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FORM OF PROXY	Inserted
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Salient features

+29,1%
8 451 520

REVENUE (R'000)

(2018: 6 548 793)

+14,0%
397,85

HEADLINE EARNINGS
PER SHARE (CENTS)

(2018: 348,98)

+6,0%
375,19

RECURRING HEADLINE EARNINGS
PER SHARE (CENTS)

(2018: 354,10)

+6,3%
90,00

FINAL DIVIDEND
PER SHARE (CENTS)

(2018: 84,70)

+5,8%
123,50

TOTAL DIVIDEND
PER SHARE (CENTS)

(2018: 116,70)

Letter to shareholders

20 December 2019

Dear Shareholder

Notice of annual general meeting and form of proxy

We are pleased to enclose the notice of Kaap Agri Limited's ("Kaap Agri") annual general meeting to be held at 12:30 on Thursday, 13 February 2020 at the Conference Venue, Lemoenkloof Guest House, 3 Malan Street, Paarl.

The enclosed notice of AGM is accompanied by various annexures, including:

- > summarised consolidated financial statements with explanatory notes and commentary; and
- > a form of proxy.

In an effort to support environmental initiatives, Kaap Agri's full integrated report will not be printed, but will instead be made available on Kaap Agri's website, www.kaapagri.co.za, on or before Thursday, 23 January 2020. Should you require a printed copy, please contact Reinhard Köstens at rkostens@kaapagri.co.za.

A copy of Kaap Agri's complete audited consolidated annual financial statements and of the summarised consolidated financial statements for the financial year ended 30 September 2019 are available on Kaap Agri's website at www.kaapagri.co.za or may be requested and obtained in person, at no charge, at the registered office of the company during office hours.

Yours faithfully



RH KÖSTENS

Company Secretary

Notice of annual general meeting



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Since 1912

KAAP AGRI LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2011/113185/06)

JSE Share code: KAL

ISIN: ZAE000244711

("Kaap Agri" or "the company")

To the shareholders of Kaap Agri

Notice is hereby given of the annual general meeting of shareholders of Kaap Agri to be held at the Conference Venue, Lemoenkloof Guest House, 3 Malan Street, Paarl, on Thursday, 13 February 2020, at 12:30 ("the AGM").

PURPOSE

The purpose of the AGM is to transact the business as set out in the agenda below.

AGENDA

- > **Presentation of the audited annual financial statements of the company, including the reports of the directors and the Audit and Risk committee for the year ended 30 September 2019.**

This notice of AGM is accompanied by the summarised consolidated financial statements (Annexure A) of the company for its 2019 financial year, while the audited consolidated annual financial statements, including the unmodified audit opinion, are available on Kaap Agri's website at www.kaapagri.co.za or may be requested and obtained in person, at no charge, at the registered office of the company during office hours.

The company's integrated report will, on or before Thursday, 23 January 2020, be made available on Kaap Agri's website at www.kaapagri.co.za and may thereafter be requested and obtained in person, at no charge, at the registered office of the company during office hours.

- > **To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:**

Note: For any of the ordinary resolutions numbers 1 to 9 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 10 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

1. REAPPOINTMENT OF AUDITOR

Ordinary resolution number 1

"Resolved that PricewaterhouseCoopers Inc. be and is hereby reappointed as auditor of the company for the ensuing financial year on the recommendation of the Audit and Risk committee of the company, with the designated audit partner being A Hugo."

The reason for ordinary resolution number 1 is that the company, being a public listed company, is required to have its financial statements audited annually and the auditors have to be appointed or reappointed, as the case may be, at each annual general meeting of the company as required by the Companies Act, 71 of 2008, as amended ("the Companies Act").

2. RETIREMENT AND RE-ELECTION OF DIRECTORS

2.1 Ordinary resolution number 2

"Resolved that Mr JH le Roux, who retires by rotation in terms of the Memorandum of Incorporation ("MOI") of the company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mr JH (Johann) le Roux

Mr le Roux holds a BAcc (CTA) and HDip (Tax) and is a qualified Chartered Accountant. He held various senior positions at different financial institutions, locally and abroad, and is presently in the employ of Zeder Investments Limited as the Financial Director. He serves on a number of boards as a non-executive director, including Capespan Group Limited and Zaad Holdings Limited. Mr le Roux was appointed to the Kaap Agri Limited board of directors ("Board") in May 2014 and serves as a member of the Finance committee.

2.2 Ordinary resolution number 3

"Resolved that Mr HM Smit, who retires by rotation in terms of the MOI of the company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mr HM (Helgard) Smit

Mr Smit, who graduated with a BEcon and MA-Town and regional planning qualification, is a grain farmer from Eendekuil in the Western Cape. He also farms near Porterville and has farming interests in Australia. Mr Smit serves on the Finance committee as well as the Social and Ethics committee of Kaap Agri Limited.

2.3 Ordinary resolution number 4

"Resolved that Mrs D du Toit, who retires by rotation in terms of the MOI of the company and, being eligible, offers herself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mrs D (Danell) du Toit

Mrs du Toit holds a BCom (Hons) from the University of Stellenbosch. After 12 years working in corporates overseas, she returned to South Africa and is currently the Managing Director of the De Keur Group. She serves on a number of other boards in the agricultural sector and is also involved in several non-profit organisations.

Note: The reason for ordinary resolutions numbers 2, 3 and 4 (inclusive) is that the MOI of the company, the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**") and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at every annual general meeting of the company and, being eligible, may offer themselves for re-election as directors. Further to the above, it should be noted that Mr JH (Kosie) van Niekerk, who served on the Kaap Agri Limited Board since 2011, retires by rotation in terms of the MOI of the company, and, although eligible, is not available for re-election. The Board has decided not to fill his position at this stage.

3. REAPPOINTMENT OF MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

Note: For avoidance of doubt, all references to the Audit and Risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.

3.1 Ordinary resolution number 5

"Resolved that Mr CA Otto, being eligible, be and is hereby reappointed as a member of the Audit and Risk committee of the company, as recommended by the Board of the company, until the next annual general meeting of the company."

Summary curriculum vitae of Mr CA (Chris) Otto

Mr Otto holds a BCom and LLB from the University of Stellenbosch. He is a founding member of PSG Group Limited, Capitec Bank Holdings Limited and Zeder Investments Limited. He served at PSG Group for 14 years and is now retired but remains on the board as a non-executive director to various other companies, including Distell Group Limited. He is currently Chairman of both the Audit and Risk committee and the Remuneration committee.

3.2 Ordinary resolution number 6

"Resolved that Mrs D DuToit, being eligible, and subject to approval of resolution number 4, be and is hereby reappointed as a member of the Audit and Risk committee of the company, as recommended by the Board of the company, until the next annual general meeting of the company."

Summary curriculum vitae of Mrs D (Danell) du Toit

Mrs du Toit holds a BCom (Hons) from the University of Stellenbosch. After 12 years working in corporates overseas, she returned to South Africa and is currently the Managing Director of the De Keur Group. She serves on a number of other boards in the agricultural sector and is also involved in several non-profit organisations.

3.3 Ordinary resolution number 7

"Resolved that Mr BS du Toit, being eligible, be and is hereby reappointed as a member of the Audit and Risk committee of the company, as recommended by the Board of the company, until the next annual general meeting of the company."

Summary curriculum vitae of Mr BS (Bernhardt) du Toit

Mr Du Toit farms in the Koue Bokkeveld region near Ceres and is an export farmer involved in the production of, inter alia, fruit and vegetables, wheat and potatoes, and exporting to Canada, various European countries, Russia and the Far East. He has served on the Audit and Risk committee of Kaap Agri Limited for many years and serves as director on the boards of various other companies in the agricultural sector.

Note: The reason for ordinary resolution numbers 5 to 7 (inclusive) is that the company, being a public listed company, must appoint an audit committee, and the Companies Act requires that the members of such committee be appointed, or reappointed, as the case may be, at each annual general meeting of the company.

4. NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY OF THE COMPANY

Ordinary resolution number 8

"Resolved that the company's remuneration policy, as set out in the remuneration report in Annexure C to this notice of AGM, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV") recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting. This enables shareholders to express their views on the remuneration policy adopted. Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

5. NON-BINDING ADVISORY VOTE ON THE IMPLEMENTATION REPORT ON THE REMUNERATION POLICY OF THE COMPANY

Ordinary resolution number 9

"Resolved that the company's implementation report in respect of its remuneration policy, as set out in the remuneration report in Annexure C to this notice of AGM, be and is hereby endorsed by way of a non-binding vote."

The reason for ordinary resolution number 9 is that King IV recommends that the implementation report on the company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting. This enables shareholders to express their views on the implementation of the company's remuneration policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

Should 25% or more of the votes exercised in respect of ordinary resolution number 8 and/or ordinary resolution number 9 be against either resolution, the company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the company.

6. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

Ordinary resolution number 10

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue any of the company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the company's MOI, the Companies Act and the JSE Listings Requirements, provided that:

- > the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- > the general issues of shares for cash under this authority may not exceed, in the aggregate, 12% of the company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, in respect of the Kaap Agri equity-settled management share incentive scheme in accordance with the JSE Listings Requirements and in terms of an acquisition issue or vendor consideration placement shall not diminish the number of ordinary shares that comprise the 12% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 12% of the issued ordinary shares of the company, excluding treasury shares, amounts to 8 428 412 ordinary shares;

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- > in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such business 30-business-day period;
- > any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- > any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- > in the event that the shares issued under this authority represent, on a cumulative basis, 5% or more of the number of shares in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service of the JSE."

Note: For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or in respect of duly approved share incentive schemes), it is necessary for the Board of the company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the MOI of the company. Accordingly, the reason for ordinary resolution number 10 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the MOI of the company.

For this resolution to be adopted, at least 75% of the votes exercised on this resolution, whether in person or by proxy, must be exercised in favour thereof.

- > **To consider and, if deemed fit, pass, with or without modification, the following special resolutions:**

Note: For any of the following special resolutions to be adopted, at least 75% of the voting rights exercised on each special resolution, whether in person or by proxy, must be exercised in favour thereof.

7. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION

Special resolution number 1

Resolved, in terms of section 66(9) of the Companies Act, that the company be and is hereby authorised to remunerate its non-executive directors for their services as directors, which includes serving on various sub-committees and to make payment of the amounts set out below (plus any value added tax, to the extent applicable) provided that the authority will be valid until the next annual general meeting of the company:

Directors' fees		Proposed annual remuneration	
Director – basic fee		R178 500	
Board Chairman		+R389 500	

Committee	Member	Chairman
Audit and Risk committee	+R133 500	+R266 500
Finance committee	+R55 500	+R133 500
Remuneration committee	+R111 500	+R222 500
Social and Ethics committee	+R28 500	+R84 000

Notes

The reason for special resolution number 1 is for the company to obtain shareholders' approval for the payment of remuneration to the company's non-executive directors in terms of the provisions of section 66 of the Companies Act.

The effect, if passed, of the special resolution is that the company will be able to remunerate its non-executive directors for their services as directors until the next annual general meeting of the company.

Shareholders are requested to approve these fees with effect from 1 October 2019, in order to align the remuneration with the company's financial year.

8. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

Special resolution number 2

"Resolved, as a special resolution, that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI of the company and the JSE Listings Requirements, including, *inter alia*, that:

- > the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- > this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- > an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the time of the granting of this authority, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- > the general authority is limited to a maximum of 20%, in the aggregate, in any one financial year of the company's issued share capital at the time the authority is granted;
- > a resolution has been passed by the Board approving the repurchase, that the company and its subsidiaries ("the Group") have satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test has been performed there have been no material changes to the financial position of the Group;
- > the general repurchase is authorised by the company's MOI;
- > repurchases may not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five-business-day period;
- > the company and its subsidiaries may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf; and
- > the company and its subsidiaries may not effect any repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for special resolution number 2 is to grant the directors a general authority in terms of the company's MOI and the JSE Listings Requirements for the acquisition by the company or by a subsidiary of the company's shares on the basis detailed above. The company has no immediate plans to use this authority and is simply obtaining same in the interest of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

9. INTER-COMPANY FINANCIAL ASSISTANCE

9.1 Special resolution number 3: Inter-company financial assistance

"Resolved in terms of the provisions of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance (financial assistance will have the meaning attributed to it in section 45(1) of the Companies Act) that the Board may deem fit to any company or corporation that is related or inter-related to the company ("**related**" and "**inter-related**" will herein have the meanings attributed to them in section 2 of the Companies Act) on terms and conditions and for amounts that the Board may determine, provided that the aforementioned approval shall be valid until the next annual general meeting of the company."

The reason for special resolution number 3 is to grant the Board the authority, until the next annual general meeting of the company, to provide direct or indirect financial assistance to any one or more related or inter-related companies or corporations of the company. This means that the company is, *inter alia*, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

Notice to shareholders of the company, in terms of section 45(5) of the Companies Act, of a resolution adopted by the Board that authorises the company to provide direct or indirect financial assistance

- > By the time this notice of AGM is delivered to shareholders, the Board will have adopted a resolution ("section 45 Board resolution") to authorise the company at any time and from time to time during the period starting on the date of adopting this special resolution number 3 up to and including the date of the next annual general meeting of the company, to provide any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, to any one or more related or inter-related companies or corporations of the company.
- > The section 45 Board resolution will only take effect when and to the extent that special resolution number 3 has been adopted by the shareholders, and the provision of any such direct or indirect financial assistance by the company, following such resolution, will always be subject to the Board being satisfied that: (i) immediately after providing such financial assistance the company would satisfy the solvency and liquidity test in terms of section 45(3)(b)(i) of the Companies Act; and (ii) the terms under which such financial assistance is provided will be fair and reasonable to the company as contemplated in section 45(3)(b)(ii) of the Companies Act.
- > Inasmuch as the section 45 Board resolution contemplates that in total such financial assistance will exceed one-tenth of 1% (one percent) of the company's net value as at the date of adopting the resolution, the Board hereby notifies the shareholders of the section 45 Board resolution. Such notice will also be given to any trade union representing the employees of the company.

9.2 Special resolution number 4: Financial assistance for the subscription and/or purchase of shares in the company or a related or inter-related company

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, the Board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the Board of the company may deem fit to any company or corporation that is related or inter-related to the company ("related" and "inter-related" will herein have the meanings attributed to them in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the company or any company or corporation that is related or inter-related to the company, on the terms and conditions and for amounts that the Board of the company may determine for the purpose of, or in connection with, the subscription for any option, or any shares or other securities, issued or to be issued by the company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the company or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for special resolution number 4 is to grant the directors the authority, until the next annual general meeting of the company, to provide financial assistance to any company or corporation which is related or inter-related to the company and/or any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the company or any related or inter-related company or corporation. This means that the company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly given to a party subscribing for options, shares or securities in the company or its subsidiaries. A typical example of where the company may rely on this authority is where a wholly-owned subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its wholly-owned subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plan to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of section 44 of the Companies Act, the directors of the company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the company, that immediately after providing financial assistance as contemplated in special resolutions numbers 3 and 4 above:

- > the assets of the company, fairly valued, will equal or exceed the liabilities of the company, fairly valued (taking into consideration the reasonably foreseeable contingent assets and liabilities of the company); and
- > the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.
- > In addition, the Board will only approve the provision of any financial assistance contemplated in special resolutions numbers 3 and 4 above, where:
- > the Board is satisfied that the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the company; and
- > all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the company's MOI have been met.

10. REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The report of the company's Social and Ethics committee is included in the integrated report and will serve as the Social and Ethics committee report to the company's shareholders at the annual general meeting.

11. TO TRANSACT ANY OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING OR RAISED BY SHAREHOLDERS WITH OR WITHOUT ADVANCE NOTICE TO THE COMPANY

INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

The directors of the company or its subsidiaries will only utilise the general authority to repurchase shares of the company as set out in special resolution number 2 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Group would not be compromised as to the following:

- > the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the AGM and for the period of 12 months after the repurchase;
- > the consolidated assets of the Group will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
- > the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for the period of 12 months after the AGM and after the date of the share repurchase; and
- > the working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the AGM and for a period of 12 months after the date of the share repurchase.

General information in respect of major shareholders, material changes and the share capital of the company is contained in Annexure B to this notice of AGM.

The directors of the company collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this notice of AGM contains all information required by law and the JSE Listings Requirements.

RECORD DATE

The record date in terms of section 59 of the Companies Act for shareholders to be registered in the securities register of the company in order to receive notice of the AGM is Friday, 13 December 2019.

The record date for shareholders to be recorded in the securities register of the company in order to be able to attend, participate and vote at the AGM is Friday, 7 February 2020, and the last day to trade in the company's shares in order to be recorded in the company's securities register in order to be able to attend, participate in and vote at the AGM is on Tuesday, 4 February 2020.

ATTENDANCE AND VOTING BY SHAREHOLDERS AND PROXIES

Certificated and own name dematerialised shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

The instrument appointing a proxy and the authority (if any) under which it is signed must be completed and returned to the company's transfer secretaries, Computershare Investors Services (Pty) Ltd, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, or emailed to proxy@computershare.co.za, so as to be received by them no later than 12:30 on Tuesday, 11 February 2020, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the Chairman of the AGM at any time before the appointed proxy exercise any shareholder rights at the AGM.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their central securities depository participant ("CSDP") or broker to provide them with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. Such shareholders should contact their CSDP or broker with regard to the cut-off time for their voting instructions.

Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

ELECTRONIC PARTICIPATION

1. Shareholders or their proxies may participate in the AGM by way of telephone conference call ("teleconference facility").
2. Please note that the teleconference facility will only allow shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using the teleconference facility. Should such shareholders wish to vote, they must either:
 - > complete the form of proxy and return it to the transfer secretary in accordance with the relevant provisions of the above paragraph (*Attendance and voting by shareholders and proxies*); or
 - > contact their CSDP or broker in accordance with the relevant provisions of the above paragraph (*Attendance and voting by shareholders and proxies*).
3. Shareholders or their proxies who wish to participate in the AGM via the teleconference facility must notify the company by emailing the company secretary rkostens@kaapagri.co.za by no later than 31 January 2020. The company secretary will first validate such request and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the teleconference facility. Only a total of 20 telecommunication lines will be available for such participation, which will be allocated on a first come first served basis.
4. The cost of the participant's phone call will be for his/her own expense and will be billed separately by his/her own telephone service provider.
5. The company cannot guarantee there will not be a break in communication which is beyond the control of the company.
6. The participant acknowledges that the telecommunication lines are provided by a third party and indemnifies the company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, whether or not the problem is caused by any act or omission on the part of the participants or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company, whether for consequential damages or otherwise, arising from the use of the telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the AGM.

PROOF OF IDENTIFICATION REQUIRED

In terms of the Companies Act, any person who intends to attend a shareholders' meeting and participate in it is required to present reasonably satisfactory identification at the meeting. Persons attending the meeting have to furnish proof of identification to the reasonable satisfaction of the Chairman of the meeting and should therefore present an identity document, passport or driver's licence at the meeting.

By order of the Board



RH KOSTENS

Company Secretary

20 December 2019

Annexure A

KAAP AGRI LIMITED

Summarised consolidated financial statements for the year ended 30 September 2019

COMMENTARY

The Kaap Agri summarised report provides an overview of the activities, results and financial position of the Group for the year ended 30 September 2019.

Financial review

The Group specialises in trading in agricultural, fuel and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities and client network, it follows a differentiated market approach. In support of the core retail business, the Group also offers financial, grain handling and agency services.

Kaap Agri has 213 operating points located in all nine South African provinces as well as in Namibia.

Operating environment

The agricultural environment remains heavily impacted by climatic conditions in the various areas in which we operate as well as foreign exchange rate fluctuations. Additionally, agricultural capital investment and expansions have been curtailed partly due to land policy uncertainty. Low GDP growth, decreasing business and consumer confidence, rising unemployment and ongoing fuel price volatility have negatively affected retail consumers. Kaap Agri's strategy of diversification has lessened the impact of these challenges. However, the business environment in which we operate remains constrained with expectations of ongoing pressure in the short term.

Financial results

Kaap Agri increased revenue by 29,1% to R8,5 billion, up from R6,5 billion in the previous financial year, with like-for-like comparable growth of 7,6%. This growth in revenue was driven mainly by a 10,6% increase in the number of transactions coming from strong organic growth. The inclusion of Partridge Building Supplies (Pty) Ltd ("Forge") from 1 October 2018 contributed 5,1% of total revenue growth. Product inflation is estimated at 3,0% but excluding the large inflationary impact of fuel in the revenue basket, inflation was 0,2%. Our ongoing diversification strategy and resilience continue to yield strong revenue growth despite exceptionally tough trading conditions. Retail sales growth, albeit from a lower base, again outperformed agricultural sales growth, with fuel contributions growing steadily.

In line with the Group's growth strategy, we continued to expand our footprint and improve our existing offerings during the period. Five new and managed retail fuel sites were added with total Group fuel volumes increasing by 7,7% in the year. The Fuel Company ("TFC") grew annual fuel volumes by 10,4% at owned- and managed sites awaiting regulatory approval. Additional quick service restaurant offerings were added to further complement

existing retail fuel site offerings. Further TFC site acquisitions are at various stages of conclusion with a strong pipeline of new sites for the coming year. One new Agrimark store was opened, our improved retail format was rolled out to four Agrimark stores and a number of smaller upgrades and expansions were completed within the Agrimark and Pakmark environments. An additional 10,000 tons were added to our grain storage capacity. The Forge acquisition has added an additional six business units in KwaZulu-Natal, further diversifying our geographic and product exposure. We will continue investing responsibly into the business with various new agri and retail footprint expansion opportunities being investigated.

Gross profit has increased by 18,8%, but at a rate lower than revenue growth due to the impact of a changed sales mix as well as margin pressures resulting from constrained economic conditions and aggressive competitor activity in both the agri and retail channels. Fuel prices have fluctuated considerably during the period, but ended 0,3% lower (petrol) and 1,3% higher (diesel) compared to last year. Lower fuel regulated margin growth has further contributed to reducing the overall Group gross profit margin %.

In support of increased revenue and market share gains, expenditure grew 20,0%, a direct result of new acquisitions and the annualisation of non like-for-like stores. Expenditure growth was also impacted by certain non-recurring costs associated with acquisitions of new businesses. Cost control remains a core focus area within the business with various initiatives in place aimed at improved expense management. Our cost focus is especially relevant given the impact of suppressed margins and waning consumer and business confidence. However, the business continues to invest in human capital and its supply chain, as well as in various growth acceleration initiatives in line with our strategic medium-term plan.

The performance of Kaap Agri (Namibia) has improved during the year, largely due to the positive impact of procurement initiatives, in-store upgrades and footprint expansion. The combined strength and offering of the two joint venture parties has yielded positive results during the period.

Forge's performance has been disappointing with the region's producers experiencing early season drought and low milk prices. Forge also saw a significant slowdown in infrastructural expansion-related building material spend. The new Nottingham Road store is performing in line with expectation, but low opening margins have impacted the business' earnings. Forge remains strategic in terms of footprint expansion and agri diversification and further revenue enhancing opportunities are being explored.

Commentary (continued)

Interest received grew by 8,5% due to increased credit sales and a higher average debtors book. Interest paid increased by 29,4% due to additional gearing of R3176 million to finance the acquisition of operations and capital expansion.

