



AAF

2023

Acorn Agri & Food
Annual Report

Performance

AAF

- Net asset value increased with 11% to R25.77 per share
- Important to note that AAF has changed its reporting to that of a Investment Entity from 28 February 2023
- Both Grassroots and AgVentures were sold through management buyouts at attractive valuations. The investment in Grassroots realised an internal rate of return of 20.6% since amalgamation
- Approximately 11 million company shares have been purchased or repurchased by AAF Invest and AAF for the period under review in line with our strategic repurchase programme
- Realisation of unproductive capital in ACG Fruit will take longer than anticipated due to the lack of interest in this asset class following widespread industry losses in the local market and a poor economic climate

Moov Fuel Group

- Moov Fuel Group achieved growth of 33% to EBITDA of R193 million
- Branded marketer of the year as awarded by Astron Energy
- HSSE distributor of the year as awarded by Shell
- Managed to increase volumes by 13%
- Investment in Bachmus Oil & Fuel has far exceeded our expectations and has grown its EBITDA by a spectacular 75% year-on-year

Kyron Group

- Kyron Group achieved growth of 7% to EBITDA of R169 million
- Valuation increase of 38% due to financial outperformance
- Successfully implemented a bolt-on acquisition with a 55% stake in AniPharm (Pty) Ltd for R6.5 million and further R10 million capital invested for expansion and export opportunities
- Voluntarily reduced debt by R20 million post year-end (cumulative debt repayments of R74 million since acquisition on 1 December 2021)

Overberg Agri Group

- Overberg Agri Group proved resilient, despite low rainfall and low grain intake recorded in the customer area over the past year, with an EBITDA of R182 million
- R581 million available cash and facilities at year-end
- Overberg Agri is debt free (apart from the debtors financing facility)

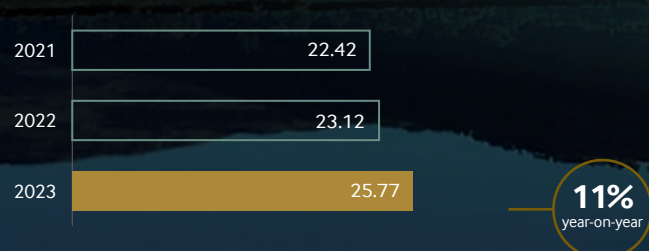
ACG Fruit Group

- There was a material drop in the demand for farms due to weak performance in FY2023 as the industry experienced significant challenges for the third year
- Challenging 2022 citrus season: Although we achieved a record citrus harvest in Limpopo with 740 000 export cartons packed, the increase in costs and softer prices, combined with challenging exchange rates and logistical bottlenecks, resulted in losses
- Challenging 2022 (all areas) and 2023 (Northern Cape) table grape seasons with low prices, high input costs, and low berry weights impacting volume. Promising results from our 2023 Western Cape grape harvest with record pack outs of over 1.1 million cartons.

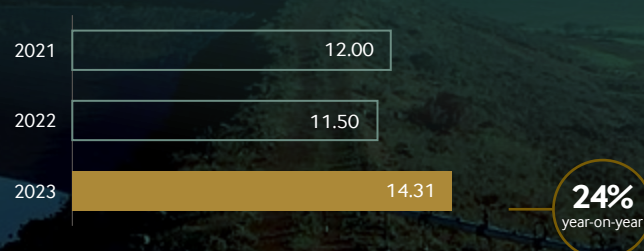
All references made to EBITDA, in this report, exclude capital items (and equates to operating profit before capital items as referenced in the annual financial statements).

Financial highlights

Net asset value per share (Rand per share)



Share price (Rand per share)



Shares in issue (Net of treasury shares)



Dividend per share (Rand)



Change to Investment Entity Status

With effect from 28 February 2023, Acorn Agri & Food ("AAF" and "the company") changed its status to that of an investment entity as defined in IFRS 10 *Consolidated Financial Statements* and detailed on page 15 of the accounting policies of our annual financial statements. Such change required the company to cease consolidating its subsidiaries (other than those providing services related to the company's investment activities) as of 28 February 2023 and instead carry such subsidiary investments at fair value, with subsequent changes in fair value being recognised in profit or loss.

Contents

<i>Performance</i>	1	
<i>Contents & Scope and Boundary</i>	2	
<i>Our investments</i>	4	
<i>About AAF</i>	6	
<i>Chairperson's statement</i>	8	
<i>Fund managers report</i>	10	
Who is the fund manager?	10	
Portfolio Summary	11	
Responsibility	11	
Outlook for 2024	17	
<i>Portfolio performance</i>	18	
Overberg Agri Bedrywe	18	
Kyron Group	19	
Moov Fuel	20	
ACG Fruit	21	
Bachmus Oil & Fuel	22	
P&B Lime Works	22	
Overberg Wealth & Risk Management	23	
Overberg Meat	23	
Lesotho Milling Company	24	
Boltfast	24	
Montagu Dried Fruits and Nuts	25	
<i>Financial summary</i>	26	
Statements of financial position	26	
Statements of profit and loss	27	
Statements of changes in equity	28	
Statements of cash flows	29	
Overview of investments held through profit and loss with key assumptions and value drivers	30	
<i>Environmental, Social and Governance</i>	31	
Environmental, social and governance	31	
Remuneration Report	37	
<i>Shareholders Information</i>	39	

For more information, please see our website:

- Remuneration and implementation report
- Audited consolidated financial statements



About this report

Scope and boundary

This report covers the performance of AAF and its investments for the year ended 28 February 2023. It provides our key stakeholders with material information relating to our business, strategy, performance, governance and prospects. Throughout this report, short-term is defined as less than 12 months, medium-term as one to three years, and long-term as beyond three years. Extracts from the consolidated financial results are published in the annual report, with the audited consolidated annual financial statements available on the website at www.acornagri.co.za/financial-information.

Independent assurance

The consolidated annual financial statements were prepared following International Financial Reporting Standards (IFRS) and the Companies Act. They were externally assured by the company's external auditor, PricewaterhouseCoopers Inc. (PwC), who expressed an unmodified opinion thereon. The financial information that appears in the annual report is extracted from the audited consolidated annual financial statements. AAF's auditors has not provided assurance or commented on the prospects set out in this annual report.

Approval of the board

The annual report was reviewed by the board and executive team. The company's board further acknowledges responsibility for the integrity of the annual report. The Audit and risk committee, responsible for oversight of the annual report, recommended the report to the board for approval. In the board's opinion, the annual report is a fair, balanced and unprejudiced representation of the business's integrated performance, strategy, governance processes, material matters and future prospects over the short, medium and long term. Accordingly, the board approved the 2023 annual report on 29 May 2023 for publication.

Douw de Kock
Chairperson

Pierre Malan
Chief executive officer

Feedback

We value your feedback to improve our annual report.

Kindly direct any comments or suggestions to:

Email: investors@qaafservices.co.za Tel: 021 852 2887

Our investments

We invest in companies that support food security

Overberg Agri (100%)

Fair Value of our investment: R963 million

Supplier of agricultural inputs and services, grain and business partner of choice.



R8.06

Kyron Group (100%)

Fair value of our investment: R675 million

Leading animal health business.



R5.65

Moov Fuel (69%)

Fair value of our investment: R415 million

Supplying and delivering the highest quality fuel, lubricant and liquefied petroleum gas (LPG) products.



R3.47

Bachmus Oil & Fuel (35%)

Fair value of our investment: R82 million

Specialises in supplying various lubricants, oils and hydraulics for multiple applications in the industrial, mining, marine, agriculture, automotive, manufacturing, energy and construction industries.



R0.69

ACG Fruit (100%)

Fair value of our investment: R441 million

Primary producer of table grapes and citrus in Limpopo, Northern Cape and Western Cape for export markets.

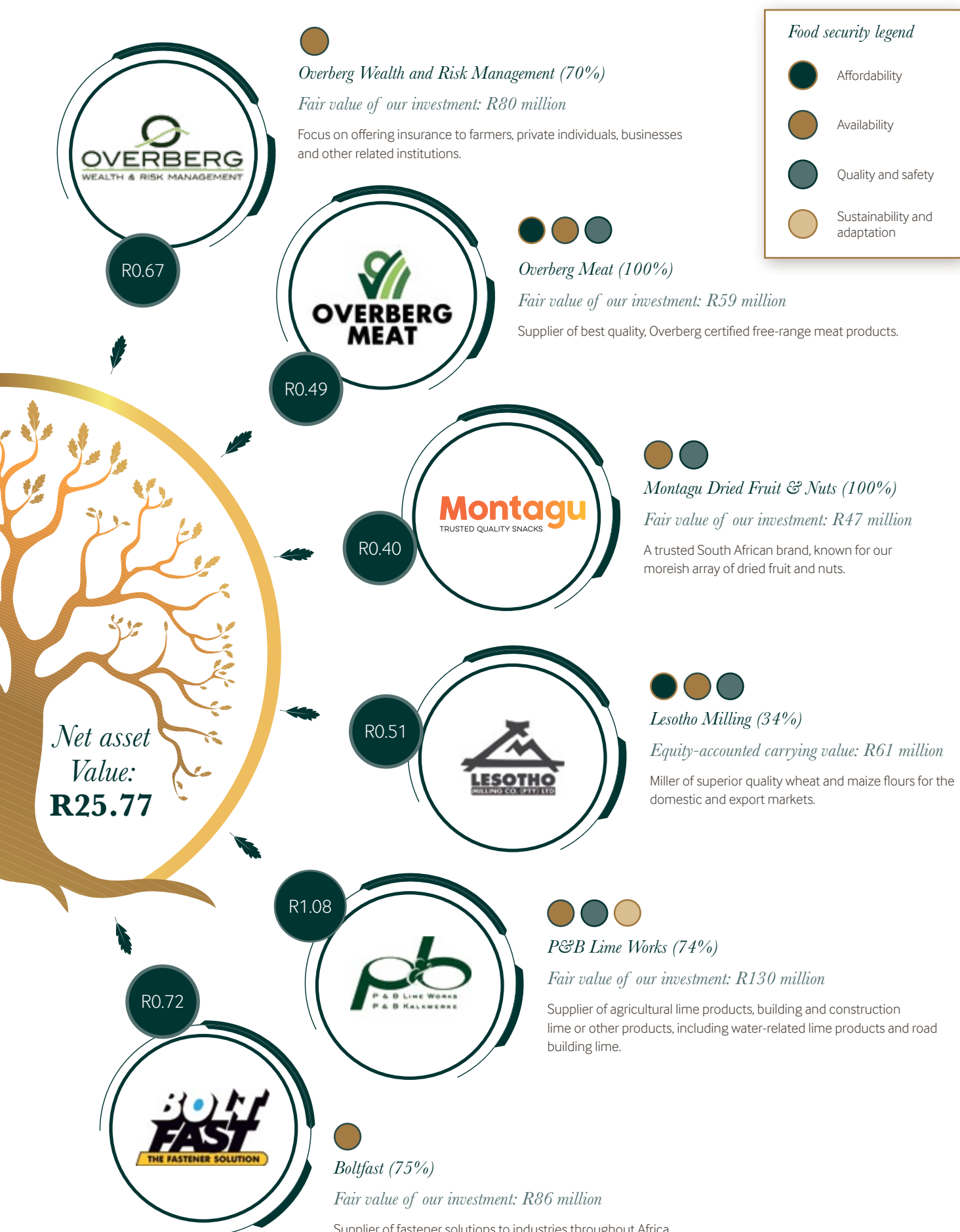


R3.69

Share Price:
R14.31

Note: For more information regarding the valuations and valuation methodology refer to section Overview of investments held through profit and loss on page 30.





Corporate items (Cash and cash equivalents, Accounts receivable and loan receivables, and Other) equate to R0.34 per share.

About AAF

AAF is an investment vehicle that invests in companies that support food security – “Growing the Future”. Our capital is deployed and used to support and secure available, affordable, quality and sustainable food on the continent. AAF is managed by a Fund Manager, Acorn Venture Partners (Pty) Ltd (AVP) (qualified as a black Fund Manager in terms of the B-BBEE codes).

With effect on 28 February 2023, AAF’s status changed to that of an investment entity as defined in IFRS 10 *Consolidated Financial Statements* and detailed on page 15 of the accounting policies of our annual financial statements. The change in investment entity status resulted in a gain of R298 million recognised in the statement of profit or loss.

Our purpose

Is to support a transformed business landscape that has a positive impact on ensuring long-term sustainable food security for Southern Africa.

Growing the future

Our Values



Trusted Relationships: We are committed to building strong relationships with all our stakeholders.



Supportive Nature: We strive to be the solid foundation upon which others can grow their potential.



Transparency: We believe that honesty and transparency is the best policy to create trust.



