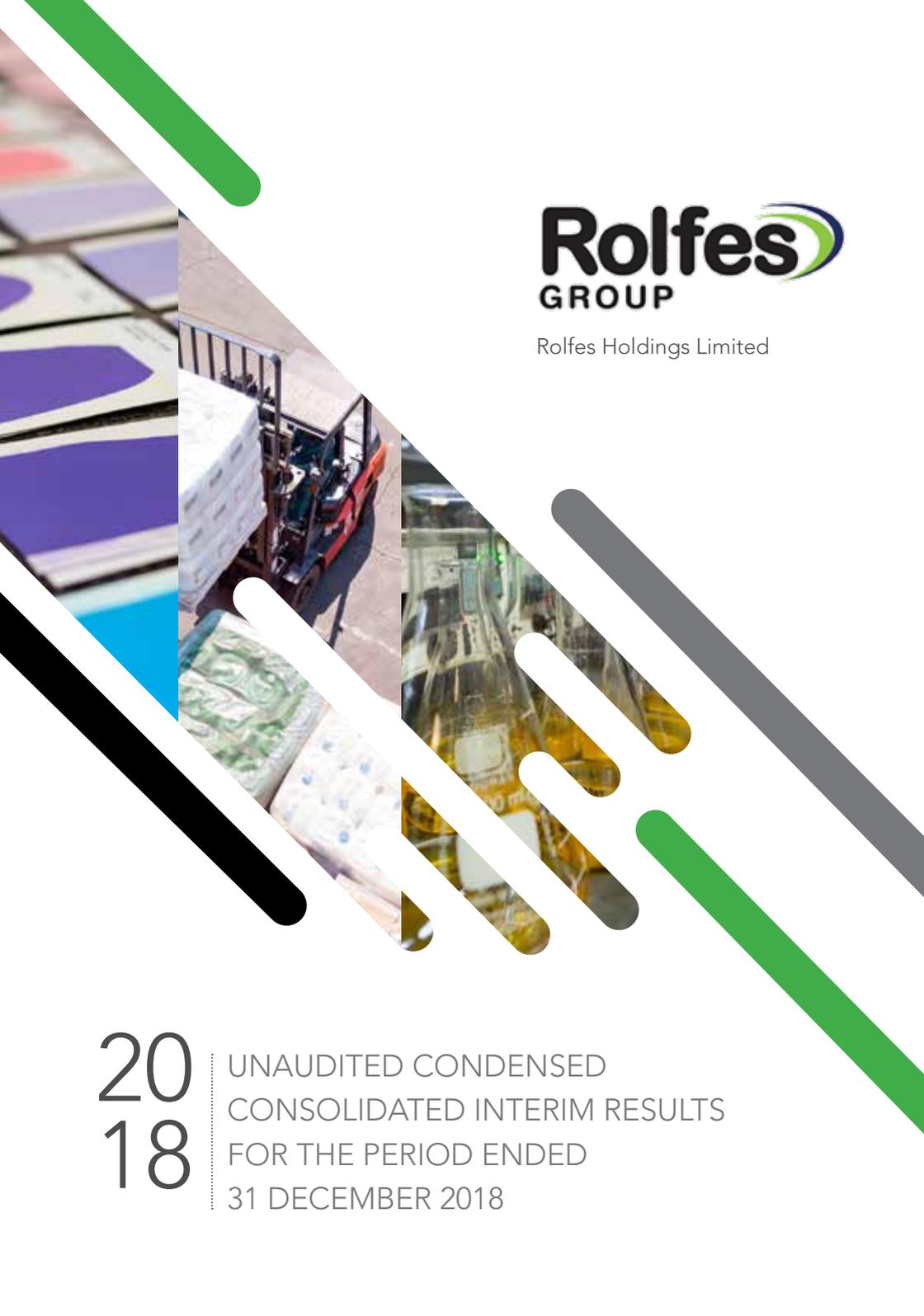




Rolfes Holdings Limited



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UNAUDITED CONDENSED
CONSOLIDATED INTERIM RESULTS
FOR THE PERIOD ENDED
31 DECEMBER 2018

PERFORMANCE SUMMARY

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

Key features

Revenue from continuing operations increased by 13,5% to

R833,1 million

(31 December 2017:
R734,0 million)

Headline earnings increased by 32,9% to

19,46 cents per share

(31 December 2017:
14,64 cents per share)

Cash from operations increased by 19,9% to

R71,8 million

(31 December 2017: R59,9 million)

Interim dividend declared of

4 cents per share

Proceeds received on the finalisation of the sale of the silica mine and foreign operations rationalised

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 13,5% to R833,1 million (December 2017: R734,0 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 slow down thereafter.

