

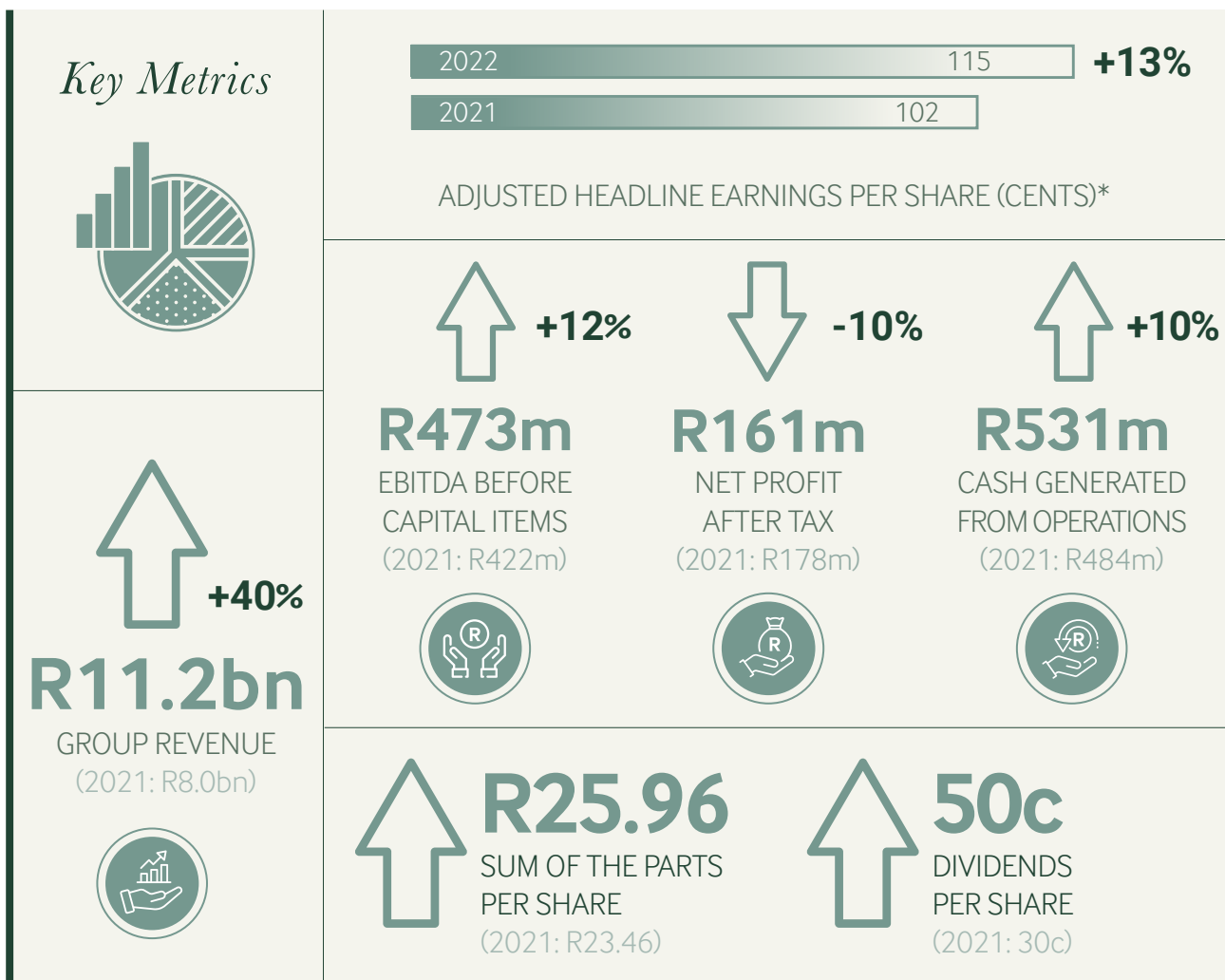
# Financial review

*“The 2022 financial year has proven the effectiveness and importance of our diversified business model. Excluding the challenging environment ACG Fruit experienced this year, the Group has performed the best on record in terms of cash generation and operating profit before capital items.”*

Andries Geertsema



## CFO's report



\* Adjusted for impairment on loans to Bereikisanang Empowerment Farm (Pty) Ltd

# CFO's report *(continued)*

## Overview

### Consistency through our diversified business model

The 2022 financial year has proven the effectiveness and importance of our diversified business model. Excluding the challenging environment ACG Fruit experienced this year, the Group has performed the best on record in terms of cash generation and operating profit before capital items. Key features of the Group during the year included quality of earnings, cash generation and investment in strategic business opportunities.