EBITDA grew by 15,1%, outperforming the increase in recurring headline earnings, due to growth-related interest paid and depreciation as well as adjustments related to the revaluation of put options exercisable by non-controlling subsidiary shareholders.

The Group's effective tax rate of 26,0% (2018: 27,8%) is lower than last year due to non-taxable learnership incentive income and supplier development deductions.

Headline earnings increased by 14,0% while recurring headline earnings grew by 6,6%. Once-off items, predominantly adjustments for the interest and remeasurement of liabilities relating to put options exercisable by non-controlling subsidiary shareholders, as well as costs associated with new business development, are excluded from headline earnings to calculate recurring headline earnings.

Headline earnings per share of 397,85 cents increased by 14,0% while recurring headline earnings per share ("RHEPS") of 375,19 cents grew by 6,0% on last year, resulting in a five-year compound annual growth rate in RHEPS of 10,9% until 30 September 2019. Return on revenue has reduced to 3,2% from 3,8% last year, largely impacted by the increased mix contribution of lower margin fuel and fuel price increases.

Operating results

Income growth from the Trading division, which includes the Agrimark retail branches, Forge Agri, Forge Build, Pakmark packaging material distribution centres, mechanisation services and spare parts increased by 20,6% year on year with operating profit before tax declining by 0,4%. Excluding the non-comparable impact of Forge, income grew by 12,5%. Improved retail margins have been offset by reduced agri and fuel margins.

TFC grew income by 36,4% and operating profit before tax increased by 18,0%. Profits have grown at a rate lower than revenue due largely to a combination of fuel price increases with regulated margins as well as the revenue impact of managed sites converting to owned sites. Managed site profitability is included in the base as management fee, but the actual revenue thereof is only recorded once sites are owned. This division continues to reflect strong growth.

Wesgraan, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing, recovered from the previous year's drought related performance, increasing income by 91,5% and growing operating profit before tax by 113,8%. The latest harvest estimates indicate the likelihood of a slightly below average wheat harvest for the new year across the total Swartland region due to poor late season rainfall and abnormally high temperatures during key periods.

Manufacturing, which produces dripline and sprinkler irrigation products and offers agency services for imported irrigation products, continued to be impacted by the prolonged recovery from the drought as well as reduced infrastructural spend resulting from policy uncertainty around land rights. Although agricultural conditions improved in the northern parts of the country, income remained under pressure and reduced year on year by 1,3%. However, through margin opportunities and good cost control operating profit before tax increased by 0,6%.

The Corporate division, which includes the cost of support services as well as other costs not allocated to specific segments continues to be well controlled and represents 1,2% of turnover (2018: 1,4%).

Treasury income, being net internal interest received less interest paid, grew by 1,4%.

Financial position

Capital expenditure of R347,9 million was incurred during the year, with R195,1 million allocated to expansion, R46,4 million on replacement assets and R106,4 million on TFC new site acquisition deposits. Additionally, R50,8 million was incurred in the acquisition of businesses, mainly Forge. Spend by division remains heavily weighted to our strategic growth areas. The Forge acquisition contributed significantly to Trade spend and TFC continued to receive considerable capital allocation. Storage capacity was increased in Wesgraan and various software and system implementations are nearing conclusion, including a Manufacturing Execution System in our Manufacturing Division aimed at improving efficiencies in the manufacturing process, as well as a number of modules of Supply Chain Optimisation software.

Working capital has been well controlled. Although debtors have grown slightly above the increase in credit sales, we have reduced out of terms debt by 16,7% year on year. Prior year payment extensions to producers affected by the drought have been collected with no default. Security is held where appropriate and we believe we are suitably provided for when considering the health of the debtors book.

Commentary (continued)

Stock days have remained relatively constant year on year courtesy of higher retail and fuel sales contributions and the continued increased participation of our centralised distribution centre. Creditors' days have reduced slightly due to the increased contribution of fuel payments. Return on net assets has decreased to 9,0% from 9,6% last year, the result of subdued current year earnings growth and ongoing investment in the business. Return on invested capital has decreased by 0,1% year on year due to subdued and partial period returns and continued investment. This is expected to improve going forward as earnings improve to grow in line with our strategic plans and newly acquired operations are included for a full financial year.

Net interest-bearing borrowings increased by 36,1% to R1,3 billion, largely the result of strategic capital expenditure to support growth and the increased debtors book. The Group's debt-to-equity ratio, calculated on average balances, increased to 63,5% (2018: 52,4%) with net debt to EBITDA of 2,4 times (2018: 2,1 times) and interest cover of 5,0 times (2018: 5,5 times). Gearing remains at levels within our internal thresholds with sufficient headroom available to meet the coming year's requirements. Return on equity decreased to 14,6% (2018: 15,2%), slightly below the targeted minimum level of 15%.

The Group continues to generate strong cash flows from operations and significant investment has been made back into the business to support growth, in terms of increased capital expenditure and acquisitions.

Dividend

A gross final dividend of 90,00 cents per share (2018: 84,70 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2019, representing a 6,3% increase on the previous year. The final dividend amount, net of South African dividends tax of 20%, is 72,00 cents per share for those shareholders not exempt from dividend tax. Including the interim dividend, the total dividend for the year ended 30 September 2019 of 123,50 cents per share (2018: 116,70 cents) increased by 5,8% over the prior year and has grown at a compound annual growth rate of 13,7% over five years. The total dividend per share represents a dividend cover of 2,9 times (2018: 2,9 times)

The salient dates for the distribution are:

Declaration date	Thursday, 28 November 2019
Last day to trade cum dividend	Tuesday, 11 February 2020
Trading ex dividend commences	Wednesday, 12 February 2020
Record date to qualify for dividend	Friday, 14 February 2020
Date of payment	Monday, 17 February 2020

The number of ordinary shares in issue at declaration date is 74 170 277 and the income tax number of Kaap Agri Limited is 9312717177.

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 February 2020 and Friday, 14 February 2020, both days inclusive.

Outlook

Agricultural conditions in the Western Cape have largely improved year on year, however certain areas are still experiencing drought. Low rainfall through the latter parts of the wheat season have resulted in a decrease in the anticipated wheat harvest when compared to that of last year, with all indications pointing to a slightly below average yield across the total Swartland region. Conditions in the northern regions of the country as well as KwaZulu-Natal are encouraging. The agricultural environment is however cautious given erratic climatic conditions as well as policy uncertainty around land rights.

We anticipate that retail sales and general retail performance will remain under pressure in the short term as a result of subdued consumer confidence and spending, and any potential exchange rate weakening will negatively impact product and raw material imports. Pressure will remain on fuel volume sales; however, in addition to new sites, we have and will continue to capitalise on convenience store and quick service restaurant revenue and margin opportunities at existing sites.

Commentary (continued)

The past two years have been challenging for the Group, but we believe our growth strategies and resilience have delivered respectable results given the conditions under which we have traded. We have continued and accelerated our focus on selective strategic revenue generating expansion and acquisition opportunities and we remain committed to improving the customer experience and simplifying our business processes. We believe the business is suitably positioned to take advantage of an improvement in trading conditions and to execute in terms of our strategic imperatives.

EVENTS AFTER THE REPORTING DATE

Subsequent to year-end, Tego Plastics (Pty) Ltd ("Tego") commenced operations as a wholly-owned subsidiary of Kaap Agri. Tego will initially produce high-quality, food grade plastic bulk bins for the agricultural market through an injection moulding manufacturing process, with the opportunity to manufacture additional solid form products at a later stage. This is in line with our strategy to diversify our manufactured product range into non-irrigation agri-related products. R94,8 million of the above mentioned capital expenditure was allocated for this strategy to date.


A service station (KAAPweg Motors) was purchased from Kaapweg Motor CC. The acquisition date for the business was November 2019.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the summarised consolidated financial results by the Board.

APPRECIATION

The board of directors records its appreciation for the continued support and loyalty of the Group's employees, shareholders, customers and suppliers.

On behalf of the board



GM Steyn

Chairman



S Walsh

Chief Executive Officer

12 December 2019

Statement of financial position

at 30 September

	Note	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1 375 392	1 097 159
Intangible assets	7	298 169	168 165
Investment in joint venture	8	8 901	11 941
Financial assets at fair value through other comprehensive income		5 580	–
Trade and other receivables	9	38 700	–
Loans		58 959	26 397
Deferred taxation		–	1 234
		1 785 701	1 304 896
Current assets			
Inventory		1 083 930	911 151
Trade and other receivables	9	1 869 860	1 664 483
Derivative financial instruments		1 882	6 487
Cash and cash equivalents		46 369	40 214
		3 002 041	2 622 335
Total assets		4 787 742	3 927 231
EQUITY AND LIABILITIES			
Capital and reserves			
		1 926 248	1 742 746
Non-current liabilities			
Deferred taxation		72 778	41 905
Financial liability at fair value through profit and loss	11	79 100	–
Financial liability at amortised cost	12	14 800	–
Finance lease liabilities		23 694	17 402
Employee benefit obligations		15 924	16 367
		206 296	75 674
Current liabilities			
Trade and other payables	10	1 319 209	1 095 812
Short-term portion of finance lease liabilities		16 120	8 542
Short-term portion of Employee benefit obligations		2 028	1 914
Short-term borrowings		1 309 447	1 000 907
Income tax		8 394	1 636
		2 655 198	2 108 811
Total liabilities		2 861 494	2 184 485
Total equity and liabilities		4 787 742	3 927 231
Total shareholders' equity to Total assets employed* (%)		42,1%	45,3%
Net interest bearing debt to Total assets employed* (%)		26,8%	23,8%
Net asset value per share (rand)		R27,42	R24,84
Shares in issue (number – '000)		70 237	70 162
Total number of ordinary shares in issue**		74 170	74 170
Treasury shares		(3 933)	(4 008)

* Ratios calculated on average balances.

** There was no change in the issued share capital between 30 September 2019 and the dividend declaration date, being 74 170 277 shares.

Income statement

for the year ended 30 September

	Note	2019 R'000	2018 R'000
Revenue	13	8 451 520	6 548 793
Cost of sales		(7 142 281)	(5 446 480)
Gross profit		1 309 239	1 102 313
Operating expenses		(938 946)	(787 094)
Movement on expected credit loss allowance		(2 805)	–
Operating profit before interest received		367 488	315 219
Interest received		125 694	115 840
Operating profit		493 182	431 059
Finance costs		(111 014)	(82 739)
Share in loss of joint venture		(2 327)	(3 416)
Profit before tax		379 841	344 904
Income tax		(98 562)	(95 947)
Profit for the period		281 279	248 957
Attributable to equity holders of the holding company		277 320	246 247
Non-controlling interest		3 959	2 710
Earnings per share – basic (cents)		394,98	349,80
Earnings per share – diluted (cents)		393,48	346,90
Dividend per share (cents)		123,50	116,70

Headline earnings reconciliation

for the year ended 30 September

	2019 R'000	2018 R'000
Profit for the period	281 279	248 957
Attributable to equity holders of the holding company	277 320	246 247
Non-controlling interest	3 959	2 710
Net profit on disposal of assets	(255)	(578)
Gross	(354)	(803)
Tax effect	99	225
Impairment of goodwill	2 250	–
Headline earnings	283 274	248 379
Attributable to equity holders of the holding company	279 332	245 669
Non-controlling interest	3 942	2 710
Headline earnings per share – basic (cents)	397,85	348,98
Headline earnings per share – diluted (cents)	396,33	346,09
Weighted average number of shares (number – '000)	70 211	70 396
Weighted average number of diluted shares (number – '000)	70 479	70 984