Gross profit increased by 3,0% to R171,9 million (December 2017: R166,9 million) and resulted in a gross margin of 20,6% which represents a decline from the comparative period of 22,7%. 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.

Operating profit from continuing operations increased by 27,6% to R60,9 million (December 2017: R47,7 million) at an operating margin of 7,3% of revenue (December 2017: 6,5%). It should, however, be noted that the comparative period was impacted by once-off impairments and non-recurring costs without which the operating profit and margin would have been R66,7 million and 9,1% respectively. The current period included a share-based payment expense of R2,1 million (December 2017: Rnil), trading losses of R4,1 million relating to the businesses in Zambia and Europe. The return on capital for both businesses was unsatisfactory; the European business is in the final stages of being closed and the Zambia business has been restructured as a distributorship by a local partner.

Headline earnings increased by 32,9% to 19,46 cents per share (31 December 2017: 14,64 cents per share) and earnings per shares increased by 31,2% to 19,30 cents per share (31 December 2017: 14,71 cents per share).

The directors believe that, in the past, normalised headline earnings per share from continuing operations were the most meaningful measure for evaluating the Group's operational performance. In the current year there were no items having an affect on operating profit which required adjustment and therefore the term and reference to normalised headline earnings is only utilised for comparative purposes. Headline earnings from continuing operations decreased by 22,2% to 18,91 cents per share when compared to the prior year normalised result of 24,32 cents per share. Refer to Annexure A for details of the prior year normalised adjustments.

The weighted average number of shares in issue for the year was 161 301 468 and remained unchanged from the comparative period.

COMMENTARY continued

GROUP CASH FLOW PERFORMANCE

Cash generated from operations increased by 19,9% to R71,8 million (31 December 2017: R59,9 million). Net working capital increased by R79,0 million and is represented by an increase in inventory of R3,1 million, an increase in trade and other receivables of R50,3 million and a decrease in accounts and other payables of R25,6 million. Subsequent to period end significant cash was received from debtors, in respect of peak season sales, and will have a positive impact on the net working capital movement in the next reporting period. Inventory levels as at 31 December 2018 are R338,6 million compared to R351,4 million for December 2017. The management of working capital remains a key focus area with the priority of ensuring the businesses have sufficient stock to trade over peak periods. Net finance costs amounting to R14,2 million increased by 8,7% from R13,0 million in 2017; this is a direct result of the increased net debt which was R226,4 million as at 31 December 2018 compared to R202,1 million as at 31 December 2017. The increased debt arose due to the need for more appropriate inventory levels being in place during the peak seasons in October and November 2018 and the reduction in account payables.

Tax paid amounted to R11,1 million. Dividends paid amounting to R6,5 million represents the 4 cent paid as a final dividend for the 2018 financial year. Cash utilised in investing activities comprised investment in product development, predominantly relating to the Agricultural division, amounting to R3,1 million (31 December 2017: R3,6 million) and additions to property, plant and equipment amounted to R5,0 million (31 December 2017: R2,5 million). Total proceeds of R11,6 million were received in respect of the "sale of assets and liabilities held for sale" comprises 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 increased by 1,7% to R167,1 million (December 2017: R164,3 million). Gross profit margin was maintained at 29,4% (December 2017: 29,4%). The division's performance initially reflected an improved position due to the recovery in the Western Cape but the lack of rain inland resulted in subdued sales in November and December 2018.

Operating profit declined by 10,5% to R17,5 million (December 2017: R19,5 million) due to general cost pressures and closure of Agchem Europe. Management is focussing 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 13,6% to R395,6 million (December 2017: R348,2 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 decreased to 15,5% (December 2017: 17,9%) as a direct result of pricing strategies and exchange rate movement. The gross profit amounted to R61,5 million compared to the prior year of R62,4 million. Management are continuously trying to balance margin percentage with market share and believe the strategy applied to be appropriate.

Net operating profit for the year amounted to R38,9 million (December 2017: R38,7 million).

INDUSTRIAL CHEMICALS

Revenue increased by 15,1% to R221,5 million (December 2017: R192,4 million). Gross margin decreased to 17,9% (December 2017: 20,0%) resulting in a gross profit of R39,5 million (December 2017: R38,4 million); an increase of R1,1 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.

Operating costs remained well controlled and resulted in a net operating profit of R20,7 million (December 2017: R20,5 million). The results are impacted by R0,9 million legal fees in preparation for court proceedings relating to the case previously disclosed under provision for claims. The matter is ongoing and the court case proceeded on 28 January 2019 but the matter has been postponed in favour of a binding arbitration process.

COLOUR

Revenue increased by 19,3% to R43,9 million (December 2017: R36,8 million) gross profit achieved was R7,2 million representing a margin of 16,3%. The Colour division was previously impacted by inventory impairments. The focus is on the reintroduction 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 with inventory reducing to R24,7 million (December 2017: R32,4 million).

