

About this report

Scope and Boundary

This report covers the integrated performance of Acorn Agri & Food and its group companies and associates for the year ended 28 February 2021. 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.

Summarised consolidated financial results are published in the integrated annual report, with the audited consolidated annual financial statements available on the website at www.acornagri.co.za/financial-information.

Reporting Frameworks

- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)
- Companies Act of South Africa, No. 71 of 2008, as amended (Companies Act)
- We are taking steps to align our reporting with the International Integrated Reporting Council's Integrated Reporting <IR> Framework

Material Matters

We considered our strategic risks and reviewed internal and external factors that could materially impact the Group's profitability and ability to sustain value through its strategy. We tested these against the material matters reported by our South African peers and believe the matters are robust, balanced and complete. We continue to consider any possible material effects of COVID-19 on our operations. Read more about our material matters on page 34.

Forward-looking Statements

This report may contain forward-looking statements which relate to Acorn Agri & Food's future performance and prospects. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future and, as such, are not guarantees or predictions of future performance. Readers are advised not to place undue reliance on such statements. Acorn Agri & Food undertakes no obligation to update publicly or release any revisions to these statements that reflect events or circumstances after the date of this report, or to reflect the occurrence of anticipated events.

Comparability Issues/Events

The comparability issues that arose in 2020's integrated annual report due to the amalgamation were resolved for the 2021 financial year. The year ended 28 February 2021 represents two full financial years of the fully amalgamated Group.

Bolftast is now reflected as an asset held for sale. As such, the Group's statement of profit or loss was re-presented for the discontinued operations of the disposal group.

A share repurchase was implemented during the year where 1 936 322 shares were repurchased. Historical per share ratios were adjusted for the share split which occurred on 2 May 2018, whereby nine additional shares were issued for every one share in issue.

Independent Assurance

The consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act and assured by the Group's external auditor, PricewaterhouseCoopers Inc. (PwC), who expressed an unmodified opinion thereon. The financial information that appears in the integrated annual report is extracted from the audited consolidated annual financial statements.

Approval of the Report

The integrated annual report was reviewed by the board and executive team. Acorn Agri & Food's board further acknowledges responsibility for the integrity of the integrated annual report. Following collective assessment, the Audit and risk committee, responsible for oversight of the integrated annual report, recommended the report to the board for approval.

In the board's opinion, the integrated 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 2021 integrated annual report on 11 June 2021 for publication.

Cobus Visser
Chairperson

André Uys
Chief executive officer

Feedback

We value your feedback to improve our integrated annual report. Kindly direct any comments or suggestions to **Emma Gordon** at:
Email: emma@acorn.co.za **Tel:** 021 852 2887

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Chairperson's report

Overview

The 2021 financial year marks the second full year of operation for Acorn Agri & Food and the first year of the COVID-19 pandemic. Fortunately, the agriculture sector weathered the storm well. Despite experiencing adverse effects from the various lockdowns, our group companies proved resilient and most outperformed our expectations. More detail is provided in our CEO's report on page 25 and in our operating context on page 30.

Key Results

Our Group's reported revenue was 2% down on the previous year, directly attributable to the effects of the hard lockdown. However, our profitability (measured by net profit after tax) improved significantly with a year-on-year increase of 190%. In addition, our cash generated from operating activities increased by an astounding 695%. This was due to a combination of a bumper harvest as well as improved margins and reviewing our cost structures, operating capital requirements and the impact of pursuing only critical capital expenditure. We generated headline earnings of R140 million compared to a R60 million loss last year. We thank all our group company management teams for employing effective cost cutting initiatives during the year to support performance. Readers can find more information about our financial performance in our CFO's report on page 47.

The share price continued to decline, ending at a price of R12.00 compared to R15.99 a year ago. This closing price means that shares are trading at a discount to net asset value (NAV) of 47%. The Group's share liquidity (excluding share buy-backs) came in at 0.56% for the 2021 financial year, down slightly from 0.60% in the previous year.



Despite experiencing adverse effects from the various lockdowns, our group companies proved resilient and most outperformed our expectations.”

Cobus Visser

Due to low liquidity and a small number of shareholders exiting their investment in the Group, we believe the current share price does not truly reflect the Group's value. We performed a sum of the parts (SOTP) valuation – a new initiative started by our new CFO, Andries Geertsema – which gives a better indication of the Group's value. More information on the SOTP can be found in our CFO's report on page 47.

We investigated trading our shares through an alternative stock exchange. However, we concluded that this will not be more beneficial than our current over-the-counter system. We remain committed to creating more liquidity to stimulate trading and anticipate that our current financial performance will provide positive support for the share price to give a more accurate reflection of the value of the Group.