Statement of comprehensive income

for the year ended 30 September

	2019 R'000	2018 R'000
Profit for the period	281 279	248 957
Other comprehensive income/(loss):		
Cash flow hedges	1 462	(394)
Gross	2 031	(547)
Tax	(569)	153
Total comprehensive income for the period	282 741	248 563
Attributable to equity holders of the holding company	278 782	245 853
Non-controlling interest	3 959	2 710

Statement of changes in equity

for the year ended 30 September

	Note	2019 R'000	2018 R'000
Stated capital		444 901	443 921
Gross shares issued		480 347	480 347
Treasury shares		(35 446)	(36 426)
Other reserves		9 797	9 172
Opening balance		9 172	3 893
Share-based payments		(837)	5 673
Other comprehensive income/(loss)		1 462	(394)
Retained profit		1 371 364	1 286 943
Opening balance		1 286 943	1 121 445
Effect of adopting IFRS 9 – Financial Instruments	2	(815)	–
Effect of adopting IFRS 9 – Financial Instruments – Joint Venture	8	(713)	–
Partial disposal of subsidiaries		5 471	–
Redemption liability – part of business combination	11, 12	(113 823)	–
Profit for the period		277 320	246 247
Dividends paid		(83 019)	(80 749)
Non-controlling interest		100 186	2 710
Opening balance		2 710	–
Non-controlling interest on acquisition of subsidiary	17	17 198	–
Non-controlling interest on partial disposal of subsidiaries	17	78 578	–
Profit for the period		3 959	2 710
Dividends paid		(2 259)	–
Capital and reserves		1 926 248	1 742 746

Statement of cash flows

for the year ended 30 September

	2019 R'000	Restated 2018 R'000
Cash flow from operating activities	353 979	237 025
Net cash from operating activities	417 257	335 591
Interest received*	118 991	115 840
Working capital changes	(97 768)	(127 150)
Income tax paid	(84 501)	(87 256)
Cash flow from investment activities	(437 378)	(283 503)
Purchase of property, plant and equipment	(241 473)	(130 615)
Proceeds on disposal of property, plant and equipment	1 666	2 736
Deposits made during the year	(106 419)	(52 900)
Acquisition of financial assets at fair value through other comprehensive income	(5 580)	–
Gross decrease/(increase) in loans	(34 821)	11 776
Acquisition of operations, net of cash acquired	(50 751)	(114 500)
Cash flow from financing activities	89 554	51 604
Increase in short-term loans	293 938	236 015
Decrease in finance lease liabilities	(14 277)	(8 201)
Interest paid	(107 088)	(82 739)
Treasury shares acquired	–	(12 722)
Dividends paid	(83 019)	(80 749)
Net increase in cash and cash equivalents	6 155	5 126
Cash and cash equivalents at the beginning of the year	40 214	35 088
Cash and cash equivalents at the end of the year	46 369	40 214

* Interest received was previously included in net cash from operating activities, and was reclassified during the year to be disclosed separately as interest received under cash flows from operating activities. The reclassification had no impact on total cash flow from operating activities, the statement of financial position, income statement, statement of comprehensive income or statement of changes in equity.

Notes to the summarised consolidated financial statements

for the year ended 30 September

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summarised consolidated financial statements and the requirements of the Companies Act of South Africa. The Listings Requirements require summarised consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, unless otherwise stated.

The Group's summarised consolidated financial statements are extracted from the audited information, but this summary report has not been audited. The Group annual financial statements for the year were audited by PricewaterhouseCoopers Inc., and their unmodified audit report on this set of information is available for inspection at the company's registered office. The Group's auditors have not reviewed nor reported on any comments relating to prospects.

The directors take full responsibility for the preparation of the summarised consolidated ("Group") financial statements and that the financial information has been correctly extracted from the underlying financial records.

The summarised consolidated Group financial statements for the year ended 30 September 2019 were prepared by GC Victor CA(SA), the Group's financial manager under supervision of GW Sim CA(SA) the Group's financial director.

Nature of activities

The Group specialises in trading in agricultural-, fuel- and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities and client network, it follows a differentiated market approach. In support of the core retail business, the Group also offers grain handling and agency services.

2 ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated Group financial statements from which the summarised consolidated Group financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated Group annual financial statements except for the adoption of the following new standards on 1 October 2018:

- > IFRS 9 – Financial Instruments; and
- > IFRS 15 – Revenue from Contracts with Customers

The Group adopted all new as well as amended accounting pronouncements issued by the International Accounting Standards Board ("IASB") that are effective for financial years commencing 1 October 2018. However, none of the other new or amended accounting pronouncements had a material impact on the consolidated results of the Group.

IFRS 9 – Financial Instruments

Impact of initial application

The Group applies the simplified approach for providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables. Comparative information has not been restated. The impact of initial application was applied retrospectively as an adjustment to opening retained amounting to R815 000 as reflected below.

	2019 R'000	2018 R'000
Movement in the loss allowance (2018: IAS 39 provision for impairment)		
Opening balance (calculated under IAS 39)	(39 909)	(45 313)
Adjustment to the expected credit loss allowance on adoption of IFRS 9	(815)	–
Movement in the expected credit loss allowance	(2 805)	5 404
Balance with acquisition of subsidiary	(696)	–
Balance at the end of the year calculated under IFRS 9 (2018: IAS 39)	(44 225)	(39 909)

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

Classification and measurement

On the date of initial application management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate categories. Trade receivables, Cash and cash equivalents and Loan receivables are shown at amortised cost under the new standard whereas these were classified as loans and receivables under IAS 39. Investments acquired in the current year which would previously have been classified as available-for-sale-investments are now shown at fair value through other comprehensive income. Derivative assets and liabilities and financial liabilities relating to certain written put options (2019) are shown at fair value through profit and loss and other financial liabilities comprising the redemption obligation for certain written put options, trade and other payables and short-term borrowings remain at amortised cost.

Impairment

The Group has the following financial assets that are subject to the expected credit loss impairment model in terms of IFRS 9:

- > Trade and other receivables
- > Loans receivable
- > Cash and cash equivalents

The Group determines loss allowances by taking into account available forward looking information which could adversely impact a debtor's ability to pay.

Financial assets subject to impairment are written off when there is no reasonable expectation of recovery and the amount is recognised in profit or loss within 'operating expenses'.

Trade receivables

The Group adopted the simplified approach for measuring impairment provisions for trade receivables. In terms of this approach, the loss allowances are calculated with reference to lifetime ECLs. The Group determines expected credit loss allowances both on a specific (credit impaired) and a contingency (not credit impaired) basis.

The Group has a specific loss allowance and a contingency loss allowance. The group defines "outside terms" debtors as all debtors more than 90 days "outside terms". The specific loss allowance is determined on all outside terms debtors as their risks are different than the rest of the debtors book within terms and they are assessed individually. The assessment for the specific loss allowance takes into account security held, reputation and expected payments in the future to determine the value of the specific loss allowance. Regarding the contingency loss allowance, the group divides the rest of the debtors book (after taking into account the specific loss allowance) into different categories with risk factors applied to each category. The categories are based on different type of produce commodities mostly in the agricultural sector. The percentage expected credit loss applied to each category depends on the forward looking risk of default and expectations on macro-economic factors including; market share, competitor strength, industry risk, profitability, price volatility risks and climate changes.

Other financial assets

Loss allowances relating to loans receivable and cash and cash equivalents and deposits and other receivables are determined in terms of the general expected credit loss model, taking into account a 12-month expected credit loss.

In terms of this model the Group considers whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date compared to the credit risk at initial recognition date. It considers available reasonable and supportive forward-looking information that could be indicative of a deterioration in the counterparty's ability to pay. The Group assesses factors such as credit ratings, actual/adverse conditions in the industry or changes in value of security held.

For these financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of counterparty and adjusts these for forward-looking information. The impact of the adoption of IFRS 9 and at the end of the reporting period was not material for other financial assets.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

2 ACCOUNTING POLICIES (continued)

Derivatives

The Group is applying IFRS 9 in terms of hedge accounting requirements, which has not resulted in treatment different to the prior year in terms of IAS 39.

IFRS 15 – Revenue from Contracts with Customers

According to IFRS 15 applicable to the 2019 financial year, revenue needs to be recognized at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. This is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services. The Group's revenue consists mostly of sales of products delivered to customers at the point of sale and does not have multiple performance obligations included in each contract.

Impact of initial application

The adoption of IFRS 15 did not impact the Group's timing of revenue recognition since the point in time at which the control of goods are transferred (IFRS 15) agrees with the point in time at which the relevant risks and rewards (IAS 18) were transferred to the customer. Additional disclosure was added in the current year as a result of the implementation of IFRS 15.

Sale of goods

The Group specialises in trading in agricultural-, fuel- and related retail markets in Southern Africa. At the point-of-sale in the trade and manufacturing environment, the client takes ownership of the goods bought. Revenue is thus recognised at that point when control of the products has transferred, the customer has accepted inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the Group has a present right to payment. In these segments prices are determined centrally. Fuel sales follow the same principles as the client takes ownership once the product is sold and transferred to the customer. Fuel prices are regulated. Grain sales follow a similar process as over-the-counter sales as the product is delivered to the client and the revenue is recognised at that point in time when the customer takes ownership of the goods sold. Grain sales prices are based on fixed contract SAFEX prices. Invoicing occurs as soon as control of the goods has been transferred to the customer.

The adoption of IFRS 15 did not impact the Group's measurement of revenue from sale of goods.

Variable consideration

The Group assessed if the contracts entered into include variable consideration, but none were noted, other than trade discounts provided at the point-of-sale. Revenue for the sale of merchandise from ordinary Group-operating activities, net of value added tax and trade discounts and after eliminating sales within the Group are recognised at a point in time.

Sale of services

Sale of services include grain handling revenue which is revenue received for the storage and handling of the clients grains. The other services are provided within the mechanisation division where labour is invoiced as a service to repair and maintain client's machinery or vehicles. Revenue received for these services is recognised over time. Revenue is recognised at a fair value (determined based on a fixed price per tonnage/hour charged) of services rendered and are invoiced on a regular basis as the services are rendered.

The adoption of IFRS 15 did not impact the Group's measurement of revenue from sale of services.

Agent vs principal

Direct sales relates to sales made, where goods purchased by clients are directly delivered to the client by the suppliers of the Group. Only the margin earned on direct sales is recognised as revenue. The margin is recognised on delivery of products by the supplier to the customer. The group assessed the treatment of these sales as agent or principal in terms of IFRS 15. No changes in the treatment noted, thus the Group still accounts for these margins as revenue.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

3 NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE AND NOT EARLY ADOPTED

IFRS 16 – Leases replaces IAS 17 – Leases and will be effective for the Group's financial year commencing 1 October 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise an asset representing the right to use the leased item and a related liability to pay rentals. The only exceptions are short-term and low-value leases and the Group will elect to adopt these exemptions. A lease agreement of which the underlying asset's value is R100 000 or less will be considered a low-value lease.

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the statement of financial position for almost all lease contracts. Currently operating lease expenses are charged to the income statement on a straight line basis over the term of the lease. The Group leases various properties, machinery, equipment and vehicles under operating lease agreements. Management evaluated the effect of IFRS 16. The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees (recognition of a right-of-use asset to use the leased item and a financial liability to pay the rentals). The standard replaces IAS 17 Leases and related interpretations. The income statement will also be affected because the total expense is generally higher under IFRS 16 in the earlier years of a lease and lower in later years. Additionally, the operating lease expense will be replaced with interest and depreciation, resulting in an expected change in EBITDA and the EBITDA margin. The Group plans to implement the new standard in the year ending 30 September 2020. During the 2019 financial year, the Group performed a detailed impact assessment of the implementation of IFRS 16. The Group expects to recognise right-of-use assets of approximately R146 million and lease liabilities of approximately R160 million. The deferred tax impact relating to the initial recognition of the right-of-use assets on adoption of IFRS 16 is still being considered and will be concluded before final implementation. On application of IFRS 16 to the 2020 financial year income statement, EBITDA would be higher due to the fact that the operating lease expense recognised under IAS 17 is replaced with interest and depreciation under IFRS 16 (which are excluded from EBITDA). In accordance with the transitional provisions of IFRS 16, the Group will adopt the modified retrospective application option on adoption of the new standard with the cumulative impact recognised as an adjustment to opening retained earnings at the date of initial application. The Group has re-assessed all leases under the requirements of IFRS 16.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these summarised consolidated Group financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies of estimation uncertainty were the same as those that applied to the Group annual financial statements for the year ended 30 September 2018. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives, taking into account their residual values at the end of their useful lives. The residual values and useful lives are based on industry knowledge and past experience with similar assets.