Fairness: We treat others justly and without discrimination.

Passion: We are passionate about our business, its purpose and its people.

Strategy

Our investment strategy is based on three strategic pillars in order to maximise shareholder value:

Partnership, Optimisation and Growth

At AAF, we aim to maximise shareholder value through our investment strategy which is built on these three strategic pillars. Our approach is to invest in companies with strong management teams, potential for growth and sustainable competitive advantages. We work closely with the management teams to create long-term value by implementing strategic and operational improvements.

Food security

What is food security to us?

Food security is creating and supporting an environment where all people, at all times, have physical and economic access to sufficient, safe and nutritious food.

It is not just about food

Creating a sustainable food economy is not only about the food itself. It is a combination of factors, including how food is produced, packaged, distributed, and consumed. This includes caring for and upholding livestock and crops and supporting the local and regional economies that offer jobs.

Based on the Global Food Security Index, South Africa ranked 59th of the 113 countries included in the study, eight ranks lower than 2021. The two main drivers for this decrease are the insufficiency of food supply (Availability), and the nutritional standards of food (Quality and Safety). The opportunity is even greater in Sub-Saharan Africa, as the Global Food Security Index found it the least food-secure region globally. Concerns surrounding the availability of affordable food are paramount for the region: a high percentage of the population is under the global poverty line, and food safety-net programmes are underprovided.

What is our role?

We see an opportunity to be part of the solution to secure food security in South Africa. We aim to do this by investing in and growing companies that solve and assist this need to ensure that all South Africans have access to safe and nutritional food.

We critically evaluated our investment portfolio using the Economist’s Global Food Security Index scoring system. As seen in our Food Security Matrix below, we contribute to each of the pillars listed. Our two greatest contributions to food security are Availability, Quality, and Safety.



Food security matrix and our investments

Most significant contributions to food security:

	AFFORDABILITY	AVAILABILITY	QUALITY AND SAFETY	SUSTAINABILITY AND ADAPTATION
Overberg Agri		Overberg Agri provides access to crop storage facilities and other agricultural inputs and services.	Overberg Agri ensures that grain and grain products can be stored safely.	
Overberg Wealth & Risk Management		Overberg Wealth & Risk Management provides farmers access to various financial products.		
Moov Fuel & Bachmus		Moov Fuel's vehicle fleet and fuel supply contribute to supply chain infrastructure.		
Kyron Group		Kyron plays a critical role in ensuring animal health, resulting in less livestock loss to diseases.	Kyron provides medication for both the production and companion animal health markets, ensuring safer meat for customers.	Kyron plays a critical role in ensuring animal health, resulting in less livestock loss to diseases.
ACG Fruit	ACG Fruits sell its products locally and to export markets which allows for competitive pricing.	ACG Fruits is directly involved in producing and packing table grapes and citrus.	ACG Fruit ensures they meet the required safety standards set by the Global GAP, SIZA and BRCGS guidelines by successfully passing the required audits.	
P&B Lime Works		P&B Decarb Lime removes CO ₂ from the air and allows fresh produce to be stored for longer.	Lime products are used in water purification processes, assisting in the supply of clean and safe water. P&B Lime Works is ISO 9001:2015 certified.	Calim is a product that helps control the spread of foot-and-mouth diseases, making it a valuable tool for disaster risk management.
Boltfast		Boltfast produces products used in the agricultural industry, supplying bolts and fasteners used in agricultural equipment and infrastructure.		
Overberg Meat	As a supplier of meat, Overberg Meat ensures that prices remain competitive in the meat industry.	Overberg Meat is a supplier of red meat products, ensuring the availability of a quality protein source.	Overberg Meat adheres to the Meat Safety Act and the FSA Audit Standards include ISO 22000, BRC, IFS, SANS 10330 and SANS 10049. Moreover, employees are trained by the Red Meat Abattoir Association.	
Montagu Dried Fruit & Nuts		Montagu Snacks is a leading supplier of healthier snack products in South Africa.	Montagu Snacks' packaging facility is FSSC 22000 accredited and is audited annually by SGS ensuring food safety standards and processes are met.	
Lesotho Milling	As a supplier of wheat and grains, Lesotho Milling ensures that prices remain competitive in the market.	Lesotho Milling produces and supplies wheat and maize flour to local and export markets.	Lesotho Milling has a food safety management system in its ninth year of ISO 22000:2005 certification. This ensures the produce meets all health standards, providing the customers with safe and nutritional products.	

Chairman's statement



“Over the last year, AAF has undergone significant changes to ensure we continue to make progress in delivering value to our shareholders and support the sustainable growth of our investments, ensuring all stakeholders reap the benefits.”

Douw de Kock

Year in review

Over the last year, AAF has undergone significant changes to ensure we continue to make progress in delivering value to our shareholders and support the sustainable growth of our investments, ensuring all stakeholders reap the benefits. We are enthusiastic about our portfolio's opportunities and passionate about the difference we can make in supporting food security on this continent.

We have made significant progress with our shorter-term priority to ensure our capital is optimally deployed by realising our non-strategic assets, such as the disposal of AgVentures and Grassroots during the current financial year. However, given the significant headwinds faced by the fruit industry, we have encountered challenges regarding the disposal of our primary agricultural assets.

As further discussed in the Fund Manager's report on page 10:

- Our animal health business, Kyron Group, has delivered a strong operational performance with EBITDA growth of 7% to R169 million for the year ended 28 February 2023, driven by new product registrations performing well and gains in market share.
- Overberg Agri is benefiting from good agronomic conditions and has also delivered strong performance with an EBITDA of R163 million for the year.
- Moov Fuel, which acquired a controlling stake in Bachmus Oil & Fuel during the prior financial year, reports record growth driven by an increase in market share and volume growth but was hampered by operational costs that could not be passed through. Moov Fuel Group reported EBITDA of R193 million for the financial year (increase of 33%).

- Unfortunately, our investment in ACG Fruit continues to impact AAF's performance negatively. This sector continues to suffer unprecedented challenges regarding volume impact on the back of primary agricultural risks such as rainfall, temperature and fruit development impacting berry weights. These factors were exacerbated by logistical challenges, high input costs of agricultural inputs and packaging materials, and a significant decrease in prices obtained from the European and United Kingdom markets due to the Russia-Ukraine conflict.
- Our investments in P&B Lime Works, Montagu Dried Fruit and Nuts and Boltfast have been more vulnerable to the current load shedding crisis, with the subdued consumer environments and high energy costs negatively impacting their results.

AAF's change to investment entity status

After extensive engagement with stakeholders during 2022 and implementing the changes referred to in our communication to shareholders last year, we are excited about our portfolio's potential. AAF has realigned its structure as a conglomerate to that of an investment vehicle with a greater focus on capital allocation, per share growth and operating at a lower cost structure. Furthermore, AAF will be purposed for supporting food security within Southern Africa and will continually evaluate its current investment portfolio, and future opportunities, using this criterion.

In line with this new strategy, AAF has entered into a new fund management agreement with Acorn Venture Partners, a majority black-owned Fund Manager.



Changes to the board and committees

On 7 December 2022, Cobus Visser voluntarily resigned from his position as chairperson of the board and was elected the new vice chairperson. AAF wishes to express its gratitude for Cobus's dedicated service as chairperson. I was subsequently elected as the new chairperson.

Andre Uys relinquished his role as CEO on 1 November 2022. He will continue to serve as a non-executive director on the board of various AAF portfolio companies, including chairperson of Overberg Agri. Pierre Malan, a former executive director of AAF, has been appointed as the new CEO of AAF. Furthermore, Carl Neethling stepped down as chief investment officer on 13 October 2022 to pursue other business opportunities. Louw Coetzer, former AAF COO, retired on 1 November 2022 but will remain available to AAF to support strategic projects. Johan van der Merwe resigned as a non-executive director and Johan van Zyl was appointed as the African Rainbow Capital appointed board member. I want to thank these gentlemen for their contributions to AAF over the years. Their guidance, input and support of AAF 2.0 are valued greatly.

Share performance

AAF's reported NAV on 28 February 2023 amounts to R25.77 per share. The Portfolio performance section of this annual report provides an overview of our investment portfolio, including detailed company information and summarised results, other than information on their respective fair values in the annual financial statements available on the company's website.

Throughout the year, the share price moved between R10 (low) and R15 (high) and trading of AAF's shares remained thin at 1.09% of shares in issue (excluding shares repurchased and off-the-market transactions).

We remain committed to unlocking shareholder value via the redeployment of capital, as explained in the Fund Manager's report on page 10. The board successfully concluded a share repurchase programme as communicated to the shareholders in January and February 2023. The total number of company shares repurchased and purchased by AAF Invest as part of this programme was 8 578 638, valued at R122.6 million. In addition, AAF shares were received as part of the disposal of AgVentures.

Environmental, social and governance (ESG) considerations

Our commitment is to effect change for the better and provide positive influence where we do business. Sustainability, social responsibility, integrity and ethics are integral to our everyday activities. Our investments have similar long-standing commitments to these values. The Environmental, Social and Governance section of this annual report sets out further information and initiatives on these aspects, found on page 31.

AGM

The annual general meeting of shareholders will be held at Arabella, Kleinmond on 19 June 2023 (the AGM). The Notice of the AGM is available on our website and has also been distributed separately to all shareholders.

Appreciation

I sincerely thank our portfolio companies' and fund management teams for their courage and venerable leadership through a turbulent time. We appreciate our board members, whose direction and tireless efforts have been instrumental in the company's progress.

On behalf of the board, I would like to express our appreciation to our stakeholders, including employees, shareholders, partners, valued customers, and suppliers. Our constant endeavour at AAF is to create value for you and serve you to the best of our abilities. We express our gratitude for the ongoing support you have extended to us.

Douw de Kock
Chairperson

Fund manager's report

1. Who is the Fund Manager?

With the termination of Acorn Private Equity's fund management agreement on 15 October 2022, the company has contracted Acorn Venture Partners (AVP) as the investment adviser of the company and its portfolio companies, effective 1 February 2023, governed by the investment management agreement.

AVP is a majority black-owned Fund Manager. African Rainbow Capital (ARC) indirectly owns 51% and the executive directors and investment management team own 49%. AVP's active participation includes representation on the board of directors, continuous analysis and monitoring of performance, corporate restructuring, optimisation initiatives, acquisitions, disposals, third-party financing and assistance with legal and financial issues, among others. The board of AAF approved a formal approvals framework to govern the relationship between the Fund Manager and the independent board. More details are contained in the Environmental, social and governance section.

The Investment Committee of AAF investigates potential investment opportunities and recommends them to the company's board and relevant portfolio company boards. As representatives of the Fund Manager, Pierre Malan, Andries Geertsema and Jacques Pienaar will serve as members of the Investment Committee alongside Robert Goff, Charmaine Padayachy and Temba Mvusi.

As of the reporting date, shareholders or affiliates to the shareholders of AVP collectively own 16.8% of AAF's ordinary shares.

AVP/ARC members represented on the AAF board:

Pierre Malan (CEO) is a qualified chartered accountant with extensive private equity experience in Southern Africa. Pierre has a rich network within the industry and serves on several portfolio boards and not-for-profit company boards. Pierre has an 11-year history at PSG Group, holding several CEO and board roles.

Dr. Johan van Zyl holds a PhD (Economics) and a D.Sc (Agric). Johan is the co-CEO of African Rainbow Capital and the CEO of Ubuntu Botho Investments. He was previously the CEO of Sanlam for 12 years.

Andries Geertsema (CFO) served as the CFO of AAF for the last three years. He is a qualified chartered accountant with over 14 years of experience at PwC. Andries serves on several of AAF's portfolio company boards.

Robert Goff (chairman of AVP) holds a BA degree and a BProc degree from the University of the Western Cape and has over 35 years of experience in Human Resources Management. He served as the HR Executive for Sub-Sahara Africa at Motorola International and spent 14 years as the chief executive of human resources for Sanlam Personal Finance. Furthermore, he has been the HR Executive at African Rainbow Capital since 2019.

Other AVP members:

Temba Mvusi (chair of the investment committee) holds a diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP and PDP. Temba is a non-executive director of Sanlam Investment Management and Sanlam Investment Holdings. Temba is also a former CEO of Group Market Development at Sanlam Ltd.

Charmaine Padayachy is a qualified chartered accountant with a master's degree in financial management and has over 20 years of broad financial services experience in various sectors and spheres. These include general investing, private equity, leveraged finance and venture capital across Sub-Saharan Africa, South Africa, the UK and Europe.

Jacques Pienaar (investment manager) is a qualified chartered accountant and holds a degree in electronic engineering from Stellenbosch University and a masters in marine engineering from University College London (UCL). Jacques spent over 20 years at KPMG and served as a director.



