THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this cover page.

ACTION REQUIRED BY SHAREHOLDERS

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", which commences on page 3.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
3. If you have disposed of all your Shares in KAL, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom such disposal was effected.

KAL does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of this Circular.

KAAP AGRI

KAAP AGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/113185/06)
(Share Code: KAL, ISIN ZAE000244711)
("**KAL**" or "**Company**")

CIRCULAR TO KAL SHAREHOLDERS

Relating to the approval of the proposed Acquisition by KAL, via its Subsidiary TFC Operations, of the Sale Shares and Sale Claims comprising 100% of the issued ordinary shares in, as well as shareholder loan claims against PEG Retail Holdings from Stoney Meadows. It is a Condition Precedent to the Acquisition that the BEE Minority Agreements be concluded, in terms of which all loan claims owing by PEG Highway Operations to Street Spirit and Red Navona, will be acquired by TFC Operations. The BEE Minority Agreements will also provide that a portion of the loan account owing by PEG Highway Operations to Red Navona and the total loan account owing by PEG Highway Operations to Bourbon Investment, be used by Red Navona and Bourbon Investment, respectively, to subscribe for shares in TFC Operations in order to bolster the empowerment shareholding of TFC Operations. Should the Acquisition and the BEE Minority Agreements be implemented, they will, on an aggregated basis, exceed the threshold for a category 1 transaction in terms of the JSE Listings Requirements. The Circular incorporates:

- a Notice of General Meeting; and
- a Form of Proxy (*grey*) (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-Name Registration only).

Transaction Advisor and Sponsor	**Legal Advisor**	**Auditor and Independent Reporting Accountant**	**Independent Reporting Accountant**
PSG CAPITAL	CDH CLIFFE DEKKER HOFMEYR	pwc	SNG GrantThornton

Date of issue: Wednesday,4 May 2022

Copies of this Circular are available in English only and may, from the date of posting of this Circular until the date of the General Meeting (both days inclusive), be obtained from the registered office of KAL or from the Sponsor, at the addresses set out in the "*Corporate Information*" section of this Circular. A copy of this Circular will also be available on KAL's website at https://www.kaapagri.co.za/

IMPORTANT LEGAL NOTICES

The definitions and interpretations commencing on page 6 apply *mutatis mutandis* to this "*important legal notices*" section.

FORWARD-LOOKING STATEMENT DISCLAIMER

This Circular contains statements about KAL that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "will", "outlook", "project" "estimated", "potential" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. KAL cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which KAL operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by KAL, as communicated in publicly available documents by KAL, all of which estimates and assumptions, although KAL believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to KAL or not currently considered material by KAL.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of KAL not to develop as expected may emerge from time to time and it is not possible to predict all such factors. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. KAL has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

Any forward-looking statements have not been reviewed or reported on by the Independent Reporting Accountants.

DATE OF INFORMATION PROVIDED

Unless the context clearly indicates otherwise, all information provided in this Circular is provided as at the Last Practicable Date.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this "*Corporate Information and Advisors*" section.

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*#
I Chalumbira*

* Non-executive
\# Independent

Date of incorporation
2011

Place of incorporation
Paarl, Western Cape

Registered office
Kaap-Agri Limited
(Registration Number 2011/11385/06)
1 Westhoven Street, Paarl, 7646
Suite 110, Private bag X3041, Paarl, 7620

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue,
Rosebank, Johannesburg, 2196
Private bag X9000, Saxonwold, 2132

Transaction Advisor and Sponsor
PSG Capital Proprietary Limited
(Registration Number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch 7599)

and at

2nd Floor, Building 3, 11 Alice Lane
Sandhurst
Sandton, 2196
(PO Box 650957, Benmore 2010)

Legal Advisor
Cliffe Dekker Hofmeyr Inc.
(Registration Number 08/018923/21)
14 Louw Street, Stellenbosch, 7600
(PO Box 695, Cape Town, 8000)

Independent Reporting Accountants and Independent Auditors
PriceWaterhouseCoopers Inc.
(Registration Number 1998/012055/21)
5 Silo Square, V&A Waterfront, Cape Town,
South Africa, 8002
(PO Box 2799, Cape Town, 8002)

Independent Reporting Accountants
SizweNtsalubaGobodo Grant Thornton Inc.
(Registration Number 2005/034639/21)
Building 4, Summit Place office Park,
221 Garstfontein Road, Menlyn, 0081
(Private Bag X2008, Menlyn, 0063)

Company Secretary
KAL Corporate Services (Pty) Ltd
(Registration Number 2020/841850/07)
1 Westhoven Street, Paarl, 7646
Suite 110, Private bag X3041, Paarl, 7620

TABLE OF CONTENTS

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this table of contents.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis*, unless the context clearly indicates otherwise, to this "*Action Required by Shareholders*" section and throughout this Circular.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what actions to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all of your Shares in KAL, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker, attorney or other agent through whom the disposal was effected.

Shareholders are advised that the General Meeting will be held in electronic format only.

Shareholders are invited to attend the General Meeting, convened in terms of the Notice of General Meeting, which will only be accessible through electronic participation, as permitted by the JSE Listings Requirements, the provisions of the Companies Act and the MOI, at **10h00 on Monday, 6 June 2022** or at any other adjourned or postponed time determined in accordance with the provisions of the Companies Act and the JSE Listings Requirements, at which General Meeting, Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolution set out in the Notice of General Meeting.

Shareholders are to connect to the General Meeting utilising the details set out in the "*Electronic Attendance and Participation*" section below.

1. **ELECTRONIC ATTENDANCE AND PARTICIPATION**

1.1 **Connecting to the General Meeting electronically**

1.1.1 The General Meeting will be held at **10h00 on Monday, 6 June 2022**. KAL has retained the services of Computershare (the Transfer Secretary) to host the General Meeting on an interactive platform, in order to facilitate electronic participation and voting by Shareholders.

1.1.2 In order to attend the General Meeting and participate electronically thereat, Shareholders must pre-register with the Transfer Secretaries by either:

1.1.2.1 registering online using the online registration portal at https://meetnow.global/za, by no later than **10h00 on Thursday, 2 June 2022**, for administrative purposes; or

1.1.2.2 making a written application to so participate electronically, by email to proxy@computershare.co.za, so as to be received by the Transfer Secretaries by no later than 10h00 on Thursday, 2 June 2022, for administrative purposes,

in order for the Transfer Secretaries to arrange such participation for the Shareholder at the General Meeting and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after the stipulated date, provided, however, that for those Shareholders to participate in and/or vote electronically at the General Meeting those Shareholders must be verified and registered (as required in terms of section 63(1) of the Companies Act by uploading their relevant verification documentation via the online registration portal or submitting their relevant verification documentation by e-mail, as the case may be) before the commencement of the General Meeting.

1.1.3 Shareholders will thereafter be able to connect to the General Meeting through https://meetnow.global/za and following the relevant prompts. Shareholders are referred to the "Electronic Participation Meeting Guide" attached to the Notice of General Meeting for further instructions for electronic participation.

1.1.4 The Transfer Secretaries will by no later than 17h00 on Friday, 3 June 2022, notify eligible Shareholders of the meeting link and invitation code through which eligible Shareholders can participate electronically in and/or vote at the General Meeting.

1.1.5 In-person registration of General Meeting participants will not be permitted.

1.1.6 Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of KAL and/or Computershare. None of KAL and/or Computershare and/or its service providers can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth, power outages and/or other extraneous causes which prevent any such Shareholder from participating in and/or voting at the General Meeting.

1.2 **Electronic Voting at the General Meeting**

1.2.1 Shareholders connecting to the General Meeting electronically will be able to participate electronically in the General Meeting. Voting will be conducted by poll and Shareholders will be able to cast their vote electronically at the General Meeting.

1.2.2 Shareholders may raise questions at the General Meeting and are also encouraged to submit any such questions to KAL's Company Secretary prior to the General Meeting, by no later than 10h00 on Thursday, 2 June 2022, at cosec@kalcorporateservices.co.za. These questions will be addressed at the General Meeting.

1.2.3 All eligible Shareholders will be entitled to participate electronically in the General Meeting and to vote (or abstain from voting) on the resolution set out in the Notice of General Meeting.

2. **IDENTIFICATION**

2.1 In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Transfer Secretaries, as follows:

2.1.1 participants pre-registering to participate electronically in the General Meeting using the online registration method contemplated in paragraph 1.1.2.1 above, by uploading the relevant documentation via the online registration portal; or

2.1.2 participants pre-registering to participate electronically in the General Meeting by submitting the written application contemplated in paragraph 1.1.2.2 above, by submitting the relevant documentation by e-mail.

2.2 The Transfer Secretaries must be reasonably satisfied that the right of that person to attend, participate electronically in and vote at the General Meeting as a Shareholder or a proxy or representative of a Shareholder, has been reasonably verified. Acceptable forms of identification include valid South African drivers' licenses, green barcoded identity documents or barcoded identification smart cards issued by the South African Department of Home Affairs and passports.

3. **DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN-NAME REGISTERED DEMATERIALISED SHAREHOLDERS**

3.1 **Voting at the General Meeting**

3.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.

3.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.

3.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the Custody Agreement concluded between you and your Broker or CSDP.

3.1.4 **You must <u>not</u> complete the attached Form of Proxy (*grey*)**.

3.2 **Attendance and representation at the General Meeting**

3.2.1 In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

3.2.1.1 participate electronically, speak and vote at the General Meeting; or

3.2.1.2 send a proxy to represent you at the General Meeting.

3.2.2 If you wish to electronically participate in the General Meeting in person, your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to participate electronically, speak and vote at the General Meeting. In order to attend the General Meeting electronically, you must pre-register with the Transfer Secretaries by following the procedure set out in paragraph 1 above and submit the letter of representation to the Transfer Secretaries, as follows:

3.2.2.1 participants pre-registering to participate in the General Meeting using the online registration method, by uploading the letter of representation via the online registration portal; or

3.2.2.2 participants pre-registering to participate in the General Meeting by submitting the written application, by submitting the letter of representation by e-mail.

3.2.3 You must also connect to the General Meeting electronically, as explained in paragraph 1 above.

4. **CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WHO ARE OWN-NAME REGISTERED DEMATERIALISED SHAREHOLDERS**

4.1 **Voting and attendance at the General Meeting**

4.1.1 You may electronically attend the General Meeting (as explained in paragraph 1 above) and may vote (or abstain from voting) at the General Meeting. If you wish to be classified as attending the meeting electronically in person, you must pre-register with the Transfer Secretaries by following the procedure set out in paragraph 1 above. You must also connect to the General Meeting electronically, as explained in paragraph 1 above.

4.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by <u>completing the attached Form of Proxy (*grey*)</u> in accordance with the instructions contained therein and lodging it, posting it or sending it via e-mail to the Transfer Secretaries at the addresses below, to be received by them, for administrative purposes, by no later than 10h00 on Thursday, 2 June 2022, provided that any Form of Proxy (*grey*) not submitted to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) at any time before the appointed proxy exercises any of the relevant Shareholder's rights at the General Meeting (or any adjournment of the General Meeting).

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Email: proxy@computershare.co.za

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to these salient dates and times.

	2022
Notice record date, being the date on which a Shareholder must be registered in the Register in order to be eligible to receive the Notice of General Meeting on	Friday, 22 April
Circular incorporating the Notice of General Meeting and Form of Proxy *(grey)*, distributed to Shareholders on	Wednesday, 4 May
Announcement of distribution of Circular and Notice of General Meeting released on SENS on	Wednesday, 4 May
Last day to trade Shares in order to be recorded in the Register to vote at the General Meeting (see note 2 below) on	Tuesday, 24 May
General Meeting record date, being the date on which a Shareholder must be registered in the Register in order to be eligible to attend and participate in the General Meeting and to vote thereat, by close of trade on	Friday, 27 May
For administrative reasons, Forms of Proxy (*grey*) in respect of the General Meeting to be received by the Transfer Secretaries by no later than 10h00 on	Thursday, 2 June 2022
Forms of Proxy (*grey*) not lodged with the Transfer Secretaries to be handed to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholders at the General Meeting	Monday, 6 June
General Meeting of Shareholders to be held at 10h00 on	Monday, 6 June
Results of General Meeting released on SENS on	Monday, 6 June

Notes:

1. The above dates and times are subject to amendment at the discretion of KAL, with the approval of the JSE. Any such amendment will be released on SENS and published in the South African press.
2. Shareholders should note that as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades take place three South African Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on Tuesday, 24 May 2022 will not be eligible to attend, participate in and vote at the General Meeting.
3. Dematerialised Shareholders, other than those with Own-name Registration, must provide their CSDP or Broker with their instructions for voting at the General Meeting by the cut-off time and date stipulated by their CSDP or Broker in terms of their respective Custody Agreements between them and their CSDP or Broker.
4. If the General Meeting is adjourned or postponed, the above dates and times will change, but Forms of Proxy (*grey*) submitted for the initial General Meeting will remain valid in respect of any such adjournment or postponement of the General Meeting.
5. Although the salient dates and times are stated to be subject to change, such statement may not be regarded as consent or dispensation for any change to time periods which may be required in terms of the Companies Act and the JSE Listings Requirements, where applicable, and any such consents or dispensations must be specifically applied for and granted.
6. All dates and times indicated above are South African Standard Time.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite to them in the second column.

