2019.
- The Purchase Consideration: The purchase consideration will be paid in cash on 4 November 2019 and the proceeds will be used by the Company to reduce the Company's debt.

10.3 Financial information relating to Rolfes Colour Pigments International (Pty) Ltd

Assets held for sale (subsequent to year end):

Property, plant and equipment	RCPI R'000
Inventories	5 593
Assets	20 177
Income statement (loss after tax):	25 770
	289

There are no additional material events, other than those reported above, that have occurred between 30 June 2019 and the date of this report which may have a material impact on the understanding of this report and the financial information presented.

ANNEXURE A NORMALISED EARNINGS

The Normalised Financial Information has been presented for the year ended 30 June 2018 and has been prepared to illustrate what the normalised gross margin, normalised operating profit from continuing operations and normalised headline earnings per share for the year ended 30 June 2018 would have been had certain non-recurring items and adjustments, relating to legacy matters, not been incurred. The directors believe the Normalised Financial Information assisted stakeholders in determining the sustainable gross margin, operating profit and headline earnings per share of the Group for the year ended 30 June 2018 by reversing the financial effects of certain legacy matters that occurred in that year. The directors have not identified any items as being adjustable for Normalised Financial Information for the year ended 30 June 2019.

Basis of preparation for the Normalised Financial Information:

Normalised headline earnings are defined as headline earnings from continuing operations excluding certain non-recurring items and adjustments, which relate to certain legacy matters and is a non-IFRS measure.

The Directors are responsible for the Normalised Financial Information set out below, which has been prepared in accordance with the guidance set out in the SAICA Guide on Pro forma Financial Information, revised and issued in September 2014 and paragraphs 8.15 to 8.33 of the Listings Requirements, as applicable to the Normalised Financial Information.

ANNEXURE A NORMALISED EARNINGS CONTINUED

The below table and explanations presents the normalised adjustments in the comparative period.

This non-IFRS information for the year ended 30 June 2018 has been reported on by KPMG Inc. in terms of ISAE 3420 and their unmodified report is available for inspection at the company's registered office.

Normalised Headline Earnings per share:

	30 June 2018
Continuing operations	R'000
Headline earnings	20 337
Adjusted for the before-tax effect non-recurring other costs:	
Excess audit fee ^{1,*}	3 000
Staff incentives and settlements ^{1,^}	9 486
Inventory related impairments ^{2,&}	21 632
Site clean-up ^{1,#}	6 268
Non-recurring Group costs ^{1,*}	4 010
Provision for claim ^{1,§}	5 000
Total tax effect	(14 501)
Total after tax effect	34 895
Normalised headline earnings	55 232
Normalised headline earnings per share	34,24

¹ These adjustments affected operating expenses.

² These adjustments affected gross profit.

« Refer to note 16 of the June 2018 Audited Annual Financial Statements – the 2018 audit fee amounted to R5,3 million which amount included an excess audit fee of R3 million due to additional audit work performed as a result of the restatement of the consolidated financial statements for the 2016 financial year. The directors believe it was appropriate to exclude the excess audit fee of R3 million as it was once off in nature and is not representative of the Group's audit fees going forward. The directors believe that a normalised audit fee would have been R2,3 million (2017: R1,1 million).

^ Staff incentives and settlements relate to senior management changes and non-recurring discretionary incentives approved by the Remuneration Committee to retain key management and staff. Refer to note 22 of the June 2018 Audited Annual Financial Statements for the portion relating to directors remuneration which amounted to R2,2 million (R1,864 million + R0,374 million). The balance of R7,3 million has been extracted, without adjustment, from a schedule which reconciles to the salaries and wages line items disclosed in note 16 of the June 2018 Audited Annual Financial Statements. The directors believe it is appropriate to exclude the retrenchment payments detailed above as they were once off in nature and are not representative of the Group's directors remuneration and salaries and wages going forward.

& Inventory related impairments related to Colour, Agri and Water and is disclosed in note 25 of the June 2018 Audited Annual Financial Statements. Consignment stock, overhead recovery, slow moving and obsolete stock, which arose due to new management implementing more robust review and control environment to ensure that the valuation of inventory is more appropriate. The directors believe it was appropriate to exclude the inventory related impairments as they were once off in nature and are not representative of the Group's inventory policy going forward.