2. Portfolio Summary

	R'm	%
Investments and Shareholder funding		
– Overberg Agri Group	1 044	33.9
– Kyron Group	675	21.9
– Moov Fuel Group	497	16.1
– Other investments	824	26.8
Cash and cash equivalents	26	0.8
Accounts receivable and loan receivables	24	0.8
Other	(10)	(0.3)
NAV to ordinary shareholders	3 080	100
Number of issued shares (excl. treasury)	119 538 853	
NAV per share	25.77	

3. Responsibility

The Fund Manager is primarily responsible for implementing the strategic direction as adopted by the board, and managing its associated risks:

						
3.1. Implementation of strategic direction	3.2. Growth through consolidations/ acquisitions	3.3. Capital deployment	3.4. Portfolio Management	3.5. Liquidity	3.6. People, succession, and retention	3.7. Financial



3.1. Implementation of strategic direction

The Fund Manager is implementing the strategic direction of AAF and has formalised the new strategy "AAF 2.0". AAF will no longer operate as a conglomerate and will instead pursue opportunities as an investment entity purposed to support food security in Southern Africa.

Food security depends not only on the quality of the food itself, but also on how it is produced, packaged, distributed, and consumed. Considering the lingering threat to global food security, we deem it paramount to do our part to support food security. As discussed on page 6, the Economist's Global Food Security Index provides the four basic pillars of food security, and our investments were evaluated based on the criteria of Affordability, Availability, Quality/Safety, and Sustainability/Adaptation. We continually assess our investments to these benchmarks in supporting food security.

Our responsibility as the Fund Manager is to ensure that AAF and its portfolio companies respond and capitalise on opportunities in line with this long-term strategic intent.



3.2 Growth through consolidations/acquisitions

Our investment criteria are:

- Profitable small to mid-sized companies. We do not invest in early-stage or start-up companies.
- Companies with proven products or services that support food security.
- Companies with strong, incentivised, high-quality management teams with proven track records.
- The company must have audited financial statements showing strong cash flow, recurring revenue and consistent growth. Operating in a growing, profitable market with innovative and scalable business models.
- Minimum target return on investment of 16%.

We will aim to catalyse transformation in the sectors where we invest by making the products, services, resources, and skills more accessible to a larger part of our population. We will partner with the management of the companies where we invest to maximise their value. We actively participate in our investments.

Investments will be evaluated and based on life cycle and performance realised or realised via a listing on a stock exchange, unbundling, trade sale to an industry player, or a sell-down/MBO.



3.3 Capital redeployment

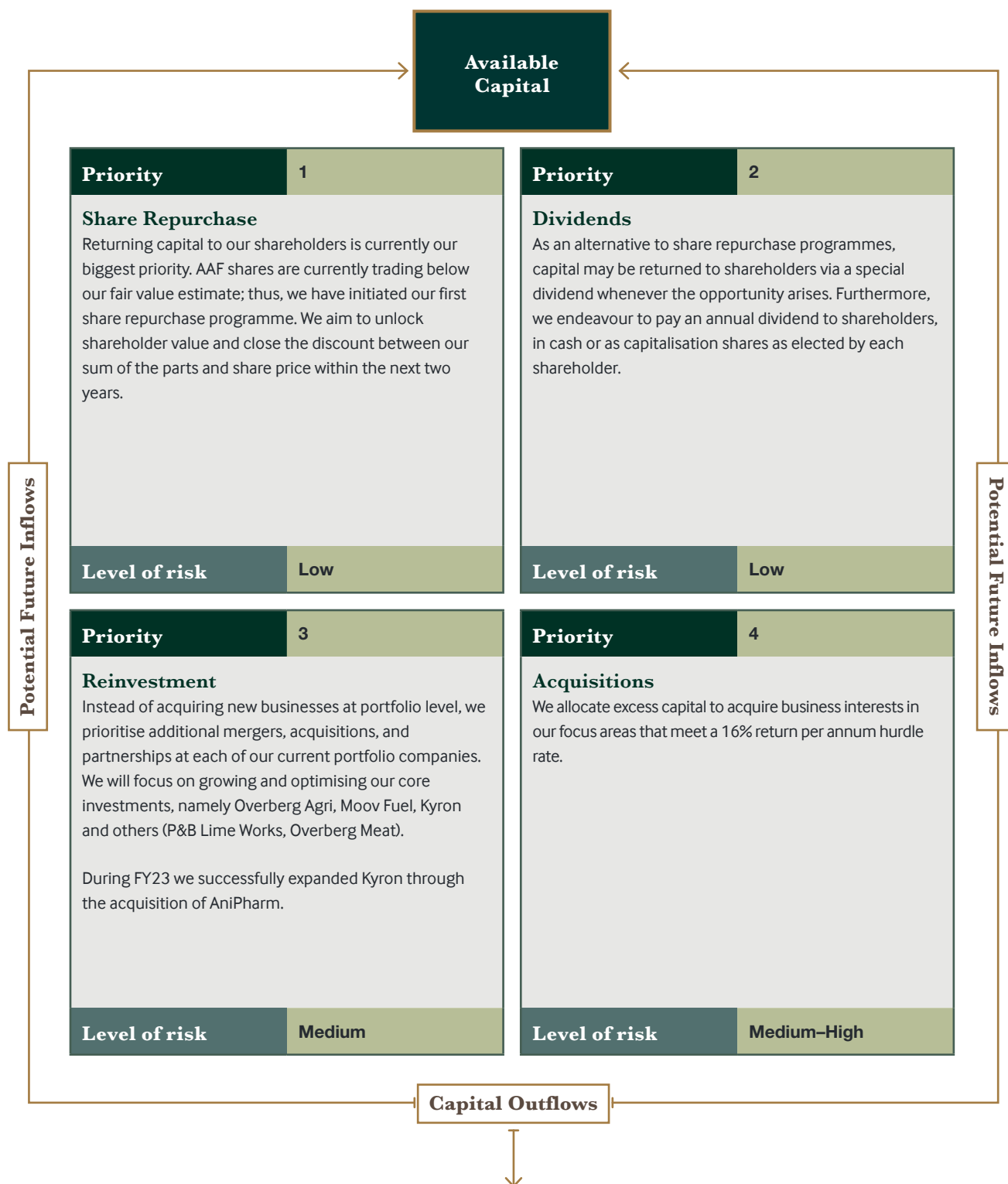
We implemented a financial strategy to redeploy capital to optimise our investment portfolio. Our financial strategy is built on the premise of unlocking capital firstly from the sale of non-strategic and/or underperforming assets.

We have made significant progress towards delivering on our financial strategy with the successful disposal of Grassroots and AgVentures during the FY23 year.

The following matrix shows our thought process on capital redeployment:

Fund manager's report (continued)

The capital that has been unlocked via asset sales will be redeployed following our capital allocation framework, as explained below.



Pertaining to asset realisations: We aim to distribute the majority of proceeds to shareholders either via share repurchases programmes or special dividends.





3.4. Portfolio Management

One of the most critical roles of the Fund Manager is to manage the investment portfolio in the face of rising risks and challenges and position the portfolio to optimise investment return for a given level of risk.

3.4.1 Portfolio risks and challenges

The energy crisis arising from the Russia-Ukraine conflict and load shedding

The effects of load shedding and the inflated fuel price attributable to the Russia-Ukraine conflict have significantly impacted South Africa's business landscape, leading to higher operational costs. Businesses have been compelled to acquire additional, costly power from alternative sources. Businesses have predominantly absorbed these increased costs, adding to their financial burden, with load shedding remaining the greatest barrier to growth.

How this impacted us

P&B Lime Works and ACG incurred substantially higher direct and indirect expenditures to maintain operations. Due to a highly competitive environment, P&B Lime Works has been unable to pass these increased input costs to the end consumer.

At Overberg Agri, the cost of using generators to supplement power during load shedding is approximately seven times more expensive than grid power. Nevertheless, without generators, the company is exposed to stock loss, administration and communication systems loss, slower turnaround times during intake and outloading, and increased overtime.

Our response

Given that many of our operations rely on electricity, the additional cost of using generators is necessary to maintain business continuity. Overberg Agri decided to absorb the additional costs arising from using generators instead of passing these costs on to the producer to maintain healthy client relationships. P&B Lime Works, in addition to their solar plant, is entering an agreement with Eskom and Cape Agulhas Municipality to allow for power supply at a reduced capacity during load shedding to ensure they can remain competitive. ACG entered into a Power Purchase Agreement with a Solar Energy supplier to minimise the use of diesel generators. As a proactive measure, we are currently exploring sustainable alternative power solutions for our portfolio companies.

As discussed in section 3.4.2. Portfolio positioning and risks, Moov Group and Bachmus Oil & Fuel have played a critical role in our portfolio, providing a hedge (at an AAF level) against fuel price hikes resulting from the Russia-Ukraine conflict, with Moov capitalising on the increased demand for diesel in South Africa.

Global Agricultural Commodity Price Rallies, Disappointing Crops and mild Growth in the Agricultural Sector

The citrus export market was hampered by new EU regulations requiring longer cooling times, Phytosanitary certification and sanitary access issues. South Africa is disputing this protocol at the World Trade Organisation (WTO). Some trade experts have noted that resolving issues like these can take up to two years. Moreover, unfavourable weather conditions and higher input costs have resulted in lower-than-expected harvest yields. Fortunately, the inflated commodity prices largely offset the effects of lower volumes and higher input costs.

The livestock sector also suffered challenges with the foot-and-mouth disease outbreaks and rising feed costs due to supply disruptions in grain markets, adding to the constrained supply and resulting in high meat prices.

How this impacted us

Overberg Agri has seen the benefits of the above-average harvests in calendar years 2020 and 2021, as farmers are re-investing in expanding their operations. Overberg Agri's Retail and Mechanisation divisions benefited from the increased equipment sales and mechanical work. This aided the lower revenue from the Grain Handling and Grain Trading divisions, from the lower yielding harvest in the calendar year 2022. Overall Overberg Agri is in a good financial position with good cash flows.

ACG faced a difficult year characterised by environmental disasters at its farms. The Northern Cape farms experienced a severe heatwave and untimely rainfall. The Western Cape farms suffered heavy rainfall during harvesting, resulting in a below-average grape yield for ACG.

Our response

We embrace the role of technology and climate information to help mitigate and adapt to climate risks. From creating more sustainable technologies to more effective use of water, the applications of technology and climate information are crucial for sustainable agriculture.

Our business model positions us in a way that limits our exposure to primary agriculture, as this sector is most affected by weather phenomena. In ACG, we actively tried to exit areas with the highest risk for climate change. Furthermore, we manage the risk of adverse weather conditions by diversifying our operations geographically and hedging against the major macro-economic risk factors, as discussed in the section below.

3.4.2. Portfolio positioning and risks

Our portfolio is positioned for a robust performance amid a lingering energy crisis, hiking inflation, socio-political challenges, and an all-around volatile macro-economic climate. Our portfolio is well diversified against unrelated risks and is geared to capitalise on any arising opportunities in the current environment. Furthermore, our portfolio is carefully monitored to ensure optimal seasonal and geographic exposures.

Fund manager's report (continued)

Portfolio diversification

Core market forces that we monitor are interest rates, rainfall and weather conditions, commodity prices, currency fluctuations, load shedding, and fuel prices. Our portfolio's exposure to these market forces is illustrated in the matrix below:

							
	WEIGHT %	COMMODITY PRICES	INTEREST RATES	RAND	RAINFALL	LOAD-SHEDDING	FUEL PRICE
Overberg Agri	31.7						
Overberg Wealth & Risk Management	2.6						
Moov Fuel	13.7						
Bachmus	2.7						
Kyron Group	22.2						
ACG Fruit	14.5						
P&B Lime Works	4.3						
Boltfast	2.8						
Overberg Meat	1.9						
Montagu Dried Fruit & Nuts	1.6						
Lesotho Milling	2.0						
OVERALL PORTFOLIO		Hedged	Exposed	Hedged	Exposed	Exposed	Hedged
FavourableNeutralUnfavourable							

The AAF portfolio primarily depends on rainfall, with a positive correlation between rainfall and the performance of our three biggest investments. Kyron Group benefits from increased pharmaceutical sales following parasite outbreaks during wetter seasons, while Moov Fuel and Overberg Agri indirectly benefit from increased agricultural production.