The division delivered an operating profit for the first time in years and although modest at R1,2 million the business is heading in the right direction. Improving working capital utilisation and the return on capital remains a focus area.

WATER

Revenue decreased by 16,3% to R20,1 million (December 2017: R24,0 million) as the comparative period still had a contribution from the Botswana business which has since closed. The lower revenue 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 R1,0 million.

The Water business, which has a predominantly fixed cost base and strong intellectual property, 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 operating loss for this segment amounted to R17,4 million (December 2017: R21,2 million); it should however be noted that the comparative period included non-recurring costs.

OPERATING ENVIRONMENT AND PROSPECTS

Our strategy remains focused on developing sustainable businesses delivering long term growth. The group has made good progress in a tough operating environment and have concentrated on maximising market share and working capital management during this time. The rationalisation of foreign operations was the final step in refining our strategy and going back to basics. We will continue to focus on our South African businesses by adding new products, leveraging off our customer base and distribution capabilities, and increase our African revenues through direct exports. In the current difficult economic environment the Board expects the Group to continue trading satisfactorily.

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

DIVIDENDS

Notice is given that an interim gross cash dividend of 4 cents per share in respect of the six months ended 31 December 2018 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 5 April 2019. The details of the dividend are presented under note 6 subsequent events.

CHANGES TO THE BOARD

No changes to the Board during the current period.

On behalf of the Board

MS Teke

Chairman

RM Buttle

Chief Executive Officer

4 March 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
ASSETS			
Non-current assets	354 536	398 853	356 432
Property, plant and equipment	88 118	103 443	86 612
Intangible assets and goodwill	251 284	269 985	251 688
Deferred tax asset	15 134	25 425	18 132
Current assets	704 979	737 606	667 216
Inventories	338 586	351 361	334 739
Trade and other receivables	299 923	304 162	250 533
Derivative asset	90	–	6 454
Cash and cash equivalents	57 295	76 800	43 148
Current tax asset	9 085	5 283	10 205
	704 979	737 606	645 079
Assets classified as held for sale	–	–	22 137
Total assets	1 059 515	1 136 459	1 023 648
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	207 721	207 721	207 721
Retained earnings	284 993	299 056	260 313
Share-based payment reserve	4 548	–	2 496
Foreign currency translation reserve	(1 062)	(423)	(1 679)
Owners of the parent	496 200	506 354	468 851
Non-controlling interest	–	(5 327)	–
Total equity	496 200	501 027	468 851
Non-current liabilities	281 540	283 771	233 509
Interest-bearing liabilities	256 765	244 389	208 395
Deferred tax liability	16 698	25 676	17 155
Provisions	8 077	13 706	7 959
Current liabilities	281 775	351 661	321 288
Trade and other payables	253 982	304 365	284 143
Derivative liability	380	9 338	–
Interest-bearing liabilities	26 895	34 547	26 562
Current tax liability	518	3 411	835
	281 775	351 661	311 540
Liabilities directly associated with assets classified as held for sale	–	–	9 748
Total equity and liabilities	1 059 515	1 136 459	1 023 648
Ratios			
NAV per share	3,08	3,11	2,91
Tangible NAV per share	1,52	1,43	1,35

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended

	Unaudited 6 months 31 December 2018 R'000	Unaudited 6 months 31 December 2017 R'000	Audited 12 months 30 June 2018 R'000
Continuing operations			
Revenue	833 084	734 015	1 421 648
Cost of sales	(661 108)	(567 068)	(1 132 489)
Gross profit	171 976	166 947	289 159
Other income	5 920	5 789	13 988
Operating expenses	(114 465)	(123 024)	(256 469)
Impairment of trade and other receivables	(524)	(2 023)	(3 511)
Share-based payment expense	(2 052)	–	(2 496)
Operating profit before interest	60 855	47 689	40 671
Finance income	763	430	1 309
Finance cost	(14 947)	(13 476)	(29 558)
Profit before taxation	46 671	34 643	12 422
Income tax	(15 771)	(9 092)	(12 717)
(Loss)/profit from continuing operations	30 900	25 551	(295)
Discontinued operations			
Loss from discontinued operations, net of tax	232	(3 990)	(583)
(Loss)/profit	31 132	21 561	(878)
Other comprehensive (loss)/income, net of taxation Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating of foreign operations	617	274	(982)
Total comprehensive (loss)/income	31 749	21 835	(1 860)
(Loss)/profit for the year attributable to:			
Owners of the parent	31 132	23 719	1 494
Non-controlling interest	–	(2 158)	(2 372)
	31 132	21 561	(878)
Total comprehensive (loss)/income attributable to:			
Owners of parent	31 749	23 993	512
Non-controlling interest	–	(2 158)	(2 372)
	31 749	21 835	(1 860)