"Acquisition"	the acquisition by KAL, via its Subsidiary TFC Operations, of the Sale Shares and Sale Claims, for the Purchase Consideration;
"Acquisition Agreement"	the sale of shares and claims agreement concluded between amongst others, TFC Operations, Stoney Meadows and the Further Warranty Parties on or about 18 January 2022, in respect of the Acquisition, as amended by the first addendum concluded on 24 January 2022, second addendum concluded on 28 February 2022, third addendum concluded on 29 March 2022 and the fourth addendum concluded on 29 April 2022;
"Announcement"	the announcement published by KAL on SENS on Friday, 19 January 2022, in respect of the Acquisition;
"Assumed Liabilities"	the liabilities included the Historical Financial Information of PEG Group, set out in **Annexure 1**;
"B-BBEE"	the economic empowerment of Black People as further set out in the B-BBEE Act;
"B-BBEE Act"	the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended, consolidated or re-enacted from time to time;
"B-BBEE Owned Company"	as defined in Schedule 1 of the Codes;
"BEE Minority Agreements"	the agreements set out below, to be concluded as a Condition Precedent to the Acquisition, involving: • the acquisition by TFC Operations of all loan claims owing by PEG Highway Operations to Street Spirit; • the acquisition by TFC Operations of a portion of the loan claims owing by PEG Highway Operations to Red Navona; • the subscription for ordinary shares in the issued share capital of TFC Operations by Red Navona and Bourbon Investment, being an uncategorised transaction as at the date of this Circular;
"Board" or "Directors"	the board of directors of KAL from time to time, comprising, as at the Last Practicable Date, of those persons whose names appear in the "*Corporate Information and Advisors*" section of this Circular;
"Bourbon Investment"	Bourbon Investment Holdings Proprietary Limited (registration number 2014/120517/07), a private company incorporated under the laws of South Africa, currently a B-BBEE minority shareholder holding 10% of the issued share capital of PEG Highway Operations;
"Black People"	as defined in Schedule 1 of the Codes and, unless the context requires otherwise, "Black Person" will bear a corresponding meaning;
"Broker"	any person registered as a "*broking member (equities)*" in accordance with the provisions of the Financial Markets Act;
"Business Day"	a day which is not a Saturday, Sunday or official public holiday in South Africa;
"Certificated Shareholders"	Shareholders who hold Certificated Shares;
"Certificated Shares"	Shares which have not yet been Dematerialised, title to which is represented by a share certificate or other Document of Title;
"Circular"	this circular dated Wednesday, 4 May 2022 to Shareholders, including all annexures and enclosures hereto and incorporating the Notice of General Meeting and Form of Proxy (*grey*);
"C-Max"	C-Max Investments 71 Proprietary Limited (registration number 2013/017849/07), a private company incorporated under the laws of South Africa, a shareholder of TFC Operations;
"Codes"	means the generic Codes of Good Practice in respect of B-BBEE as published by the Minister of Trade and Industry on or about 11 October 2013 in terms of section 9(1) of the B-BBEE Act, including any amendments thereof from time to time;
"Companies Act"	Companies Act, No. 71 of 2008, as amended;
"Company Secretary"	the company secretary of KAL as appointed in terms of the Companies Act, from time to time, further particulars of which appear in the "*Corporate Information and Advisors*" sector of this Circular;

"Competition Act"	Competition Act, No 89 of 1998, as amended;
"Competition Authorities"	the commission established pursuant to Chapter 4, Part A of the Competition Act or the tribunal established pursuant to Chapter 4, Part B of the Competition Act or the appeal court established pursuant to Chapter 4, Part C of the Competition Act, or the Constitutional Court, as the case may be;
"Conditions Precedent"	the conditions precedent to the Acquisition as set out in paragraph 2.3 of this Circular;
"Custody Agreement"	a custody mandate agreement between a Dematerialised Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on KAL's uncertificated securities register administered by a CSDP or Broker on behalf of such Shareholder;
"Dematerialise" or "Dematerialisation"	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in KAL's uncertificated securities register administered by a CSDP;
"Dematerialised Shareholders"	those Shareholders who hold Dematerialised Shares;
"Dematerialised Shares"	Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
"Department of Mineral Resources and Energy"	Department of Mineral Resources and Energy of the Government of the Republic of South Africa, or any successor department designated by the Government of the Republic of South Africa;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board;
"Effective Date"	the later of 1 May 2022, or, the first day of the month following the month in which the Conditions Precedent are fulfilled or waived, as the case may be, anticipated as the date set out in paragraph 2.3.2;
"ETI"	Empowerment and Transformation Investments Proprietary Limited (registration number 2011/126237/07), a private company incorporated under the laws of South Africa, a shareholder of TFC Operations;
"Financial Markets Act"	the Financial Markets Act, No 19 of 2012, as amended;
"Form of Proxy"	for purposes of the General Meeting, the form of proxy (*grey*) for use only by Certificated Shareholders and Own-name Registered Dematerialised Shareholders, enclosed herewith;
"Further Warranting Parties"	the following parties to the Acquisition Agreement, namely: • the trustees for the time being of the EE Family Trust, Master's reference number IT 165/97, an inter vivos trust duly established in the Republic of South Africa, being the holder of all the issued shares in EEFT Investments; • EEFT Investments Proprietary Limited, registration number 2018/603417/07, a limited liability private company duly incorporated in the Republic of South Africa; • Ebenhaezer Espach, identity number 601129 5083 084, being a trustee and beneficiary of the EE Family Trust; • Bruce Gordon Poole, identity number 641017 5116 008, being a trustee and beneficiary of the BGP Family Trust; • the trustees for the time being of the BGP Family Trust, Master's reference number 569/97, an inter vivos trust duly established in the Republic of South Africa, being the holder of all the issued shares in BG Poole Investments; and • BG Poole Investments Proprietary Limited, registration number 2018/366298/07, a limited liability private company duly incorporated in the Republic of South Africa
"General Meeting"	the general meeting of Shareholders to be held in electronic format only at 10h00 on Monday, 6 June 2022, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular, together with any reconvened general meeting held as a result of the adjournment or postponement of that general meeting;
"Group"	in relation to any person, that person and its Subsidiaries from time to time;
"Historical Financial Information of PEG Group"	the special purpose carve-out historical financial information of the PEG Group for the three years ended 30 September 2021, 30 September 2020 and 30 September 2019, as set out in **Annexure 1**;
"IFRS"	the International Financial Reporting Standards as issued from time to time by the International Accounting Standards Board or its successor body as adopted or applied in South Africa;

"Independent Reporting Accountants"	the following independent reporting accountants – • PWC, being the independent auditor and independent reporting accountant for KAL, in relation to the *pro forma* financial information set out in the Circular; and • SNG GT, being the independent auditor for PEG Group and the independent reporting accountant for KAL in relation to the Historical Financial Information of the PEG Group, the further particulars of which appear in the "*Corporate Information and Advisors*" section of this Circular;
"JSE"	JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa and which is licensed as an exchange in terms of the Financial Markets Act;
"JSE Listings Requirements"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"KAL" or "the Company"	Kaap Agri Limited (registration number 2011/113185/06), a public company incorporated under the laws of South Africa, the shares of which are listed on the Main Board of the JSE;
"Kaap Agri Bedryf"	Kaap Agri Bedryf Limited (registration number 1995/000336/06), a public company incorporated under the laws of South Africa, being a wholly-owned Subsidiary of Kaap Agri Limited;
"Last Practicable Date"	the last practicable date before finalisation of this Circular, which date was Thursday, 7 April 2022;
"Liquid Fuel Charter"	the Charter for the South African Petroleum and Liquid Fuels Industry: Empowering Historically Disadvantaged South Africans, published by the Department of Minerals and Energy on 2 November 2000;
"Modified Flow-Through Principle"	has the meaning ascribed thereto in the Codes of Good Practice on broad based black economic empowerment, as amended, issued by the Minister of Trade and Industry in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by Act 46 of 2013;
"MOI"	the memorandum of incorporation of KAL;
"Notice of General Meeting"	the notice of the General Meeting of Shareholders, forming part of this Circular;
"Own-name Registration" or "Own-name Registered"	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
"PEG Highway Operations"	PEG Highway Operations Proprietary Limited (registration number 1999/015116/07), a private company incorporated in 1999 in South Africa, being a Subsidiary of PEG Retail Holdings, which holds 65% of the issued share capital of PEG Highway Operations,, being one of the Subsidiaries of PEG Retail Holdings;
"PEG Retail Holdings" or "PEG"	PEG Retail Holdings Proprietary Limited (registration number 1999/015249/07), a private company incorporated under the laws of South Africa, a wholly-owned Subsidiary of Stoney Meadows, of third floor, one-on-Ninth, 1 Ninth Street, Melrose Estate, 2196, incorporated in South Africa;
"PEG Group"	PEG Retail Holdings and its Subsidiaries, being the subject of the Acquisition;
"Prime Rate"	the publicly quoted basic rate of interest, compounded monthly in arrears and calculated on a 365 day year irrespective of whether or not the year is a leap year, from time to time published by the primary corporate bankers of PEG Retail Holdings as being its prime overdraft rate, as purportedly certified by any representative of that bank whose appointment and designation it shall not be necessary to prove;
"PSG Capital" or "Sponsor"	PSG Capital Proprietary Limited (registration number 2006/015817/07), a limited liability private company incorporated in South Africa, further particulars of which appear in the "*Corporate Information and Advisors*" sector of this Circular;
"PWC"	PricewaterhouseCoopers Incorporated (registration number 1998/012055/21), a private company incorporated under the laws of South Africa, the particulars of which appear in the "*Corporate Information and Advisors*" section of the Circular;
"Purchase Consideration"	an upfront amount of R1,017,022,674 which may increase to R1,097,800,343, depending on the meeting of earn out requirements and payable in accordance with paragraph 2.4 below;
"Rand" or "R"	South African Rand;
"Red Navona"	Red Navona Properties Proprietary Limited (registration number 2012/080582/07), a private company incorporated under the laws of South Africa, currently a B-BBEE minority shareholder holding 5% of the issued share capital of PEG Highway Operations;
"Register"	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
"Sale Assets"	the assets included in the Historical Financial Information of PEG Group, set out in **Annexure 1**;

“Sale and Leaseback”	the disposal (unrelated to the Acquisition) by KAL, through its wholly-owned Subsidiary Kaap Agri Bedryf, of all of its shares in TFC Properties and the subsequent conclusion of lease agreements between TFC Properties and TFC Operations, in terms of which TFC Operations leases the properties owned by TFC Properties, which disposal constituted a category 2 transaction in terms of the JSE Listings Requirements as announced on SENS on 4 October 2021;
“Sale Claims”	all loan claims held by Stoney Meadows against PEG Retail Holdings;
“Sale Shares”	6,667 ordinary shares in the issued share capital of PEG Retail Holdings held by Stoney Meadows, constituting 100% of all of the issued ordinary shares of PEG Retail Holdings;
“SENS”	the Stock Exchange News Service of the JSE;
“Shareholders” or “KAL Shareholders”	registered holders of Shares;
“Shares” or “KAL Shares”	ordinary no par value shares in the share capital of KAL and which shares are listed on the JSE;
“Signature Date”	the signature date of the Acquisition Agreement being, Thursday, 18 January 2022;
“SNG GT”	SizweNtsalubaGobodo Grant Thornton Inc. (registration number 2005/034639/21), a private company incorporated under the laws of South Africa, the particulars of which appear in the “*Corporate Information and Advisors*” section of the Circular;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, being a licensed central securities depository in terms of section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
“Stoney Meadows”	Stoney Meadows Investments 22 Proprietary Limited (registration number 2019/604341/07), a private company incorporated under the laws of South Africa;
“Street Spirit”	Street Spirit Trading 305 Proprietary Limited (registration number 2011/001572/07), a private company incorporated under the laws of South Africa, currently a B-BBEE minority shareholder holding 20% of the issued share capital of PEG Highway Operations;
“Subsidiary”	a “subsidiary” as defined in the Companies Act, but also includes an entity incorporated outside South Africa which would, if incorporated in South Africa, be a “subsidiary” as defined in the Companies Act;
“Target Entity”	the carve-out operations that are included in the South African operations of PEG Retail Holdings and its Subsidiaries, which are all private companies registered in South Africa and collectively comprise of the target entity;
“TFC Operations”	TFC Operations Proprietary Limited (registration number 2014/282018/07), a private company incorporated under the laws of South Africa, a Subsidiary of Kaap Agri Bedryf, the remaining shareholders being C-Max and ETI, the shareholdings of which are set out in paragraph 2.6.2;
“TFC Properties”	TFC Properties Proprietary Limited (registration number 2015/179507/07), a private company incorporated under the laws of South Africa, a Subsidiary of Kaap Agri Bedryf; and
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa, further particulars of which appear in the “*Corporate Information and Advisors*” section of this Circular.

KAAP AGRI

KAAP AGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/113185/06)
(Share Code: KAL, ISIN ZAE000244711)
("**KAL**")

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*#
I Chalumbira*

* Non-executive
# Independent

CIRCULAR TO SHAREHOLDERS

1. **INTRODUCTION AND PURPOSE OF THIS CIRCULAR**

1.1 Shareholders are referred to the Company's category 1 acquisition announcement on SENS on 19 January 2022 advising Shareholders that KAL, via its Subsidiary TFC Operations, had concluded the Acquisition Agreement and that a circular would be distributed to Shareholders containing further details of the Acquisition.

1.2 In terms of the Acquisition, it is proposed that KAL, via its Subsidiary TFC Operations, shall acquire the Sale Shares and Sale Claims, comprising 100% of the issued ordinary shares in, as well as shareholder loan claims against PEG Retail Holdings from Stoney Meadows. It is a Condition Precedent to the Acquisition that the BEE Minority Agreements be concluded, in terms of which all loan claims owing by PEG Highway Operations to Street Spirit and a portion of the loan claims owing by PEG Highway Operations to Red Navona, will be acquired by TFC Operations. The BEE Minority Agreements will also provide that a portion of the loan account owing by PEG Highway Operations to Red Navona and the total loan account owing by PEG Highway Operations to Bourbon Investment, be used by Red Navona and Bourbon Investment, respectively, to subscribe for shares in TFC Operations in order to bolster the empowerment shareholding of TFC Operations. Should the Acquisition and the BEE Minority Agreements be implemented, they will, on an aggregated basis, exceed the threshold for a category 1 transaction in terms of the JSE Listings Requirements.