Highlights for the year included recovery of profitability of the Agri Inputs & Services segment on the back of an above-average harvest and excellent trading conditions, significant volume growth achieved in our Energy & Logistics segment, and the successful acquisition of Kyron Group, Bachmus Oil & Fuel Supplies and Matrix Software that pave the way for stronger growth prospects.

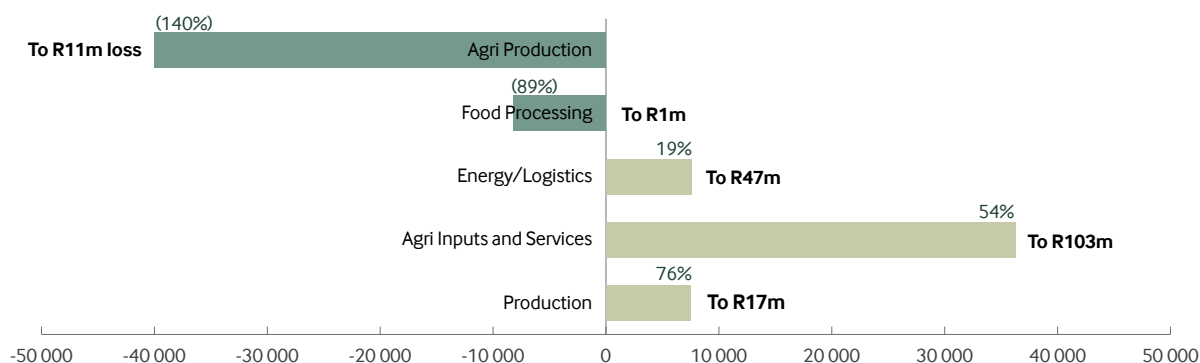
As communicated last year, our focus on profitable revenue growth and ultimate continual improvement in earnings to deliver shareholder value resulted in a significant growth in gross profit, EBITDA and operating profit margins.

Our substantial recovery in profitability, excluding ACG Fruit ("pro forma"), has seen the Group increase its:

- pro forma operating profit before capital items by 25% to R333 million;
- pro forma profit after tax by 67% to R198 million; and
- pro forma headline earnings by 52% to R161 million.

Including ACG Fruit, our Group net profit after tax decreased by 10% to R161 million while headline earnings decreased by 7% to R126 million.

### Adjusted headline earnings movement per segment (R'000)

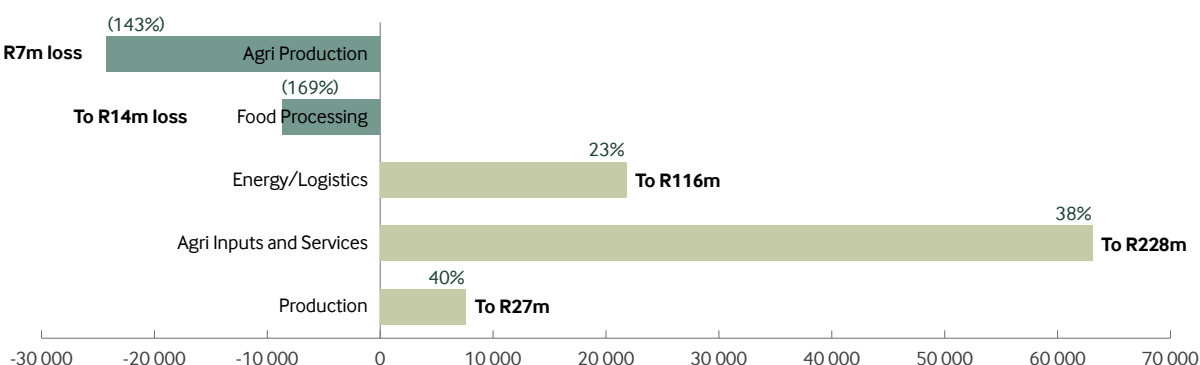


## Capital allocation: Responded to opportunities

We have utilised our strong balance sheet to capitalise on acquiring businesses that complement our strategy, are earnings-enhancing, highly cash generative and diversify our portfolio within the agricultural and food value chain. We have closed three acquisitions during the year, deploying R466 million in cash and introducing a healthy level of debt – R350 million – with the acquisition of Kyron Group. These businesses are performing above expectations and we remain excited by their growth prospects. At the end of our financial year, our new businesses delivered R1.8 billion of revenue since acquisition and R35 million in profit.