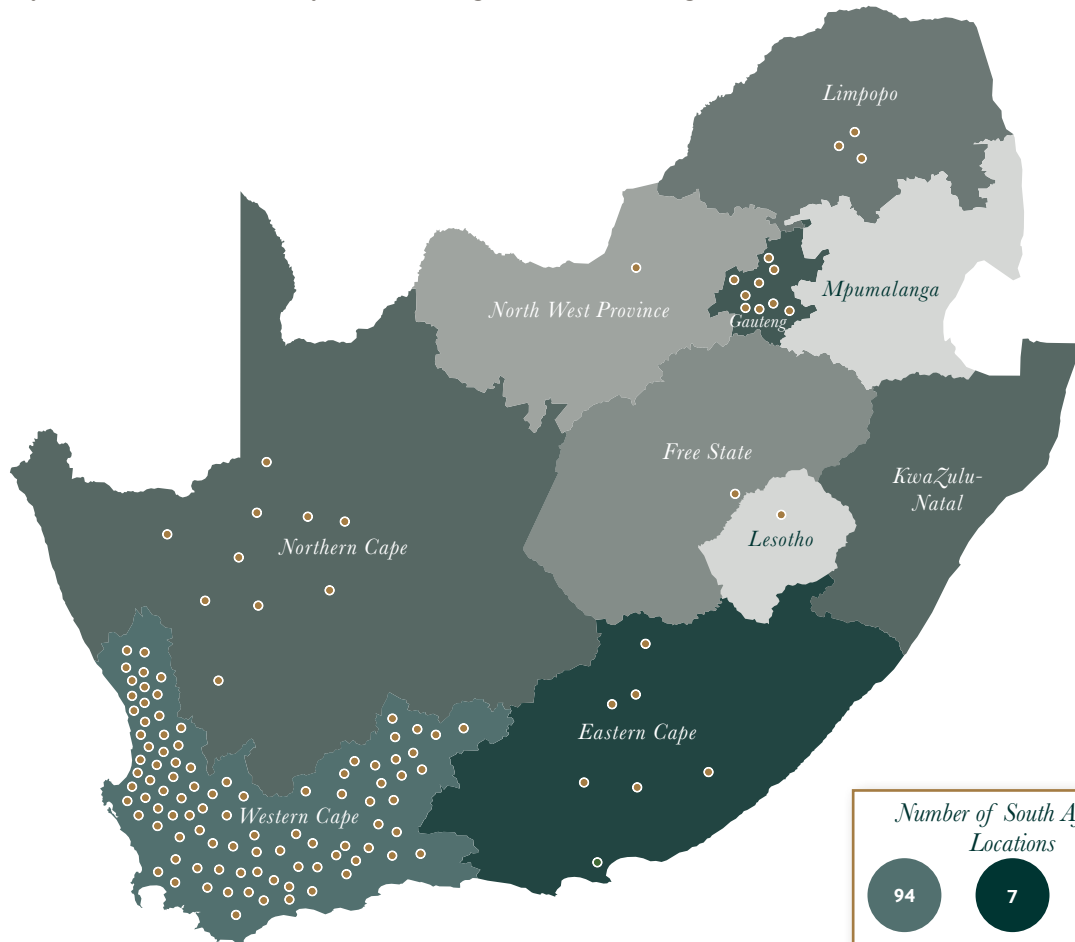
Moov Fuel and Bachmus Oil & Fuel have played a critical role in our portfolio, providing a hedge against one of the biggest market forces: changes in the fuel price. This has been particularly valuable during unprecedented fuel price hikes spurred by the geopolitical tensions between Russia and Ukraine. Furthermore, Moov Fuel has cushioned our portfolio against the blow of load shedding, by capitalising on the increased demand for diesel used for generators, which has become the norm. Our positioning has enabled rare stability in the face of volatile swings in the global fuel price and the national energy crisis.

We diversify our portfolio as far as possible for risks unrelated to our primary business, such as currency fluctuations and commodity prices. Even though our portfolio remains exposed to interest rates, we deem this an inevitable cost as our optimal capital structure requires a degree of leverage.

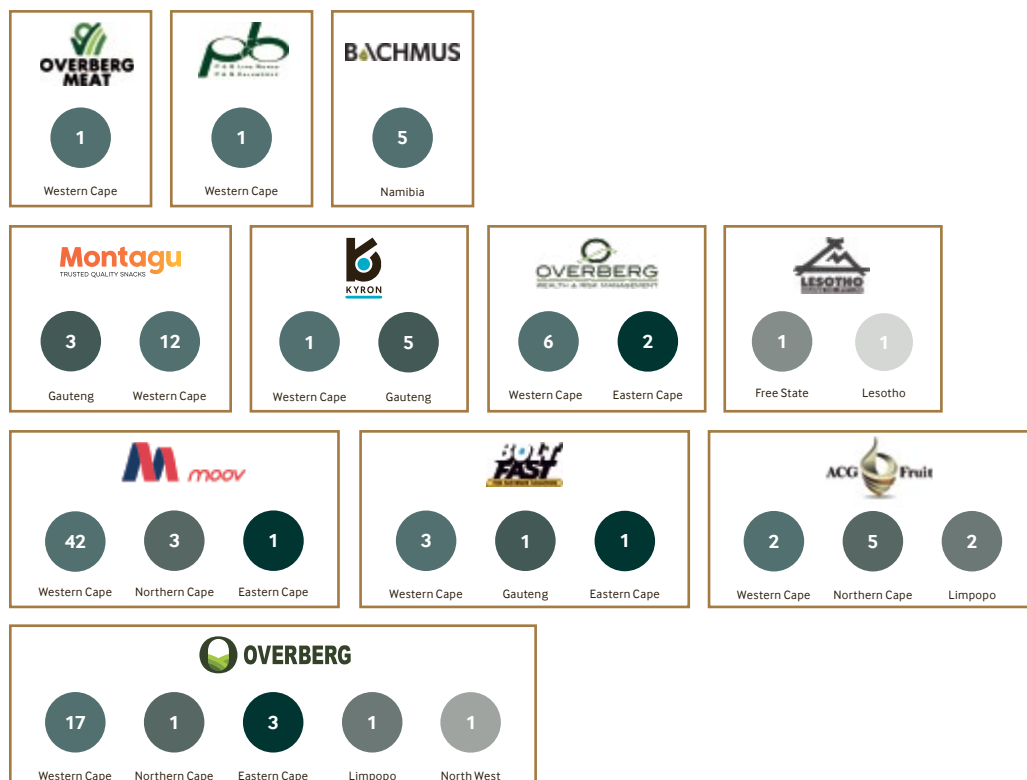


Geographical exposure

AAF operates nationally with a strong presence in the Western Cape. The Western Cape benefits from rich natural resources. It has a Mediterranean climate characterised by mild, wet winters and warm, dry summers, making it suitable for various agricultural activities.



Operations



Fund manager's report (continued)

Many of our investments carry distinct competitive advantages derived from their geographical positioning:

- P&B Lime Works has a critical competitive advantage given its access to one of the only white lime sources in South Africa.
- During FY23, Montagu's factory was relocated to Cape Town to make the harbour more accessible and eliminate high transportation costs.
- Bachmus Oil & Fuel is situated close to the Walvis Bay harbour in Namibia, providing access to the lucrative marine market. During FY23, Bachmus gained market share by serving customers that would usually source fuel from African countries, in Walvis Bay.
- ACG benefits from geographical diversification. ACG's farms are spread across three provinces: the Western Cape, Northern Cape and Limpopo, thereby reducing the impact of potential natural disasters.

Seasonal exposure

The AAF portfolio has been constructed to ensure a well-diversified portfolio over a year with moderate seasonal fluctuations within our risk appetite. Our portfolio mostly outperforms during pre-planting and planting season and pre-harvest and harvest season with a slower performance during winter months:

	%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
PORTFOLIO	100	↓	↔	↑	↑	↔	↓	↓	↓	↑	↑	↑	↔
Overberg Agri	31.7	↓	↓	↔	↑	↑	↑	↔	↔	↔	↔	↔	↔
Overberg Wealth & Risk Management	2.6	↔	↑	↔	↔	↑	↓	↔	↓	↔	↔	↓	↔
Moov Fuel	13.7	↔	↔	↔	↔	↑	↓	↔	↔	↔	↑	↓	↔
Bachmus	2.7	↓	↑	↑	↑	↓	↑	↑	↑	↑	↓	↔	↔
Kyron Group	22.2	↔	↔	↑	↑	↑	↓	↓	↔	↑	↑	↑	↓
ACG Fruit	14.5	↔	↔	↔	↔	↔	↓	↓	↓	↓	↓	↓	↓
P&B Lime Works	4.3	↓	↑	↑	↑	↔	↔	↔	↔	↔	↔	↔	↓
Boltfast	2.8	↓	↓	↔	↔	↔	↔	↔	↔	↔	↑	↑	↓
Overberg Meat	1.9	↓	↔	↔	↑	↓	↓	↔	↔	↑	↑	↑	↑
Montagu Dried Fruit & Nuts	1.6	↓	↓	↑	↑	↔	↔	↔	↔	↔	↔	↔	↔
Lesotho Milling	2.0	↔	↔	↔	↔	↓	↓	↓	↓	↔	↔	↔	↔

↑	↓	↔
Increase	Decrease	Neutral

During the pre-planting season in March and April, Overberg Agri benefits from increased demand for agri-inputs, P&B Lime Works' profits from peak season for AgLime, and Overberg Meat reap benefits from the easter holiday. Montagu and Bachmus also generally perform well during these months. Likewise, the portfolio thrives during pre-harvest season in September, with Overberg Agri, Bachmus, and Overberg Meat being the main contributors to performance.

Through our analysis of the above risks, we believe we have a well-positioned portfolio to ensure that we are within our risk guidelines/appetite and where we are exposed, highlighting areas of focus on mitigating these risks.





3.5 Liquidity

We ensure AAF has sufficient liquidity to act on investment opportunities, supply working capital needs, and meet current and future obligations.

- We monitor the excess cash generated by portfolio companies to distribute surplus cash to AAF and ultimately to the shareholder.
- We closely monitor cash flow forecasts to ensure cash and working capital is used effectively.
- We provide input and support in the capital structures of our portfolio companies, including debt restructuring, and provide finance as and when required.
- AAF has the following liquidity and access to credit facilities, excluding repayment of shareholder funding.

	R'm
Credit facilities available	R100 million
Cash and cash equivalents	R26 million
Total	R126 million



3.6 People: Succession and Retention

We ensure that AAF does not have to deal with significant loss of key individuals at either AAF or at our portfolio companies:

- We recommend and review succession planning at both executive and non-executive levels in all portfolio companies.
- We recommend and review long-term incentive structures via a financed equity position for key individuals in our portfolio companies to ensure alignment with our objectives of creating the most value for all stakeholders.
- The AAF Nomination and remuneration committee reviews the AAF board's appropriateness and remuneration.



3.7 Financial

Our involvement includes representation on our portfolio companies' Audit and risk committees, with internal audit functions fully encouraged. We centrally manage an external audit programme across the investment company and its portfolio companies that is underpinned by central governed financial management controls and processes.

4. Outlook for 2024

Finance minister Enoch Godongwana expects South Africa's GDP to grow by approximately 0.9% in 2023. The slow but steady recovery from the COVID-19 pandemic over the last two years has been encouraging. However, the new threat of load shedding and its long-term impact on the South African economy is still very uncertain. Even though there are lingering challenges that await us, the company has positive expectations for 2024:

- Consumer confidence should follow in the recovery of business and agribusiness confidence.
- Integration and realisation of growth prospects pertaining to our new acquisitions.
- The current market environment should bring opportunities for new investments and strategic disposals.
- Farmers should continue to benefit from elevated global agricultural commodity prices, especially following the Russia-Ukraine conflict.

Our company has a diverse portfolio that are subject to the change in weather patterns and socio-economic issues. These are both positive and negative for future performance of our portfolio. Our focus remains unwavering on supporting the primary drivers of food security in our country, and Africa at large.

Portfolio performance

Overberg Agri Bedrywe

Fair value of our investment (Including shareholder funding):

R963 million

Revenue:

R4 766 million

EBITDA:

R163 million

NPAT:

R65 million

Shareholding: 100%

Industry: Agri inputs

Food security contributions: Availability, Quality and Safety



Overberg Agri is a leading supplier of goods and services to agricultural producers in the Western and Eastern Cape, mainly the Overberg and Swartland areas. Overberg Agri distributes agricultural and general supplies and provides grain services, including handling, storing, and marketing mostly wheat and barley. The business offers financing, irrigation services and technical services to agricultural producers. In the Overberg and Swartland regions, it owns 16 grain Silo/bunker storage facilities with a total capacity of 680 000 tonnes. Overberg Agri stores the largest amount of malting barley in South Africa.