RECONCILIATION OF EARNINGS HEADLINE EARNINGS AND DIVIDENDS PROPOSED/PAID

	Unaudited for the period ended 31 December 2018 R'000	Unaudited for the period ended 31 December 2017 R'000	Audited for the period ended 30 June 2018 R'000
Continuing operations			
Earnings	30 900	27 709	2 077
Adjusted for:			
(Gain) from sale of property, plant and equipment (net)	(423)	(99)	(756)
(Gain) from sale of property, plant and equipment (gross)	(587)	(139)	(1 050)
(Gain) from sale of property, plant and equipment (tax)	164	40	294
Loss from sale of property, plant and equipment (net)	23	–	–
Loss from sale of property, plant and equipment (gross)	32	–	–
Loss from sale of property, plant and equipment (tax)	(9)	–	–
Impairment property, plant and equipment (gross)	–	–	2 364
Impairment goodwill (gross)	–	–	16 652
Headline earnings	30 500	27 610	20 337
Opening balance (number of shares) ('000)	161 943	161 943	161 943
Treasury share (number of shares) ('000)	(641)	(641)	(641)
Weighted average number of shares used in basic earnings per share and headline earnings per share ('000)	161 302	161 302	161 302
Dilutive shares	1 763	–	648
Weighted average number of shares used in diluted earnings per share and diluted headline earnings per share ('000)	163 065	161	162
– Earnings (basic) (cents)	19,16	17,18	1,29
– Earnings (diluted) (cents)	18,95	17,18	1,28
– Headline earnings (basic) (cents)	18,91	17,12	12,61
– Headline earnings (diluted) (cents)	18,70	17,12	12,56
Discontinued operations			
Earnings	232	(3 990)	(583)
Adjusted for:			
(Gain) from sale of property, plant and equipment (net)	–	(4)	(3)
(Gain) from sale of property, plant and equipment (gross)	–	(4)	(4)
(Gain) from sale of property, plant and equipment (tax)	–	–	1
Loss from sale of property, plant and equipment (net)	655	–	–
Loss from sale of property, plant and equipment (gross)	910	–	–
Loss from sale of property, plant and equipment (tax)	(255)	–	–
Headline earnings	887	(3 994)	(586)
Opening balance (number of shares) ('000)	161 943	161 943	161 943
Treasury share (number of shares) ('000)	(641)	(641)	(641)
Weighted average number of shares used in basic earnings per share and headline earnings per share ('000)	161 302	161 302	161 302
Dilutive shares	1 763	–	648
Weighted average number of shares used in diluted earnings per share and diluted headline earnings per share ('000)	163 065	161 302	161 950
– Earnings (basic) (cents)	0,14	(2,47)	(0,36)
– Earnings (diluted) (cents)	0,14	(2,47)	(0,36)
– Headline earnings (basic) (cents)	0,55	(2,48)	(0,36)
– Headline earnings (diluted) (cents)	0,54	(2,48)	(0,36)

	GROUP		
	Unaudited for the period ended 31 December 2018 R'000	Unaudited for the period ended 31 December 2017 R'000	Audited for the period ended 30 June 2018 R'000
Earnings	31 132	23 719	1 494
Adjusted for:			
(Gain) from sale of property, plant and equipment (net)	(423)	(103)	(759)
(Gain) from sale of property, plant and equipment (gross)	(587)	(143)	(1 054)
(Gain) from sale of property, plant and equipment (tax)	164	40	295
Loss from sale of property, plant and equipment (net)	679	–	–
Loss from sale of property, plant and equipment (gross)	943	–	–
Loss from sale of property, plant and equipment (tax)	(264)	–	–
Impairment property, plant and equipment (gross)	–	–	2 364
Impairment intangible assets and goodwill (gross)	–	–	16 652
Headline earnings	31 388	23 616	19 751
Opening balance (number of shares) ('000)	161 943	161 943	161 943
Treasury share (number of shares) ('000)	(641)	(641)	(641)
Weighted average number of shares used in basic earnings per share and headline earnings per share ('000)	161 302	161 302	161 302
Dilutive shares	1 763	–	648
Weighted average number of shares used in diluted earnings per share and diluted headline earnings per share ('000)	163 065	161 302	161 950
– Earnings (basic) (cents)	19,30	14,71	0,93
– Earnings (diluted) (cents)	19,09	14,71	0,92
– Headline earnings (basic) (cents)	19,46	14,64	12,24
– Headline earnings (diluted) (cents)	19,25	14,64	12,20
Dividends			
– Interim proposed/paid (cents)	4	4	4
– Final paid (cents)	–	–	4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended

	Stated capital R'000	Retained earnings R'000	Reserves		Non- controlling interest R'000	Total equity R'000
			Share- based payment reserve R'000	Foreign currency translation reserve R'000		
Balance at 30 June 2017 (audited)	207 721	281 778	–	(697)	(3 169)	485 633
Total comprehensive income for the year	–	23 719	–	274	(2 158)	21 835
Dividends paid	–	(6 441)	–	–	–	(6 441)
Balance at 31 December 2017 (unaudited)	207 721	299 056	–	(423)	(5 327)	501 027
Total comprehensive (loss)/income for the year	–	(22 225)	–	(1 256)	(214)	(23 695)
Share-based payment expense	–	–	2 496	–	–	2 496
Dividends paid	–	(6 478)	–	–	–	(6 478)
Acquisition of non-controlling interest	–	(10 040)	–	–	5 541	(4 499)
Balance at 30 June 2018 (audited)	207 721	260 313	2 496	(1 679)	–	468 851
Total comprehensive income for the year	–	31 132	–	617	–	31 749
Dividends paid	–	(6 452)	–	–	–	(6 452)
Share-based payment expense	–	–	2 052	–	–	2 052
Balance at 31 December 2018 (unaudited)	207 721	284 993	4 548	(1 062)	–	496 200

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

	Unaudited 6 months 31 December 2018	GROUP	
		Unaudited 6 months 31 December 2017	Audited 12 months 30 June 2018
Cash flow (utilised in)/generated from:			
Cash generated from operations	71 827	59 895	102 688
Net working capital movement	(79 042)	(46 215)	(38 446)
Operating activities	(7 215)	13 680	64 242
Net finance cost paid	(13 896)	(13 115)	(28 138)
Tax paid	(11 146)	(16 643)	(26 334)
Cash (utilised in)/generated from operations available for investment and redistribution	(32 257)	(16 078)	9 770
Dividends paid	(6 452)	(6 452)	(12 919)
Cash flow from/(utilised in) investing activities	3 538	(6 157)	(9 747)
– Investment in property, plant and equipment	(5 041)	(2 526)	(3 895)
– Investment in intangible assets	(3 071)	(3 631)	(5 852)
– Proceeds from sale of assets and liabilities held for sale	11 650	–	–
Cash flow from/(utilised in) financing activities	48 703	33 244	(14 486)
– Interest-bearing liabilities raised	62 823	43 244	10 537
– Interest-bearing liabilities repaid	(14 120)	(10 000)	(20 523)
– Minority buy-outs	–	–	(4 500)
Cash generated/(deficit) for the period	13 532	4 557	(27 382)
Effects of exchange rate fluctuations on translation of foreign operations	615	273	(1 440)
Cash and cash equivalents			
– Beginning of the period	43 148	71 970	71 970
– End of the period	57 295	76 800	43 148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING AND PREPARATION

1.1 INTRODUCTION

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for reports and the requirements of the Companies Act of South Africa. The Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of 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 interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated audited financial statements, except for the changes noted 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 R2,0 million (Jun 2018: R3,5 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 2017 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 2017 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 unaudited condensed consolidated interim financial statements for the period ended 31 December 2018 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 4 March 2019.

3. SEGMENT REPORT

Segmental analysis for the year ended 31 December 2018

	Agri-culture	Food	Chemicals	Colour	Water	Other	Total (continuing)	Dis-continued (Silica)	Total
	Dec 2018	Dec 2018	Dec 2018	Dec 2018	Dec 2018	Dec 2018	Dec 2018	Dec 2018	Dec 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total revenue	167 062	395 568	221 502	43 883	20 138	18 258	866 411	-	866 411
- External revenue	165 405	390 082	197 885	41 395	20 059	18 258	833 084	-	833 084
- Inter-segment revenue	1 657	5 486	23 617	2 488	79	-	33 327	-	33 327
Gross profit	49 256	61 519	39 547	7 158	12 905	1 591	171 976	-	171 976
EBITDA	20 366	39 659	21 179	1 706	800	(13 962)	69 748	(25)	69 723
HEPS adjustments	255	(18)	147	(14)	177	8	555	(910)	(355)
Depreciation and amortisation	(3 144)	(788)	(643)	(509)	(953)	(1 357)	(7 394)	-	(7 394)
Share-based payment expense	-	-	-	-	-	(2 052)	(2 052)	-	(2 052)
PBIT	17 477	38 853	20 683	1 183	24	(17 363)	60 857	(935)	59 922
Total assets	324 543	440 996	162 463	54 654	37 431	37 500	1 057 587	1 928	1 059 515
Total liabilities	(65 674)	(143 240)	(69 901)	(10 922)	(11 657)	(261 563)	(562 957)	(358)	(563 315)
NAV	258 869	297 756	92 562	43 732	25 774	(224 063)	494 630	1 570	496 200
Inventories	97 804	157 145	56 311	24 667	3 789	(1 129)	338 587	-	338 587
Trade receivables	65 969	143 297	59 226	15 209	6 210	6 882	296 793	416	297 209
Trade payables	(46 328)	(136 104)	(56 260)	(8 321)	(8 959)	23 323	(232 649)	(176)	(232 825)
Net working capital	117 445	164 338	59 277	31 555	1 040	29 076	402 731	240	402 971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. SEGMENT REPORT continued