Once-off site upliftment of Jet Park property; this excludes routine maintenance. The site had been neglected for many years and required significant spend to clean up, improve the working environment and reduce associated risks. The amount has been extracted from a schedule which reconciles to the June 2018 Audited Annual Financial Statements. The directors believe it was appropriate to exclude the costs relating to the upliftment of the Jet Park property as they were once off in nature and are not representative of the Group's maintenance costs for the property going forward.

* Non-recurring group costs relate to facility fees in respect of the existing group funding. The non-recurring group costs have been extracted, without adjustment, from a schedule which reconciles to the June 2018 Audited Annual Financial Statements. The facility fees relate predominantly to work fees and/or abort fees incurred in arranging new/restructured debt facilities which were not utilised. The directors believe it was appropriate to exclude this non-recurring group costs as they were once off in nature and are not representative of the Group's funding structure going forward.

§ Provision for claim relates to a legal matter which is disclosed in note 12 of the June 2018 Audited Annual Financial Statements. As described in the financial statements – the group is involved in various legal proceedings. In consultation with its legal counsel, management is assessing the outcome of these proceedings on an ongoing basis. On a particular case, based on legal counsel advice, management has decided to provide R5 million for a potential claim. This amount may be higher or lower, depending on a ruling by the court. The directors believe it was appropriate to exclude the legal proceedings provision as it is once off in nature.

ANNEXURE A NORMALISED EARNINGS CONTINUED

Headline earnings, Normalised headline earnings per share

	30 June 2018
Continuing operations	
– Headline earnings (basic) (cents)	12,61
– Headline earnings (diluted) (cents)	12,56
– Normalised Headline earnings (basic) (cents)	34,24
– Normalised Headline earnings (diluted) (cents)	34,10

RECONCILIATION OF THE NORMALISED ITEM PER SEGMENT AND SPLIT BETWEEN COST OF SALES AND OPERATING EXPENSES AS PRESENTED IN THE 30 JUNE 2018 FINANCIAL STATEMENTS:

June 2018:

	Revenue R'000	Gross profit per segmental report R'000	Normalised Gross profit adjust- ments R'000	Normalised Gross profit R'000	Operating Expenses R'000	Normalised Operating expense adjust- ments R'000	HEPS adjust- ments before tax R'000	HEPS adjusted normalised PBIT R'000
Agriculture	285 810	67 080	14 325	81 405	(60 292)	727	714	22 554
Food chemicals	673 108	110 217	—	110 217	(43 821)	3 661	76	70 133
Chemicals	396 301	77 609	—	77 609	(36 978)	6 059	83	46 773
Colour	104 584	11 638	5 091	16 729	(23 247)	211	5 621	(686)
Water	41 944	22 758	2 215	24 974	(31 837)	472	5 328	(1 063)
Other	30	(143)	—	(143)	(49 819)	16 634	6 143	(27 185)
Revenue elimination	(80 128)	—	—	—	—	—	—	—
Share-based payment expense	—	—	—	—	(2 496)	—	—	(2 496)
Continuing operations	1 421 649	289 159	21 631	310 791	(248 490)	27 764	17 965	108 030

CORPORATE INFORMATION

ROLFES HOLDINGS LIMITED

(Registration number 2000/002715/06)

Incorporated in South Africa

Share code: RLF

ISIN: ZAE000159836

("Rolfes" or "the group")

Registered office

First floor, The Oval West, Wanderers Office Park,
52 Corlett Drive, Illovo, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited

Directors

MS Teke*, (Chairman), RM Buttle (Chief Executive Officer), AP Broodryk (Chief Financial Officer), SS Mafoyane *# (Lead Independent Director), MM Dyasi*#, DM Mncube*#, MG Mokoka*#, CS Seabrooke*, JR Winer*

* Non-executive # Independent

Company secretary

CorpStat Governance Services Proprietary Limited

Prepared by

RM Buttle and AP Broodryk

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Registered auditors

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