Loss allowance on trade receivables

In estimating the loss allowance on trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors. This includes an assessment of current and expected future payment profiles and customer specific risk factors such as economic circumstances, geographical location and the value of security held.

Financial liabilities related to put options

The measurement of these financial instruments is based on various valuation calculations requiring estimated inputs and assumptions as disclosed in notes 11 and 12.

Judgements

Inventory provisions for slow-moving and obsolete stock

The Group makes certain judgements relating to the recoverability of inventory, based on the frequency of movement in different inventory types. These judgements are used to determine the extent of inventory provisions.

Management agreements

TFC site acquisitions are at various stages of conclusion. On these sites the Group enters into management agreements while waiting for regulatory approval for the retail site licenses. The group manages these sites under management agreements, but does not have the right to control the relevant activities. Therefore these sites are not consolidated in the Group.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

5 FAIR VALUE ESTIMATION

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:

- > Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- > Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

The financial instruments in this category that are carried at fair value are derivative financial instruments held for hedging. The fair value is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price (Level 2). Level 2 hedging derivatives comprise forward purchase and sale contracts and options. The effects of discounting are generally insignificant for Level 2 derivatives.

- > Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investment in Signafi Capital (Pty) Ltd is a level 3 financial instrument based on the unobservable market data as these are unlisted shares. The financial liability at fair value through profit and loss comprising the redemption obligation for a written put option is recorded at fair value, refer to note 11 for the inputs used in determining the fair value.

The fair value of the following financial instruments approximate their carrying amount at the reporting date:

- > Trade and other receivables
- > Loans
- > Trade and other payables
- > Short-term borrowings
- > Finance lease liabilities
- > Cash and cash equivalents
- > Financial liability at amortised cost

6 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of movements in carrying value:

	2019 R'000	2018 R'000
Carrying value beginning of period	1 097 159	947 617
Additions	259 638	140 148
Land and buildings	63 270	31 275
Grain silos	2 795	4 122
Machinery and equipment	21 011	13 027
Vehicles	15 376	10 397
Office furniture and equipment	16 748	11 198
Leasehold properties	10 264	433
Assets under construction	130 174	69 696
Additions through business combinations	79 361	61 017
Disposals	(1 312)	(1 933)
Depreciation	(59 454)	(49 690)
Carrying value end of period	1 375 392	1 097 159
Land and buildings	947 087	807 595
Grain silos	27 022	21 636
Machinery and equipment	102 228	95 877
Vehicles	46 172	28 915
Office furniture and equipment	103 283	87 116
Leasehold properties	30 950	22 568
Assets under construction	118 650	33 452
Vehicles include the following amounts where the group is a lessee under a finance lease:		
Cost	64 092	39 451
Accumulated depreciation	(25 114)	(16 826)
Carrying value	38 978	22 625

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

	2019 R'000	2018 R'000
7 INTANGIBLE ASSETS		
Reconciliation of movements in carrying value:		
Carrying value beginning of period	168 165	99 482
Additions through business combinations	133 892	69 744
Impairment of goodwill	(2 250)	–
Amortisation	(1 638)	(1 061)
Carrying value end of period	298 169	168 165
Goodwill	281 337	167 695
Trade name	12 740	–
Customer relations	4 092	470

To assess for impairment of goodwill, a value in use calculation was done per Cash Generating Unit ("CGU"). Using the budget as base data, income was increased with 6% and expenses were increased at the expected inflation rate for five years and a pre-tax discount rate of 12% to 15% was used depending on the CGU's specific risk profile. An impairment of R2,2 million was recognised for Kempena Motors as the value in use was lower than the total net assets of the CGU as the CGU was underperforming. For the rest of the balance no indicators were noted that the calculation is sensitive to a reasonable change in assumptions. The most significant CGU's being the Eastern Cape cluster (carrying value of goodwill: R42,4 million) and the Northern Province's cluster (carrying value of goodwill: R199,5 million) calculated with pre-tax discount rates of between 12% – 15% and terminal growth rates of 6% in line with the industry. The remaining CGU's were also assessed for impairment and sufficient headroom noted. The TFC acquisition strategy is cluster based, focusing on increasing scale in identified geographic locations, thus the CGU's are mostly determined based on these clusters.

The goodwill raised through the business combination with Partridge Building Supplies was tested for impairment using a value in use calculation. Using the budget as base data, income was increased between 7% – 9% and expenses were increased at the expected inflation rate for five years and a discount rate of 23% was used. No impairment was noted. There is sufficient headroom and an impairment only becomes applicable when the discount rate is increased to 26%.

8 INVESTMENT IN JOINT VENTURE

Kaap Agri (Namibia) (Pty) Ltd

Beginning of year

Share in total comprehensive income

Effect of adopting IFRS 9 – Financial Instruments

	11 941	15 357
	(2 327)	(3 416)
	(713)	–
	8 901	11 941

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

	2019 R'000	2018 R'000
9 TRADE AND OTHER RECEIVABLES		
Trade debtors	1 756 212	1 549 498
Expected credit loss allowance (2018: IAS 39 – Provision for Impairment)	(44 225)	(39 909)
	1 711 987	1 509 589
VAT	38 759	45 932
Deposits	106 419	52 900
Other debtors	51 395	56 062
	1 908 560	1 664 483
Trade and other receivables – current	1 869 860	1 664 483
Trade and other receivables – non-current	38 700	–
	1 908 560	1 664 483
Included in the non-current portion of trade and other receivables are long-term facilities granted to producers to assist in capital expansion related to the establishment and/or expansion of production. The nature of these accounts are the same as normal trade debtors. These facilities vary in duration between two and five years, are suitably secured and bear interest in line with the policies regarding interest for all trade receivables.		
Movement in the expected credit loss allowance (2018: IAS 39 – Provision for Impairment)		
Opening balance (calculated under IAS 39)	(39 909)	(45 313)
Adjustment to the expected credit loss allowance on adoption of IFRS 9	(815)	–
Movement in the expected credit loss allowance (2018: provision for impairment)	(2 805)	5 404
Balance with acquisition of subsidiary	(696)	–
Balance at the end of the year calculated under IFRS 9 (2018: IAS 39)	(44 225)	(39 909)
10 TRADE AND OTHER PAYABLES		
Trade creditors	1 235 009	1 000 982
Employee accruals	37 523	42 177
Other creditors	46 677	52 653
	1 319 209	1 095 812
11 FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS		
Written put option		
C-Max Investments (Pty) Ltd		
Initial recognition at 1 October 2018	(70 200)	–
Remeasurement through profit or loss	(8 900)	–
	(79 100)	–

As part of the asset-for-share transaction, the Group entered into a once off written put agreement, which became effective during the year, whereby C-Max Investments (Pty) Ltd may put their 23.5% shareholding in both TFC Operations (Pty) Ltd and TFC Properties (Pty) Ltd ("the TFC Companies") to Kaap Agri Bedryf Limited. This option shall not apply in the event that any of the TFC Companies are listed on the JSE. The put option is not exercisable prior to the end of the financial year ending 30 September 2021.

The value of the put option is based on the lower of the market value of TFC Operations (Pty) Ltd (which has been calculated with reference to the enterprise value to EBITDA ("EV/EBITDA") multiple of comparable listed companies, adjusted for company specific risk) and a value determined based on a recurring headline earnings multiple of the Kaap Agri Group (which has been performed by applying the current price to recurring headline earnings ("Price/RHEPS") multiple of Kaap Agri, to the forecasted profit after tax). In the current year valuation, a multiple of between 4 and 6 times was used and a discount rate of 10%.

for the year ended 30 September

The market value of the shares in TFC Properties (Pty) Ltd is determined using a market related capitalization rate based on the underlying properties held. In the current year valuation, a capitalisation rate of 10% was used and a discount rate of 10%.

The amount that may become payable under the option on exercise date is initially recognised at the present value of the value as determined in line with the principles outlined above. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards of the shares have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated market value and increased/decreased up to the amount that is payable at the date at which the option becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

The financial liability has been designated at fair value through profit or loss because the put option obligation varies with changes in TFC's share price. Any changes in the future fair value of the liability will be accounted for in the income statement. A 1% change in the discount rate will change the liability and profit before tax by R3 million. A 0.5 change in the multiple will change the liability and profit before tax by R13.7 million.

Through the acquisition of the 60% shareholding in Partridge Building Supplies (Pty) Ltd, the Group entered into a once-off written put agreement over the remaining 40% interest in the afore-mentioned company. The option is exercisable after the finalisation of the Financial Statements for the year ending 30 September 2021 and the consideration on exercise will be determined based on the growth ratio (determined as the actual/forecasted EBITDA divided by the targeted EBITDA over the period determined), net debt value and EBITDA figures of Partridge Building Supplies (Pty) Ltd at that time. The exercise price is formula based. In the current year valuation, a growth ratio of between 60% and 65% was used and an EBITDA multiple of 6.5 times. Refer to note 17 for the disclosures of the Partridge Building Supplies (Pty) Ltd business combination.

The amount that may become payable under the option on exercise date is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated performance and increased/decreased up to the redemption amount that is payable at the date at which the option becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Given that the fair value of the liability varies with non-financial variables that are specific to the parties in the contract, management has classified this put option as a financial liability at amortised cost.

A 1% change in the discount rate will change the liability and profit before tax by R0,3 million. A 10% increase in the growth ratio will change the liability and profit before tax by R4,2 million.

At year end, the value of the Put Option Liability of Partridge Building Supplies (Pty) Ltd decreased as the revised forecast up to the date that the option becomes exercisable was lower at year end than initially anticipated. The goodwill raised through the business combination was tested for impairment and no impairment noted, refer to note 7 for more information.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

	2019 R'000	2018 R'000
13 REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sales of goods	8 244 792	6 380 258
– Trade	4 848 407	3 996 848
– The Fuel Company (TFC)	2 457 152	1 802 049
– Wesgraan	754 906	394 606
– Manufacturing	184 327	186 755
Sales of services	101 238	67 826
– Trade	26 065	24 361
– Wesgraan	75 173	43 465
Margin on direct transactions	105 490	100 709
– Trade	94 739	99 659
– Wesgraan	10 751	1 050
	8 451 520	6 548 793

14 INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive Committee (whom are considered to be the Chief Operating Decision Maker (CODM)) that are used to make strategic decisions. The Executive Committee considers the business from a divisional perspective. The performance of the following divisions are separately considered : Trade, The Fuel Company (TFC), Wesgraan (grain division) as well as Manufacturing. The performance of the operating segments are assessed based on a measure of revenue and net profit before taxation.

Trade provides a complete range of production inputs, mechanisation equipment and services, and other goods to agricultural producers as well as the general public.

TFC provides a full retail fuel offering to a diverse range of customers, including convenience store and quick service restaurant outlets.

Wesgraan includes the sale of grain products and provides a complete range of services including storage and handling of grain products.