1.3 The purpose of this Circular is to:

1.3.1 provide Shareholders with the requisite information in accordance with the JSE Listings Requirements regarding the Acquisition so as to enable Shareholders to make an informed decision on how they will vote on the resolution set out in the Notice of the General Meeting enclosed with this Circular; and

1.3.2 convene the General Meeting of Shareholders in order to pass such resolution as is necessary to authorise and implement the Acquisition.

2. **DETAILS OF THE ACQUISITION**

2.1 **Overview of PEG Retail Holdings and the Acquisition**

2.1.1 PEG Retail Holdings is the holding company for various entities with operations in the retail fuel industry in South Africa, including fuel forecourts, quick services restaurants, convenience shops and the like ("**service stations**").

2.1.2 Established in 1993, the PEG Group is a leading independent fuel retailer in South Africa and consists of a number of operational entities, housing 41 service stations situated throughout South Africa (most of which are national highway service stations). The various service stations are operated under the following brands, namely Engen, Sasol, Total, BP and Shell ("**Oil Companies**"). No immovable properties are held by the PEG Group and all of the properties on which the service stations are operated, are leased from the Oil Companies on renewable terms.

2.1.3 Each service station is operated by an independent partner, which in most cases is also a minority shareholder in that specific service station ("**Minority Partners**"). These Minority Partners are responsible for the day-to-day management of the individual service stations. The Minority Partners will effectively own approximately 13.4% of the shares in the operating entities in the PEG Group as at the date of the implementation of the Acquisition.

2.1.4 As noted above, it is proposed that KAL, via its Subsidiary TFC Operations, shall acquire the Sale Shares and Sale Claims comprising, 100% of the issued ordinary shares in, as well as shareholder loan claims against PEG Retail Holdings from Stoney Meadows. It is a Condition Precedent to the Acquisition that the BEE Minority Agreements be concluded, in terms of which all loan claims owing by PEG Highway Operations to Street Spirit and a portion of the loan claims owing by PEG Highway Operations to Red Navona, will be acquired by TFC Operations. The BEE Minority Agreements will also provide that a portion of the loan account owing by PEG Highway Operations to Red Navona and the total loan account owing by PEG Highway Operations to Bourbon Investment, be used by Red Navona and Bourbon Investment, respectively, to subscribe for shares in TFC Operations in order to bolster the empowerment shareholding of TFC Operations. Should the Acquisition and the BEE Minority Agreements be implemented, they will, on an aggregated basis, exceed the threshold for a category 1 transaction in terms of the JSE Listings Requirements.

2.2 **Rationale for the Acquisition**

2.2.1 The Acquisition will create a diversified retail fuel operations group, which will, after the Acquisition, have black ownership in excess of 50% as measured by the current Liquid Fuel Charter, which will make it a leading B-BBEE retail fuel operations company in South Africa and ideally positioned for growth to the benefit of all stakeholders.

2.2.2 TFC Operations believes that there are several benefits to the Acquisition of the PEG Group, which include, *inter alia*:

2.2.2.1 the acquisition of stable and predictable income streams;

2.2.2.2 the acquisition of a highly profitable business situated mostly on national highways of South Africa;

2.2.2.3 the PEG Group is highly cash generative with low post-transaction capex requirements;

2.2.2.4 the PEG Group has a short and favourable working capital cycle;

2.2.2.5 the PEG Group is diversified across the major Oil Companies;

2.2.2.6 the PEG Group has a strong management team with a successful earnings accretive acquisition track record;

2.2.2.7 the managing director of PEG Retail Holdings will remain in the business and become an indirect shareholder in TFC Operations as a result of Red Navona's subscription as contemplated in paragraph 2.1.5 above; and

2.2.2.8 the resultant increased B-BBEE ownership in TFC Operations will offer opportunities in related markets.

2.2.3 The Acquisition will be earnings enhancing for current KAL shareholders as illustrated in the improved earnings per share included in the *pro forma* financial information set out in **Annexure 3**.

2.3 **The Conditions Precedent**

2.3.1 The Acquisition is subject to the fulfilment of the following normal outstanding Conditions Precedent:

2.3.1.1 the shareholders of TFC Operations, Kaap Agri Bedryf and KAL have passed all such resolutions as may be required to approve and implement the Acquisition, including such resolutions as may be required in terms of the JSE Listings Requirements;

2.3.1.2 to the extent required, the counterparties to the material contracts have consented in writing to the change in control of the PEG Group resulting from the implementation of the Acquisition;

2.3.1.3 the BEE Minority Agreements and certain remaining transaction agreements which KAL is not a party to, have been entered into and have become unconditional in accordance with their terms, save for any condition contained therein requiring that the Acquisition Agreement become unconditional.

2.3.2 The last of the Conditions Precedent must be fulfilled or to the extent applicable, waived by not later than 6 June 2022, which date may be extended by the parties to the Acquisition Agreement in writing.

2.4 **The Purchase Consideration and Payment**

2.4.1 The Purchase Consideration comprises:

2.4.1.1 an upfront purchase consideration, being a pre adjusted amount equal to R1,017,022,674 (prior to any adjustment contemplated in 2.4.3 below), of which a portion equal to R944,932,174 will be payable in cash. An amount equal to R72,090,500 will be allocated to (i) acquire a portion of the loan account which Red Navona holds against PEG Highway Operations, which will in turn be reinvested through subscribing for shares in TFC Operations (the loan acquisition amount due by TFC Operations will be set off against the subscription price of the shares in TFC Operations due by Red Navona); and (ii) the entire loan account which Bourbon Investment holds against PEG Highway Operations, which will in turn be reinvested by Bourbon Investment through subscribing for shares in TFC Operations (the loan acquisition amount due by TFC Operations will be set off against the subscription price of the shares in TFC Operations due by Bourbon Investment), collectively representing approximately 19.69% of TFC Operations' issued share capital, as set out below; and

2.4.1.2 an additional earn out amount, which will only be payable subject to the renewal or extension of certain fuel site lease agreements over a period of up to 8 years following the implementation of the Acquisition, and being a maximum amount (which is not subject to any minimum amount) equal to R80,777,668, prior to any adjustments contemplated in 2.4.3 below.

2.4.2 The Purchase Consideration will be allocated as follows:

2.4.2.1 in respect of the Sale Claims, the face value thereof; and

2.4.2.2 in respect of the Sale Shares, the balance of the Purchase Consideration or the sum of R1, whichever is the greater.

2.4.3 The Purchase Consideration will potentially be adjusted with the balance of the net working capital and certain loan balances within the PEG Group as at the Effective Date and will be increased by a factor equal to the Prime Rate less 1% calculated from the Effective Date to the date of actual payment of the relevant portion of the Purchase Consideration. Neither of these adjustments are expected to be material to the Purchase Consideration.

2.4.4 For purposes of calculating the potential adjustments to the Purchase Consideration, PEG Retail Holdings will prepare a set of financial statement as at the Effective Date to be delivered to TFC Operations within 21 Business Days after the Effective Date.

2.4.5 Goodwill on Acquisition represents synergies and future earnings potential for the KAL Group. Based on the Purchase Consideration, a provisional purchase price allocation ("**PPA**") as required by IFRS 3: *Business combinations* was performed and other than for goodwill no other intangibles were identified at this stage. A full PPA exercise will be conducted within the time frame of 12 months allowed by IFRS 3 which could result in additional intangibles being recognised decreasing the goodwill amount. The *pro forma* financial information of KAL set out in **Annexure 3** reflects the initial PPA resulting in the provisional goodwill of R1,071,214 million to be recognised.

2.4.6 Goodwill according to the KAL's accounting policy is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates/joint venture is included in investment in associated companies/joint ventures. Separately recognised goodwill is reviewed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.5 **The Effective Date of the Acquisition**

The Effective Date of the Acquisition is anticipated as being 1 July 2022.

2.6 **Other significant aspects of the Acquisition**

2.6.1 As noted in paragraph 2.1.5 above, as part of the terms of the Acquisition, 2 of the current B-BBEE minority shareholders within the PEG Group, namely Bourbon Investment and Red Navona will subscribe for shares in TFC Operations, based on a like-for-like valuation of TFC Operations which will effectively increase TFC Operations' existing B-BBEE ownership in terms of the Liquid Fuel Charter. Once finally agreed, the subscription will constitute a disposal in terms of the Listings Requirements. Based on KAL's current market capitalisation of KAL it is expected that it will be an uncategorised transaction, not requiring shareholder approval.

2.6.2 Prior to the Acquisition, the issued shares of TFC Operations are held as follows:

Shareholder	Percentage of issued shares held
Kaap Agri Bedryf	70.50%
C-Max investments 71 (Pty) Ltd	23.50%
Empowerment and Transformation Investments (Pty) Ltd	6.00%

2.6.3 The table below sets out the indicative shareholding in TFC Operations, following the Acquisition and subsequent subscription for shares in TFC Operations by Bourbon Investment and Red Navona:

Shareholder	Percentage of issued shares held
Kaap Agri Bedryf	58.2%
C-Max investments 71 (Pty) Ltd	13.75%
Empowerment and Transformation Investments (Pty) Ltd	3.51%
Bourbon Investment	20.84%
Red Navona	3.63%

2.6.4 Prior to the Acquisition, TFC Operations' direct B-BBEE shareholding (not applying the Modified Flow-Through Principle) and B-BBEE shareholding based on the Modified Flow-Through Principle are set out in the table below:

Shareholder	Direct B-BBEE shareholding percentage	B-BBEE shareholding percentage based on the Modified Flow-Through Principle
Kaap Agri Bedryf Limited	10.81%	17.72%
C-Max investments 71 (Pty) Ltd	23.50%	23.50%
Empowerment and Transformation Investments (Pty) Ltd	6.00%	6.00%
Total	**40.31%**	**47.22%**

2.6.5 The table below sets out the indicative direct B-BBEE Shareholding in TFC Operations (not applying the Modified Flow-Through Principle) and the indicative B-BBEE shareholding in TFC Operations based on the Modified Flow-Through Principle, following the Acquisition and subsequent subscription for shares in TFC Operations by Bourbon Investment and Red Navona:

Shareholder	Direct B-BBEE shareholding percentage	B-BBEE shareholding percentage based on the Modified Flow-Through Principle
Kaap Agri Bedryf Limited	9.21%	14.55%
C-Max investments 71 (Pty) Ltd	13.75%	13.75%
Empowerment and Transformation Investments (Pty) Ltd	3.51%	3.51%
Bourbon Investment	20.84%	20.84%
Red Navona	3.63%	3.63%
Total	**50.94%**	**56.26%**

2.6.6 The Acquisition Agreement contains representations and warranties given jointly and severally by Stoney Meadows and the Further Warranting Parties to and in favour of TFC Operations, as well as restraint of trade provisions (which does not include any consideration payment by TFC Operations) given by the Further Warranting Parties to and in favour of TFC Operations, which are standard for a transaction of this nature.

2.7 **Categorisation of the Acquisition**

2.7.1 In terms of the JSE Listings Requirements, as the Acquisition exceeds 30% of the Company's market capitalisation as at the date of the signature of the Acquisition Agreement, it meets the definition of a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements.

2.7.2 As a result, the General Meeting will be convened and an ordinary resolution in respect of the Acquisition will be required to be approved by Shareholders at the General Meeting.

2.7.3 The Acquisition is not made to a related party and there are accordingly no related party transaction implications in terms of the JSE Listings Requirements.

2.7.4 Nothing in the memorandum of incorporation of PEG Retail Holdings or its Subsidiaries will in any way frustrate or relieve KAL from compliance with the JSE Listings Requirements.

3. **THE BUSINESS AND PROSPECTS OF THE KAL GROUP AND PEG GROUP**

3.1 KAL strives to create sustainable and increased value for all stakeholders through consistent growth in earnings, underpinned by effective allocation of capital to value enhancing opportunities. This objective is pursued through our strategic medium-term plan which focuses on growth, optimisation, leveraging B-BBEE and digital transformation and aims to deliver targeted recurring headline earnings per share ("**RHEPS**") growth at a level of return that exceeds the weighted cost of capital allocated. To achieve this, KAL continue to focus on the key financial value drivers of revenue growth, gross profit growth, effective cost management, balance sheet and cash flow optimisation as well as improved return on invested capital ("**ROIC**").

3.2 KAL Group's growth strategy of footprint expansion combined with the upgrade and improvement of existing offerings will continue. The diversification of the KAL Group has benefitted shareholders significantly over the past years as we have successfully navigated a subdued economic environment, weather challenges including day zero in the Western Cape and most recently the devastating impact of the Covid-19 pandemic.

3.3 The KAL Group operates within four core segments, being Trade, Retail Fuel and Convenience, Grain Services and Manufacturing. Each segment has its own growth strategy that rolls up into the KAL Group strategic medium-term plan. We have previously indicated our aim to balance the earnings of the business evenly between retail, agri, fuel and fuel retail, and in doing so to reduce our overall group risk position and enhance value creation.

3.4 The Acquisition of the PEG Group aligns with this communicated strategy and focuses to enhance the earnings of the fuel and fuel retail environments. The Acquisition will add 41 service stations (mostly national highway sites), across all major oil company brands. Furthermore, following the acquisition, TFC Operations will have 50.98% direct B-BBEE shareholding and the strong management team within PEG will remain. Looking forward, this Acquisition is expected to be earnings and ROIC enhancing, should generate stable and predictable income streams, and is expected to be highly profitable and cash generative, and to have a favourable working capital cycle and will contribute to the diversified fuel brand offering of TFC Operations.