Our Group increased EBITDA (excluding capital items) by 12% to R473 million (2021: R422 million) during the year. If we had consolidated these acquisitions for the full 12 months as opposed to the few months since their acquisition dates, the EBITDA would have been approximately R612 million.

### Net operating profit before capital items movement per segment (R'000)



## Restatement of ACG Fruit and Boltfast to continuing operations

Unfortunately, our Group has been unsuccessful in disposing of the disposal group for the period under review. This is largely due to the cancellation of the B-BBEE transaction that would have seen the disposal of ACG Fruit. Current and medium-term market pressures pertaining to ACG Fruit and Boltfast would not realise their value to our shareholders in an immediate sale. Prior year comparatives have been restated to account for ACG Fruit and Boltfast as continuing operations, where they were previously classified as discontinued operations.

ACG Fruit has reported a net loss after tax of R37 million (2021: net profit after tax of R60 million) for the period under review. Market conditions have been very challenging, with a strong rand, significant rainfall experienced during our harvest in the Northern Cape and significant decreases in prices obtained in the citrus and table grape market. The Group has made substantial progress in restructuring (including a restructuring of the head office) and consolidating the business while improving its strategic alignment, performance and profitability. During the year, ACG Fruit sold underperforming farms with the Group, utilising the cash proceeds for investment activity.

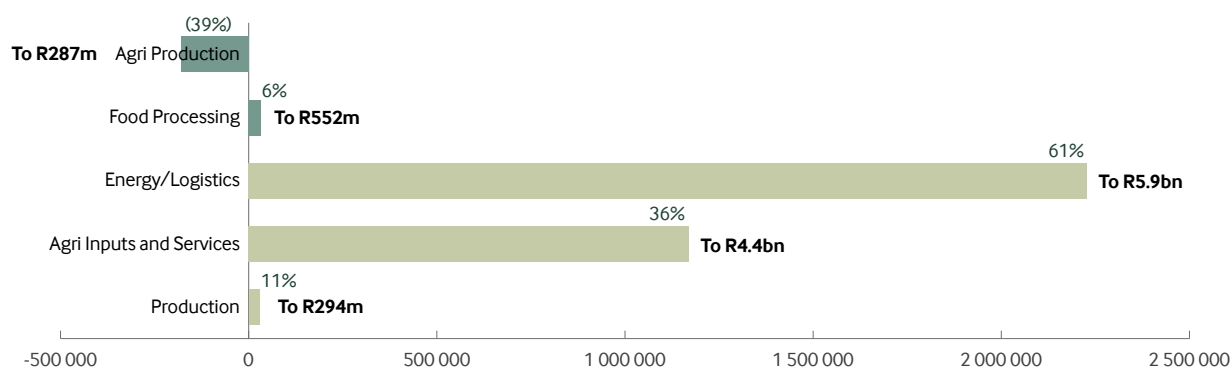
While the disposal of ACG Fruit and Boltfast would have enabled the Group to streamline its portfolio of businesses, we are still committed to value creation for our shareholders.

## Financial Performance

### Positive Revenue and Gross Profit growth

Group revenue increased by 40% to R11.2 billion (2021: R8.0 billion). Revenue in the Energy & Logistics segment increased by 61% due to increased volumes, price and the acquisition of Bachmus Oil & Fuel Supplies. Revenue further increased by 36% in our Agri Inputs & Services segment due to higher volumes and prices of direct farming inputs, an above-average grain harvest, excellent agricultural retail conditions and the acquisition of Kyron Group. The revenue in ACG Fruit decreased by 39% due to a stronger rand and significant decreases experienced in prices achieved for citrus and table grapes.

#### Revenue growth per segment (R'000)



Management reports gross profit margin by excluding the results of the Energy & Logistics segment and grain trading division of the Agri Inputs & Services segment. This is because there is no relation between 1) the regulatory increase in fuel prices and resultant nominal revenue growth as reported per IFRS, 2) the gross profit contribution based on a fixed amount per litre of fuel and 3) margins on grain trading being very low (only commission).