Manufacturing, manufactures and sells dripper pipe and other irrigation equipment and distributes other irrigation parts.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

	Segment revenue		Segment results	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
14 INFORMATION ABOUT OPERATING SEGMENTS (continued)				
Segment revenue and results				
Trade	4 969 211	4 120 868	240 903	241 947
TFC	2 457 152	1 802 049	101 275	85 809
Wesgraan	840 830	439 121	50 479	23 611
Manufacturing	184 327	186 755	26 118	25 952
Total for reportable segments	8 451 520	6 548 793	418 775	377 319
Corporate	–	–	(102 736)	(94 237)
Treasury	–	–	66 129	65 238
Share in profit/(loss) of joint venture	–	–	(2 327)	(3 416)
Total external revenue	8 451 520	6 548 793		
Profit before tax			379 841	344 904
Income tax			(98 562)	(95 947)
Profit after tax			281 279	248 957

Segment assets and liabilities

	Segment assets		Segment liabilities	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Trade	1 622 061	1 430 303	1 058 776	982 786
TFC	900 710	546 449	152 759	26 833
Wesgraan	105 100	97 440	47 660	12 638
Manufacturing	218 551	82 851	34 652	25 925
Total for reportable segments	2 846 422	2 157 043	1 293 847	1 048 182
Corporate	188 366	221 027	185 422	93 491
Trade debtors	1 711 987	1 509 589	–	–
Investment in joint venture	40 967	38 338	–	–
Short-term borrowings	–	–	1 309 447	1 000 907
Deferred taxation	–	1 234	72 778	41 905
	4 787 742	3 927 231	2 861 494	2 184 485

In the prior year disclosure the Loan receivable from Kaap Agri (Namibia) (Pty) Ltd was included as an asset in Corporate, which was moved in the current year disclosure to be part of the Investment in Joint Venture as this is a more reasonable presentation of the segments reported on. Comparatives have been restated accordingly.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

	2019 R'000	2018 R'000
15 CAPITAL COMMITMENTS AND CHANGES IN SHORT-TERM BORROWINGS		
15.1 Contracted commitments	89 382	71 956

These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds.

15.2 Short-term borrowings

Movements in short-term borrowings relate to utilisation of banking facilities in the normal course of business.

16 RECURRING HEADLINE EARNINGS

Kaap Agri considers recurring headline earnings to be a key benchmark to measure performance and to allow for meaningful year-on-year comparison.

The pro forma adjustments below regarding recurring headline earnings are shown for illustrative purposes only and, because of their nature, may not fairly present Kaap Agri's financial position, changes in equity, results of operations or cash flows. These adjustments relate to non-recurring expenses, which consist predominantly of costs associated with acquisitions of new businesses, and the interest and remeasurement of the liability relating to put options and the remeasurement of the liabilities relating to put options.

The pro forma financial effects are presented in accordance with the JSE Listings Requirements, the Guide on Pro Forma Financial Information issued by SAICA and the measurement and recognition requirements of International Financial Reporting Standards. The accounting policies applied in quantifying pro forma adjustments are consistent with Kaap Agri's accounting policies. The pro forma financial information is the responsibility of the directors.

An assurance report (in terms of ISAE 3420: Assurance Engagement to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the company.

	2019 R'000	2018 R'000
Headline earnings	283 274	248 379
Attributable to equity holders of the holding company	279 332	245 669
Non-controlling interest	3 942	2 710
Non-recurring items	(14 721)	3 604
Non-recurring expenses	5 202	3 604
Remeasurement of put options	(19 923)	–
Recurring headline earnings	268 553	251 983
Attributable to equity holders of the holding company	263 428	249 273
Non-controlling interest	5 125	2 710
Recurring headline earnings per share (cents)	375,19	354,10

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

17 BUSINESS COMBINATIONS

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and accompanying retail fuel properties were acquired. Goodwill on acquisition was paid on these businesses, which represents synergies within the Group and have future earnings potential.

The TFC acquisition strategy is cluster based, focusing on increasing scale in identified geographic locations. This geographic scale allows for enhanced synergistic benefits which include, but are not limited to, the following:

- > Alignment and improvement of supplier and service provider trading terms and service level agreements, both fuel and non-fuel related
- > Ability to convert fuel brand offering to preferred supply
- > Enhanced logistics, both fuel and non-fuel related
- > Ability to add or convert convenience store and quick service restaurant offerings
- > Alignment of franchise trading terms
- > Utilisation of Group shared services, including information management, finance, human resources, property management and internal audit
- > Shared regional operational structures
- > Improved skills transfer and succession planning

Improved synergies contribute to either a lower cost per litre to serve or a higher cents per litre income, thus enhancing returns on invested capital.

A purchase price allocation as required by IFRS 3 – Business Combinations was performed and no intangible assets were identified, other than fuel site operating licences. The site licences are considered to be identifiable due to arising from contractual/legal rights, with an indefinite useful life. The site licence useful life is assessed to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows for the Group. The site licences do not require any renewals or renewal payments and the Group expects to continue selling fuel products indefinitely from the businesses acquired. The licences are grouped with the land that it relates to as one asset as these assets have similar useful lives, being indefinite. The Group assessed all intangible assets that can typically be expected in a business combination of this nature, the most relevant of which are tradenames and customer relations. No tradename was recognised as there was no tradename acquired as part of these transactions. In addition, any payments made in relation to the brand are considered to be market related. No customer relations were recognised as the Group did not acquire any customer list, they are commercial sites offering products to clients that could be purchased anywhere.

The Group acquired the following assets through business combinations in the fuel sector:

- > Sasol Verbaard service station on 15 October 2018
- > Sasol East Rand Mall service station on 1 November 2018
- > Total Summit Road service station on 22 November 2018

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

	Total R'000	Sasol East Rand Mall R'000	Total Summit Road R'000	Sasol Verbaard R'000
17 BUSINESS COMBINATIONS (continued)				
<i>Carrying value</i>				
<i>Assets</i>				
Land and buildings	78 741	–	40 900	37 841
Plant and equipment	867	123	513	231
Inventory	2 605	799	589	1 217
	82 213	922	42 002	39 289
<i>Fair value</i>				
<i>Assets</i>				
Land and buildings	59 900	–	27 280	32 620
Plant and equipment	867	123	513	231
Goodwill	93 858	10 649	32 745	50 464
Inventory	2 605	799	589	1 217
<i>Liabilities</i>				
Deferred taxation	(16 772)	–	(7 638)	(9 134)
Purchase consideration	140 458	11 571	53 489	75 398
– paid in cash (current period)	2 920	997	–	1 923
– paid in cash (previous period)	53 489	–	53 489	–
– paid through issue of subsidiary shares	84 049	10 574	–	73 475

The land, inclusive of the site license, and the buildings are valued using the Net Income Capitalised Approach.

Buildings have a finite useful life and the cumulative effect of depreciation since acquisition is not material.

As part of the business combination shown above (for Sasol East Rand Mall and Sasol Verbaard), the purchase consideration was paid through issuance of shares of a subsidiary. This resulted in a 23,5% non-controlling interest in TFC Properties (Pty) Ltd. Refer to the statement of changes in equity for the effect in non-controlling interest of R78,6 million.

The fair value of the 15 715 919 shares issued as part of the consideration paid for Sasol Verbaard and Sasol East Rand Mall (R84,0 million) was based on fair value calculations. The valuation of the property was based on the ability of the fixed property to generate a rental income. The estimated rental is based on the volume throughput. The value of the operations is determined using an EBITDA multiple. Issue costs of R0,9 million which were directly attributable to the issue of the shares have been netted against the deemed purchase price.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

17 BUSINESS COMBINATIONS (continued)

The acquired businesses contributed as follows to the Group's results for the full financial year:

	Total R'000	Sasol East Rand Mall R'000	Total Summit Road R'000	Sasol Verbaard R'000
Revenue				
– since acquisition date	291 956	35 978	96 507	159 471
– as if from the beginning of the year	314 967	40 089	108 780	166 098
Profit/(loss) before tax				
– since acquisition date	9 617	(338)	3 762	6 193
– as if from the beginning of the year	9 475	(299)	3 614	6 160

In line with the Group's growth strategy to grow its outlet footprint through strategic acquisitions a 60% share was acquired in a business in the retail sector. Goodwill on acquisition was paid on this business representing synergies within the Group and have further earnings potential. Enhanced synergistic benefits include, but are not limited to, the following:

- > Alignment and improvement of supplier and service provider trading terms and service level agreements
- > Utilisation of Group shared services, including information management, finance, human resources, property management and internal audit
- > Shared regional operational structures
- > Improved skills transfer and succession planning

A purchase price allocation as required by IFRS 3 – Business Combinations was performed and no material intangible assets were identified, other than a tradename and customer relations.

The Group acquired the following assets through business combinations in the retail sector:

- > A 60% shareholding in Partridge Building Supplies (Pty) Ltd on 1 October 2018

	Partridge Building Supplies R'000
<i>Carrying value</i>	
<i>Assets</i>	
Plant and equipment	18 594
Inventory	37 735
Trade and other receivables	43 606
Cash and cash equivalents	1 116
<i>Liabilities</i>	
Finance lease liabilities	(9 982)
Trade and other payables	(44 036)
Deferred taxation	(1 280)
Short-term borrowings	(15 718)
	30 035

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

Partridge
Building
Supplies
R'000

17 BUSINESS COMBINATIONS (continued)

<i>Fair value</i>	
<i>Assets</i>	
Plant and equipment	18 594
Goodwill	22 034
Trade name	13 000
Customer relations	5 000
Inventory	37 735
Trade and other receivables	43 606
Cash and cash equivalents	1 116
<i>Liabilities</i>	
Finance lease liabilities	(9 982)
Deferred taxation	(6 320)
Trade and other payables	(44 036)
Short-term borrowings	(15 718)
<i>Equity</i>	
Non-controlling interest measured at the proportionate value	(17 198)
Purchase consideration – paid in cash	47 831
The acquired businesses contributed as follows since acquisition to the Group's results:	
Revenue	337 732
Net profit before tax	1 477

The fair value of the acquired trade receivables is R36,4 million. The gross contractual amount for trade receivables due is R37,1 million with a loss allowance of R0,7 million recognised on acquisition.

The trade name was valued based on the relief from royalty method. This estimates the amount someone would be prepared to pay for the trade name if they wished to utilise the same asset.

The multi-period excess earnings method ("MEEM") was used to determine the fair value of the customer relationships. The MEEM is a variation of the income method whereby the projected cash flows that a business expects to generate is allocated to the assets that contribute to generating this cash flow.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September

18 EVENTS AFTER REPORTING DATE

Subsequent to year-end, Tego Plastics (Pty) Ltd ("Tego") commenced operations as a wholly-owned subsidiary of Kaap Agri. Tego will initially produce high-quality, food grade plastic bulk bins for the agricultural market through an injection moulding manufacturing process, with the opportunity to manufacture additional solid form products at a later stage.

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations were acquired after year-end.

A service station (Kaapweg Motors) purchased from Kaapweg Motors CC. The purchase consideration of R28,5 million was paid and treated as a prepayment in the current year.

In terms of IFRS 3 Business Combinations the purchase price of the transaction will be allocated to tangible assets (mainly property, plant and equipment and other net assets) and the balance will be allocated to goodwill and if applicable to other intangible assets. At the date of the publication of the audited consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

A gross final dividend of 90,00 cents per share (2018: 84,70 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2019.

19 RELATED PARTY TRANSACTIONS

Outstanding balances with related parties:

Loan – Lionshare Holdings (Pty) Ltd	26 893	–
Loan – Kaap Agri (Namibia) (Pty) Ltd	32 066	26 397

Transactions with directors and outstanding balances

Sales	66 137	51 622
Trade receivables	12 365	14 870

Kaap Agri (Namibia) (Pty) Ltd is a investment in Joint Venture for the Group. M Pupkewitz & Sons (Pty) Ltd holds the other 50% shareholding in the Joint Venture. Refer to note 8.