3.5 The overall medium-term outlook for the KAL Group is encouraging. Overall fruit sector expectations are positive, however wine grape producer cashflow pressure is expected to continue. Record wheat, barley and canola harvest are currently in storage. Weather patterns appear volatile this year. Moderate growth in the retail channel is expected, whilst growth in the quick service restaurant sector continues to recover slowly. The disposal of TFC Properties has been concluded. Fuel prices and other inflationary pressures have and are expected to continue to dampen retail spend. The Acquisition is expected to contribute 4 months earnings to the KAL Group for the current financial year ending 30 September 2022.

4. HISTORICAL FINANCIAL INFORMATION OF PEG GROUP

4.1 The Historical Financial Information of PEG Group for the periods ended 30 September 2019, 30 September 2020 and 30 September 2021 are annexed hereto as **Annexure 1**.

4.2 The Historical Financial Information of PEG Group has been derived from the audited financial statements of PEG Retail Holdings, its Subsidiary PEG Highway Operations and the Subsidiaries of PEG Retail Holdings and PEG Highway Operations, respectively (collectively "The PEG Group") for the years ended 30 September 2021, 2020 and 2019 using historical results of operations, assets and liabilities attributable to the Target Entity. The PEG Group's audited financial statements for the years ended 30 September 2021, 2020 and 2019 were prepared in accordance with IFRS for SME's. A conversion from IFRS for SME's to IFRS taking into account the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council was prepared for the purposes of presenting information for the Historical Financial Information of PEG Group in accordance with section 8.3 of the JSE listings requirements. The combined special purpose carve-out historical financial information set out in **Annexure 1** was compiled using the reviewed (2020 and 2019) and audited (2021) converted financial information.

5. *PRO FORMA* FINANCIAL INFORMATION OF KAL

5.1 The *pro forma* financial information of KAL as at 30 September 2021 is set out in **Annexure 3** and is the responsibility of the Board.

5.2 The *pro forma* consolidated statement of financial position as at 30 September 2021, the *pro forma* consolidated income statement of KAL for the year ended 30 September 2021, the *pro forma* financial effects and notes thereto (collectively referred to as "the *pro forma* financial information") have been prepared for illustrative purposes only to show the *pro forma* financial information after the implementation of the Acquisition and the Sale and Leaseback. Due to the nature of the *pro forma* financial information, the *pro forma* consolidated statement of financial position and the *pro forma* consolidated income statement may not fairly present KAL's financial position, changes in equity, results of operations or cash flows after the implementation of the Acquisition and Sale and Leaseback.

5.3 It has been assumed for the purposes of the *pro forma* financial information that the Acquisition and Sale and Leaseback took place with effect from 1 October 2020 for purposes of the *pro forma* consolidated income statement and on 30 September 2021 for purposes of the *pro forma* consolidated statement of financial position.

5.4 The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of KAL, IFRS and the basis on which the historical financial information has been prepared. The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the SAICA Guide on *pro forma* financial information. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated income statement as set out in **Annexure 3** should be read in conjunction with the report of the Independent Reporting Accountant in respect of the *pro forma* financial information which appears in **Annexure 4** to this Circular.

6. **ADDITIONAL INFORMATION**

6.1 **Major Shareholders and interests**

6.1.1 As far as KAL is aware, as at the Last Practicable Date the following persons, other than Directors, are beneficially interested, directly or indirectly, in 5% or more of the Shares in issue:

Shareholder	Number of Shares held	Percentage of total issued share capital
PSG Financial Services Limited	15,202,147	20.4%
Dipeo Capital (Pty) Ltd	14 834 056	19.9%
Empowerment and Transformation Investments (Pty) Ltd	3 708 514	5.0%
Total	33 744 717	45.3%

6.1.2 There has been no change in any controlling Shareholder nor trading objects of KAL in the five years prior to the Last Practicable Date and there will be no change in the shareholding in KAL as a result of the Acquisition, although there will be a change in shareholding of TFC Operations as noted above.

6.2 **Material changes**

There have been no material changes in the financial or trading position of the KAL Group or the PEG Group since the publication of the audited financial statements for the period ended 30 September 2021, until the Last Practicable Date.

6.3 **Material Borrowings**

6.3.1 TFC Operations is in the process of securing funding to the extent required by it for the funding of the Acquisition, on terms acceptable to TFC Operations ("**Funding Arrangements**"). The terms of the Funding Arrangements are currently being negotiated, however, and are expected to be in the amount of R725,000,000 to be made available on the Effective Date, to fund approximately 66% of the Purchase Consideration, on market-related terms for funding of this nature. It is the intention that the Funding Arrangements will be repaid using 85% of the consolidated profit of the TFC Operations. Based on current borrowings of KAL Group, the Funding Arrangements, once concluded and advanced, would represent approximately 39% of the total borrowings of KAL Group.

6.3.2 The Acquisition will not result in any change in the material borrowings of the PEG Group, however, to the extent the Funding Arrangements are concluded and implemented, this will result in a change to the material borrowings of the KAL Group as set out in paragraph 6.3.1.

6.3.3 The PEG Group does not have any material borrowings.

6.4 **Material contracts**

Save for the Acquisition Agreement, as far as the Board is aware, there have been no material contracts entered into either verbally or in writing by PEG Group being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by PEG Group, within the two years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to PEG Group at the date of this Circular.

6.5 **Acquisition of material assets by PEG Group**

6.5.1 No material assets have been acquired by the PEG Group or by Stoney Meadows during the last three years preceding the date of this Circular.

6.5.2 Stoney Meadows has not guaranteed the book debts or other assets in relation to the Acquisition and there is no liability for accrued taxation to be settled by Stoney Meadows in terms of the Acquisition.

6.5.3 Other than the Directors' interests as set out in paragraph 7.1 and 7.3 of this Circular, no director of KAL (or any partnership, syndicate or other association in which a director had an interest) has any direct or indirect beneficial interest in the Acquisition.

6.5.4 No cash or securities have been paid or benefit given to any Director of KAL or any of its subsidiaries within the three preceding years of this circular or is proposed to be paid or given to any promoter (not being a director).

6.5.5 The Sale Shares and Sale Claims to be acquired in terms of the Acquisition will be transferred into the name of TFC Operations as part of the transaction and the assets of the PEG Group have not, to the knowledge of KAL, been ceded or pledged to any party.

6.5.6 Stoney Meadows is not acquiring any Shares as a result of the Acquisition.

6.5.7 Save for the Sale Shares and Sale Claims, no assets of Stoney Meadows have been transferred to the KAL Group.

7. **INFORMATION RELATING TO THE DIRECTORS OF KAL**

7.1 **Directors' Interests in the issued Shares of KAL**

7.1.1 The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any directors who may have resigned during the past 18 months, in KAL's issued share capital as at the Last Practicable Date:

Director	Direct Beneficial	Indirect Beneficial	Total	Percentage of total issued share capital
BS du Toit	19 888	9 841	29 729	0.042%
EA Messina[2]	–	15 500	19 500	0.028%
WC Michaels	5 250	–	5 250	0.007%
CA Otto[3]	69 700	261 131	330 831	0.471%
GW Sim[4]	60 160	–	60 160	0.086%
HM Smit	3 461	–	3 461	0.005%
S Walsh[5]	194 800	–	194 800	0.277%
Total	353 259	286 472	643 731	0.916%

Notes:

1. There will be no change in the Shares held by the Directors as a result of the Acquisition.
2. The indirect beneficial interest of EA Messina increased by 5,000 Shares on 22 February 2022 at R49.00 per Share through the acquisition by an associate of EA Messina on the open market.
3. CA Otto acquired 1,531 Shares on the open market on 14 February 2022 at R48.69 per Share.
4. GW Sim Shares increased by 25,718 Shares as a result of the settlement of Share rights at the vesting price of R40.20 on 21 January 2022, in terms of the settlement of Share rights under the KAL Equity Settled Management Share Incentive Scheme. Furthermore, GW Sim acquired 1,100 Shares on the open market 15 February at R48.50 per Share.
5. S Walsh Shares increased by 60,618 Shares as a result of the settlement of Share rights at the vesting price of R40.20 on 21 January 2022, in terms of the settlement of Share rights under the KAL Equity Settled Management Share Incentive Scheme. Furthermore, S Walsh acquired:
   - 5.1 1,000 Shares on the open market 11 February at R48.90 per Share;
   - 5.2 1,082 Shares on the open market 15 February at R48.97 per Share;
   - 5.3 1,500 Shares on the open market 16 February at R48.571 per Share; and
   - 5.4 800 Shares on the open market 17 February at R48.35 per Share.

7.2 **Directors' Remuneration**

The remuneration of the Directors will not be varied as a result of the Acquisition.

7.3 **Directors' Interests in the Acquisition**

7.3.1 Save for being a Shareholder of KAL, and Mr I Chalumbira's indirect beneficial interest in C-Max, a minority shareholder of TFC Operations, no Director (including any person who may have resigned as a director within the last 18 months) has any material beneficial interest, directly or indirectly in the Acquisition or in any transactions that were:

7.3.1.1 effected by KAL during the current or immediately preceding financial year; or

7.3.1.2 during an earlier financial year and remain in any respect outstanding or unperformed.

7.4 **Service contracts of executive Directors**

7.4.1 No new directors are being appointed to the KAL board of directors or any major Subsidiary of the KAL Group pursuant to the Acquisition.

7.4.2 Save for the service agreements as set out in 16.8, KAL has not entered into any contracts relating to the proposed Directors' and managerial remuneration, secretarial and technical fees and restraint payments.

8. **WORKING CAPITAL STATEMENT**

The Directors are of the opinion that the working capital available to the KAL Group is sufficient for the KAL Group's present working capital requirements and will, post-implementation of the Acquisition be adequate for at least 12 months from the date of issue of this Circular.

9. **LITIGATION STATEMENT**

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have over the previous 12 months had a material effect on the financial position of the KAL Group or the PEG Group.

10. EXPENSES

The estimated costs of preparing and distributing this Circular, holding the General Meeting and implementing the Acquisition, including the fees payable to professional advisors, are approximately R8,300,000, excluding value added tax (where applicable), and include the following:

		R
Transaction Advisor fee	PSG Capital	R4,500,000
Sponsor fee[1]	PSG Capital	R500,000
Legal fees	Cliffe Dekker Hofmeyr Inc	R627,087
Printing, publication, distribution and advertising expenses	Ince	R450,000
JSE documentation and ruling fees	JSE	R75,000
Independent Auditors for KAL and Independent Reporting Accountant	PWC	R650,000
Independent Auditors for PEG Group and Independent Reporting Accountant	SNG GT	R350,000
Competition submission fees	Werksmans Attorneys	R550,000
Management accounting specialist fees	The Consulting Services Hub	R265,845
Independent accounting specialist fees	BDO	R100,000
Contingency		R232,068
TOTAL		R8,300,000

Notes:

1. Other than as set out above, KAL has incurred no preliminary expenses in relation to the Acquisition during the 3 years preceding this Circular.

11. GENERAL MEETING AND VOTING

11.1 A General Meeting of Shareholders will be held at 10h00 on Monday, 6 June 2022 entirely by electronic participation, to consider and, if deemed fit, to pass, with or without modification, the requisite resolution required to give effect to the Acquisition.

11.2 A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolution to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "*Action required by Shareholders*" section of this Circular.

11.3 The ordinary resolution relating to the Acquisition set out in the Notice of General Meeting is subject to more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.

12. OPINIONS AND BOARD'S RECOMMENDATION

12.1 The Board has considered the terms and conditions of the Acquisition and the rationale and is of the opinion that they are in the interests of Shareholders.

12.2 The Directors recommend that Shareholders vote in favour of the resolution to be proposed at the General Meeting.

12.3 The Directors, in their personal capacities, intend to vote the Shares held by them in favour of the resolution to be proposed at the General Meeting.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in the "*Corporate Information and Advisors*" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information furnished relating to the KAL Group 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 Circular contains all information required by law and the JSE Listings Requirements.

14. ADVISORS' CONSENTS

Each of the advisors, whose names appear on the "*Corporate Information and Advisors*" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular.

15. CORPORATE ADVISOR AND SPONSOR

As indicated in this Circular, PSG Capital fulfils the functions of the corporate advisor and sponsor to the Company. It is PSG Capital's opinion that the performance of these functions does not represent a conflict of interest for PSG Capital, impair PSG Capital's independence from the Company or impair PSG Capital's objectivity in its professional dealings with the Company or in relation to the matters contemplated in this Circular.

16. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of KAL and at the offices of the Sponsor from the date of posting of this Circular, until the date of the General Meeting (both days inclusive) -

16.1 a redacted version of the Acquisition Agreement, which agreement has been redacted due to commercially and competitively sensitive information available in the Acquisition Agreement, which could be detrimental to KAL should such information be made available to the public, and in particularly its competitors;

16.2 the MOI of KAL and the memoranda of incorporation of its major Subsidiaries;

16.3 Historical Financial Information of PEG Group, the Special Purpose Financial Statements, for the periods ended 30 September 2019, 30 September 2020 and 30 September 2021 as set out in **Annexure 1**;

16.4 Independent Reporting Accountant's Report on Historical Financial Information of PEG Group, the Special Purpose Financial Statements – for the periods ended 30 September 2019, 30 September 2020 and 30 September 2021 as set out in **Annexure 2**;

16.5 Independent Reporting Accountant's assurance report on the *pro forma* financial information of KAL as set out in **Annexure 4**;

16.6 the written consents from each of the advisors referred to in paragraph 14;

16.7 the executive Directors' service contracts entered into in the 3 years preceding the Last Practicable Date;

16.8 a copy of this Circular and all annexures hereto; and

16.9 the audited annual financial statements of KAL in respect of the immediately preceding three financial years.