Francois Joubert

Managing Director

Year in review

Overberg Agri had a good year. It benefited from excellent agronomic conditions, especially regarding its retail and mechanisation divisions. Unfortunately, the calendar 2022 harvest was the 3rd lowest in the past decade. Subsequently, the grain division had a difficult year. Nevertheless, from a financial perspective, farmers benefited from the high commodity price cycle that set off lower volumes.

Opportunities

Overberg Agri is looking to expand its retail business beyond its traditional retail stores and to make further advancements in digital interaction with its customers for an improved customer experience.

Overberg Agri is also expanding in servicing and supplying agricultural inputs to the fruit industry (specifically apples and pears) in territories where Overberg Agri has not traditionally operated.

CSI

Overberg Agri supports local businesses and schools by providing sponsorships. The total sponsorships for FY2023 were R1.2 million.

Risks

After four La Nina seasons of above-average rainfall, scientists have warned of a likely El Nino cycle later this year. Drier weather conditions would affect the demand for grain services and other agricultural products.



Francois Joubert



Kyron Group

Fair value of our investment (Including shareholder funding):

R675 million

Revenue:

R647 million

EBITDA:

R169 million

NPAT:

R77 million

Shareholding: 100%*

Industry: Animal health products

Food security contributions: Availability, Quality and Safety, Sustainability and Adaptation



Kyron leverages expertise in the disciplines of veterinary sciences and agriculture. The Kyron Group develops, imports, and manufactures medication for the production and companion animal health markets.

Dr Jan Wentzel

Managing Director

Year in review

The past year saw strong performance in most of the business sectors in the Kyron Group, with the Agri sector performing exceptionally well. The business was able to defend its local market share, gain market share in export markets, take advantage of strong demand in the poultry industry and support the government's focus on agricultural developmental projects and support initiatives.

Kyron Group managed their stock levels particularly well when veterinary medicine stock levels were generally low in South Africa. This allowed them to capitalise on these low stock levels to increase their sales and market share.

Opportunities

The recent acquisition of Anipharm (Pty) Ltd, a company registered to manufacture and distribute Ovakron, will provide synergies and new export opportunities for the Kyron Group in the short term.

Several exciting products in the pipeline are in the regulatory approval stages. The Group is also investigating new product range extensions and bolt-on acquisition opportunities. The group is also more focused on international strategic partnerships and new distribution opportunities to increase Kyron Group's market share further.

CSI

Kyron Animal Health made product donations to Langalibalele Livestock & Sizakancane Livestock Associations, where products were donated to community members that would otherwise not have been able to treat their animals.

Risks

Changes in the regulatory environment can impact the business and its operating model significantly. Non-compliance to the highly regulated environment can have an equally devastating impact. We invest significant resources and time into both these aspects to ensure we remain relevant and competitive in the market.

Kyron also faces currency risk, with many raw materials being imported. To mitigate this risk, Kyron takes out forward cover.



Dr Jan Wentzel

* 14% of the ordinary share capital held by management rights and rewards have not been transferred and accounted for as a management incentive scheme.

Portfolio performance (continued)

MOOV Fuel

Fair value of our investment (Including shareholder funding):

R415 million

Revenue:

R8 721 million

EBITDA:

R142 million

NPAT:

R64 million

Shareholding: 69%

Industry: Fuel and Energy

Food security contributions: Availability



Moov Fuel is a wholesale supplier and distributor of petroleum and lubricant products to retail and commercial clients, including agricultural producers. The company has an extensive footprint in the Western Cape, Northern Cape and Gauteng and expanded into Namibia via a strategic acquisition of Bachmus Oil & Fuel Supplies. Moov has its own in-house logistics department consisting of a fleet of distribution vehicles and strategically located depots. The company was appointed the Caltex Branded Marketer for the Western and Eastern Cape by Chevron South Africa (now Astron Energy) in July 2009.

Fabian Magerman

Managing Director

Year in review

During FY2023, multiple global events disrupted the fuel industry that caused significant supply shortages globally. This combined with South Africa's reduced capacity to refine fuel and the increased reliance on diesel from the electricity supplier, has tested the Moov team to ensure that we deliver on our promise to our clients. With great pride, Moov can report a growth of 12.7% in fuel volumes sold, the opening of its first Moov branded fuel station, and the expansion of our footprint to Gauteng.

Opportunities

There are currently opportunities to secure storage assets that would allow Moov to ensure the security of supply to its customers. We continuously investigate and pursue small to medium acquisitions that add to volume and provide a set-off point for our products.

Risks

The decision by most oil majors to stop refining in South Africa, and the amount of diesel consumed by Eskom to keep the grid stable, could exacerbate fuel shortages in the country. However, fuel shortages give rise to an opportunity for Moov to grow its market share.

CSI

Moov spent a total of R2.5 million on CSI during FY2023.



Fabian Magerman



ACG Fruit

Fair value of our investment (Including shareholder funding):

R441 million

Revenue:

R486 million

EBITDA:

-R46 million*

NPAT:

-R222 million

Shareholding: 100%

Industry: Agri Production

Food security contributions: Affordability, Availability and Quality and Safety



ACG Fruit is a producer and packer of table grapes and citrus for export markets. It also has vineyards producing raisins. Across the Western Cape, Northern Cape, and Limpopo, 1 171 hectares, including four packhouses, fall under ACG Fruit's management. ACG Fruit produces nearly 2 million cartons of table grapes and approximately 1 million cartons of citrus, with exports predominantly to the United Kingdom and Europe.

Jacques Pienaar

Chief Executive Officer

Year in review

ACG Fruit changed its year-end to coincide with AAF. Therefore, the financial results include 15 months, 1 December 2021 to 28 February 2023.

This was the third reporting period in which ACG Fruit faced significant challenges, mainly relating to increased logistic costs and input costs such as packaging material, fertiliser, chemicals and diesel.

The results were further negatively impacted by primary agricultural risks pertaining to significant rainfall during the 2022 table grape harvest in the Northern and Western Cape, and a significant decrease in berry weights in the Northern Cape for the 2023 harvest. We have not experienced the same lower berry weights in the Western Cape with promising results from our 2023 harvest with pack outs of over 1.1 million cartons.

Despite our record volumes in our 2022 citrus harvest, we experienced low prices in our export markets and faced higher costs to take the product to market.

Grape revenue was lower than expected due to the significant decrease in realisation of table grape prices in the European and UK markets for both the 2022 and 2023 harvests.

Value has been added to the farms by erecting nets to combat unfavourable weather conditions and protect the fruit. Furthermore, management is investigating the feasibility of solar or other renewable energy solutions to combat the effects of load shedding. We implemented one such solution.

During the past year, we embarked on a price discovery for our farms that caused us to re-evaluate our realisation strategy. We concluded that realisation of unproductive capital in ACG Fruit would take longer than anticipated due to industry risk factors pertaining to weak financial performance of the industry as a whole.



Jacques Pienaar

* This amount excludes impairments of loans and other receivable (amounting to R70 million) and impairment on biological assets (amounting to R11 million)

Portfolio performance (continued)

Bachmus Oil & Fuel

Fair value of our investment (Including shareholder funding):

R82 million

Revenue:

NAD3 637 million

EBITDA:

NAD52 million

NPAT:

NAD37 million

Shareholding: AAF effective 35% via Moov Fuel

Industry: Energy & Fuel

Food security contributions: Availability



Bachmus Oil & Fuel is a licensed fuel wholesaler with 28 years of experience in bunkering and can supply both in port and offshore. The company started as a supplier of bunkers in 1994 and grew into a company with five depots across Namibia. Bachmus delivers approximately 12 million litres of fuel and 213 thousand litres of lubricants monthly, of which the bulk is to the marine market.

Corne Schalkwyk

Managing Director



Corne Schalkwyk

Year in review

The Russia-Ukraine war and the subsequent volatility in the international market provided a unique opportunity for Bachmus Oil & Fuel. Bachmus capitalised on the inflated fuel prices and benefited from abnormal bunkers exports to international offshore barge suppliers, due to favourable Namibian export prices. The company produced unprecedented results with an exceptional 75% growth in EBITDA.

We are very excited about the future of Bachmus Oil & Fuel and see an opportunity to continue to scale this company. We are in the process of opening new depots and growing our market share in the automotive and transport sector, with a strategic focus on the mining sector.

P&B Lime Works

Fair value of our investment (Including shareholder funding):

R130 million

Revenue:

R189 million

EBITDA:

R26 million

NPAT:

R3 million

Shareholding: 74%

Industry: Limestone and Lime manufacturing

Food security contributions: Availability, Quality and Safety, Sustainability and Adaptation



P&B Lime Works is a supplier of limestone/lime to the agricultural crops, animal feeds, and industrial lime markets across South Africa. The company owns one of only two highly prized and developed white lime sources in the country and has reserves to ensure supply for 300 years. It performs opencast mining and operates a production plant to produce higher-value industrial lime products. Compared to its competitors, the mine is well positioned for the Western- and Eastern Cape Agronomy sectors, National animal feed and industrial lime sectors, and export market through nearby ports.

Ochse Lombard

Managing Director



Ochse Lombard

Year in review

P&B Lime Works found itself in a perfect storm in FY2023. P&B Lime was heavily impacted by high energy prices (i.e. coal and fuel) and significantly impacted by load shedding but still managed to achieve a net positive profitability position, highlighting the level of resilience within P&B Lime Works. P&B Lime Works saw a slightly shrinking Industrial Lime segment, but showed growth in both agricultural sectors, namely crops and animal feeds.

P&B Lime Works' current growth strategies include development of specialised business development departments (historically focused on manufacturing only), and technology upgrades to reduce the impact of variable fuel costs, load shedding and carbon emissions. Technology upgrades could reduce thermal energy requirements and carbon emissions by between 25% and 67%, while business development should increase sales volumes by between 10% and 20% in the short-term.



Overberg Wealth & Risk Management

Fair value of our investment (Including shareholder funding):
R80 million

Revenue:
R57 million

EBITDA:
R19 million

NPAT:
R10 million

Shareholding: Indirectly 70% via Overberg Agri
Industry: Financial services
Food security contributions: Availability



Overberg Wealth and Risk Management is a registered insurance brokerage that provides short-term insurance, medical aid solutions, wealth management, corporate consulting and employee benefits consulting. The business operates nationally through eight branches.

Abri Dickason
Managing Director

Year in review

Due to higher income and growth resulting from renewal growth, new business written, higher premiums implemented by insurers and higher SASRIA tariffs, and aggressive management of expenses, the overall performance of Overberg Wealth and Risk Management exceeded expectations for FY2023.

Overberg Wealth and Risk is investigating another bolt-on investment.



Abri Dickason

Overberg Meat

Fair value of our investment (Including shareholder funding):
R59 million

Revenue:
R269 million

EBITDA:
R0.7 million

NPAT:
-R0.9 million

Shareholding: 100%
Industry: Meat Processing
Food security contributions: Affordability, Availability, Quality and Safety



Overberg Meat provides slaughtering facilities for sheep and cattle and distributes carcasses to the retail and wholesale markets. The company finances and procures livestock from producers and feedlots. It operates a feedlot with a capacity of 2 500 small stock units. The Overberg Meat trademark is well known and is becoming increasingly popular due to the exceptional quality of the meat produced in the region. The company recently expanded its strategy to encompass processed meat products under a new brand, Overberg Speciality Meat.

Dian Giliomee
Managing Director

Year in review

Overberg Meat saw volume growth during FY2023, with 5% more animals processed. Unfortunately, margins came under pressure as the cost of deliveries increased, resulting in more deliveries to wholesalers at smaller margins than deliveries to retailers. Overberg Meat, in particular the feedlot division, was further affected by volatile market conditions, the energy crisis, and price pressures around livestock purchases which resulted in Overberg Meat making a loss in the current year.

Overberg Meat is looking to increase its sales of free-range products. Furthermore, management has started exporting to a new market in the Middle East.



Dian Giliomee

Portfolio performance (continued)

Lesotho Milling Company

Equity-accounted carrying value:
R61 million

Revenue*:
R228 million

EBITDA*:
R14 million

NPAT*:
R13 million

** Per Audited Financial Statements. Comparison is between 30 September 2022 and 30 September 2021.*



Graham Gatcke

Shareholding: 34%

Industry: Flour Milling

Food security contributions: Affordability, Availability and Quality and Safety



Lesotho Milling is a producer and supplier of wheat and maize flour to markets in Lesotho and South Africa. The production plant has an annual milling capacity of 86 000 tonnes of maize and 30 000 tonnes of wheat, with a grain storage capacity of 30 000 tonnes. Lesotho Milling owns the Moja, Mighty White, Silver Cloud and Golden Wonder brands.

Graham Gatcke

Chief Executive Officer

Year in review

It was a difficult year for Lesotho Milling due to reduced sales following the high unemployment rate and the poor economic conditions that currently prevail in Lesotho. The high commodity prices of raw materials and the competitive environment that Lesotho Milling operates in have reduced margins and profitability. Notwithstanding, the company's debt-free balance sheet and high cash reserves have played in its favour during these difficult times.