Lionshare Holdings (Pty) Ltd is a related company to one of the non-executive directors.

The companies in the Group sell products in the normal course of business to directors and all other related companies on terms and conditions applicable to all clients.

Annexure B

SHAREHOLDER INFORMATION

	Number of shareholders	Number of shares	Percentage held
1. Shareholders' profile			
Spread			
1 to 1 000 shares	1 630	643 686	0,9%
1 001 to 10 000 shares	1 472	5 177 527	6,9%
10 001 to 100 000 shares	367	10 307 326	13,9%
100 001 to 1 000 000 shares	26	6 280 115	8,5%
More than 1 000 000 shares	4	51 761 623	69,8%
Total	3 499	74 170 277	100,0%
Type of shareholder			
Public	3 488	24 627 076	33,2%
Non Public	11	49 543 201	66,8%
Directors and associates of the company	7	576 680	0,8%
Zeder Financial Services Limited	1	30 322 333	40,9%
Plurispac (Pty) Ltd	1	14 834 056	20,0%
Empowerment and Transformation Investments (Pty) Ltd	1	3 708 514	5,0%
The Fruit Workers Development Trust	1	101 618	0,1%
	3 499	74 170 277	100,0%
Major beneficial shareholders			
The following shareholders have a holding equal to or greater than 5% of the issued shares of the company.			
Zeder Financial Services Limited		30 322 333	40,9%
Plurispac (Pty) Ltd		14 834 056	20,0%
Empowerment and Transformation Investments (Pty) Ltd		3 708 514	5,0%
		48 864 903	65,9%

Number

	2019	2018
2. Shareholding of directors (direct and indirect)		
BS Du Toit	29 729	29 729
WC Michaels	2 750	1 250
CA Otto	163 546	154 546
GW Sim	24 020	7 500
HM Smit	3 461	3 461
JH Van Niekerk	249 674	249 674
S Walsh	103 500	69 550
Total	576 680	515 710
Percentage of issued shares	0,8%	0,7%

There has been no change in the directors' interest from the financial year-end of the company on 30 September 2019 up until the approval of the financial statements.

3. Stated capital of the company at 30 September 2019

Authorised:

Ordinary shares with no par value	1 000 000 000	1 000 000 000
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Issued:

Ordinary shares with no par value	74 170 277	74 170 277
Treasury shares	(3 933 514)	(4 008 514)
	70 236 763	70 161 763

Stated capital:

Total value of ordinary shares	480 346 566	480 346 566
Treasury share value	(35 446 011)	(36 426 440)
Total stated capital	444 900 555	443 920 126

4. Material changes

There has been no material change in the financial or trading position of the company and its subsidiaries subsequent to the company's financial year-end, being 30 September 2019.

Annexure C

REMUNERATION REPORT

Remuneration policy

Remuneration philosophy

Our reward philosophy focuses on entrenching a high-performance culture where excellence is rewarded and mediocrity unacceptable. This is shown at every level of the organisation through various recognition and reward systems, and total guaranteed pay ("TGP") management.

We ensure remuneration is appropriately set against a variety of factors. These include the complexity of functions, the scope of accountability, market practice and competitiveness, the alignment of risks and rewards, and the long-term objectives of the Group and its shareholders. We are committed to the principle of equitable remuneration. However, we acknowledge some jobs with similar grade will earn different amounts determined by market factors and justified by, for example, a shortage of skills and performance-based increases.

Our philosophy underpins a framework for remuneration fulfilling the following requirements:

- > It enables Kaap Agri's long-term sustainable success by linking rewards to achieving Group strategy and creating shareholder value
- > It attracts and retains the required skills base
- > It links remuneration to performance measures
- > It achieves a balance between individual, team and business performance
- > It offers employees a competitive and market-aligned remuneration package with fixed salaries representing a significant remuneration component

Organisation-wide remuneration approach and the wage gap

Kaap Agri is committed to ensuring remuneration is responsible, fair and reasonable to the Group and its employees. During the financial year, RemCom received regular updates from the Director: Human Resources ("HR") on:

1. the remuneration arrangements for all employees, particularly the level of annual increases provided; and
2. salary benchmark recommendation for peromnes grade P1 to P9.

To ensure a fair and responsible remuneration strategy, RemCom will focus on:

- > ensuring the remuneration policy is competitive, best suited to Kaap Agri's business model, guided by best practice and compliant with regulatory requirements;
- > ensuring good governance principles are applied regarding remuneration and there are no income disparities based on gender, race or any other unacceptable grounds of discrimination;
- > annually ensuring remuneration meets the prescribed minimum pay rate for employees, including non-permanent employees within various bargaining councils and sectoral determination;
- > ensuring there is no unfair discrimination, the fairness of total reward practices is continually monitored, and appropriate corrective action is taken where necessary; and
- > ensuring remuneration practices respect the "equal work for equal pay" principle.

Components of remuneration for employees

The remuneration framework for employees is as follows:

Remuneration framework			
Guaranteed pay		Variable pay	
Basic pay	Benefits	Incentives	Allowances
Cash salary including 13th cheque (annual bonus)	Benefits include vehicle benefit, medical aid and retirement scheme	Recognition and praise, performance bonus, marketer's commission, and short-term incentive (STI) and long-term incentive (LTI) schemes based on individual and company performance	Monthly allowances not limited to those prescribed by the bargaining council and sectoral determination agreements

Basic pay and condition of service

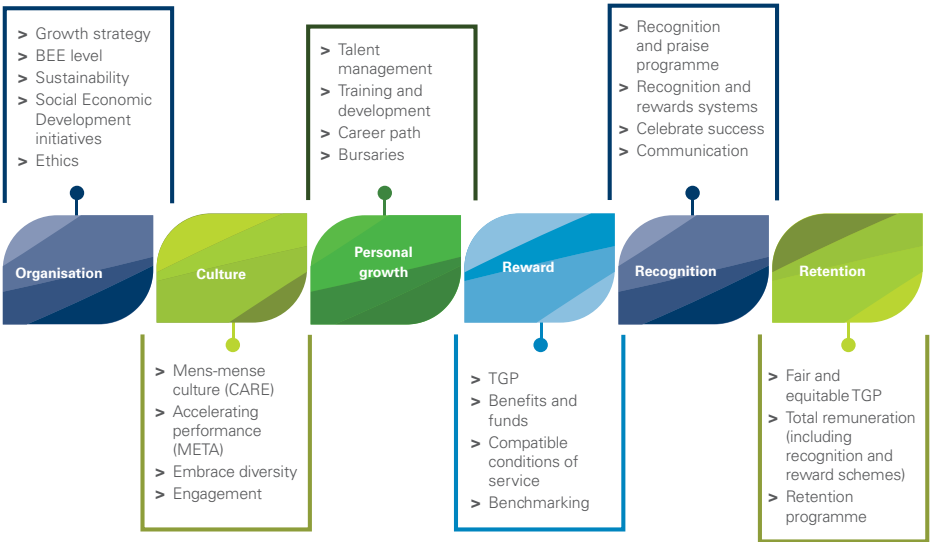
The company will annually compare the annual increases proposed by bargaining councils and/or sectoral determination agreements to those proposed by the Board. The higher of these increases will be awarded to eligible employees.

The company ensures employees receive the most favourable conditions of service. The conditions of service are more favourable than prescribed conditions as per the applicable sectoral determination and/or bargaining council agreements.

Employee Value Proposition (“EVP”)

The EVP was designed to attract, engage, retain and motivate the Group’s employees. It enables us to become an employer of choice for the diverse talent required to deliver sustainable profit growth. The EVP balances financial and non-financial rewards to drive the accelerating performance culture.

The EVP framework is described in the diagram below:



The EVP’s cornerstone is the mens-mense culture. During the period, two surveys were conducted throughout the Group:

- > The employee engagement survey focused on the mens-mense culture (CARE) with a 72% participation rate
- > The organisational accelerator questionnaire focused on accelerating performance (META) with a 97% participation rate

The Group developed a leadership DNA framework with supporting development and coaching programmes. These are being rolled out to all management levels.

Annexure C (continued)

Recognition and reward schemes for the 2020 financial year

The Group has historically operated the STI profit share scheme and LTI scheme. During the year, the schemes will be enhanced to include other forms of recognition and reward, illustrated in the table below:

Framework of recognition and reward schemes			
Element	Participants	Performance period and measures	Operation and delivery
Recognition and praise	Skilled, semi-skilled and unskilled; skilled (P10 to P18) and employees within specialised supporting roles (P8 and P9) not responsible for a profit centre	Based on monthly and/or quarterly performance by employees	Paid monthly and quarterly to winning employees per category based on performance criteria set by the business
Performance bonus	Shared service employees within P6 to P9; branch managers within P6 to P9; management accountants and/or operations controllers	The performance period is annually reviewed with quarterly targets	Paid quarterly based on specific performance targets
STI	CEOs, directors, managing directors ("MDs") of subsidiaries; Group, executive, regional and senior managers within P1 to P5	Performance is annually evaluated against growth in profit before tax	Paid in December based on specific performance targets All bonuses are self-funded based on financial targets
LTI	CEOs, directors, MDs of subsidiaries; Group and Group managers within P1 to P3	The performance conditions are inherent in the award as there must be an increase in the Group's share price before a participant receives any value	Annual award of rights entitling an individual to shares calculated regarding the increase in share price between the grant date and vesting date Vesting occurs in equal tranches in the second, third, fourth and fifth years

The performance bonus and STI schemes are subject to satisfactory individual performance reviews performed every six months.

Recognition and praise

As the cornerstone of our CARE values, the recognition and praise scheme acts as a platform to acknowledge star performers, motivate discretionary effort and deliver ongoing business results. It motivates employees to deliver branch performance targets contributing to the Group's performance targets.

Employees are nominated by management according to the following categories:

Employee champion – META (employee)	CARE ambassador (employee)	Operations excellence (team)	Accelerating performance (team)
<i>This category recognises employees who excel in their jobs and go beyond the call of duty to get the job done.</i>	<i>This category embodies the CARE values; evident in employees' interactions with others. It recognises employees who positively influence others and are examples of our culture.</i>	<i>This category recognises employees for adding value affecting or contributing to the business's overall bottom line. Note: The best shared service department will be nominated via a survey conducted by the business.</i>	<i>This category recognises employees for adding value in the business (most improved).</i>

Performance bonus

This motivates business unit managers to achieve performance targets contributing to the Group's performance targets.

The performance bonus rewards performance on a short-term basis (based on predetermined targets per operating unit). An operating unit's performance bonus pay out will be based on two things: a fixed cash amount paid quarterly or bi-annually (based on achieving predetermined sales performance targets); and a percentage of monthly TGP paid bi-annually (based on achieving predetermined performance bonus targets ("PBTs")).

Shared service managers between P6 and P7 will qualify for a performance bonus if the Group achieved predetermined PBT growth.

Commission earners

Commission earners (e.g. marketers) within various divisions may earn a commission based on the applicable commission structure. Commission is an incentive for reaching performance targets. Commission earners do not qualify for STIs, performance bonuses or the recognition and praise programme.

STI scheme

The STI scheme is designed to motivate employees to deliver Group performance improvements over the financial year. Employees have historically participated in this scheme. Potential earnings were determined by the peromnes broadband and the operating unit. Going forward, this scheme will only be applicable to executive directors and executive, Group and regional managers (P1 to P5).