SIGNED AT PAARL ON 4 MAY 2022 BY SEAN WALSH ON BEHALF OF ALL THE DIRECTORS OF KAAP AGRI LIMITED, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS

____

Sean Walsh

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*#
I Chalumbira*

* Non-executive
\# Independent

HISTORICAL FINANCIAL INFORMATION OF PEG GROUP

SPECIAL PURPOSE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE PEG GROUP FOR THE THREE YEARS ENDED 30 SEPTEMBER 2021, 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2019

Published

28 April 2022

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Director

CARVE-OUT STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

Figures in R'000	Notes	2021 Audited	2020 Independently reviewed	2019 Independently reviewed
Assets				
Non-current assets				
Plant and equipment	4	46,714	59,847	71,747
Right-of-use asset	5	1,452	2,478	3,503
Intangible assets	6	202,337	203,537	155,715
Deferred taxation	7	4,339	4,503	2,921
Total non-current assets		**254,842**	**270,365**	**233,886**
Current assets				
Inventory	8	74,290	61,855	77,923
Trade and other receivables	9	5,738	4,882	5,280
Income tax		1,214	491	1,947
Loans	10	7,291	15,480	10,454
Cash and cash equivalents	11	259,990	186,671	225,543
Total current assets		**348,523**	**269,379**	**321,147**
Total assets		**603,365**	**539,744**	**555,033**
Equity and liabilities				
Equity				
Net investment in entity		172,202	123,938	151,528
Non-controlling interest	12	18,914	16,868	14,795
Total equity		**191,116**	**140,806**	**166,323**
Liabilities				
Non-current liabilities				
Borrowings	13	34,000	50,000	36,000
Lease liability	5	579	1,845	2,909
Instalment sale agreements	14	–	–	155
Total non-current liabilities		**34,579**	**51,845**	**39,064**
Current liabilities				
Trade and other payables	15	338,532	304,971	302,399
Income tax		11,694	4,093	5,680
Short-term portion of borrowings	13	26,178	30,619	19,917
Short-term portion of lease liability	5	1,266	1,065	887
Instalment sale agreements	14	–	155	114
Loans	16	–	6,190	20,649
Total current liabilities		**377,670**	**347,093**	**349,646**
Total liabilities		**412,249**	**398,938**	**388,710**
Total equity and liabilities		**603,365**	**539,744**	**555,033**

CARVE-OUT STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in R'000	Notes	2021 Audited	2020 Independently reviewed	2019 Independently reviewed
Revenue	17	5,745,539	5,108,545	6,209,169
Cost of sales		(4,864,233)	(4,362,638)	(5,326,440)
Gross profit		**881,306**	**745,907**	**882,729**
Other operating income	18	23,051	35,043	27,607
Selling and distribution costs	19	(10,676)	(11,299)	(13,961)
Administrative expenses	19	(365,453)	(328,619)	(378,945)
Other expenses	19	(268,702)	(243,585)	(274,387)
Operating profit	19	**259,526**	**197,447**	**243,043**
Finance costs	20	(7,568)	(15,266)	(7,135)
Profit before tax		**251,958**	**182,181**	**235,908**
Income tax	21	(70,628)	(53,456)	(67,873)
Profit for the year		**181,330**	**128,725**	**168,035**
Profit for the year attributable to:				
Owners of Parent		156,584	110,413	143,209
Non-controlling interest		24,746	18,312	24,826
		181,330	**128,725**	**168,035**
Other comprehensive income		–	–	–
Total comprehensive income for the year		**181,330**	**128,725**	**168,035**
Total comprehensive income attributable to:				
Owners of Parent		156,584	110,413	143,209
Non-controlling interest		24,746	18,312	24,826
		181,330	**128,725**	**168,035**

Management commentary:

During the 2020 reporting period, the volumes of fuel sold plummeted by approximately 15% as a direct result of the national lockdown implemented during April 2020 by the South African government in response to the COVID-19 pandemic. The volumes of fuel sold only recovered by approximately 8% during the 2021 reporting period.

Revenue related to retail operations declined by approximately 18% during the 2020 reporting period. All restaurants and quick shops were completely closed for an extended period of time after the national lockdown during the implementation of the phased-in risk-based approach. Retail revenue did recover during the 2021 reporting period by an estimated 16%.

The slight increase in the gross profit of the Target Entity, is as a direct result of the change in mix between fuel sales and retail trading, which has a significantly increased margin, since the start of the COVID-19 pandemic.

Since the announcements of the lockdown measures in response to the COVID-19 pandemic, the Target Entity's head office team acted in a pro-active manner by establishing a task force which focussed on various initiatives to limit the impact of the measures on the financial performance of the Target Entity. Various initiatives included guidance on employee planning, applying for TERS-benefits, negotiations for special terms on accounts, discounts on royalties payable to franchisors and strict budget monitoring activities. The enabled an alignment of the operating expenses margin in all presented reporting periods.

SIGNIFICANT ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these historical carve-out financial information are set out below.

1.1 General information and basis of preparation

General information

The special purpose carve-out historical financial information of the Target Entity comprises of the Sale Assets and Assumed Liabilities within PEG Retail Holdings Proprietary Limited ("PEG Retail Holdings"), and the operations of its subsidiaries. The special purpose carve-out historical financial information has been derived from the audited financial statements of PEG Retail Holdings, its wholly owned subsidiary PEG Highway Operations Proprietary Limited ("PHO") and the subsidiaries (refer to the tables namely, "Investment holding and administrative entities" and "Entities operating as filling stations with convenience stores and fast food outlets" listed below for a detailed list of all subsidiaries) of PEG Retail Holdings and PHO, respectively (collectively "PEG") for the years ended 30 September 2021, 2020 and 2019 using historical results of operations, assets and liabilities attributable to the Target Entity. PEG's audited financial statements for the years ended 30 September 2021, 2020 and 2019 were prepared in accordance with IFRS for SME's. A conversion from IFRS for SME's to IFRS taking into account the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council was prepared for the purposes of presenting information for the special purpose carve-out historical information in accordance with section 8.3 of the JSE listings requirements. The impact of the conversion has been assessed as immaterial. The combined special purpose carve-out historical financial information was compiled using the reviewed (2020 and 2019) and audited (2021) converted financial information.

The carve out operations are included in the South African operations of PEG and its subsidiaries, which are all private companies registered in South Africa include and collectively comprise of the Target Entity.

The directors have relied on the fact that the special purpose carve-out historical financial information, which has been derived from these converted and combined financial statements of PEG for the years ended 30 September 2021, 2020 and 2019, are free from material misstatement, whether due to fraud or error, and that the PEG directors are responsible for the compilation of PEG's converted and combined financial statements for the years ended 30 September 2021, 2020 and 2019 and the internal controls as they determined are necessary to enable the preparation and presentation of the aforementioned combined financial statements.

The companies and subsidiaries that are subject to the Acquisition comprise of the following:

Investment holding and administrative entities

Entity name	Geographical location	%NCI*
Investment holding entities		
• PEG Retail Holdings Proprietary Limited	Gauteng	–
• PEG Highway Operations Proprietary Limited	Gauteng	–
• Refuel Energy Holdings Proprietary Limited**	Gauteng	51.00
Management services related entity		
• PEG Management Services Proprietary Limited	Gauteng	–

* *Non-controlling interest.*

** *Controlled structured entity.*

Entities operating as filling stations with convenience stores and fast food outlets

Entity name	Geographical location	%NCI*
BP site		
• Summerville Trading 13 Proprietary Limited	Gauteng	11.00
Engen sites		
• Blockhouse 1-Stop Proprietary Limited	Gauteng	20.00
• Bloemfontein 1-Stop Proprietary Limited	Free State	17.50
• Buffalo River 1-Stop Proprietary Limited	Eastern Cape	30.00
• Cato Ridge 1-Stop Proprietary Limited	KwaZulu-Natal	10.00
• Colesberg 1-Stop Proprietary Limited	Northern Cape	20.00
• Grasmere 1-Stop Proprietary Limited	Gauteng	19.00
• Heidelberg 1-Stop Proprietary Limited	Gauteng	5.00
• Highveld 1-Stop Proprietary Limited	Gauteng	15.00
• Klawer 1-Stop Proprietary Limited	Western Cape	20.00
• Kranskop 1-Stop Proprietary Limited	Limpopo	20.00
• Longmeadow 1-Stop Proprietary Limited	Gauteng	20.00
• Mangaung 1-Stop Proprietary Limited	Free State	10.00
• Mossel Bay 1-Stop Proprietary Limited	Western Cape	20.00
• Mount Currie 1-Stop Proprietary Limited	KwaZulu-Natal	15.00
• North Coast 1-Stop Proprietary Limited	KwaZulu-Natal	15.00
• Reggies 1-Stop Proprietary Limited	Mpumalanga	6.00
• Settlers Way 1-Plus Proprietary Limited	Eastern Cape	20.00
• Silverfield Trading Proprietary Limited	Western Cape	–
• Stargang Trading Proprietary Limited	Free State	8.00
• Swartberg 1-Stop Proprietary Limited	Western Cape	15.00
• Tugela 1-Stop Proprietary Limited	KwaZulu-Natal	10.00
• Umfula 1-Stop Proprietary Limited	North West	7.50
• West Coast 1-Stop Proprietary Limited	Western Cape	20.00
Sasol sites		
• J R Masemola & Sons Investments Proprietary Limited	Limpopo	23.00
• Regent Square Trading 11 Proprietary Limited	Gauteng	18.00
Shell site		
• The Windfarm Proprietary Limited	Eastern Cape	20.00
Total sites		
• Delostrios Traders Proprietary Limited	Gauteng	30.91
• Iranzu Investments Proprietary Limited**	KwaZulu-Natal	26.00
• Pesquera Dealers Proprietary Limited	KwaZulu-Natal	36.01

* *Non-controlling interest.*
** *Representative of post-acquisition target structure.*

Basis of preparation of the special purpose carve-out historical financial information

The Statements of Financial Position as at 30 September 2021, 2020 and 2019 and the Statements of Profit or Loss and Other Comprehensive Income for the three years ended 30 September 2021, 2020 and 2019, accounting policies and the notes thereto ("Special Purpose Carve-Out Historical Financial Information") have been compiled from the audited financial statements of PEG Retail Holdings, its subsidiary PHO, and the subsidiaries of PEG Retail Holdings, and PHO, respectively, which was converted from IFRS for SME's to IFRS, for the years ended 30 September 2021 ("Audited Financial Statements") and 30 September 2020, and 2019 ("Independently reviewed Financial Statements"). The Audited and Reviewed Special Purpose Carve-out Historical Financial Statements were prepared in accordance with IFRS and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by Financial Reporting Standards Council.

The Special Purpose Carve-Out Historical Financial Information has been prepared in accordance with the JSE Listings Requirements, for purposes of providing financial information to satisfy the requirements of Section 8 of the JSE Listings Requirements. The additional disclosure required in terms of paragraph 8.12 of the Listings Requirements has been included in the Special Purpose Carve-Out Historical Financial Information. As IFRS does not provide for the preparation of special purpose carve-out historical financial information, certain accounting conventions commonly used in the preparation of historical financial information for inclusion in a Circular has been applied. In preparing the Special Purpose Carve-Out Historical Financial Information, the recognition and measurement principles of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council have been applied, except for the material departures from these principles as has been noted below. The Special Purpose Carve-Out Historical Financial Information has further been supplemented with certain relevant note disclosures that are considered necessary to understand the Special Purpose Carve-Out Historical Financial Information.

Special Purpose Carve-Out Historical Financial Information

The Target Entity does not constitute a single separate legal entity. Furthermore, certain assets and liabilities within PEG Retail Holdings have been excluded from the Target Entity. Please refer to "Excluded assets and liabilities and other transactions" for a list of those economic activities excluded from the Target Entity. The Special Purpose Carve-Out Historical Financial Information has been prepared by aggregating the historical carve-out financial information relating to the Target Entity. The Special Purpose Carve- Out Historical Financial Information has been prepared with the objective of presenting the results and net assets of the Target Entity for the years ended 30 September 2021, 2020 and 2019. The Target Entity has, for the periods presented, been under the control of PEG. Consequently, this Special Purpose Carve-Out Historical Financial Information may not necessarily be indicative of the financial performance that would have been achieved, had the Target Entity operated independently for the years ended 30 September 2021, 2020 and 2019.

Share capital and retained income

Since the Target Entity does not constitute a single separate legal entity, it is not meaningful to disclose a historical analysis of the share capital and retained income balances. The total equity of the Target Entity as disclosed in the Special Purpose Carve- Out Historical Financial Information represents the cumulative net investment of PEG in the Target Entity.

Non-controlling interest

Non-controlling interests in the operational subsidiaries of PEG Retail Holdings and PHO survives the planned transaction and therefore the share of equity attributable to the Non-controlling interest have been presented in the Statement of Financial Position for the years ended 30 September 2021, 2020 and 2019.

Statement of Changes in Equity

The Special Purpose Carve-Out Historical Financial Information does not include a Statement of Changes in Equity for the years ended 30 September 2021, 2020 and 2019. The Target Entity does not constitute a separate legal entity and it is, therefore, not considered meaningful to disclose a historical analysis of share capital, reserves and retained earnings balances. The share of equity attributable to non-controlling interest are separately disclosed in the Statement of Financial Position for the years ended 30 September 2021, 2020 and 2019.

Statement of Cash Flows

The Special Purpose Carve-Out Historical Financial Information does not include a Statement of Cash Flows for the years ended 30 September 2021, 2020 and 2019. Although each subsidiary own and operate its own bank account, the subsidiaries shared in the central cash pooling arrangement operated by PEG Retail Holdings and participated in the parent's cash management and debt financing programmes. Presenting a Statement of Cash Flows will not be meaningful to the user as it would not accurately reflect the operational cash inflows and outflows of the Target Entity.