Segmental analysis for the year ended 31 December 2017

	Agri- culture Dec 2017 R'000	Food Dec 2017 R'000	Chemicals Dec 2017 R'000	Colour Dec 2017 R'000	Water Dec 2017 R'000	Other Dec 2017 R'000	Total (continuing) Dec 2017 R'000	Dis- continued (Silica) Dec 2017 R'000	Total Dec 2017 R'000
Total revenue	164 301	348 187	192 431	36 757	24 046	15 537	781 259	1 263	782 522
– External revenue	160 859	336 761	167 582	31 857	21 419	15 537	734 015	1 263	735 278
– Inter-segment revenue	3 442	11 426	24 849	4 900	2 627	–	47 244	–	47 244
Gross profit/(loss)	48 292	62 437	38 419	3 760	11 899	2 139	166 946	(2 327)	164 619
EBITDA	22 386	39 152	21 223	(3 483)	(4 897)	(20 554)	53 827	(4 149)	49 678
HEPS adjustments	–	(64)	–	125	79	–	140	4	144
Depreciation and amortisation	(2 853)	(411)	(701)	(654)	(1 030)	(628)	(6 277)	(645)	(6 922)
IFRS 2 expense	–	–	–	–	–	–	–	–	–
PBIT	19 533	38 677	20 522	(4 012)	(5 848)	(21 182)	47 690	(4 790)	42 900
Total assets	337 986	414 241	180 758	69 498	54 715	58 230	1 115 428	21 031	1 136 459
Total liabilities	(105 293)	(137 525)	(90 872)	(18 919)	(18 340)	(247 382)	(618 331)	(17 101)	(635 432)
NAV	232 693	276 716	89 886	50 579	36 375	(189 152)	497 097	3 930	501 027
Inventories	100 018	139 189	61 124	32 379	4 244	3 871	340 825	10 537	351 362
Trade receivables	80 850	133 463	70 783	11 012	11 356	(18 339)	289 125	657	289 782
Trade payables	(74 913)	(124 423)	(78 755)	(16 446)	(7 380)	32 293	(269 624)	(1 557)	(271 181)
Net working capital	105 955	148 229	53 152	26 945	8 220	17 825	360 326	9 637	369 963

3. SEGMENT REPORT continued

Segmental analysis for the year ended 30 June 2018

	Agri- culture Jun 2018 R'000	Food Jun 2018 R'000	Chemicals Jun 2018 R'000	Colour Jun 2018 R'000	Water Jun 2018 R'000	Other Jun 2018 R'000	Total (continuing) Jun 2018 R'000	Dis- continued (Silica) Jun 2018 R'000	Total Jun 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	39 812	29 900	1 421 647	1 307	1 422 954
– Inter-segment revenue	9 308	16 329	40 891	11 469	2 132	–	80 129	–	80 129
Gross profit	67 080	110 217	77 609	7 928	22 758	3 568	289 160	–	289 160
EBITDA	18 029	64 171	39 918	(3 700)	(7 628)	(35 265)	75 525	(77)	75 448
HEPS adjustments	(714)	(76)	(83)	(5 621)	(5 328)	(6 144)	(17 966)	4	(17 962)
Depreciation and amortisation	(6 353)	(1 192)	(1 386)	(1 386)	(2 300)	(1 775)	(14 392)	(753)	(15 145)
IFRS 2 expense	(317)	(319)	(476)	–	(239)	(1 145)	(2 496)	–	(2 496)
PBIT	10 645	62 584	37 973	(10 707)	(15 495)	(44 329)	40 671	(826)	39 845
Total assets	276 479	383 922	198 724	52 851	39 882	50 978	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	101 944	45 520	28 655	(178 735)	459 709	9 142	468 851
Inventories	82 430	127 288	86 306	29 790	3 726	5 198	334 738	–	334 738
Trade receivables	45 721	111 506	58 677	11 629	6 162	(289)	233 406	638	234 044
Trade payables	(35 872)	(129 510)	(82 021)	(4 632)	(5 355)	8 285	(249 105)	(716)	(249 821)
Net working capital	92 278	109 284	62 962	36 787	4 533	13 194	319 039	(78)	318 961

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.