The Group target is based on the average 12-month June consumer price index ("CPI") percentage plus a growth percentage target with an increment interval of 1,25%. An example of the growth target for year-on-year performance is illustrated in the table below:

Year-on-year performance growth target calculation								
CPI (example)	5,0%	Average 12-month annual inflation at June						Cap for STI
CPI + % growth	0,00%	5,00%	6,25%	7,50%	8,75%	10,00%	11,25%	12,50%
Target	5,00%	10,00%	11,25%	12,50%	13,75%	15,00%	16,25%	17,50%

The maximum STI is capped at CPI + 12,5%. RemCom has discretion to award any further STI when appropriate.

LTI scheme

The LTI scheme is an equity-settled management share incentive scheme implemented from 1 October 2016. Executive directors and Group managers participate in the LTI scheme. RemCom annually reviews the TGP multiple factor used for the calculation of grants awarded. This is to ensure it remains appropriate.

The scheme is designed to:

- > align the interests of Group management with shareholders;
- > promote and enable the retention and attraction of exceptional talent;
- > motivate and recognise the contribution of senior managers at top management level; and
- > subject to certain performance criteria, give participants an opportunity to acquire shares in the Group through granting options to future shares.

Components of remuneration for executive directors and Group managers

The table below sets out an overview of remuneration components applicable to executive directors and Group managers:

Total remuneration for CEO, directors and Group managers (P1 to P3)			
Element	TGP <i>Includes fixed salary and benefits (e.g. vehicle benefit, medical aid and retirement scheme)</i>	STI	LTI

Annexure C (continued)

STIs

STIs are payable when the Group achieves predetermined growth targets. These are based on average 12-month CPI figures plus an incremental percentage growth.

The maximum amounts earned under STIs are as follows:

- > CEO maximum cap is 120% of annual TGP
- > Director finance maximum cap is 100% of annual TGP
- > Other directors and subsidiary MD maximum cap is 100% of annual TGP
- > Group, executive and regional manager maximum cap is between 25% and 50% of annual TGP

STIs are paid in cash after concluding the audited annual financial statements.

LTIs

Participants are awarded several options in the scheme annually. The options awarded are based on the following factors:

- > Six (6) times annual TGP for the CEO
- > Four (4) times annual TGP for the Financial Director
- > Three (3) times annual TGP for directors

The options vest in equal tranches on the first day of the second, third, fourth and fifth financial year following the grant date.

On the vesting date, shares will be awarded to a participant. These are calculated referencing the growth value in the share price between the grant date and vesting date. Participants only benefit from the scheme if the share price has increased. Should the share price not increase, the vested options will be worth nil and will lapse.

Cessation of employment and effect on unvested LTIs

In the case of cessation of employment, the treatment of unvested options depends on the reason for cessation as set out below:

Reason for cessation	Treatment of unvested options
Just cause dismissal or resignation	Unvested options will lapse
Death, ill health, permanent disability, retirement, early retirement and retrenchment	Following cessation, participants are entitled to vest the options due on the next vesting date. Any remaining options following this vesting event will lapse

Executive director and key management contracts

Executive directors and other Group key management do not have fixed-term or bespoke key management contracts. They are employed in terms of the Group's standard contract of employment. The notice period for termination of service is three (3) calendar months.

No additional payments are made to key management on termination of employment (apart from those required in terms of labour legislation). They do not receive sign-on bonuses.

On cessation of employment, STIs are forfeited. Unvested LTIs are treated under the LTI policy (refer to "Cessation of employment and effect on unvested LTIs" above).

Non-executive director ("NED") fees

NED fees consist of a fixed annual fee for services as a director and fixed fee for duties on committees. NEDs are reimbursed for travelling and other costs relating to their duties. The Group also carries these costs directly.

NEDs do not qualify for any STIs or LTIs.

The Group reviews market best practice and leadership publications by reputable remuneration consulting firms. This is to assess the reasonability and level of NED fees. Comparison analyses are done regarding other similar companies and committees with similar responsibilities.

Proposed 2020 financial year NED fees

Fees for the 2020 financial year will be submitted for approval by shareholders at the Group's AGM to be held on 13 February 2020. This is to comply with the Companies Act. Refer to special resolution number 1, in this notice of AGM on page 6.

The proposed fees are as follows:

Directors' fees		2020
Director – basic fee		R178 500
Board Chairman		+R389 500
Committee		
	Member	Chairman
Audit and Risk committee	+R133 500	+R266 500
Finance committee	+R55 500	+R133 500
Remuneration committee	+R111 500	+R222 500
Social and Ethics committee	+R28 500	+R84 000

These proposed fees are VAT exclusive.

Annexure C (continued)

Remuneration governance

RemCom is a Board committee primarily responsible for overseeing the remuneration and incentives of executive directors and key management (collectively "executives"). Committee members are annually appointed by the Board. Members consist of at least three NEDs, the majority of whom are independent. The Chairman is annually appointed by the Board and is an independent NED.

There are three members of RemCom, all of whom are independent NEDs:

- > CA Otto (Chairman);
- > GM Steyn; and
- > JH van Niekerk.

The level of accountability for governing the remuneration policy and implementation thereof is illustrated in the table below:

Governance framework	
Board of directors	The Kaap Agri Board of directors has ultimate responsibility to ensure compliance with remuneration principles and limiting risk.
RemCom	In line with the committee's role and responsibilities, it monitors performance and determines appropriate remuneration policies and guidelines for different groups (subject to Board approval).
Operational level functions	
Executive team	The executive team is responsible for compliance with its areas of responsibility and for evaluating recommendations to change policies and practices.
Director: HR (subsidiary – Kaap Agri Bedryf Limited)	The Director: HR is responsible for managing the day-to-day application of the remuneration policy. He also recommends changes to policies and practices to the Executive committee.

RemCom has the following functions and responsibilities:

- > To determine the CEO's remuneration
- > To determine executive directors' remuneration as recommended by the CEO
- > To determine NEDs' remuneration
- > To consider senior managers' remuneration
- > To ensure the remuneration philosophy and principles are aligned with the Group's business strategy
- > To ensure performance-based incentive schemes and performance criteria are developed and implemented
- > To determine the annual average increase for staff remuneration

Implementation report regarding the remuneration policy in the 2019 financial year

RemCom is satisfied that Kaap Agri complied with the remuneration policy in the 2019 financial year.

TGP

The following table sets out TGP increases for executive directors:

Executive directors	2019 R'000	2018 R'000	Change %
S Walsh	5 071	4 830	5
GW Sim	3 318	3 160	5

The annual salary increase mandate is based on various factors, ranging from but not limited to the company's profit, average CPI and market salary increase indicators. The annual percentage increase is determined by bargaining councils and/or sectoral determination for employees within peromnes broadband P10 to P18, where applicable. Performance-based pay is the cornerstone of remuneration practices. There is a clear differentiation between performers and non-performers.

The annual salary increase percentage implemented during this year is illustrated in the table below:

Peromnes broadband	Employee group	Percentage increase 2019
P1 to P4	Senior and top management	5,12%
P5 to P9	Middle and junior management	4,93%
P10 to P14	Admin and senior store staff	5,85%
P15 to P18	General workers	6,29%
Overall		5,61%

STI performance outcomes

The Group operates an STI scheme under which the STI is calculated based on a fixed percentage of a participant's TGP. This includes achieving specific performance conditions as defined below:

Performance condition	Weighting	Threshold performance level	Stretch performance level	Actual performance level	Achievement (% maximum)
Growth in recurring profitability	100%	+5%	+40%	+6%	+15%

Annexure C (continued)

LTI performance outcomes

The Group operates an LTI scheme based on an equity-settled management share incentive scheme.

Single figure remuneration

The following table sets out the remuneration paid to executive directors in the 2019 financial year:

30 September 2019 Executive directors	Basic salary R'000	Travel allowances R'000	Retirement fund contributions R'000	Bonuses and incentives R'000	LTI [*] R'000	Total R'000
S Walsh	4 468	80	342	212	2 088	7 190
GW Sim	2 790	96	314	138	955	4 293

^{*} These values are based on the cash value of the LTI awards vested during the 2019 financial year.

For comparison, the following table sets out the remuneration paid to executive directors in the 2018 financial year:

Executive directors 30 September 2018	Basic salary R'000	Travel allowances R'000	Retirement fund contributions R'000	Bonuses and incentives R'000	LTI [*] R'000	Total R'000
S Walsh	4 115	131	325	0	0	4 571
GW Sim	2 526	132	298	0	0	2 956

^{*} These values are based on the cash value of the LTI awards vested during the 2018 financial year.

Voting at upcoming AGM

Both Kaap Agri's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at the company's upcoming AGM to be held on Thursday, 13 February 2020.

Should 25% or more of the votes exercised in respect of either resolution be against such resolution, the company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the company.

LTIs awarded in the 2019 financial year

The following section sets out the options granted to executive directors under the equity-settled management share incentive scheme during the 2019 financial year:

AFS					
Executive director	Date awarded	Number of options awarded	Face value of options at grant* R'000	Fair value of options at grant** R'000	Final vesting date
S Walsh	15/1/2019	22 593	829 622	234 289	1/10/2020
	15/1/2019	22 593	829 622	284 220	1/10/2021
	15/1/2019	22 593	829 622	319 465	1/10/2022
	15/1/2019	22 593	829 622	345 447	1/10/2023
GW Sim	15/1/2019	10 602	389 304	109 943	1/10/2020
	15/1/2019	10 602	389 304	133 373	1/10/2021
	15/1/2019	10 602	389 304	149 912	1/10/2022
	15/1/2019	10 602	389 304	162 105	1/10/2023

* Number of options multiplied by the share price on the date of grant.

** Number of options multiplied by the fair value on the date of grant.

There are no prospective financial performance conditions attached to the options for vesting. However, the options only have value if the vesting price exceeds the grant price.

Termination/hiring

NEDs

The table below sets out NED fees paid to each NED in the 2019 financial year. NEDs receive no other remuneration or benefits besides directors' fees. The table also indicates directors who resigned or were appointed within this period.

Name of NED	Appointed to the Board	Resigned from the Board	Directors' fees
GM Steyn	May 2012	–	R679 500
CA Otto	November 2011	–	R667 500
HM Smit	November 2011	–	R262 500
BS du Toit	November 2011	–	R312 000
JH van Niekerk	November 2011	–	R423 500
JH le Roux	April 2014	–	R234 000
D du Toit	March 2017	–	R312 000
EA Messina	March 2017	–	R262 500
WC Michaels	August 2017	–	R207 000
I Chalumbira	September 2018	–	R178 500

Corporate information

Kaap Agri Limited

Incorporated in the Republic of South Africa
 Registration number: 2011/113185/06
 Income tax number: 9312717177
 Share code: KAL
 ISIN code: ZAE000244711

Directors

GM Steyn (Chairman)**
 S Walsh (Chief Executive Officer)
 GW Sim (Financial Director)
 BS du Toit**
 D du Toit**
 JH le Roux*
 EA Messina**
 WC Michaels**
 CA Otto**
 HM Smit**
 JH van Niekerk**
 I Chalumbira**

* Non-executive

** Independent

Transfer secretaries

Computershare Investor Services (Pty) Ltd
 Registration number: 2004/003647/07
 Rosebank Towers, 15 Biermann Avenue, Rosebank,
 Johannesburg 2196
 PO Box 61051, Marshalltown 2107
 Fax number: 086 636 7200

Company Secretary

RH Köstens

Registered address

1 Westhoven Street, Paarl 7646
 Suite 110, Private bag X3041, Paarl 7620
 Telephone number: 021 860 3750
 Fax number: 021 860 3314
 Website: www.kaapagri.co.za

Auditors

PricewaterhouseCoopers Inc.

Sponsor

PSG Capital (Pty) Ltd
 Registration number: 2006/015817/07
 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch 7600
 PO Box 7403, Stellenbosch 7599
 and
 2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton 2196
 PO Box 987, Parklands 2121

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