Our Group has shown an increase in gross profit of 18% and the gross profit margin was maintained at approximately 19%<sup>1</sup>. We are proud of this result and our expectation is for a further significant increase in margin once Kyron Group is consolidated for a full year.

### Lower cost of doing business

We have decreased the cost of doing business for a third year in a row, in line with our commitment to operational excellence and cost discipline. This number has been reduced to 87% (2021: 91%) of gross profit for the reporting year. Our expectations are for a lower cost of doing business once our acquisitions are consolidated for a full year.

<sup>1</sup> Excludes the Energy & Logistics segment as well as the Grain Trading division of the Agri Inputs & Services segment.

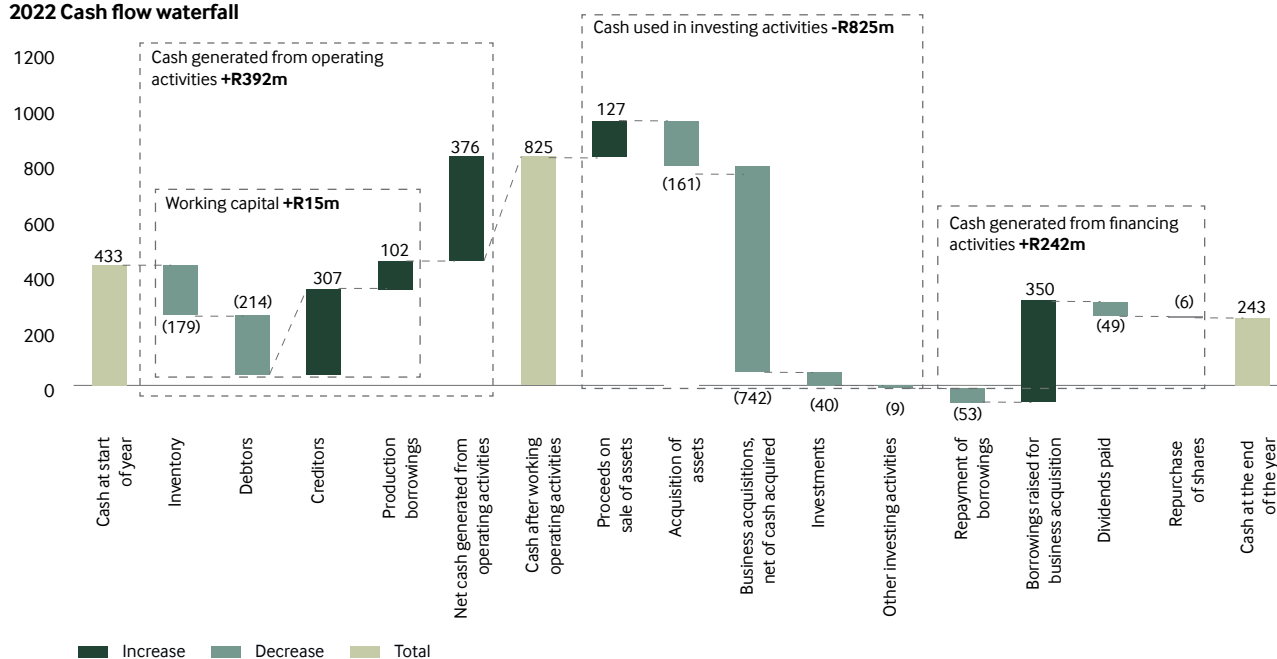
# CFO's report *(continued)*

## Robust operating profit growth and cash generation

We are pleased with the cash generated from operating activities of R392 million (2021: R434 million) and 17% growth in operating profit before capital items.

The Group's operating profit has been negatively affected by ACG Fruit experiencing difficult trading conditions. Compared to the prior year, the price per carton for citrus and table grapes decreased by 27% and 15% respectively. The stronger rand also negatively impacted the results.

### 2022 Cash flow waterfall



## Trade receivables

We are also pleased with the decrease in credit risk pertaining to trade receivables after two above-average harvests in the Overberg and Swartland regions that significantly impacted our book. Our credit granting and monitoring remains a top priority. Conservative credit granting and lower interest rates weighed on growth in revenue.

