



AAF

Unaudited summary of interim results

for the six months ended 31 August 2023

Key Metrics

FINANCIAL HIGHLIGHTS

R26.01

NET ASSET VALUE PER SHARE (RAND)
(AUDITED FEB 2023: 25.77)



+1%

117 767 620

NUMBER OF SHARES IN ISSUE (NET OF TREASURY SHARES)
(AUDITED FEB 2023: 119 538 853)



-1%

R317 million

PORTFOLIO EARNINGS (OPERATING PROFIT BEFORE CAPITAL ITEMS)
(AUG 2022: R268 MILLION)



+18%

R105 million

PORTFOLIO EARNINGS (NET PROFIT AFTER TAX)
(AUG 2022: R84 MILLION)



+26%

R93 MILLION

CAPITAL RETURNED THROUGH DIVIDEND AND SHARE BUY BACK PROGRAMME

Introduction

AAF has maintained positive earnings momentum with portfolio operating profit before capital items increasing with 18% to R317 million for the six months ended 31 August 2023. We remain confident in our portfolio's resilience and are at the same time excited about the opportunities brought on by the challenging business environment. This performance was obtained despite the many challenges faced by our portfolio companies.

As we reflect over the last six months and take a closer look at our recent reality, our portfolio companies current operating environment remains challenging and volatile. The main features that impact our portfolio companies in operating at optimal levels include, among others, sharp increases in electricity prices, unprecedented levels of load shedding, stubbornly high level of input costs, foreign exchange volatility, high interest rates and ongoing infrastructure challenges in South Africa.

These economic conditions impact our portfolio companies' business cycles differently, and thus underscores the importance of our diversification strategy. An example of this is our portfolio diversification offering a natural hedge for the high energy cost environment with our investment in Moov benefiting from the current business cycle and absorbing the loss in earnings from our portfolio companies most adversely impacted by these high energy costs such as P&B Lime Works.

We have prioritised over the past six months robust risk management strategies to ensure our portfolio companies continually adjusted their operating model to the current business environment and ultimately secure their ability to service their customers and see through this operating cycle.

Growing the Future

We are unwavering in our commitment to invest and grow our investments that support and ensure long-term sustainable food security as part of a transformed business landscape for Southern Africa.

The support and success of the producer stand firm and centre in our strategy. We are currently prioritising several bolt-on opportunities that will support and ensure sustainable growth of our investments, ensuring all stakeholders reap the benefits.

As we experience an increase in the population, estimated to reach 82 million by 2035 in South Africa alone, urbanisation and increase in food consumption rates, with demand for food projected to double, we aim to further enhance the value of our businesses by capitalising on this demand and being agile to respond to opportunities as they arise.

Portfolio performance

During the past six months, AAF's net asset value per share increased with 1% to R26.01 (after paying a cash dividend of R0.55 per share to all shareholders in this period).

The increase in value can be attributed to positive earnings momentum from our portfolio with Operating profit before capital items increasing with 18% compared to the previous period to R317 million for the six months ended 31 August 2023. AAF has also successfully repurchased approx. 1.7 million shares at a discount to fair value that contributed to the increase in net asset per share for remaining shareholders. Despite earnings growth in our portfolio, unfortunately, our portfolio equity valuations will remain under pressure due to the high interest rate cycle that impacts both cost of debt and cost of equity. Increasing the discount rates applied to future cash-flows and earnings. Value is created by exceeding forecasted earnings.

Our short-term priority is to ensure that our capital is optimally deployed, either through share repurchases, non-core/underperforming asset disposals or bolt-on acquisitions/mergers for our core assets. No significant corporate action in our portfolio took place during the period under review.

The following measures are reported pertaining to the results of our portfolio companies on a stand-alone basis (own balances):

Portfolio company	Revenue (R'm)	Change from August 2022	Operating profit before capital items* (R'm)	Change from August 2022	Net profit after tax (R'm)	Change from August 2022
Kyron Group	369	+ 19%	85	+ 8%	33	+ 6%
Overberg Agri	2 322	+ 2%	101	+ 44%	46	+ 1%
Overberg Wealth and Risk Management	32	+ 13%	11	+ 9%	7	+ 19%
Moov Fuel	5 201	+ 31%	84	+ 11%	29	- 18%
Bachmus Oil & Fuel	1 216	- 30%	20	- 14%	13	- 21%
ACG Fruit	116	- 56%	1	+ 106%	- 18	+ 57%
Boltfast	68	24%	3	- 1%	1	+ 462%
P&B Lime Works	98	4%	8	- 40%	- 4	- 327%
Montagu Snacks	79	- 3%	4	+ 29%	- 3	+ 58%
Overberg Meat	125	+ 8%	-	+ 336%	-	+ 37%
Lesotho Milling	-	-	-	-	1	+ 154%
	9 626	+ 8%	317	+ 18%	105	+ 26%

* excludes depreciation and amortisation

Moov Fuel Group has continued to achieve excellent volume growth (16%) in its South African business, benefitting from the high commodity price cycle and achieved a total Operating profit before capital items of R104 million. Moov's investment in Bachmus Oil and Fuel (company incorporated in Namibia) has not achieved the same level of volumes as experienced in the prior year, but through excellent management of operating expenses increased their margins with a strong strategy to increase business and geographical expansion.