Board Focus Areas

In the year under review, the board focused on:

Corporate Governance

Management reviewed portions of the Group's strategy, resulting in some revisions. More information can be found in our Group strategy section on page 39. The board approved these changes after management and Group executives presented thorough motivations.

Over the past year, all risk registers across the Group were updated to incorporate COVID-19-related risks and we continue to evaluate our risk appetite annually. Considerably more opportunities are becoming available, not only due to the pandemic but also due to current economic and political realities in South Africa. To capitalise on these opportunities, we lowered our minimum internal rate of return and return on equity requirements. Our healthy cash position enhances the opportunity for acquisitions. However, we remain acutely aware that capital deployment should be done responsibly to enhance Group earnings.

Management is implementing an exciting B-BBEE deal which, if approved by shareholders, will allow our Group to exit ACG Fruit while simultaneously reducing the management fee payable to Acorn Private Equity. The deal will significantly empower ACG Fruit and The Health Food Group. It will further provide the Group with a designated B-BBEE partner for future deals. The board's role in this transaction was extensive. Refer to our investment report on page 28 for more information.

As a result of the amended Fund Management Agreement that we reported on last year, Pierre Malan served as interim CFO while we recruited our new CFO. We thank Pierre for his service and sincerely appreciate his guidance during COVID-19. We were pleased to welcome Andries Geertsema as our CFO and he commenced his duties in January 2021.

Under the amended Fund Management Agreement, we implemented performance measurement criteria for Acorn Private Equity over the past year. These points of criteria align performance with shareholder and Group expectations and allow us to measure the value we derive from the agreement. This measurement criteria is evaluated on a quarterly basis and can be revised if needed. The board is satisfied that Acorn Private Equity performed according to expectations during the year, despite the impact of COVID-19 on merger and acquisition activity.

Diversity

It is important for all South African businesses to be well-informed about the prevailing discussions around transformation in the country. Our Group continues to pursue diversity. We have specific diversity goals for each group company that are evaluated annually by our Remuneration and nomination committee. Several group companies have B-BBEE scorecards and the previously mentioned B-BBEE transaction will significantly empower three additional group companies.

Assistance to Group Companies Regarding Strategy, Growth and Human Capital

The operations, profitability and cash flow of group companies continued to be key focus areas for the past year. Management efforts were concentrated on optimising growth plans and operational efficiencies, strengthening management structures and capacity, and turning around underperforming businesses. Our Group board, as well as the boards of our various group companies, played a supporting role by providing vast industry knowledge and guidance. We are already witnessing the fruits of their efforts.

The Board's Ongoing Response to COVID-19

For the foreseeable future, we will continue to protect the health of the public and our employees by continuing strict protocols throughout our Group.

As communicated last year, all of our directors (non-executive and executive) as well as our fund manager, Acorn Private Equity forgave 25% of their cash remuneration from August 2020 for a period of 12 months.

Digitalisation has become increasingly important during COVID-19 and will likely remain so. To address digital transformation and IT-related risk, a new IT task team will be entrusted with the Group's digital transformation journey. Innovation and a migration to further our presence in the e-commerce space will feature prominently in the task team's mandate.

Outlook

The pandemic caused us to re-evaluate business models throughout the Group and to execute a focused review of cost structures and capital requirements. This unlocked efficiencies and increased the use of electronic media.

We foresee that COVID-19 will continue to be part of our lives for 2021 – depending on vaccination roll-outs. The economic impact of COVID-19 on the South African economy as well as on growth and consumers will last longer than the pandemic. However, we are encouraged by the resilience of the agriculture and food sectors and believe we are perfectly positioned to weather the storm. We further believe that steps taken to date will mitigate most material adverse effects of the pandemic on our results.

We anticipate good conditions for the coming production season and that favourable knock-on effects from 2020's bumper harvest will continue, supporting performance in the 2022 financial year.

Appreciation

On behalf of the Group, I express sympathy to every person who has lost a loved one due to the pandemic or any other cause. We pray that the Lord will bring comfort to those experiencing grief and loss.

We express our gratitude for the grace given to us by our Heavenly Father who extended His favour upon us during the past year. I thank each employee within the Group who, despite the challenges posed by COVID-19, continued to work and contributed to the final results achieved. Your efforts are highly appreciated.