Revenue per region for the period ended 31 December 2018

	Agricultural Dec 2018 R'000	Food Dec 2018 R'000	Chemicals Dec 2018 R'000	Colour Dec 2018 R'000	Water Dec 2018 R'000	Other Dec 2018 R'000	Continuing operations Dec 2018 R'000
South Africa	153 541	353 241	212 375	41 753	20 138	–	781 048
Africa	5 222	42 327	9 127	2 130	–	18 258	77 064
International	8 299	–	–	–	–	–	8 299
Total (gross)	167 062	395 568	221 502	43 883	20 138	18 258	866 411
– Inter-segment revenue	1 657	5 486	23 617	2 488	79	–	33 327
– External revenue	165 405	390 082	197 885	41 395	20 059	18 258	833 084

Revenue per regions for the year ended 31 December 2017

	Agricultural Dec 2017 R'000	Food Dec 2017 R'000	Chemicals Dec 2017 R'000	Colour Dec 2017 R'000	Water Dec 2017 R'000	Other Dec 2017 R'000	Continuing operations Dec 2017 R'000
South Africa	139 988	311 103	179 513	32 968	22 016	–	685 588
Africa	11 927	37 084	12 918	3 208	2 030	15 537	82 704
International	12 386	–	–	581	–	–	12 967
Total (gross)	164 301	348 187	192 431	36 757	24 046	15 537	781 259
– Inter-segment revenue	3 442	11 426	24 849	4 900	2 627	–	47 244
– External revenue	160 859	336 761	167 582	31 857	21 419	15 537	734 015

4. REVENUE continued

Revenue per regions for the year ended 30 June 2018

	Agricultural Jun 2018 R'000	Food Jun 2018 R'000	Chemicals Jun 2018 R'000	Colour Jun 2018 R'000	Water Jun 2018 R'000	Other Jun 2018 R'000	Continuing operations Jun 2018 R'000
South-Africa	243 509	598 297	369 511	64 905	40 011	–	1 316 233
Africa	18 302	74 811	26 673	8 019	1 933	29 900	159 638
International	23 999	–	117	1 789	–	–	25 905
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	2 132	–	80 129
– External revenue	276 502	656 779	355 410	63 244	39 812	29 900	1 421 647

Revenue (timing of recognition) for the period ended 31 December 2018

	Agricultural Dec 2018 R'000	Food Dec 2018 R'000	Chemicals Dec 2018 R'000	Colour Dec 2018 R'000	Water Dec 2018 R'000	Other Dec 2018 R'000	Continuing operations Group Dec 2018 R'000
At a point in time	167 062	395 568	221 502	43 883	–	18 258	846 273
Over a period	–	–	–	–	20 138	–	20 138
Total	167 062	395 568	221 502	43 883	20 138	18 258	866 411
– Inter-segment revenue	1 657	5 486	23 617	2 488	79	–	33 327
– External revenue	165 405	390 082	197 885	41 395	20 059	18 258	833 084

Revenue (timing of recognition) for the period 31 December 2017

	Agricultural Dec 2017 R'000	Food Dec 2017 R'000	Chemicals Dec 2017 R'000	Colour Dec 2017 R'000	Water Dec 2017 R'000	Other Dec 2017 R'000	Continuing operations Group Dec 2017 R'000
At a point in time	164 301	348 187	192 431	36 757	–	15 537	757 213
Over a period	–	–	–	–	24 046	–	24 046
Total	164 301	348 186	192 431	36 757	24 046	15 537	781 259
– Inter-segment revenue	3 442	11 426	24 849	4 900	2 627	–	47 244
– External revenue	160 859	336 761	167 582	31 857	21 419	15 537	734 015

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

	Agricultural Jun 2018 R'000	Food Jun 2018 R'000	Chemicals Jun 2018 R'000	Colour Jun 2018 R'000	Water Jun 2018 R'000	Other Jun 2018 R'000	Group Jun 2018 R'000
At a point in time	285 810	673 108	396 301	74 713	–	29 900	1 459 832
Over a period	–	–	–	–	41 944	–	41 944
Total	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	2 132	–	80 129
– External revenue	276 502	656 779	355 410	63 244	39 812	29 900	1 421 647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. 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.

6. SUBSEQUENT EVENTS

Cash dividend declaration

In accordance with Board policy to review dividend payments to shareholders at the end of each reporting period, notice is hereby given that the Board declared an interim gross cash dividend of 4 cents per ordinary share for year ended 31 December 2018. The dividend will be payable to shareholders recorded in the register of the Company at the close of business on the record date appearing below.

The number of ordinary shares in issue at the date of this declaration is 161 942 800 (which includes 641 332 treasury shares)..