The underlying quality of our trade receivables is also evident in the decrease in trade receivables past due by 12% (44% decrease of trade receivables 120 days past due), and increase in our instalment sale receivables by 62%. Low levels of bad debt are maintained and our bad debt ratio remains excellent at less than 1% of trade receivables.

## Strengthened balance sheet

Our debt to equity levels from a Group perspective remain well below internal thresholds for a gearing ratio. We introduced a healthy level of gearing with the acquisition of the Kyron Group. Our group's net debt has increased to R834 million (2021: R306 million) primarily due to the new acquisitions. Our net debt to equity ratio is close to our target and currently at 25% (2021: 10%). However, strong cash generation in our businesses during the year facilitated debt repayments of R53 million.

	2022	2021
Net debt/Equity	25%	10%
Net debt/EBITDA	1.8	0.8

The current uncertain environment reinforces the importance of a strong balance sheet. Our liability and debt management activity have enabled us to reduce our weighted average interest rate. We have successfully refinanced the short-term bridge facility of R350 million to a R320 million long-term facility after year-end.

## Net Asset Value and Sum of the Parts

Our Group increased our NAV per share by 3% to R23.12 (2021: R22.42) per share. Our sum of the parts – shown in our Group strategy section on page 37 – increased significantly more than the NAV to R25.96. This was primarily due to the business acquisitions of Kyron Group and Bachmus Oil & Fuel Supplies. The prospects and earnings of these businesses have significantly exceeded our initial expectations.

## Capital allocation approach

Acorn Agri & Food's capital allocation approach can be found in our Group strategy section on page 37. We allocate capital in a prioritised manner to maximise shareholder value:

- **Reinvestment:** The Group's focus on organic growth and synergies within our current businesses remains the first priority.
- **Dividends:** The Group has a dividend policy of three to five times headline earnings cover, and a dividend of 50 cents per share was declared based on reported earnings.
- **Mergers or acquisitions:** The Group continues to consider opportunities for further growth and expansion through mergers and acquisitions from both a local and international perspective.
- **Share repurchases:** The Group continually evaluates strategic share repurchases if excess cash is available and evaluates the opportunities on their financial merits.

## Outlook

We are positive about the growth trajectory of our Group, prospects of the new businesses acquired and results of the value unlock initiatives that we are undertaking. We believe our Group is in a strong position to continue to deliver and grow sustainable returns to all stakeholders.