No ship can sail properly without a captain and capable crew. In this regard, I extend a heartfelt thank you to André Uys and his management team. Their resilience and dedication during the past year was exemplary and we are glad to have such high calibre leadership. I extend an equally deserved thank you to my fellow board members. Thank you for your steadfast commitment, hard work and guidance which continue to ensure that Acorn Agri & Food remains a resilient pillar of strength able to serve its stakeholders for many years to come.

I would like to thank our executive team, our board members and Acorn Private Equity for their willingness to accept a 25% reduction in remuneration during the past year. This demonstrates that our leadership keeps the best interests of the company at heart and that they are willing to lead from the front when there are tough and unpopular decisions to be made.

On behalf of the board, I extend our gratitude to our stakeholders. Our employees, shareholders, partners, loyal customers and suppliers played a role in protecting the sustainability of our business during this difficult time. We thank you for your trust in us. The only way to repay this trust is to continue to strive for, and deliver, excellent performance and service, as well as continued strengthening of relationships.

No one can say with certainty when this pandemic will end. However, with each passing day, we edge nearer to its close. Hopefully we can look back at this period in the not-too-distant future with a sense of relief and a renewed appreciation for just how precious each day is.

Carpe diem!

Cobus Visser

Chairperson

About our Group

Acorn Agri & Food is a leading, vertically integrated South African agriculture and food group with a legacy of more than 100 years and over 2 300 employees. We are a publicly traded company that operates nationally, with a strong presence in the Western Cape.

The segments we operate in within the agriculture and food value chain consist of Agri Inputs & Services, Fresh Fruit, Food Processing and Health Foods. Read more about our segments on page 9.

Our Business Philosophy

Acorn Agri & Food is driven by a forward-thinking passion for the South African agriculture and food industries. We believe we add significant value to the landscape by:

- keeping our products and services on par with innovation;
- taking advantage of technological advancements; and
- growing our business organically and through acquisitions.

We have a deep desire to be a trusted partner for growth – which we believe comes from doing business ethically. We aim for this growth to stretch beyond shareholder returns – we endeavour to have an improving and sustainable impact on all stakeholders.

Purpose

Enabling sustainable agriculture and food production.

Vision

To create a legacy of long-term, sustainable value for all stakeholders by being the partner of choice in the agriculture and food value chain.

Values



Trusted relationships: We are committed to being the partner of choice for all stakeholders by building strong relationships.



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.

Responsibility

Acorn Agri & Food has a responsibility to make a meaningful contribution to food security in South Africa. We do this by enabling sustainable agriculture and food production practices, and by positively impacting the communities where our businesses operate. Read more about our corporate social responsibility initiatives on pages 21 to 23.

Investment Case

The following investment attractions differentiate the Group from its peers and should enable the Group to generate sustainable returns for shareholders.



Business with a legacy of more than 100 years

- Proven sustainability of value through a variety of business cycles



Vertically integrated in the agriculture and food sectors

- Business model centres around essential products and services, strengthening the sustainability case
- Exposed to the entire agriculture and food value chain, reducing cyclicalities of profits and strengthening the sustainability case
- More stable margins due to greater control throughout the value chain
- Improved security of raw material supply and limited dependence on third parties or market forces
- More opportunities for intra-Group collaboration and cross-selling
- Enhanced opportunity to identify areas of increased efficiency through innovation



Leading position in the growing health foods industry

- Well positioned to take advantage of the growing local and international health foods industry through The Health Food Group
- Owner of valuable health snacking brands
- Strong research and development capabilities drive product innovation



Market leader in supplying goods and services to agricultural producers in the Overberg region

- Major player in the country's largest wheat, barley and canola producing region – a critical supply source to various industries
- The Overberg is one of the country's more stable agricultural production regions (good weather and soil conditions and diverse farming operations) which strengthens the sustainability case



Mutually supportive operational and investment approaches embedded in our strategy

- Group strategy encourages entrepreneurial flare while still providing support and access to operational expertise
- Attractive investment philosophy centring around businesses that we can assist alongside management to develop and grow
- Dedicated investment team with a keen eye for exciting acquisition opportunities

Our Segments

During the year, we introduced AgVentures into our Agri Inputs & Services segment and Green Machine was incorporated into Montagu Snacks. More information on these changes can be found in our CEO's report on page 25.