The salient dates applicable to the final dividend are as follows:

Declaration date	Monday, 4 March 2019
Last date to trade cum dividend	Tuesday, 2 April 2019
Shares commence trading ex-dividend	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

In accordance with paragraphs 11.17(c)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The local dividend tax rate is 20%;
- The dividends will be paid from cash reserves;
- The gross dividend to be used in determining the dividend tax is 4 cents per ordinary share;
- The dividend tax to be withheld by the Company is equal to 0,8 cents per ordinary share;
- The gross dividend amount is 4 cents per ordinary share for shareholders exempt from dividend tax;
- The net dividend amount is 3,2 cents per ordinary share for shareholders not exempt from dividend tax; and
- Rolfes Holdings Limited's income tax reference number is 9492/089/14/0.

Where applicable, payment in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, payment cheques will be posted to certificated shareholders at their risk on the payment date. Shareholders who have dematerialised their shares will have their accounts at their Central Securities Depository Participant or broker credited on the payment date.

No share certificates may be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019 both days inclusive.

There are no additional material events, other than those reported in this announcement, that have occurred between 31 December 2018 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 prepared to illustrate what the normalised gross margin, normalised operating profit from continuing operations and normalised headline earnings per share or each of the years ended 30 June 2018 and 31 December 2017 would have looked like had non-recurring items, once-off costs and adjustments detailed in the table below not been incurred. The directors believe the normalised financial information will assist stakeholders in determining the sustainable gross margin, operating profit and headline earnings per share of the Group going forward.

BASIS OF PREPARATION

Normalised headline earnings are defined as headline earnings from continuing operations excluding non-recurring items, once-off costs, impairments and adjustments 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.

For the sake of completeness the below table and explanations presents the normalised adjustments in the comparative period and the year ending 30 June 2018.

ANNEXURE A NORMALISED EARNINGS continued

Normalised headline earnings per share

	31 December 2018 R'000	31 December 2017 R'000	30 June 2018 R'000
Continuing operations			
Headline earnings	30 500	27 710	20 337
Adjusted for the before tax effect non-recurring other costs			
Excess audit fee ^{1†}	–	3 000	3 000
Staff incentives and settlements ^{1^}	–	9 486	9 486
Inventory-related impairments ²⁰	–	5 091	21 632
Site clean-up ^{1#}	–	1 442	6 268
Non-recurring Group costs ^{1*}	–	–	4 010
Provision for claim ^{1‡}	–	–	5 000
Total tax effect	–	(7 396)	(14 501)
Total after tax effect	–	11 623	34 895
Normalised headline earnings	30 500	39 333	55 232
Normalised headline earnings per share	18,91	24,32	34,68

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.

⁰ 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.

Headline earnings, normalised headline earnings per share

	31 December 2018 R'000	31 December 2017 R'000	30 June 2018 R'000
Continuing operations			
Continuing operations			
– Headline earnings (basic) (cents)	18,91	17,12	12,61
– Headline earnings (diluted) (cents)	18,70	17,12	12,56
– Normalised headline earnings (basic) (cents)	18,91	24,32	34,68
– Normalised headline earnings (diluted) (cents)	18,70	24,32	34,64

Reconciliation of the normalised item per segment and split between cost of sales and operating expenses

December 2018

In the current period no items have been classified as adjustable for normalised earnings.

December 2017

	Revenue R'000	Gross profit per segmental report R'000	Normalised gross profit adjustments R'000	Normalised gross profit R'000	Operating expenses R'000	Normalised operating expense adjustments R'000	HEPS adjustments before tax R'000	HEPS adjusted normalised PBIT R'000
Agriculture	164 301	48 292	—	48 292	(28 760)	727	—	20 260
Food Chemicals	348 186	62 437	—	62 437	(23 760)	3 661	(64)	42 274
Chemicals	192 431	38 419	—	38 419	(17 896)	(1 021)	—	19 501
Colour	36 757	3 760	5 091	8 851	(7 772)	211	125	1 415
Water	24 046	11 899	—	11 899	(17 747)	472	79	(5 297)
Other	15 537	2 139	—	2 139	(23 321)	9 878	—	(11 304)
Revenue elimination	(47 244)	—	—	—	—	—	—	—
Share-based payment expense	—	—	—	—	—	—	—	—
Continuing operations	734 014	166 946	5 091	172 037	(119 256)	13 928	140	66 849

June 2018

	Revenue R'000	Gross profit per segmental report R'000	Normalised gross profit adjustments R'000	Normalised gross profit R'000	Operating expenses R'000	Normalised operating expense adjustments R'000	HEPS adjustments 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

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52 Corlett Drive, Illovo, 2196

TRANSFER SECRETARIES

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DIRECTORS

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* Non-executive # Independent

COMPANY SECRETARY

CorpStat Governance Services Proprietary Limited

PREPARED BY

RM Buttle and AP Broodryk

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