**Andries Geertsema**  
Chief Financial Officer



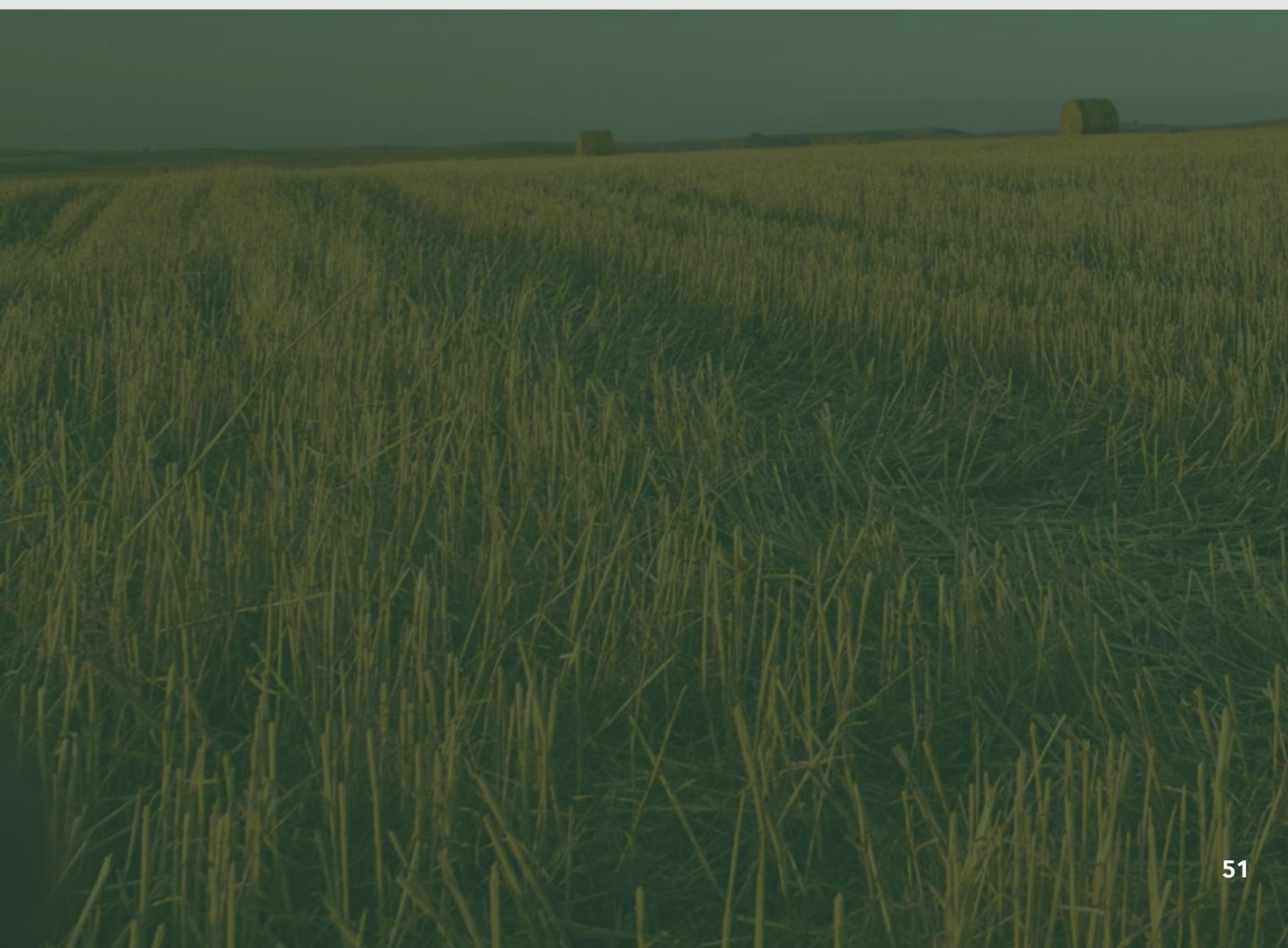
# Extracts from Consolidated Financial Statements

## *External assurance*

The external auditors PricewaterhouseCoopers Inc., have audited the Group's financial statements for the year ended 28 February 2022, from which this financial information has been extracted. Their unqualified auditor's report dated 26 May 2022 is available for inspection at the registered office of the Group. The Group's auditors have not reviewed nor reported on any of the comments relating to prospects. The full audited consolidated annual financial statements for the year ended 28 February 2022 are available on the website at [www.acornagri.co.za/financial-information](http://www.acornagri.co.za/financial-information).

## *Basis of preparation*

The extracts from the consolidated financial statements are prepared following criteria developed by management. Under these criteria, management discloses the summarised financial results and information which are derived from the audited consolidated financial statements of Acorn Agri & Food Ltd for the year ended 28 February 2022, prepared in accordance with IFRS.



# Extracts from the consolidated statement of financial position

as at 28 February 2022

	2022 R'000	2021 Restated* R'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 380 663	1 273 524
Investment property	281 171	276 140
Intangible assets	1 120 101	306 216
Biological assets	220 598	227 432
Deferred tax asset	177 000	147 630
Trade and other receivables	314 294	193 045
Loans to related parties	42 306	68 989
Other financial assets	68 432	35 248
Investments in associates and joint ventures	70 645	81 883
	<b>3 675 209</b>	<b>2 610 107</b>
<b>Current assets</b>		
Inventories	833 064	526 377
Biological assets: consumables	168 614	156 480
Trade and other receivables	1 622 200	1 353 652
Loans to customers	56 854	76 553
Cash and cash equivalents	390 099	454 303
Loans to related parties	63 925	31 129
Current tax receivable	19 247	52 924
	<b>3 154 003</b>	<b>2 651 418</b>
Assets classified as held for sale	–	113 952
<b>Total assets</b>	<b>6 829 212</b>	<b>5 375 477</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
<b>Equity attributable to equity holders of parent</b>		
Net issued share capital	1 428 478	1 434 515
Reserves	(101 895)	(101 740)
Retained income	1 688 069	1 600 484
Attributable to equity holders of the parent	<b>3 014 652</b>	<b>2 933 259</b>
Non-controlling interest	<b>346 066</b>	<b>276 871</b>
Total equity	<b>3 360 718</b>	<b>3 210 130</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	264 560	293 460
Lease liabilities	156 736	145 521
Post-retirement medical liability	14 227	13 987
Trade and other payables	6 181	5 798
Deferred tax	279 937	135 106
Provisions	1 963	1 857
	<b>723 604</b>	<b>595 729</b>
<b>Current liabilities</b>		
Borrowings	1 406 698	938 538
Lease liabilities	51 573	48 088
Post-retirement medical liability	1 723	1 858
Current tax payable	3 839	–
Trade and other payables	1 133 896	560 572
Bank overdraft	147 161	20 562
	<b>2 744 890</b>	<b>1 569 618</b>
Liabilities of disposal group	–	–
<b>Total liabilities</b>	<b>3 468 494</b>	<b>2 165 347</b>
<b>Total equity and liabilities</b>	<b>6 829 212</b>	<b>5 375 477</b>
<b>Net asset value per share (rand)</b>	<b>R23.12</b>	<b>R22.42</b>