Excluded assets and liabilities and other transactions

Certain economic activities which includes unlisted investments held by PEG Retail Holdings, loans receivable and loans payable to third parties have been excluded from the Target Entity, as these are not acquired by KAL. As these economic activities will not continue post-transaction, it has been excluded from the Statement of Financial Position for the years ended 30 September 2021, 2020 and 2019 and have been presented as part of PEG's net investment in the Special Purpose Carve-out Historical Financial Information. Similarly, interest and other income earned from these economic activities, impairments and write-offs and any taxation effects have been presented as part of the PEG's net investment in the Special Purpose Carve-out Historical Financial Information.

Investment held in Petroport Hluhluwe (Iranzu Investments Proprietary Limited)

PEG Retail Holdings holds a 49% interest in Iranzu Investments Proprietary Limited operating as Petroport Hluhluwe. Street Spirit Trading 305 Proprietary Limited ("Street Spirit"), a BEE participant in the PHO entity, holds a 25% direct interest in Petroport Hluhluwe. Street Spirit acts as a site minority in this entity. Prior to the acquisition of the Target Entity, PEG Retail Holdings will acquire an additional 25% in Petroport Hluhluwe by acquiring the shares held directly by Street Spirit for a purchase consideration of R2,827,968.58. The total purchase consideration will be settled once the preconditions have been met and subject to certain milestones achieved, which includes the sites obtaining extensions on their beneficial occupation of these sites.

Post this transaction, but prior to the acquisition of the Target Entity, PEG will hold 74% interest in Petroport Hluhluwe, and therefore, for the purposes of the Special Purpose Carve-out Financial Statements, has been accounted as a subsidiary for the years presented and its results consolidated in accordance with the requirements of IFRS 10 *Consolidated Financial Statements*. The non-controlling interest held in Petroport Hluhluwe is calculated and presented as the remaining 26% held by other third parties to the site.

IAS 24 – Related party disclosures

There are numerous transactions between the Target Entity and other related parties of PEG which forms part of the Excluded assets and liabilities of this transaction. Therefore, no disclosures for transactions and balances owing to these parties as related parties are made that do not form part of the Transactions' parameters, as these are not considered to be related parties. Subsidiaries of PEG Retail Holdings are considered to be related parties.

No related party transactions with these subsidiaries have been identified in the Special Purpose Carve-Out Historical Financial Information. Throughout the years ended 30 September 2021, 2020 and 2019, those persons having the authority and responsibility for planning, directing and controlling the activities of the Target Entity were represented by PEG key management personnel as the Target Entity's activities were managed as part of PEG. For this reason, it is not relevant to disclose Special Purpose Carve-Out Historical Financial Information relating to those individuals who will not be the key management personnel of the Target Entity post acquisition.

Income taxes and deferred taxes

The Target Entity does not constitute a single separate legal entity, however, all of the acquired businesses are separate taxable entities. This implies that the current and deferred income tax of all the Target Entities are calculated separately, and the recoverability of the deferred tax assets are assessed accordingly. For the purposes of the Special Purpose Carve-out Historical Financial Information, the income tax and deferred tax are provided on a "stack-up" basis. An adjustment was made to the combined income tax expense and deferred tax asset (or liability) for any taxation effects on the excluded economic activities to accurately reflect the taxation position of the Target Entities post-transaction. As a result of these adjustments made, a tax rate reconciliation was not presented as part of the taxation disclosure notes.

First time adoption of IFRS disclosures

The transition of IFRS for SME's to IFRS for the preparation of the Special Purpose Carve-out Historical Financial Information was done as at the beginning of the financial reporting year ended 30 September 2019, thus 1 October 2018. Section 8.4 of the JSE Listings Requirements requires that the IFRS conversion notes be presented in the historical financial information, however, as the historical information for the three-year period has been converted to IFRS, these conversion notes have not been included in the Special Purpose Carve-out Financial Information for the years ended 30 September 2021, 2020 and 2019. The impact of the conversion from IFRS for SME's to IFRS has been assessed as immaterial.

1.2 Critical accounting judgements and estimates

The Target Entity makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom precisely equal the related actual results. 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

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. Refer to note 9.

Judgements

Goodwill

The Target Entity makes certain judgements relating to the impairment testing of goodwill, based on projections and assumed growth rates in income, expenses and terminal growth rates while using a pre-tax discount rate determined by management. These judgements are used to determine if an impairment of goodwill is applicable. Refer to note 6.

Leases

The Target Entity makes certain judgements relating to contractual arrangements in respect of whether a contract contains a lease within the scope of IFRS 16 and if so, whether the recognition criteria should be applied to such leases based on the identification of predetermined conditions by the contracting party and the right of the contractual party to change these operating instructions. Refer to 19.

1.3 Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to write off the cost to a value equal to the residual values over their estimated useful lives, as follows:

• Machinery	5 – 10 years
• Furniture and fittings	5 – 10 years
• Motor vehicles	5 years
• Office equipment	4 years
• IT equipment	6 years
• Computer software	8 years
• Leasehold improvements	5 years
• Catering equipment	8 – 12 years
• Signage	9 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of fixed assets are determined by comparing proceeds with the carrying amounts and are included in the income statement as other operating income or other operating expenses.

1.4 Leases

Target Entity as lessee

The Target Entity leases an administrative building and operational equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

A lease with respect to the administrative building is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target Entity. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments; and
- Lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Target Entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability; and
- Any lease payments made at or before the commencement date.

Right-of-use assets are depreciated over the lowest of the lease term (including the extension period if any) or the useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mostly comprise information technology equipment, operational equipment and other similar assets.

To determine the incremental borrowing rate, the Target Entity uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received. The Target Entity also adjusts the rate relating to the specific lease based on the term and security and nature of the asset.

Target Entity as lessor

When the Target Entity acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Target Entity makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Target Entity considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Target Entity recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of "other income".

1.5 Intangible assets

Goodwill

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Separately recognised goodwill is reviewed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash- generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets other than goodwill

Externally acquired intangible assets are recognised at historical cost less accumulated amortisation.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Target Entity.

These intangible assets are amortised on a straight–line basis over their finite useful lives, as follows:

• Franchise licences	10 years
• Restraint of trade agreements	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

1.7 Deferred taxation

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

The Target Entity determines the deferred tax asset and deferred tax liability that arise on the initial recognition of a lease to be integrally linked and recognise the temporary difference on a net basis.

1.8 Inventory

Merchandise, raw materials and consumable goods are valued at the lower of cost, calculated on the average cost basis, or net realisable value, taking into account obsolescence and saleability. Implement stock (included in merchandise) is valued at the specific cost price or net realisable value, whichever is the lower. Finished goods (included in merchandise) are valued at the lower of cost, including cost of raw materials, direct costs and related production overheads, but excluding finance costs, determined on the average cost basis, or net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

1.9 Financial assets

The Target Entity classifies its financial assets in the following measurement categories: financial assets measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL)) and financial assets measured at amortised cost. The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. Management determines the classification of its investment at initial recognition.

At initial recognition, the Target Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Entity has transferred substantially all risks and rewards of ownership.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Entity's business model for managing the asset and the cash flow characteristics of the asset. All debt instruments are classified as financial assets at amortised cost based on management's assessment of the business model and cash flow characteristics of these instruments.

Assets that are held for collection of contractual cash flows representing solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income under other operating income using the effective interest rate method. Trade receivables, cash and cash equivalents and loans receivable are classified as debt instruments measured at amortised cost.

Impairment

The Target Entity 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; and
- Cash and cash equivalents.

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

Credit terms, interest rates and other applicable terms are determined based on the calculated risk profile of the credit taker(s). A strict credit policy is followed which includes the ongoing revision of credit limits and credit evaluations of the financial position of clients. These factors have been taken into consideration on an individual and collective basis when determining the recoverability of debtors. The Target Entity has a specific loss allowance and a contingency loss allowance. The Target Entity 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 considers security held, reputation and expected payments in the future to determine the value of the specific loss allowance.

Other financial assets

Loss allowances relating to loans receivable, cash and cash equivalents, 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 Target Entity 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 Target Entity 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 forwarding-looking information that could be indicative of a deterioration in the counterparty's ability to pay. The Target Entity assesses factors such as credit ratings, actual/adverse conditions in the industry or changes in value of security held.

For these financial assets, the Target Entity accounts for its credit risk by appropriately providing for expected credit losses. In calculating the expected credit loss rates, the Target Entity considers the exposure at default, probability of default and loss given default. The impact of the adoption of IFRS 9 at the end of the reporting period was not material for other financial assets.

1.10 Borrowings

Borrowings which consist of bank borrowings, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Other loans

Other loans which consists of loans to non-controlling interest, are recognised initially at fair value, net of transaction costs incurred. Other loans are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the other loans using the effective interest rate method.

1.11 Instalment sale agreements

Instalment sale agreements are recognised where the Target Entity will become the legal owner of the assets after the purchase payment agreement is completed. The instalment sale agreements are recognised as a financial liability from the date of recognition and measured at amortised cost using the effective interest rate method. Instalment sale agreements are classified as current liabilities, unless the Target Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.12 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value. Trade payables are subsequently stated at amortised cost using the effective interest rate method.

Trade payables are classified as current liabilities unless the Target Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.13 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.14 Non-controlling interest

Non-controlling interest that represent present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Where there is a change in the interest in a subsidiary that does not result in a loss of control, the difference between the fair value of the consideration transferred or received and the amount by which the NCI is adjusted, is recognised as an equity transaction directly in equity.

1.15 Revenue from contracts with customers and other operating income

Revenue is recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. Revenue is recognised when the Target Entity satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Target Entity expects to be entitled to in exchange for these goods or services. The Target Entity's revenue consists mostly of sales of products delivered to customers at the point of sale and does not have multiple element arrangements included in it.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Entity's activities. Revenue is shown, net of value-added tax and trade discounts. Revenue is recognised as follows:

Sale of goods

At the point-of-sale in the fuel 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 Target Entity has a present right to payment. Fuel prices are regulated.

Revenue for the sale of merchandise from ordinary operating activities, net of value added tax and trade discounts, are recognised at a point in time, upon delivery of products and customer acceptance. Customers have a choice to pay cash (via cash, debit card or credit card) or on account. Related card transaction costs are recognised in the income statement as other expenses.

Payment terms for normal over-the-counter credit sales are mostly 30 days.

Interest income

Under IFRS 9, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). When a receivable is written off, the Target Entity reduces the carrying amount to its recoverable amount. Interest is recognised using the original effective interest rate.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

The Target Entity did not capitalise any borrowing costs.

1.17 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1.18 Employee benefits

The cost of all short-term employee benefits is recognised as an expense in profit or loss during the reporting period in which the employee renders the related service and included in administrative expenses.

Liabilities for employee entitlements to wages, salaries and annual leave represent the amount which the Target Entity has a present obligation to pay as a result of employee services provided during the reporting period.

2. NEW, AMENDED AND IMPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE DURING THE REPORTING PERIOD

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material (effective 1 January 2020)

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures' – Interest rate benchmark reform (Phase 1) (effective 1 January 2020)

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate.

IFRS 16, 'Leases' COVID-19-Related Rent Concessions amendment (effective 1 June 2020)

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

None of the new standards, amendments, improvements and interpretations of existing standards mentioned above, that have been published, had any material effect on the financial statements of the Target Entity.

3. NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Target Entity (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement', IFRS 7, 'Financial Instruments: Disclosures', IFRS 4, 'Insurance Contracts' and IFRS 16, 'Leases' – interest rate benchmark (IBOR) reform (Phase 2) (effective 1 January 2021)

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

Amendment to IAS 1, 'Presentation of Financial Statements' on classification of liabilities as current or non-current (effective 1 January 2022)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Amendments to IAS 16, 'Property, Plant and Equipment' on proceeds before intended use (effective 1 January 2022)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Annual improvements cycle 2018-2020 (effective 1 January 2022)

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases' amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 September 2021, but not yet effective on that date and identified no material impact.