Boltfast

Fair value of our investment (including shareholder funding):
R86 million

Revenue:
R111 million

EBITDA:
-R3 million

NPAT:
-R7 million

Shareholding: 75%

Industry: Industrial fasteners

Food security contributions: Availability



Boltfast specialises in the importing, distribution, and marketing of industrial fasteners. Boltfast is a 51% Black-owned Level 4 Contributor to B-BBEE and ISO 9001:2015 certified by SABES. Boltfast currently has approximately 15 000 SKUs in stock and its main markets include manufacturing, construction, mining, and infrastructure.

Pieter Burger

Chief Executive Officer

Year in review

Despite Sales for continuing businesses increasing by 6%, FY22/23 was a challenging year for Boltfast. The ongoing global economic slowdown and the unprecedented load shedding negatively impacted the turnover of many of Boltfast's customers. Gross margins were also significantly affected by the steel prices falling, due to the decrease in global demand, and increased local competition. Regardless of the challenges faced, the leadership team of Boltfast remains committed in executing our strategic growth strategy.



Pieter Burger



Montagu Dried Fruit And Nuts

Fair value of our investment (Including shareholder funding):

R47 million

Revenue:

R165 million

EBITDA:

-R0.7 million

NPAT:

-R16 million

Shareholding: 100%

Industry: Food processing and supplier

Food security contributions: Availability and Quality and Safety



Montagu Dried Fruit & Nuts is a leading supplier of healthier snack products in South Africa. The company operates a packaging and distribution facility and is a trusted supplier to major South African retailers, fuel station forecourts and Montagu Snacks franchisees, mainly via its Montagu Snacks brand and on a private label basis. The Montagu Dried Fruit & Nuts brand is one of the most trusted and recognised consumer brands in South Africa.

Lourens Van Rensburg

Chief Executive Officer

Year in review

The 2023 financial year for Montagu can be categorised as a challenging year for the company. Even though relocating Montagu's factory to Cape Town reduced logistical and storage costs, the company did not see the expected benefits and efficiencies. This year's results include significant one-off costs related to the move. The current economic environment and reduced customer purchase power has impacted the segment where Montagu operates. Moreover, the unfavourable exchange rate on raw material imports, load shedding, and interest rate hikes have put additional stress on the performance of Montagu over the past year.



Lourens Van Rensburg

Financial summary

Extracts from the statement of financial position as at 28 February 2023

	28 February 2023 R'000	28 February 2022 R'000
Assets		
Non-current assets		
Property, plant and equipment	1 221	1 380 663
Investment property	—	281 171
Intangible assets	—	1 120 101
Biological assets	—	220 598
Deferred tax asset	14 447	177 000
Trade and other receivables	—	314 294
Loans to related parties	—	42 306
Other financial assets	—	68 432
Investments in subsidiaries	2 383 684	—
Investment in associates and joint ventures	—	70 645
Total non-current assets	2 399 353	3 675 209
Current assets		
Inventories	—	833 064
Biological assets: consumables	—	168 614
Trade and other receivables	2 544	1 622 200
Loans to customers	—	56 854
Cash and cash equivalents	5 108	390 099
Loans to related parties	—	63 925
Loans to group companies	713 581	—
Current tax receivable	—	19 247
Total current assets	721 232	3 154 003
Total assets	3 120 585	6 829 212
Equity and liabilities		
Equity		
Net issued stated capital	1 265 313	1 428 478
Other reserves	—	(101 895)
Retained earnings	1 814 742	1 688 069
Attributable to equity holders of the parent	3 080 055	3 014 652
Non-controlling interests	—	346 066
Total equity	3 080 055	3 360 718
Liabilities		
Non-current liabilities		
Borrowings	—	264 560
Lease liabilities	629	156 736
Post-retirement medical liability	—	14 227
Trade and other payables	—	6 181
Deferred tax	—	279 937
Provisions	—	1 963
Total non-current liabilities	629	723 604
Current liabilities		
Borrowings	—	1 406 698
Lease liabilities	735	51 573
Post-retirement medical liability	—	1 723
Current tax payable	—	3 839
Loans to group companies	19 877	—
Trade and other payables	19 289	1 133 896
Bank overdraft	—	147 161
Total current liabilities	39 901	2 744 890
Total liabilities	40 529	3 468 494
Total equity and liabilities	3 120 585	6 829 212



Extracts from the statement of profit or loss for the year ended 28 February 2023

	2023 R'000	2022 R'000
Revenue	19 334 118	11 219 334
Fair value adjustment – biological asset: consumable	2 713	10 458
Cost of Sales	(17 877 374)	(10 071 747)
Gross profit	1 459 457	1 158 045
Interest revenue	175 604	102 989
Other income	110 196	67 833
Sales and marketing costs	(24 804)	(13 925)
Administration costs	(237 750)	(216 921)
Operating expenses	(1 060 405)	(772 258)
Operating profit before capital items	422 298	325 763
Capital items	223 925	(21 609)
Operating profit	646 223	304 154
Finance income	24 274	22 557
Finance costs	(247 733)	(129 561)
Share of net profit from associate	2 014	2 534
Profit before taxation	424 778	199 684
Income tax expense	(77 061)	(38 441)
Profit for the year	347 717	161 243
Profit attributable to:		
Owners of the parent	296 737	124 004
Non-controlling interests	50 980	37 239
	347 717	161 243

Financial summary (continued)

Extracts from the statement of changes in equity for the year ended 28 February 2023

	2023 R'000	2022 R'000
Balance at the beginning of the year	3 360 718	3 210 132
Total comprehensive income		
Profit for the year	347 717	161 243
Other comprehensive income for the year	561	(1 716)
<i>Total comprehensive income</i>	348 278	159 527
Transactions with owners of the parent		
Contributions and distributions		
Share buy back (company shares)	(72 917)	(6 037)
Share purchase programme (AAF Invest (Pty) Ltd)	(90 249)	–
Transaction with non-controlling interest	–	(7 797)
Translation of foreign operations	112	–
Movement in retained earnings due to IFRS 16 adjustment for right-of-use assets	–	(258)
Sale of investment in subsidiaries	(107 194)	–
Non-controlling interest on acquisition of subsidiary	6 980	53 877
Other movements	(3 351)	–
Dividends paid	(90 664)	(48 723)
Total contributions and distributions	(357 283)	(8 938)
Total transactions with owners of the parent	(9 005)	150 589
Sub-Total	3 351 716	3 360 718
Change in investment entity status	(271 659)	–
Balance at the end of the year	3 080 055	3 360 718



Extracts from the statement of cash flows for the year ended 28 February 2023

	2023 R'000	2022 R'000
Cash flows from operating activities		
Cash generated from operations	465 114	530 804
Finance income received	5 327	22 557
Dividends received	—	—
Finance costs paid	(247 733)	(129 561)
Tax paid	(97 181)	(31 365)
Net cash inflow from operating activities	125 527	392 435
Cash flows from investing activities		
Acquisition of property, plant and equipment	(147 269)	(161 101)
Proceeds on disposal of property, plant and equipment	9 244	59 248
Acquisition of investment properties	(2 835)	(911)
Proceeds on disposal of investment property	—	1 038
Acquisition of intangible assets	(14 075)	(1 362)
Proceeds on disposal of intangible assets	1 376	—
Payment on acquisition of subsidiary net of cash paid	(6 693)	(741 896)
Loans to group companies repaid	—	—
Loans advanced to group companies	—	—
Loans to related parties repaid	230 481	729
Loans advanced to related parties repaid	(262 725)	(30 607)
Loans advanced to customers	(6 808)	(7 099)
Loans to customers repaid	4 343	26 798
Acquisition of financial assets	(35 886)	(40 000)
Acquisition of investment in associates	—	(3 322)
Proceeds from sale of investments	40 585	3 842
Purchase of biological assets	(9 685)	(1 933)
Sale of biological assets	5 987	71 442
Sale of investment in subsidiary	148 999	—
Deemed disposal of subsidiaries with change in status to investment entity	(111 802)	—
Net cash (outflow) from investing activities	(156 763)	(825 134)
Cash flows from financing activities		
Repurchase of shares	(126 517)	(6 037)
Proceeds from borrowings	1 392 461	3 028 207
Repayment of borrowings	(1 345 825)	(3 041 098)
Proceeds from borrowings incurred in respect of business combinations	—	350 000
Principle elements of lease payments	(36 049)	(40 452)
Dividends paid	(90 664)	(48 723)
Net cash (outflow)/inflow from financing activities	(206 594)	241 896
Net decrease in cash, cash equivalents and bank overdrafts	(237 830)	(190 803)
Cash, cash equivalents and bank overdrafts at the beginning of the year	242 938	433 741
Cash, cash equivalents and bank overdrafts at the end of the year	5 108	242 938

Overview of investments held through profit and loss with key assumptions and value drivers

	Value* (R'm)	Valuation assumptions & drivers
Overberg Agri (100%)	963	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 19.7% FY23 EBITDA: R163 million Implied trailing EV/EBITDA multiple: 5.6x
Kyron Group (100%)	675	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 15.7% FY23 EBITDA: R169 million Implied trailing EV/EBITDA multiple: 6.0x
Moov Fuel Group (69%)	415	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 17% FY23 EBITDA: R142 million Implied trailing EV/EBITDA multiple: 6.9x
ACG Fruit (100%)	441	<ul style="list-style-type: none"> Valuation methodology: Asset based valuation Underlying properties subject to external annual valuation process
Bachmus Oil & Fuel (35%)	82	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 21.9% FY23 EBITDA: R52 million Implied trailing EV/EBITDA multiple: 3.9x
P&B Lime Works (74%)	130	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 19.6% FY23 EBITDA: R26 million Implied trailing EV/EBITDA multiple: 11.1x
Overberg Wealth & Risk Management (70%)	80	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 18.9% FY23 EBITDA: R19 million Implied trailing EV/EBITDA multiple: 6.6x
Lesotho Milling (34%)	61	<ul style="list-style-type: none"> Valuation methodology: Carrying value (IAS 28 - Investments in Associates)
Overberg Meat (100%)	59	<ul style="list-style-type: none"> Valuation methodology: 5-year Discounted Cash Flow Discount rate: 18.3% FY23 EBITDA: R0.7 million
Montagu Dried Fruit & Nuts (100%)	47	<ul style="list-style-type: none"> Valuation methodology: Asset based valuation
Boltfast (75%)	86	<ul style="list-style-type: none"> Valuation methodology: Asset based valuation Underlying properties subject to external annual valuation process
Other assets	40	<ul style="list-style-type: none"> Net cash, loans and debt at AAF level
Total	3 080	
Shares (net of treasury)	119 538 853	
NAV per share	R25.77	

* Fair value of investment including shareholder funding.



Environmental, social and governance

AAF is committed to considering ESG factors in our portfolio companies' strategy and decision-making. Our commitment to ESG considerations aligns with our long-term business strategy and helps our portfolio companies stay relevant and create value for all stakeholders.

Environmental

We recognise the importance of sustainable business practices and have invested in initiatives that reduce our environmental impact. These include using renewable energy sources and implementing water conservation measures.

- As a reliable supplier of LPG, Moov Fuel empowers farmers across the Western Cape to stay competitive in a modern agricultural environment while lowering carbon emissions and promoting sustainable development. LPG is clean, cost-effective and easily controllable. It can be used in various agricultural applications, including crop harvesting, crop drying, pest control, distillation and waste incineration.
- P&B Lime Works provides an effective solution to the problem of acidic soil via its high-quality agricultural lime that treats soil pH and calcium levels. This is crucial as acidic soil can cause nutrient deficiencies in crops, reducing yields and threatening food security.
- P&B Lime Works' Industrial Lime is used in pH correction of water resources for potable water or correcting acidic water before being recycled into our natural resources. Their Industrial Lime is also used to aid in scrubbing sulphur levels of power station emissions and reducing greenhouse gases.
- P&B Lime Works' animal feed lime is a crucial organic calcium booster, advancing animal health and boosting production levels for meat and egg production.
- Boltfast has a recycling drive initiative, where all packaging materials are recycled. A waste segregation bin system is in place, reducing their waste footprint.
- Montagu ensures all its raw ingredients are procured from transparent, environmentally conscious, and ethically sourced suppliers.
- Kyron Laboratories has initiated appropriate waste disposal through approved waste disposal partners, ensuring the safe disposal of chemical waste.

Social

We prioritise the well-being of employees in our portfolio companies and the communities where they operate by promoting fair labour practices and supporting local development programmes. They are involved in various socio-economic development programmes that benefit our communities, including study bursaries and the upgrading of schools.