Kyron Group saw strong performance across its business sectors, with the Animal Health business performing exceptionally, benefitting from the changing weather patterns that resulted in higher disease load for animals as well as winning new business. Overall, Kyron achieved growth of 19% in revenue, compared to 31 August 2022 and an 8% operating profit before capital items growth to R85 million. As a result of strong cash generation, Kyron was able to reduce its debt by R43 million in the last six months.

Overberg Agri Group continued to benefit from the good agronomic business environment in its retail, mechanisation and grain trading divisions despite the lower-than-expected grain volumes handled. Overberg Agri Group has continued

Rand NAV analysis as at 31 August 2023:

R million	Unaudited 31 Aug 2023	Audited 28 Feb 2023	%
Investments and loans			
Overberg Agri Group	1 040	1 044	33.9
Kyron Group	692	675	22.6
Moov Fuel Group	520	497	17
ACG Fruit Group	427	441	13.9
P&B Lime Works	127*	130	4.2
Lesotho Milling	63	61	2
Overberg Meat	45	59	1.5
Montagu Snacks	46	47	1.5
Boltfast	86	86	2.8
Cash and cash equivalents	5	26	0.2
Accounts receivable and loan receivables	19	24	0.6
Other	(7)	(10)	(0.2)
NAV to ordinary shareholders	3 063	3 080	100
Number of Issued shares (excl. treasury)	117 767 620	119 538 853	
NAV per share	26.01	25.77	

* P&B Lime Works has been valued based on net asset value, instead of using a discounted cash flow method as per previous audited financial results

to produce promising results with an NPAT of R53 million, a 3% increase year-on-year. The recent significant rainfall experienced in the Western and Eastern Cape in late September 2023 also affected our primary producers in our area, however the full impact positive and negative could not be quantified at this stage.

ACG Fruit Group has done exceptionally well to manage the myriad of challenges that is facing the fruit farming industry. We are very pleased to report that ACG Fruit has reported an operating profit before capital items after the recently completed citrus season. We have seen more favourable citrus prices compared to the last three seasons. The table grapes harvest season is starting in November, and we are cautiously optimistic that our projected long-term volumes would be achieved for the upcoming season, despite abnormally cold conditions early September in the Northern Cape. Our focus remains on profitability in ACG to ensure maximum value is unlocked for shareholders.

Portfolio Fair Value analysis

The net asset value per share of our portfolio amounted to R26.01, compared to our current share price trading levels of between R12 and R12.75 on our OTC platform. The liquidity of our shares on the OTC platform remains very low.

Our valuation methodology has remained largely consistent to the audited results of February 2023, adjusted for known factors resulting in portfolio companies exceeding or not exceeding their expected profits for the period.

Capital allocation

We are currently investigating a number of exciting complimentary and bolt-on opportunities to grow our core investments. Our strategy remains to unlock capital in the short to medium term through the disposal of non-strategic and/or underperforming assets, however this has proven more difficult than expected during the last six months given the high interest rates and economic conditions experienced in South Africa. Our priority remains to return the majority of capital on disposals to our shareholders via share buy-backs or special dividends.

AAF shares continue to trade below our estimate of fair value and thus, we have successfully continued with the share repurchase strategy to unlock shareholder value and close the discount between our fair value and share price within the next two years. With 1.7 million shares having been repurchased during the current financial year, and a total of 12.5 million since February 2023. Any new share repurchase programmes will be communicated to shareholders.

Dividends

As is customary for AAF, no dividend has been declared for the interim period.

Outlook

We anticipate ongoing volatility and challenging business environment in the medium term. Even though there are lingering challenges that await us, the Company has

positive expectations for the rest of the 2024 financial year. We anticipate making progress in the growth initiatives and priorities within our core assets to achieve our capital allocation objectives.

With the upcoming harvests expecting to bring a positive yield of an average to above average harvest, combined with the elevated (although retreating) agricultural commodity prices we believe that the South African agriculture sector, as well as our portfolio companies should reap these benefits.

Our company's diverse portfolio is subject to the change in weather patterns and socio-economic issues. With the upcoming El Nino period, of below average rainfall, it is expected to see some pressure on agricultural production going forward, although South Africa has come from a lengthy LA Nina (above average) rainfall period, which has substantially bolstered soil moisture. 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.

Appreciation

We express our heartfelt gratitude to the management teams of our portfolio companies and our fund management team for their admirable leadership during a challenging period. On behalf of the board, I would like to express our appreciation to our stakeholders including employees, shareholders, partners, valued customers, and suppliers. It is our constant endeavour at AAF to create value for you and to serve you to the best of our abilities.