4. PLANT AND EQUIPMENT

Figures in R'000	2021	2020	2019
Cost			
Machinery	7,117	7,095	5,384
Furniture and fittings	47,415	49,239	46,507
Motor vehicles	1,736	1,717	1,717
Office equipment	11,413	10,954	10,941
IT equipment	6,248	6,375	5,456
Computer software	5,025	9,788	7,987
Leasehold improvements	38,154	37,546	30,381
Catering equipment	45,227	47,370	42,698
Signage	4,371	4,981	4,696
Capital expenditure*	2,523	338	16,105
	169,229	175,403	171,872
Accumulated depreciation			
Machinery	4,537	3,630	2,847
Furniture and fittings	38,916	36,114	31,526
Motor vehicles	1,419	1,153	860
Office equipment	8,621	7,610	7,397
IT equipment	5,010	4,303	3,405
Computer software	3,537	8,097	6,579
Leasehold improvements	26,765	23,936	20,869
Catering equipment	31,296	28,280	24,522
Signage	2,414	2,433	2,120
Capital expenditure*	–	–	–
	122,515	115,556	100,125
Total carrying value	**46,714**	**59,847**	**71,747**
Carrying value of assets in respect of instalment sale agreements			
Motor vehicles	–	204,153	306,229

* *Capital expenditure related to assets not ready for use as intended by management. For this reason, no depreciation is charged to profit or loss in respect of these items.*

NOTES TO THE HISTORICAL CARVE-OUT FINANCIAL STATEMENTS

Reconciliation of movement in carrying value

2021	Additions	Disposals	Transfers	Depreciation	Closing carrying value
Machinery	68	(25)	–	(928)	2,580
Furniture and fittings	266	(14)	(572)	(4,306)	8,499
Motor vehicles	18	–	–	(265)	317
Office equipment	676	(23)	–	(1,205)	2,792
IT equipment	373	(17)	(125)	(1,065)	1,238
Computer software	1,469	(1,476)	–	(196)	1,488
Leasehold improvements	438	(6)	279	(2,932)	11,389
Catering equipment	1,075	(269)	(1,469)	(4,496)	13,931
Signage	69	(187)	(87)	(386)	1,957
Capital expenditure	224	(13)	1,974	–	2,523
	4,676	**(2,030)**	**–**	**(15,779)**	**46,714**

2020	Additions	Disposals	Transfers	Depreciation	Closing carrying value
Machinery	551	(5)	1,321	(939)	3,465
Furniture and fittings	433	(45)	3,234	(5,478)	13,125
Motor vehicles	1	–	–	(294)	564
Office equipment	266	(102)	1,048	(1,412)	3,344
IT equipment	1,228	(46)	83	(1,244)	2,072
Computer software	1,771	(6)	63	(1,545)	1,691
Leasehold improvements	263	(87)	7,253	(3,331)	13,610
Catering equipment	4,029	(264)	2,832	(5,683)	19,090
Signage	130	(6)	257	(409)	2,548
Capital expenditure	324	–	(16,091)	–	338
	8,996	**(561)**	**–**	**(20,335)**	**59,847**

2019	Additions	Disposals	Transfers	Depreciation	Closing carrying value
Machinery	2,355	–	–	(572)	2,537
Furniture and fittings	6,372	(53)	–	(5,274)	14,981
Motor vehicles	498	–	–	(261)	857
Office equipment	2,090	(31)	–	(1,256)	3,544
IT equipment	1,958	(7)	–	(827)	2,051
Computer software	1,423	–	–	(1,521)	1,408
Leasehold improvements	5,569	–	–	(4,588)	9,512
Catering equipment	13,958	(45)	–	(3,942)	18,176
Signage	984	(25)	–	(340)	2,576
Capital expenditure	15,806	–	–	–	16,105
	51,013	**(161)**	**–**	**(18,581)**	**71,747**

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Figures in R'000	2021	2020	2019
Right-of-use asset			
Buildings	**1,452**	**2,478**	**3,503**
Reconciliation of movements in carrying amount			
Carrying value at beginning of year	2,478	3,503	–
Initial recognition of IFRS 16	–	–	4,528
Depreciation charge of right-of-use assets	(1,025)	(1,025)	(1,025)
Carrying value at end of year	**1,452**	**2,478**	**3,503**
Lease liability			
Current	1,266	1,065	887
Non-current	579	1,845	2,909
	1,845	**2,910**	**3,796**
Contractual maturity period			
Within one year	1,376	1,274	1,180
Later than one year but not later than five years	592	1,968	3,242
	1,968	3,242	4,422

The leases is representative of a building used for administrative purposes. The rental contract in relation of the building is for a fixed period of five years. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Figures in R'000	2021	2020	2019
Recognition of items in profit or loss			
Interest expense (included in finance costs)	209	292	361
Expense relating to short-term leases and low value assets (included in other expenses)*	8,065	7,019	7,390

* *The leases are representative of information technology equipment, operational equipment and other similar assets. Lease terms in relation to these assets are negotiated on an individual basis and contain a wide range of different terms and conditions.*

6. INTANGIBLE ASSETS

Figures in R'000	2021	2020	2019
Goodwill	135,337	135,337	135,337
Franchise licence fees	45,300	45,300	20,378
• Cost	45,300	45,300	20,378
• Accumulated amortisation	–	–	–
Restraint of trade	21,700	22,900	–
• Cost	24,000	24,000	–
• Accumulated amortisation	(2,300)	(1,100)	–
	202,337	**203,537**	**155,715**
Reconciliation of movements in carrying amounts			
Franchise licence fees			
• Carrying value at beginning of year	45,300	20,378	20,378
• Additions	–	24,922	–
• Amortisation recognised in profit or loss*	–	–	–
	45,300	**45,300**	**20,378**

* *Management assessed the residual value of the franchise licence fee to be in excess of the carrying value. No amortisation is therefor recognised in profit or loss based on the profitability of the operations of the underlying businesses which holds the franchise licence.*

Figures in R'000	2021	2020	2019
Restraint of trade			
Carrying value at beginning of year	22,900	–	–
Additions**	–	24,000	–
Amortisation recognised in profit or loss	(1,200)	(1,100)	–
	21,700	**22,900**	**–**

** *The restraint in trade is related to The Windfarm Proprietary Limited's operations.*

Goodwill

In order to assess the goodwill in respect of each fuel site, a value in use calculation was done per cash generating unit based on the application of a market related EBIT multiple.

The following table sets out the key assumptions applied in determining the recoverable amount of each cash generating unit used in the calculation:

Figures in R'000	2021	2020	2019
EBIT multiple	Range of between 2.5 and 3.3	Range of between 2.5 and 3.3	Range of between 2.5 and 3.3

Management utilised an average historical audited EBIT figure based on the performance of the cash generating unit for the two preceding reporting periods. The EBIT was adjusted with intergroup management fees and bonuses.

Management performed a sensitivity analysis in respect of the value in use calculations. Management did not identify any impairment risk. There is sufficient headroom and thus no impairment is recognised in profit or loss.

7. DEFERRED TAXATION

Figures in R'000	2021	2020	2019
Movement of deferred taxation			
Balance beginning of year	**4,503**	**2,921**	**2,692**
Income statement (debit)/credit	(164)	1,582	229
Balance at end of year	**4,339**	**4,503**	**2,921**
Due to the following temporary differences: Accrued expenses	3,380	3,656	2,839
Tax loss	849	726	–
IFRS 16 right-of-use asset and liability	110	121	82
	4,339	**4,503**	**2,921**

Sufficient taxable earnings are expected to be earned in the future to utilise the deferred tax asset. Management expects sufficient future taxable income in the relevant entities to enable the utilisation of the unutilised tax losses.

Figures in R'000	2021	2020	2019
Movements for the year			
Opening balance	4,503	2,921	2,692
Accrued expenses	(276)	817	275
Tax loss	123	726	(128)
IFRS 16 right-of-use asset and liability	(11)	39	82
	4,339	**4,503**	**2,921**

For purposes of the statement of financial position, deferred taxation is presented as follows:

Figures in R'000	2021	2020	2019
Non-current assets	4,339	4,503	2,921
Tax loss for the year with no expiry date	439	2,593	(457)

8. INVENTORY

Items related to restaurants	5,143	5,074	4,858
Items related to bakeries	2,435	1,940	1,631
Merchandise related to stores and quick shops	18,708	18,438	18,291
Merchandise related to franchise stores	1,200	921	538
Lubricants	1,631	1,564	1,645
Fuel: Petrol	19,836	15,475	21,404
Fuel: Diesel	23,497	16,802	27,982
Consumables: packaging	852	640	512
Consumables: cleaning	961	969	1,043
Pharmaceutical items	27	32	19
	74,290	**61,855**	**77,923**

Management assessed the risk associated with stock obsolescence and slow-moving stock as low based on the turnaround time of the inventory items. Stock obsolescence is considered insignificant and therefor no further disclosure is made in this regard.

No inventory items have been encumbered as security.

9. TRADE AND OTHER RECEIVABLES

Figures in R'000	2021	2020	2019
Trade receivables	3,767	2,750	3,373
Prepaid expenses	446	608	277
Deposits	1,390	1,387	1,328
Loans to employees	135	137	302
	5,738	**4,882**	**5,280**

Trade and other receivables are categorised as debt instruments at amortised cost. The carrying value of the trade and other receivables approximates its fair value at the reporting date.

The simplified approach was applied in respect of the expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision on all trade receivables.

A loss allowance is recognised for all receivables, in accordance with IFRS 9, and is monitored at the end of each reporting period. Based on the overall business model applied to the fuel sites, management enforces a security deposit on all trade receivable accounts. A summary of the exposed balances to credit risk, taking the security deposits into account, is summarised below:

Figures in R'000	2021	2020	2019
Carrying amount of trade receivables	3,767	2,750	3,373
Deposits held as security	(2,793)	(2,630)	(2,845)
Exposure to credit risk	**974**	**120**	**528**

Based on the limited history of default in combination with the exposure to credit risk, no material specific or contingency loss allowance was identified. The trade receivables are with the credit terms. No items are considered past due.

In addition to the loss allowance, receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Receivables which have been written off, are not subject to enforcement activities. Any write-offs are included in other operating expenses.

Figures in R'000	2021	2020	2019
Write-offs of trade receivables	–	3	650

* *Write-offs occurred on non-payment of accounts where an insufficient deposit was held as security.*

The general model was used to identify any expected credit losses for loans to employees and no material loss allowance was identified. This is based on the fact that no history of defaults on the staff loans and none expected in future periods based on the fact that these balances carry a very low credit risk due to the administration of the payroll function resulting in a deduction of loan payments from monthly salaries.

10. LOANS

Figures in R'000	2021	2020	2019
Non-controlling interests	7,291	15,480	10,454

These loans are unsecured and bears no interest. These loans have no specific repayment terms.

The expected credit loss allowance was assessed based on the exposure, probability of default and loss given default. The general model is followed in terms of IFRS 9. No indication of a significant increase of the credit risk was identified based on the historical default rate of these loans. Furthermore, any dividends declared to non-controlling interests are used to settle these loans. The various Target Entities, has a history of dividend distributions. No material loss allowance was identified.

The carrying value of the loans approximates its fair value at the reporting date.

11. CASH AND CASH EQUIVALENTS

Figures in R'000	2021	2020	2019
Cash on hand	2,874	2,249	2,820
Balances with banks	257,116	184,422	222,723
	259,990	**186,671**	**225,543**

All bank balances are placed with reputable bankers.

The credit quality of bank balances, excluding cash on hand that is neither past due nor impaired and can be assessed by reference to external credit ratings:

- ABSA Bank Limited: counterparty risk rated Ba2 by Moody's.

The banking facilities and outward guarantees held with bankers can be summarised as follows:

Entity	Description	Amount (R'000)
Blockhouse 1-Stop Proprietary Limited	Automated clearing bureau	80
Bloemfontein 1-Stop Proprietary Limited	Automated clearing bureau	220
	Financial guarantee	2,000
Delostrios Traders Proprietary Limited	Outward guarantee – Total South Africa	1,200
Grasmere 1-Stop Proprietary Limited	Automated clearing bureau	120
	Outward guarantee – Eskom Holdings SOC	100
Highveld 1-Stop Proprietary Limited	Outward guarantee – Rand Water	12
	Outward guarantee – City Council Kempton Park	23
J R Masemola & Sons Investments Proprietary Limited	Funds transfer facility	100
	Performance guarantee – The Local Transitional Council	16
	Outward guarantee – KFC Proprietary Limited	1,400
Kranskop 1-Stop Proprietary Limited	Funds transfer facility	150
	Performance guarantee	600
	Outward guarantee – Eskom Holdings SOC	563
	Outward guarantee – KFC Proprietary Limited	2,800
Mossel Bay 1-Stop Proprietary Limited	Funds transfer facility	50
Mount Currie 1-Stop Proprietary Limited	Outward guarantee – KFC Proprietary Limited	1,400
North Coast 1-Stop Proprietary Limited	Outward guarantee – Eskom Holdings SOC	200
	Outward guarantee – Umhlathuze Municipality	30
Pesquera Proprietary Limited	Outward guarantee – Total South Africa	2,400
Regent Square Proprietary Limited	Credit card facility	75
	Outward guarantee – KFC Proprietary Limited	1,400
Settlers Way 1-Plus Proprietary Limited	Funds transfer facility	75
Silverfield Trading Proprietary Limited	Outward guarantee – Coca Cola	50
Stargang Trading Proprietary Limited	Funds transfer facility	120
Summerville Trading 13 Proprietary Limited	Outward guarantee – BP Southern Africa	2,250
	Outward guarantee – Greater JHB	26
The Windfarm Proprietary Limited	Outward guarantee – Shell Downstream South	1,400
Tugela 1-Stop Proprietary Limited	Outward guarantee – KFC Proprietary Limited	1,400
West Coast 1-Stop Proprietary Limited	Funds transfer facility	50
	Performance guarantee – Eskom Holdings SOC	29

12. NON-CONTROLLING INTERESTS

Figures in R'000	2021	2020	2019
Opening balance at beginning of year	16,868	14,795	13,898
Total comprehensive income for the year	24,746	18,312	24,826
Dividends	(22,809)	(16,752)	(24,239)
Transfer between reserves	109	513	311
Closing balance at end of year	**18,914**	**16,868**	**14,795**

13. BORROWINGS

Figures in R'000	2021	2020	2019
Borrowings	50,000	66,000	52,000
Short-term portion of long-term bank borrowings	(16,000)	(16,000)	(16,000)
	34,000	**50,000**	**36,000**

The current borrowings bear interest at fixed rates between 5.73% and 6.38% (2020: between 6.45% and 6.61%; 2019: 9.5%). The borrowings are repayable based on a schedule as set out in the agreement between the bank and the entity.

The carrying value of long-term loans approximates its fair value at the reporting date.

PEG Retail Holdings provided a guarantee to the value of R 30,000,000 to ABSA Bank Limited. The guarantee will remain in place post the acquisition of the Target Entity.

Contractual maturity period

Figures in R'000	2021	2020	2019
Within one year	18,747	19,524	19,959
Later than one year but not later than five years	35,045	53,792	38,805
	53,792	**73,316**	**58,764**
Short-term bank borrowings			
Overdraft facility	10,178	14,619	3,917
Short-term portion of long-term bank borrowings	16,000	16,000	16,000
	26,178	**30,619**	**19,917**

The carrying value of short-term loans approximates its fair value at the reporting date.

The banking facilities and outward guarantees held with bankers can be summarised as follows:

Entity	Description	Amount (R'000)
PEG Management Services Proprietary Limited	Overdraft facility	54,500
	Credit card facility	450
	Fleet card facility	100

The above facilities are secured as follows:

Guarantee by PEG Retail Holdings including a cession of loan account amounting to R 100,000,000. The guarantee will remain in place post the acquisition of the Target Entity.