- Montagu Dried Fruit and Nuts significantly contributed to multiple organisations that assist with feeding vulnerable communities.
- Overberg Agri made substantial sponsorships to schools in their community.
- Throughout our portfolio companies, investment in education and upskilling of employees is paramount. The companies also participate in learnership host programmes to train and mentor people from external organisations that require experience.
- As part of Acorn Agri & Food's commitment to positively impact our communities and empower our people, the Overberg Agri Development Trust ("Development Trust") was established in 2014. Woza Phambili, the operational arm of the Development Trust, receives and manages the contributions from some of our group companies and is a level 1 B-BBEE company. The beneficiaries of the Development Trust gain economic exposure to investments made by the Trust, while designated local communities can benefit from its socio-economic projects. During the FY2023 year, Woza Phambili received socio-economic development contributions from Boltfast and Moov. With these contributions, it made a meaningful contribution towards upgrading a school and awarded seven students bursaries.

Social and Ethics Report

Dear Shareholder,

The committee, a sub-committee of the company board, was established in terms of section 72 of the Companies Act. The committee fulfils its role and responsibility on behalf of the portfolio companies required to appoint such a committee. The committee's responsibilities focus on socio-economic development, governance, ethics, workplace practices and policies, the impact on the natural and social environment, and the marketplace.

The members of the committee are:

- Mr DC Human*
- Mr MR van Breda
- Mr AJ Uys*
- Mr RE Goff
- Mr A Bertrand
- Mr P Malan§

* Until 27 June 2022

* Until 1 November 2022

§ From 1 November 2022

During the year under review, the committee focused on the following:

- The reports received and investigated in terms of the protected disclosure policy.
- The Protection of Personal Information Act's implementation and the various policies to support the Act.
- The updated Promotion of Access to Information manual.
- The updated company's CSI policy.
- The compliance monitoring with Principles 2, 3, 5 and 6 of the King IV report.
- The impact of the relevant portfolio companies on their local economies.
- The impact of climate change on the relevant portfolio companies.
- The measures implemented by the relevant portfolio companies to combat corruption.

During the year under review, the portfolio companies received no reports on regulatory fines or penalties or incidents related to environmental non-compliance. No fatalities occurred during the year.

The committee is satisfied that it has fulfilled its responsibilities for the year under review.

RE Goff

Chairperson

Environmental, social and governance (continued)

Corporate Governance Report

Our approach to corporate governance

The board of directors acknowledges that good corporate governance is an integral part of business success and can only be achieved through collective responsibility and shared accountability. The company is committed to ethical and effective leadership to achieve the core governance outcomes of an ethical culture, good performance, effective control and legitimacy.

The greatest contribution we can make as a good corporate citizen that creates sustainable value is to conduct business that adheres to the law; produces safe, useful and cost-effective products and services; supports job creation and stability; and reflects international standards and values in areas such as the environment, ethics, labour and human rights.

Integrity, accountability, responsibility, and respect are the cornerstones of our values which make up our Code of Ethics.

The company subscribes to high ethical standards of business practice through a set of values, variously documented policies, and a Code of Ethics approved by the board. The company thereby requires all employees and board members to adhere to ethical business practices in their relationships with one another, suppliers, intermediaries, shareholders, and investors. They must display integrity, mutual respect and openness and are expected to challenge those not adhering to these values.

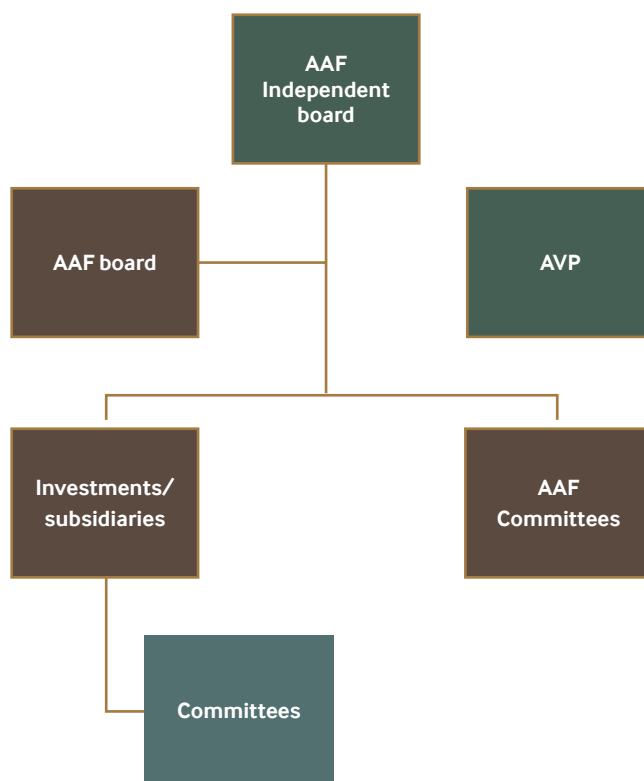
The company board is responsible for ensuring that the ethical norms and policies are appropriate and enforced, a responsibility it discharges through the company Compliance, social and ethics committee. The board acknowledge the importance of maintaining a compliance culture and the board members, chairperson and CEO's impact on culture.

We are committed to transparency and integrity and encourage stakeholders to voice concerns about unethical behaviour, criminal conduct, or malpractice in any of our portfolio companies. The whistleblower policy aims to create a culture of openness and accountability without fear of reprisals or occupational detriment. The policy provides a framework to investigate and address honest concerns while protecting against victimisation, harassment, or disciplinary action. The Audit and risk committee and the Compliance, social and ethics committee receive feedback at every meeting about the number of reports made regarding the protected disclosure policy, the allegations made, the investigation and a summary of the outcome. During the year, the committee received three reports. These reports were investigated, and in one case, evidence of misconduct was found, but since the individual resigned, no action could be taken.

Declaring personal financial interests, including potential conflicts of interest, is standard on all board and board committee agendas. Directors who have declared personal financial interest in a matter on the agenda recuse themselves from the meeting for the duration of the discussion.

Governance framework

The company board approved the updated governance policy to reflect our strategy.



Because of the close relationship between the Fund Manager and ARC, several matters are reserved for the independent board of AAF. The policy distinguishes between the matters reserved for the AAF board, the company's independent board, and those delegated to the Fund Manager.

The company board has delegated certain functions to committees. In addition, the subsidiaries/portfolio companies have their own board of directors, which meets as required. Subsidiary/portfolio company boards retain complete and adequate control of the companies and are ultimately accountable and responsible for the entity's performance. This includes responsibility for reviewing and guiding corporate strategy through establishing key policies and objectives, understanding the key risks faced by the company, determining the risk appetite, and the processes in operation to mitigate these. Subsidiary/portfolio company boards have their own charters.

The Fund Manager and senior management provide the company board with sound information, advice and recommendation on the company's organisational structure, objectives, plans, risks, and policies to enable the board to make informed decisions.



The purpose of each function:

Acorn Agri & Food board	The board determines the company's vision, strategic direction, and objectives.
Acorn Agri & Food independent board	<p>The independent board must approve matters reserved for its final approval, which include:</p> <ul style="list-style-type: none"> the company's strategy and business plans; management remuneration; director remuneration and appointment for recommendation to shareholders; and Fund Manager's fees.
Acorn Agri & Food board committees	<p>The Audit and risk committee:</p> <ul style="list-style-type: none"> reviews and recommends the approval of the audited annual financial statements; recommends the appointment of an external auditor and oversee the external audit process; oversees the company's risk management policy and monitor the implementation thereof; determines and monitors the focus areas of the Fund Manager; and oversees annual reports. <p>The Remuneration and nomination committee:</p> <ul style="list-style-type: none"> ensures compliance with the formal process to nominate, appoint and elect non-executive directors; reviews the declaration of interests and other boards the company board directors serve on to ensure independence and potential conflicts are avoided; and receives nominations for the appointment of directors of Overberg Agri Bedrywe from the Overberg Remuneration committee and recommend their appointment to the company board. <p>The Compliance, social and ethics committee:</p> <ul style="list-style-type: none"> monitors and reviews policies and practices on health and safety, social and economic development, environmental activities, efforts to combat fraud and corruption, consumer relations, labour and employment, and regulatory compliance.
Fund Manager	Provides discretionary financial services to the company and its portfolio. Subject to the company's MOI and the governance policy, the Fund Manager administers and manages the portfolio, including but not limited to acquisitions, disposals, or otherwise dealing with the investments at its discretion to generate attractive returns for the company and its shareholders.
Executive committee	As a sub-committee of the Fund Manager: Reviews and formulates strategic objectives for the company board's approval and monitors portfolio companies' achievement of strategic objectives and operational performance.
Portfolio company boards	Carry the full responsibility of a board of directors, including the approval of their business plans, budgets and annual financial statements within the limits of the governance policy.
Portfolio company committees	<p>Category C* companies have appointed an Audit and risk committee and a Remuneration committee.</p> <p>The Audit and risk committee's primary responsibility is to review budgets and annual financial statements. The Remuneration committee's primary responsibility is to review remuneration policies and practices and approve performance bonuses.</p>

* Categories as per Governance categories below

Governance categories

A bottom-up Governance Framework is adopted to enhance AAF's governance philosophy further. To achieve the principles of proportionality and decentralisation, the Policy is structured according to the following categories:

A	B	C	D	E
Ultimate holding company Subsidiary companies	Subsidiary companies	<p>Portfolio Companies:</p> <ul style="list-style-type: none"> In which AAF's shareholding is between 50% and 100%; and With a turnover of R300 million and more per annum 	<p>Portfolio Companies:</p> <ul style="list-style-type: none"> In which AAF's shareholding is between 50% and 100%; and With a turnover of less than R300 million per annum 	<p>Portfolio Companies:</p> <ul style="list-style-type: none"> In which AAF's shareholding is less than 50%
AAF	AAF Invest AAF Services	Overberg Agri Group Moov Fuel Group Kyrion Group ACG Fruit Group	Overberg Meat Montagu Group P&B Lime Works Boltfast	Lesotho Milling Company

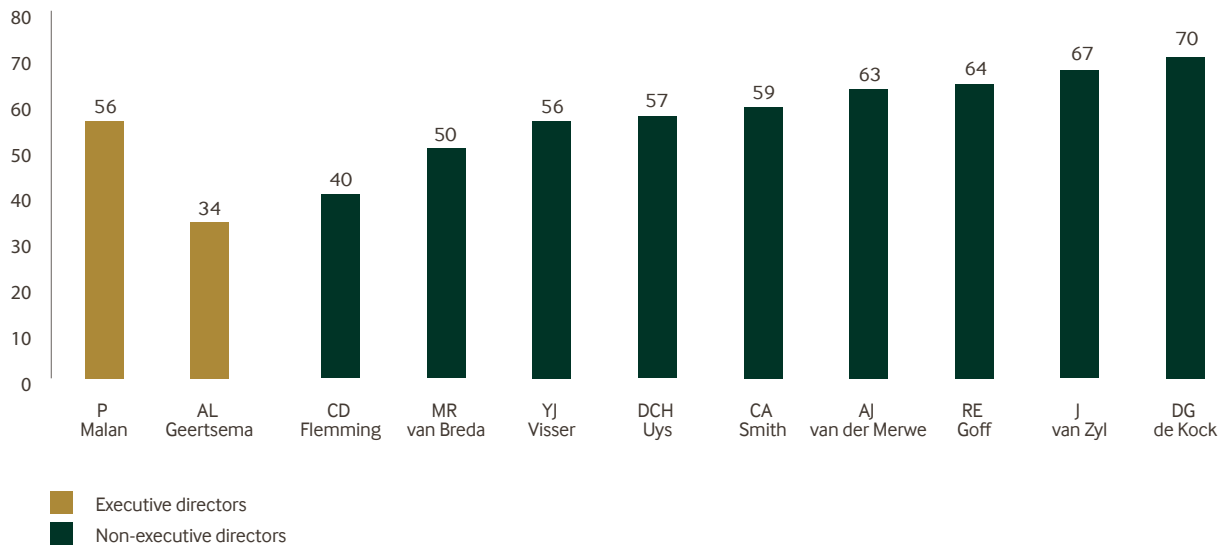
Environmental, social and governance (continued)

Board composition and roles

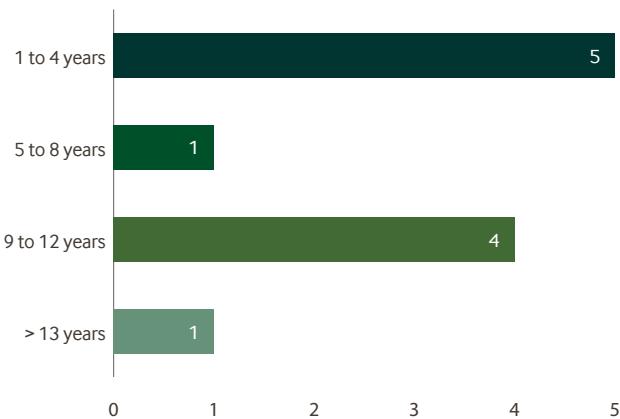
The company board operates according to a charter that determines its roles, functions, obligations, responsibilities, powers, and practices, including that of the CEO. The charter is reviewed and updated regularly and incorporates the Institute of directors in South Africa's General Practice Guidance Note on aligning board charters with King IV™. The charter has been aligned with the AAF2.0 plan, fund management agreement and corporate governance policy.