\* Prior year comparatives have been restated for the effect of the reclassification of ACG Fruit and Boltfast from discontinued operations to continuing operations.

# Extracts from the consolidated statement of profit or loss

for the year ended 28 February 2022

	2022 R'000	2021 Restated* R'000
Revenue	11 219 334	8 030 319
Fair value adjustment – biological asset: consumable	10 458	(39 292)
Cost of sales	(10 071 747)	(7 008 896)
<b>Gross profit</b>	<b>1 158 045</b>	<b>982 131</b>
Interest revenue	102 989	107 082
Other income	67 833	84 415
Sales and marketing cost	(13 925)	(20 834)
Administration cost	(216 921)	(182 180)
Operating expenses	(772 258)	(692 082)
<b>Operating profit before capital items</b>	<b>325 763</b>	<b>278 532</b>
Capital items	(21 609)	38 771
<b>Operating profit</b>	<b>304 154</b>	<b>317 303</b>
Financing income	22 557	22 989
Finance costs	(129 561)	(132 000)
Share of net profit from associate	2 534	7 879
<b>Profit before taxation</b>	<b>199 684</b>	<b>216 171</b>
Income tax expense	(38 441)	(37 853)
<b>Profit for the year</b>	<b>161 243</b>	<b>178 318</b>
<b>Profit attributable to:</b>		
Owners of the parent	124 004	155 297
Non-controlling interests	37 239	23 021
	<b>161 243</b>	<b>178 318</b>
	2022 Cents	2021 Restated* Cents
Headline earnings per share	96	102
Adjusted headline earnings per share	115	102

\* Prior year comparatives have been restated for the effect of the reclassification of ACG Fruit and Boltfast from discontinued operations to continuing operations.

# Extracts from the consolidated statement of other comprehensive income

for the year ended 28 February 2022

	2022 R'000	2021 Restated* R'000
<b>Profit for the year</b>	<b>161 243</b>	178 318
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Exchange differences on translating foreign operations	(214)	190
Actuarial gains and losses on defined benefit plans	(1 365)	(93)
Income tax effect relating to these items	–	–
<b>Total items that may be reclassified to profit or loss</b>	<b>(1 579)</b>	97
<b>Items that will not be reclassified to profit or loss</b>		
Net change in fair value of equity instruments at fair value	(137)	164
Income tax relating to these items	–	–
<b>Total items that will not be reclassified to profit or loss</b>	<b>(137)</b>	164
<b>Other comprehensive income for the year, net of tax</b>	<b>(1 716)</b>	261
<b>Total comprehensive income for the year</b>	<b>159 527</b>	178 579
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	122 485	155 558
Non-controlling interest	37 042	23 021
	<b>159 527</b>	178 579

# Extracts from the consolidated statement of changes in equity

for the year ended 28 February 2022

	2022 R'000	2021 Restated* R'000
<b>Balance at the beginning of the year</b>	<b>3 210 132</b>	3 213 654
Profit for the year	161 243	178 318
Other comprehensive income for the year	(1 716)	261
Issue of shares	–	–
Share buyback	(6 037)	(30 000)
Transactions with non-controlling interests	(7 797)	(52 615)
Movement in retained earnings due to IFRS 16 adjustment for right-of-use assets	(258)	–
Non-controlling interest on acquisition of subsidiary	53 877	–
Dividends paid	(48 723)	(99 487)
<b>Balance at the end of the year</b>	<b>3 360 721</b>	3 210 132

\* Prior year comparatives have been restated for the effect of the reclassification of ACG Fruit and Boltfast from discontinued operations to continuing operations.