Our Group is strategically focused on, and positioned in, the following segments of the agriculture and food value chain:

Agriculture



Agri Inputs & Services

Supply of goods and services to agricultural producers as well as petroleum and lubricant products to retail, commercial and agricultural clients



Fresh Fruit

Production, packaging and marketing of fresh fruit, mainly table grapes and soft citrus, for the export market



Food



Food Processing

Processing of various commodities into food products for wholesale and retail customers



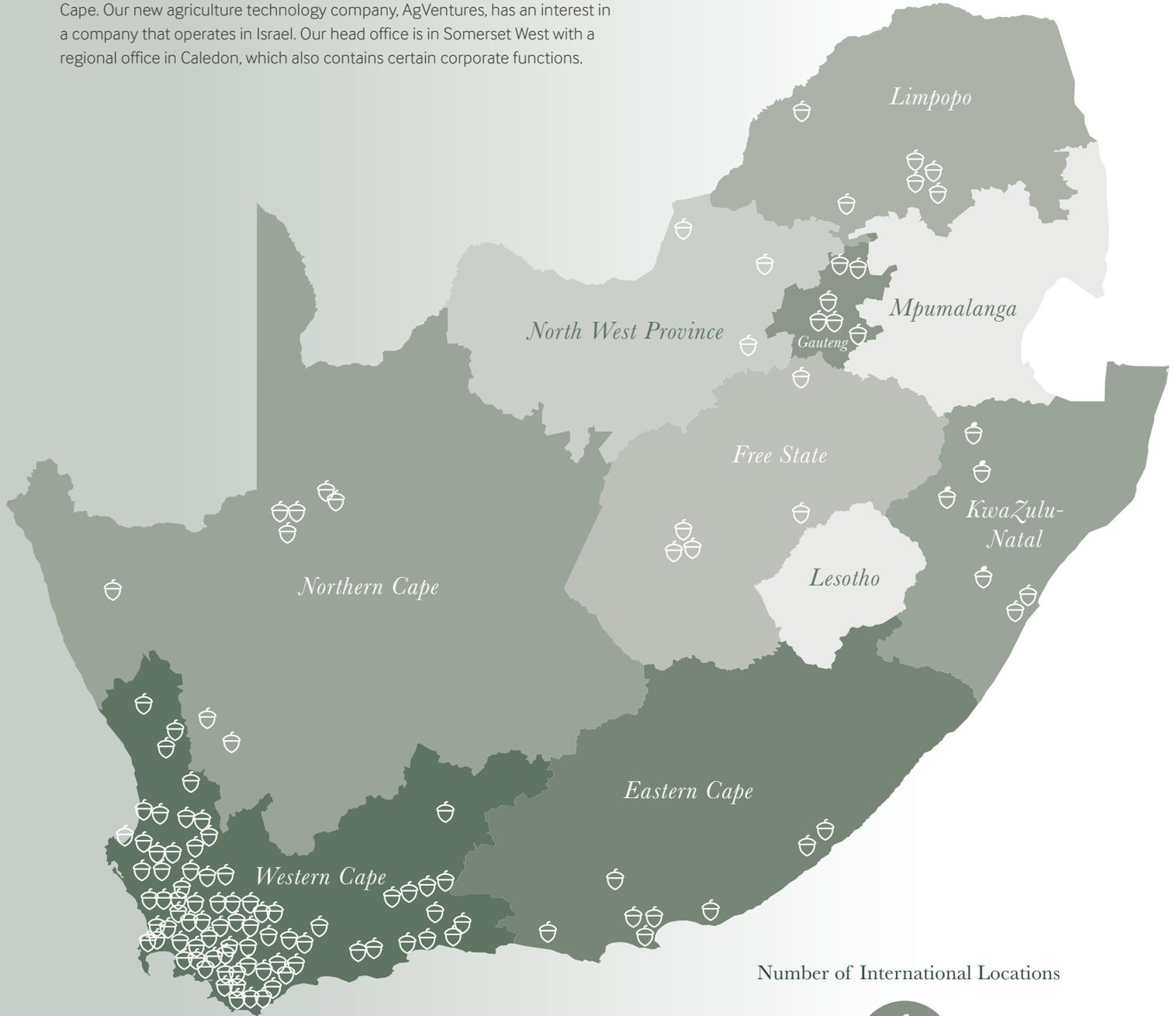
Health Foods

Procurement, production, packaging and supply of health foods to wholesale and retail customers



Geographic Footprint

Acorn Agri & Food operates nationally with a strong presence in the Western Cape. Our new agriculture technology company, AgVentures, has an interest in a company that operates in Israel. Our head office is in Somerset West with a regional office in Caledon, which also contains certain corporate functions.



Number of International Locations



1

Israel

Number of South African Locations



122

Western Cape



8

Eastern Cape



6

KwaZulu-Natal



3

North West



8

Northern Cape



5

Free State



16

Gauteng



6

Limpopo