The roles of the chairperson and chief executive officer are separate. A clearly defined division between the chairperson and chief executive officer ensures a balance of power and authority.

Board member age profile



Company board member's tenure



Appointment and rotation

The terms of office for non-executive directors are three years. Except for the African Rainbow Capital nominated director and board appointed directors, one-third of non-executive directors must retire by rotation at every annual general meeting.

Chairperson and vice chairperson

Mr DG de Kock was appointed as chairperson on 7 December 2022 and Mr YJ Visser as vice-chairperson on 26 January 2023. Messrs de Kock and Visser will serve as chairperson and vice-chairperson until the annual general meeting in 2025.



Leadership

Non-executive board members



DG de Kock (Douw)

Age: 70
Qualifications: BCom and Diploma in Financial Planning (CFP)
Tenure: 18 years
Background: Douw was an agriculturist from 1981 until the end of 2006 and is a financial planner with Boshoff Visser Financial Services.
Board meeting attendance: 9/9



YJ Visser (Cobus)

Age: 56
Qualifications: LLB
Tenure: 5 years
Background: Cobus is the managing director of Bremer Investments and owns various agriculture operations. He is a former law firm Gildenhuys van der Merwe Inc director.
Board meeting attendance: 7/9



J van Zyl (Johan)

Age: 67
Qualifications: PhD (Economics) and D.Sc. (Agric)
Tenure: 4 months*
Background: Johan is the co-CEO of African Rainbow Capital and CEO of Ubuntu-Botho Investments. He served as the CEO of Sanlam for 12 years.
Board meeting attendance: 3/4*

* Appointed on 15 October 2022



MR van Breda (Michael)

Age: 50
Qualifications: BBusSc (Business Finance), Diploma in Accounting and CA (SA). Master's degree in environmental law.
Tenure: 10 years
Background: Michael is an agriculturist and has been actively involved in primary agriculture since 2001.
Board meeting attendance: 9/9



DCH Uys (Dirkie)

Age: 57
Qualifications: BCom (Hons)
Tenure: 10 years
Background: Dirkie is an agriculturist and has been actively involved in primary agriculture since 1996.
Board meeting attendance: 9/9



CA Smith (Nelius)

Age: 58
Qualifications: BAcc (Hons) and CA(SA)
Tenure: 9 years
Background: Nelius has been practising as an auditor in Bredasdorp since 1995 and is involved in Boshoff Visser Financial Services.
Board meeting attendance: 9/9



CD Flemming (Charmel)

Age: 40
Qualifications: BAcc (Hons) and CA(SA)
Tenure: 4 years
Background: Charmel is an experienced professional with a strong focus on risk and governance. Her current non-executive director's board portfolio includes JSE-listed company boards and subcommittees.
Board meeting attendance: 9/9



RE Goff (Robert)

Age: 64
Qualifications: BA(Law) and BProc
Tenure: 4 years
Background: Robert's career started at the SA Post Office as a labour relations adviser, from where he moved to Motorola International as the HR executive for Sub-Saharan Africa. He joined Sanlam as chief executive of human resources, responsible for the entire human resources function of Sanlam Personal Finance. He retired from Sanlam in 2018.
Board meeting attendance: 9/9

Environmental, social and governance (continued)

Executive board members



AJ Van der Merwe (*Alwyn*)

Age: 63

Qualifications: BCom, Honours in Economics and MBA.

Tenure: 1 year

Background: Alwyn has 32 years of experience in the financial services industry, starting his investment management career in 1989. He was appointed to the role as Director of Investments at Sanlam Private Wealth in May 2007. He has overseen the establishment of a fully-fledged asset management capability within Sanlam Private Wealth. Before joining Sanlam Private Wealth, he successfully managed institutional pension funds and several equity and balanced unit trusts.

Board meeting attendance: 8/9



P Malan (*Pierre*)

Chief executive officer

Age: 56

Qualifications: BCompt (Hons) and CA(SA)

Tenure: 9 years

Background: Pierre is a co-founder and chief executive officer of Acorn Private Equity. He has extensive experience in corporate finance and private equity.

Board meeting attendance: 9/9



AL Geertsema (*Andries*)

Chief financial officer

Age: 34

Qualifications: BCompt (Hons) and CA(SA)

Tenure: 4 months*

Background: Andries has over 14 years of experience at PwC in a listed and unlisted environment. He also has in-country experience in South Africa, Zambia and the USA.

Board meeting attendance: 4/4

* Appointed on the board: 18 October 2022

** Appointed as the chief financial officer: 1 January 2021

Board Activity for the Year



Usually, the company's board formally meets five times a year in accordance with its annual work plan. When urgent matters require the board's attention, unscheduled meetings are convened.

The unscheduled meetings focused on the AAF2.0 strategy.

Trading in the company's shares

A share trading policy governs trading in our company's shares. The policy makes provision for, among others, closed periods and the reporting of share trades by directors of the company. Closed periods are affected when a director or employee has knowledge not available to shareholders and may influence its share price or value. Trading in the Group's shares is not allowed during closed periods. An internally operated share administration desk monitors closed periods. Direct and indirect trading in AAF's shares by directors is published on the website within 24 hours of such trades.



Remuneration report

The summarised remuneration report and the accompanying implementation report have been compiled following principle 14 of the King IV report. **The full remuneration report can be found in the Notice to the 2023 AGM.** The report provides an overview of the remuneration policy for employees, executive and non-executive directors, and prescribed officers. The implementation report details how we applied the remuneration policy and related incentive policies.

Pay and Performance

Our overarching goals inform our remuneration decisions of improving returns to shareholders. Our policy is to attract and reward top performers and critical talent. We are best positioned to deliver our strategy and enhance shareholder value by retaining high-quality people. We applied sound remuneration principles to align the remuneration policies and philosophies.

Executive remuneration through Acorn Venture Partners effective from 1 February 2023

With the termination of Acorn Private Equity's fund management agreement on 15 October 2022, the company has contracted Acorn Venture Partners as the investment adviser/Fund Manager of the company and its portfolio companies, effective 1 February 2023, which is regulated in the investment management agreement.

The key principles of the investment management agreement are that Acorn Venture Partners:

- is remunerated based on a cost basis, initially set at R10 million per annum, with inflation-linked increases. It is responsible for the remuneration of the executive directors, non-executive directors appointed by African Rainbow Capital and other investment committee and team members; and
- has been contracted for an initial period to 31 December 2024.
- Acorn Venture Partners may qualify for a short-term incentive at the end of the contractual period based on the performance of the company's share price.

Remuneration implementation report

This implementation report discloses remuneration outcomes for executive and non-executive directors to provide a single total figure of remuneration received for the year ending 28 February 2023, which aligns with the remuneration and short- and long-term performance bonus policies. This figure is divided into a total guaranteed package, and short-term and long-term incentives. The full remuneration implementation report can be found in the Notice to the 2023 AGM.

All expenses incurred by executives and non-executives form part of the employee's duties (such as travel and cell phone allowance) and are in addition to the remuneration in the tables below. Travel by a private vehicle is reimbursed at a set rate per kilometre.

Remuneration paid to executive directors:

Name and role	Total guaranteed package (R)	Short-term incentive bonus (R)	Long-term incentive bonus (R)	Employment termination and contracting fees (R)	Total earnings (R)
AJ Uys (chief executive officer)*	2 906 656	733 324	—	6 000 000	9 639 980
LE Coetzer (chief operating officer)**	2 139 088	259 458	—	4 000 000	6 398 546
AL Geertsema (chief financial officer)	2 000 000	270 000	—	—	2 270 000
P Malan (chief executive officer)***	1 716 000	156 000	—	—	1 872 000
AC Neethling (executive officer)****	1 246 000	—	—	—	1 246 000
TOTAL	10 007 744	1 418 782	—	10 000 000	21 426 526

* Chief executive officer until 1 November 2022.

** Chief operating officer until 1 November 2022.

*** He was an executive director until he was appointed CEO on 1 November 2022.

**** Executive officer until 13 October 2022.

Remuneration report (continued)

Executive director shareholding as of 28 February 2023:

Shareholding	AL Geertsema (Directly)	P Malan (Indirectly)
Total	16 965	8 321 756
Relative shareholding	0.01%	6.13%

Fees paid to non-executive directors:

Director	Total fees paid (R)
DG de Kock (chairperson)*	561 929
YJ Visser (Vice chairperson)**	526 642
DCH Uys (non-executive)	314 425
CA Smith (non-executive)	314 423
JHP van der Merwe (non-executive)***	131 224
J van Zyl (non-executive)****	78 734
MR van Breda (non-executive)	407 794
CD Flemming (non-executive)	314 417
RE Goff (non-executive)	323 314
AJ van der Merwe (non-executive)	223 571
TOTAL	3 196 473

* Chairperson from 7 December 2022.

** Vice Chairperson from 26 January 2023.

*** Resigned on 15 October 2022.

**** Appointed on 15 October 2022.



Shareholders' information

Acorn Agri & Food's shares are traded over the counter as share transactions are negotiated directly and bilaterally between willing buyers and sellers of shares. Our share administration desk facilitates the identification of willing buyers and sellers and acts as an administrator. This includes providing parties with the required documentation and updating the securities register after the conclusion of transactions.

Shareholder Analysis

Share price performance

Opening price – 1 March 2022	R11.40
Closing price – 28 February 2023	R14.31*
High for the period	R15.00
Low for the period	R10.00
Total number of shares traded	10 061 757**
Total value of shares traded	R138 305 647**
Total number of shares traded (excluding share purchased and repurchased)	1 483 119**
Total value of shares traded (excluding share purchased and repurchased)	R15 675 444**
Total number of issued shares	135 744 609
Total number of issued shares – net of treasury shares	119 538 853
Total number of shares traded as % of total issued shares (liquidity)	7.41%
Total number of shares traded (excluding shares repurchased and off-the-market transactions) as % of total issued shares (liquidity)	1.09%

* Closing share price includes the purchase and repurchase programme implemented at the end of February 2023.

** Excludes trades made within nominee companies and off-the-market transactions.

In January and February 2023 AAF repurchased 2 525 588 shares at a total value of R36 269 136. AAF Invest purchased 6 053 050 shares at a total value of R86 369 566. In addition, Overberg Agri purchased 339 021 AAF shares for its customer loyalty programme during the year. These shares were purchased in the open market.

Shareholder distribution

Public shareholders	74.64%
Non-public shareholders	25.36%
Non-executive directors	11.86%
Executive directors	6.14%
Shares held by subsidiaries*	7.36%

* AAF Invest (Pty) Ltd and Overberg Agri Bedrywe (Pty) Ltd hold AAF shares.

Major beneficial shareholders

The following beneficial shareholders owned 5% or more of the issued ordinary shares of 28 February 2023:

Agulhas Nominees (Pty) Ltd	13.15%
UBI General Partner (in its capacity as the General Partner of the ARC Fund)	10.91%
Emfam Beleggings (Pty) Ltd	7.36%
Bremer Investments (Pty) Ltd	5.20%

Shareholders' Diary

Financial year-end	28 February 2023
Annual general meeting	19 June 2023
Reports and Statements	
Annual report	June 2023
Interim results	October 2023
Dividend	
Declaration	26 May 2023
Record date for dividend payment	30 June 2023
Dividend payment	17 July 2023

Corporate information

Acorn Agri & Food Limited

Incorporated in the Republic of South Africa
Registration number: 1998/001018/06
Income tax number: 9038032026
Telephone number: +27 (0)21 852 2887
Website: www.acornagri.co.za

Registered Address

Unit C2 The Beachhead
10 Niblick Way
Somerset West 7130

Postal Address

PO Box 3360
Somerset West 7129

Company Secretary

Annmarie Steyn
Email: annmarie@acorn.co.za

Auditors

PricewaterhouseCoopers Inc.

Principal Bankers

Nedbank Ltd
Rand Merchant Bank, a division of FirstRand Limited







www.acornagri.co.za