Douw de Kock
Chairperson

Pierre Malan
Chief executive officer

Extracts from the unaudited statement of financial position

	Unaudited 31 Aug 2023 Rm	Audited 28 Feb 2023 Rm
ASSETS		
<i>Non-current assets</i>	2 432	2 399
<i>Current assets</i>	642	722
Loans to group companies	635	714
Other current assets	7	8
Total assets	3 074	3 121
EQUITY AND LIABILITIES		
<i>Equity</i>	3 063	3 080
<i>Non-current Liabilities</i>	–	1
<i>Current Liabilities</i>	11	40
Total equity and liabilities	3 074	3 121
Shares in issue, net of treasury shares (number)	117 767 620	119 538 853
Net asset value per share (Rand)	26.01	25.77

Extracts from the unaudited statement of changes in equity

	Unaudited six months Stated capital Rm	Unaudited six months Treasury shares Rm	Unaudited six months Retained earnings Rm	Unaudited six months Total equity Rm
Opening balance: 28 February 2023	1 533	(268)	1 815	3 080
<i>Transaction with owners of the parent</i>				
Dividends paid	–	–	(68)	(68)
Shares repurchased	(21)	–	–	(21)
Shares purchased	–	(5)	–	(5)
Treasury shares repurchased and cancelled	(75)	75	–	–
Treasury shares issued: Overberg Agri loyalty scheme and other	–	4	–	4
	(96)	74	(68)	(89)
Profit for the period	–	–	73	73
Closing balance: 31 August 2023	1 438	(194)	1 820	3 063

Extracts from the unaudited statement of profit and loss

	Unaudited six months ended 31 Aug 2023 Investment Entity* Rm
Dividend and Management fee income	119
Fair value losses on investments at FVTPL	(16)
Other income	1
Investment income	104
Revenue	–
Fair value adjustment - biological assets	–
Cost of sales	–
Gross profit	–
Administration and other costs	(21)
Operating profit before capital items	83
Capital items	–
Net financing costs	–
Share of net profit from associate	–
Profit before taxation	83
Taxation	(10)
Profit for the year	73

* With effect from 28 February 2023, AAF changed status to that of an investment entity as defined in IFRS 10 Consolidated Financial Statements. Such change required the Company to cease consolidating its subsidiaries 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 (FVTPL).



AAF

Our investments:

Unaudited 31 August 2023

We invest in companies that support food security

Food security legend

- Affordability
- Availability
- Quality and safety
- Sustainability and adaptation

OVERBERG

R8.05

Overberg Agri (100%)
 Fair Value of our investment: R948 million
 Supplier of agricultural inputs and services, grain and business partner of choice.

OVERBERG
 WEALTH & RISK MANAGEMENT

R0.78

Overberg Wealth and Risk Management (70%)
 Fair value of our investment: R92 million
 Focus on offering insurance to farmers, private individuals, businesses and other related institutions.

OVERBERG MEAT

R0.38

Overberg Meat (100%)
 Fair value of our investment: R45 million
 Supplier of best quality, Overberg certified free-range meat products.

KYRON

R5.88

Kyron Group (100%)
 Fair value of our investment: R692 million
 Leading animal health business.

Montagu
 TRUSTED QUALITY SNACKS

R0.39

Montagu Dried Fruit & Nuts (100%)
 Fair value of our investment: R46 million
 A trusted South African brand, known for our moreish array of dried fruit and nuts.

moov

R3.79

Moov Fuel (69%)
 Fair value of our investment: R446 million
 Supplying and delivering the highest quality fuel, lubricant and liquefied petroleum gas (LPG) products.

LESOTHO
 DISTRICT OF MILLERS

R0.53

Lesotho Milling (34%)
 Equity-accounted carrying value: R63 million
 Miller of superior quality wheat and maize flours for the domestic and export markets.

Share Price: R12.00

Net asset Value: R26.01

BACHMUS

R0.62

Bachmus Oil & Fuel (35%)
 Fair value of our investment: R74 million
 Specialises in supplying various lubricants, oils and hydraulics for multiple applications in the industrial, mining, marine, agriculture, automotive, manufacturing, energy and construction industries.

P & B LIME WORKS
 P & B HALBERG

R1.08

P&B Lime Works (74%)
 Fair value of our investment: R127 million
 Supplier of agricultural lime products, building and construction lime or other products, including water-related lime products and road building lime.

ACG Fruit

R3.63

ACG Fruit (100%)
 Fair value of our investment: R427 million
 Primary producer of table grapes and citrus in Limpopo, Northern Cape and Western Cape for export markets.

BOLTFAST
 THE FASTENER SOLUTION

R0.73

Boltfast (75%)
 Fair value of our investment: R86 million
 Supplier of fastener solutions to industries throughout Africa.

Note: For more information regarding the valuations and valuation methodology refer to section Overview of investments held through profit and loss, in the 2023 Annual report.

Corporate items (Cash and cash equivalents, Accounts receivable and loan receivables, and Other) equate to (R0.15) per share.