# Extracts from the consolidated statement of cash flows

for the year ended 28 February 2022

	2022 R'000	2021 Restated* R'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	530 804	484 482
Finance income	22 557	22 564
Finance costs	(129 561)	(111 710)
Tax paid	(31 365)	56 550
Net cash inflow from operating activities	392 435	451 886
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(161 101)	(142 573)
Proceeds from sale of property, plant and equipment	59 248	137 140
Acquisition of investment property	(911)	(2 272)
Proceeds on disposal of investment properties	1 038	–
Acquisition of intangible assets	(1 362)	(2 859)
Payment of acquisition of subsidiary net of cash acquired	(741 896)	–
Loans to related parties repaid	729	51 262
Loans advanced to related parties	(30 607)	–
Loans advanced to customers	(7 099)	–
Loans to customers repaid	26 798	–
Acquisition of financial assets	(40 000)	(8 381)
Acquisition of investment in associates	(3 322)	(5 261)
Proceeds from sale of investments	3 842	2 277
Purchase of biological assets	(1 933)	(5 245)
Sale of biological assets	71 442	16 520
Net cash (outflow)/inflow from investing activities	(825 134)	40 609
<b>Cash flows from financing activities</b>		
Repurchase of shares	(6 037)	(30 000)
Borrowings incurred	3 028 207	6 153 722
Borrowings repaid	(3 041 098)	(6 517 729)
Proceeds of borrowings incurred in respect of business acquisitions	350 000	–
Principle elements of lease payments	(40 452)	(25 408)
Dividends paid	(48 723)	(99 487)
Net cash inflow/(outflow) from financing activities	241 896	(518 902)
<b>Net (decrease)/increase in cash, cash equivalents and overdrafts</b>	<b>(190 803)</b>	<b>(26 407)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	433 741	460 148
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>242 938</b>	<b>433 741</b>

\* Prior year comparatives have been restated for the effect of the reclassification of ACG Fruit and Boltfast from discontinued operations to continuing operations.

# Extract from the segment report

as at 28 February 2022

	Revenue		Operating profit before capital items		Net profit after tax	
	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Production	294 140	265 372	26 666	19 097	23 505	13 402
Agricultural Inputs and Services	4 443 220	3 272 715	228 194	165 105	108 005	67 059
Energy and Logistics	5 879 661	3 651 302	115 573	93 779	72 015	53 136
Agri Production	287 007	467 276	(7 298)	16 961	(37 126)	59 880
Food Processing	552 243	520 208	(13 797)	(5 122)	(2 325)	4 493
<b>Total for reportable segments</b>	<b>11 456 271</b>	<b>8 176 873</b>	<b>349 343</b>	<b>289 820</b>	<b>164 074</b>	<b>197 970</b>
Inter-segment revenue	(346 018)	(241 148)				
Corporate	109 081	94 594	(23 580)	(11 288)	(2 832)	(19 653)
<b>Total external revenue</b>	<b>11 219 334</b>	<b>8 030 319</b>				
<b>Operating profit before capital items</b>			<b>325 763</b>	<b>278 532</b>		
<b>Profit after tax</b>					<b>161 242</b>	<b>178 317</b>

	Total assets		Total liabilities	
	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Production	390 599	382 226	224 083	236 447
Agricultural Inputs and Services	3 518 020	2 068 111	2 172 957	1 292 340
Energy and Logistics	1 333 517	922 540	871 785	573 287
Agri Production	944 926	1 242 641	468 259	642 150
Food Processing	411 168	417 945	87 795	64 666
<b>Total for reportable segments</b>	<b>6 598 230</b>	<b>5 033 463</b>	<b>3 824 879</b>	<b>2 808 890</b>
Corporate	230 982	342 014	(356 385)	(643 543)
	<b>6 829 212</b>	<b>5 375 477</b>	<b>3 468 494</b>	<b>2 165 347</b>

\* Prior year comparatives have been restated for the effect of the reclassification of ACG Fruit and Boltfast from discontinued operations to continuing operations. Prior year comparatives have further been restated for the redefined presentation of our reportable segments.