14. INSTALMENT SALE AGREEMENTS

Figures in R'000	2021	2020	2019
Instalment sale agreements liability	–	155	269
Short-term portion of instalment sale agreements liability	–	(155)	(114)
	–	**–**	**155**
Commitments in relation to instalment sale agreements payable are as follows:			
• Within one year	–	149	102
• Later than one year but not later than five years	–	–	149
Minimum instalment payments	–	149	251
Future finance charges	–	(6)	(18)
Recognised as liability	**–**	**155**	**269**

The instalment sale agreements liabilities were settled in the current reporting period.

Instalment sale agreements liabilities include vehicles where ownership will transfer once the contract expires. The nature of instalment sale agreements is that the ownership of the underlying asset is already transferred to the entity.

15. TRADE AND OTHER PAYABLES

Figures in R'000	2021	2020	2019
Trade creditors	43,457	35,810	38,202
Deposits received	2,793	2,630	2,845
Accrued leave pay	9,671	11,315	8,670
Accrued liabilities	274,466	250,079	246,390
Dividends and related withholding tax payable to non-controlling interests	5,772	3,837	5,354
Value-added tax	2,373	1,300	938
	338,532	**304,971**	**302,399**

16. LOANS

Figures in R'000	2021	2020	2019
Non-controlling interests	–	6,190	20,649

These loans are unsecured and bears no interest. These loans have no specific repayment terms. These loans were settled during the current reporting period.

The carrying amount of loans approximates its fair value at the reporting date.

17. REVENUE

Figures in R'000	2021	2020	2019
Revenue from contracts with customers			
Sale of goods	5,745,539	5,108,545	6,209,169
	5,745,539	**5,108,545**	**6,209,169**
Disaggregation of revenue			
Major service offering			
• Restaurant – franchise	323,544	268,342	381,637
• Bakery	120,949	100,656	102,837
• Store and quickshops	570,333	513,090	589,753
• Lubricants	15,681	13,029	14,659
• Fuel: petrol	2,154,932	1,875,824	2,325,215
• Fuel: diesel	2,555,054	2,333,429	2,789,867
• Other	5,046	4,175	5,201
	5,745,539	**5,108,545**	**6,209,169**
Timing of revenue recognition			
• At a point in time	5,745,539	5,108,545	6,209,169
	5,745,539	**5,108,545**	**6,209,169**

18. OTHER OPERATING INCOME

Interest received – banks	12,828	24,509	18,202
ATM rebates received	2,399	2,088	3,057
SETA income	270	564	562
ETI income	2,062	5,029	2,829
Profit on sale of plant and equipment	–	–	42
Rent received	626	783	886
Other income	4,866	2,070	2,029
	23,051	**35,043**	**27,607**

19. EXPENSES BY NATURE

Costs of products sold	4,864,233	4,362,638	5,326,440
Depreciation	15,779	20,335	18,581
Amortisation of intangible assets	1,200	1,100	–
Short-term employee benefits	320,817	286,826	332,113
Auditors' remuneration	2,449	2,304	4,024
Short-term leases and low value assets	8,065	7,019	7,390
Beneficial occupation expenses	100,444	85,867	93,606
Municipal charges	40,801	36,589	35,791
Repairs and maintenance	15,949	12,091	14,589
Royalties	23,704	25,013	32,786
Marketing levies	6,495	6,848	15,001
Cleaning	9,162	7,896	9,884
Bank charges	35,273	31,207	33,914
Other expenses	64,693	60,408	69,614
	5,509,064	**4,946,141**	**5,993,733**

Beneficial occupation expenses

The fuel sites entered into operating and franchise agreements with various fuel companies in South Africa. Management assessed these contracts to determine whether a lease exists within the scope of IFRS 16.

Based on the respective restrictive conditions identified in these contracts in respect of but not limited to operating hours, predetermined location and output, prescribed operational instructions, stock control and overall approved franchisors in respect of restaurants and retail stores, management concluded that these restrictive rights held by the supplier, and the right of the supplier to change these operating instructions at any point in time, without the prior consent of management, restricts the right to direct the use of the underlying assets or premises. For this reason, the expenses paid in respect of the premises (which is based on either the number of litres fuel pumped or system turnover) is classified as an operating expense.

20. FINANCE COSTS

Figures in R'000	2021	2020	2019
Banks and other	7,358	14,974	6,774
Lease liabilities	209	292	361
Taxation payables	1	–	–
	7,568	**15,266**	**7,135**

21. INCOME TAX

Tax expenditure			
Current taxation – current year	70,464	55,038	68,102
Deferred taxation – current year	204	(1,114)	(229)
Deferred taxation – previous year	(40)	(468)	–
	70,628	**53,456**	**67,873**

22. FINANCIAL RISK MANAGEMENT

The Target Entity's activities expose it to a variety of financial risks like market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Target entity's overall risk management plan and strategy seeks to minimise potential adverse effects in respect of financial risk factors on the Target Entity's financial performance.

Market risk

Cash flow interest rate risk

The Target Entity finances its operations through bank borrowings and funds available generated from operations. The interest rate exposure of the Target Entity is limited to the borrowings as set out in note 13.

To illustrate the Target Entity's exposure to interest rate changes, the influence of interest rate changes on the carrying values of interest-bearing financial assets and financial liabilities and resulting profit before taxation, are illustrated as follows:

Figures in R'000	2021	2020	2019
Interest-bearing assets	259,990	186,671	225,543
Interest-bearing liabilities	(60,178)	(80,774)	(56,186)
	199,812	**105,897**	**169,357**
Increase/(decrease) in profit after tax and equity			
Half a percentage point increase in interest rates	719	381	610
Half a percentage point decrease in interest rates	(719)	(381)	(610)

Price risk

The fuel price is regulated. The exposure in respect of any fuel price changes is limited due to the fact that the Target Entity has contractually fixed margins with suppliers. The only exposure is related to fuel volumes as a result of the increase or decrease in fuel prices as an increase in fuel price would also increase cost of sales proportionally.

Credit risk

Although, concentrations of credit risk consist mainly within cash and cash equivalents, other receivables, loans receivables and trade debtors, the Target Entity has a very limited exposure to historical write offs due to default by a counter party.

The Target Entity limits its counterparty exposures arising from cash current accounts by only dealing with well-established financial institutions of high-quality credit standing. Refer to note 11.

Expected credit loss allowances on cash and cash equivalents (refer to note 11, loans receivable (refer to note 10 and trade and other receivables (refer to note 9 were assessed based applied expected credit loss model and no expected credit loss allowance was created as this was immaterial.

Liquidity risk

In order to mitigate any liquidity risk that the Target Entity may face, the Target Entity's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity. The overall operations of the Target Entity seldomly requires significant external funding. The external borrowings relate to the set-up of a site operating as a filling station.

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates with alternative risk-free rates to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank has indicated its intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally and a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Target Entity.

The Target Entity's unutilised short-term banking borrowing facilities are as follows:

Facilities available	55,050
Utilised facilities	(10,178)
	44,872

The contractual maturity period of all financial liabilities are considered to be short-term, except long-term borrowings. Refer to note 13 for the contractual maturity analysis.

23. EVENTS AFTER THE REPORTING DATE

Except as described below, there were no events material to the understanding of the financial statements that occurred after the reporting date.

Non-adjusting event: change in corporate tax rate

Substantively enacted tax rate

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% for years of assessment commencing on or after 1 April 2022 in the Budget Speech on 24 February 2021. As announced by the Minister of Finance, the changes to tax rates and tax laws are intended to be done in a tax revenue-neutral manner. Thus, any benefit derived from the reduction in the corporate tax rate is intended to be offset by limitations placed on interest deductions and the use of assessed income tax losses and other proposed changes.

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% for years of assessment commencing on or after 31 March 2023 in the Budget Speech on 23 February 2022. As announced by the Minister of Finance, the changes to tax rates and tax laws are intended to be done in a tax revenue-neutral manner. Thus, any benefit derived from the reduction in the corporate tax rate is intended to be offset by limitations placed on interest deductions and the use of assessed income tax losses and other proposed changes.

The following was considered by management in determining whether the new tax rate has been substantively enacted at reporting date:

- the impact of the changes in these tax laws are not known and the effects on taxable income are unclear;
- the time between the announcement and application of the new rate is unusually long;
- a change in tax rate as well as the broadening of the tax base was mentioned in the 2020 budget speech, but not addressed further;
- the tax rate change was mentioned in the Budget Speech but not addressed in the Budget Review, whereas previous rate changes were addressed in both the Budget Speech and the Budget Review; and
- the Budget Speech referred to the changes as proposals, thereby inferring that these changes were not yet final and subject to an approval process or possibly further consideration.

Based on the above, management considers the change in tax rate to be inextricably linked to other tax law changes that have not been clarified by the Minister of Finance. Therefore, the new tax rate is not considered to be substantively enacted at the reporting date. This assumption will be reconsidered in the new reporting period.

Non-adjusting event: Russia and Ukraine conflict

Russia's military action in Ukraine has led to uncertainty in respect of potential shortages of international oil supplies which has resulted in an increase in oil prices. This, in combination with sanctions imposed on Russia, is expected to result in an increase in the local fuel prices. The Target Entity expects a negative impact as a result of the change in fuel price in respect of the fuel volumes as margins with suppliers is fixed in terms of contractual arrangements.

Non-adjusting event: COVID-19 pandemic: State of disaster in South Africa lifted

On 5 April 2022, the South African government has lifted South Africa's national state of disaster. New transitional measures have been implemented as the government prepares to begin managing the COVID-19 pandemic through the National Health Act.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF PEG – SPECIAL PURPOSE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 SEPTEMBER 2021

Independent Reporting Accountant's Report on the Special Purpose Carve-Out Historical Financial Information of the Target Entity for the year ended 30 September 2021

The Directors of PEG Retail Holdings Proprietary Limited

At your request, we present our Independent Reporting Accountant's Report on the special purpose carve-out historical financial information that comprises of the Sale Assets and Assumed Liabilities within PEG Retail Holdings Proprietary Limited and the operations of its subsidiaries (together, the "**Target Entity**") for the year ended 30 September 2021 (the ''**Special Purpose Carve-Out Historical Financial Information**") for inclusion in **Annexure 1** on pages 20 to 40 of the circular to be dated on or about 4 May 2022 (''**Circular**") by the directors. This report is required for the purposes of complying with Section 8.48(a) of the JSE Limited ("**JSE**") Listings Requirements and is given for the purpose of complying with those requirements and for no other purpose. We are the Independent Reporting Accountant and the Independent Auditor of the Target Entity.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the JSE Listings Requirements and consenting to its inclusion in the Circular.

Independent Reporting Accountant's Report on the Special Purpose Carve-Out Historical Financial Information

Opinion

We have audited the Special Purpose Carve-Out Historical Financial Information, which comprises of the statement of financial position as at 30 September 2021 and the statement of profit or loss and other comprehensive income for the year then ended, including a summary of significant accounting policies and the notes thereto as presented in **Annexure 1** on pages 22 to 40 of the Circular.

In our opinion, the Special Purpose Carve-Out Historical Financial Information, as presented in **Annexure 1** on pages 20 to 40 of the Circular, is prepared, in all material respects, in accordance with the basis of preparation paragraphs as set out in **Annexure 1** on page 23 of the Special Purpose Carve-Out Historical Financial Information and the JSE Listings Requirements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Special Purpose Carve-Out Historical Financial Information* section of our report. We are independent of the Target Entity in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of Special Purpose Carve-Out Historical Financial Information in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on use

We draw attention to the basis of preparation paragraph included in **Annexure 1** on pages 20 to 40 of the Special Purpose Carve-Out Historical Financial Information, which describes the basis of preparation and presentation of the Special Purpose Carve-Out Historical Financial Information, including the approach to and the purpose for preparing the financial information. The Target Entity has, for the periods presented, been under the control of PEG Retail Holdings Proprietary Limited. Consequently, this Special Purpose Carve-Out Historical Financial Information may not necessarily be indicative of the financial performance that would have been achieved, had the Target Entity operated independently, nor may it be indicative of the results of operations for any future period.

The Special Purpose Carve-Out Historical Financial Information has been prepared solely for the purpose of fulfilling management's financial reporting responsibilities in order to comply with the respective JSE Listings Requirements. As a result, the Special Purpose Carve-Out Historical Financial Information may not be suitable or relied on for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information contained in this Circular. The other information comprises the information included in the document titled "Kaap Agri Limited Circular to Shareholders". The other information does not include the Special Purpose Carve-Out Historical Financial Information and our report thereon.

Our opinion on the Special Purpose Carve-Out Historical Financial Information does not cover the other information contained in this Circular and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Special Purpose Carve-Out Historical Financial Information, our responsibility is to read the other information contained in this Circular and, in doing so, consider whether the other information is materially Inconsistent with the Special Purpose Carve-Out Historical Financial Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Special Purpose Carve-Out Historical Financial Information

The directors are responsible for the compilation, contents and preparation of the Circular in accordance with the JSE Listings Requirements. The directors are also responsible for the preparation of the Special Purpose Carve-Out Historical Financial Information, in accordance with the JSE Listings Requirements, as set out in the basis of preparation paragraph included in **Annexure 1** on page 23 to the Circular, and for determining that the basis of preparation is acceptable in the circumstances. The directors are also responsible for such internal control as management determines is necessary to enable the preparation and presentation of the Special Purpose Carve-Out Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Those charged with governance at PEG Retail Holdings Proprietary Limited are responsible for overseeing the process to compile the Special Purpose Carve-Out Historical Financial Information.

Reporting Accountant's Responsibilities for the Special Purpose Carveout Historical Financial information

Our objectives are to obtain reasonable assurance about whether the Special Purpose Carved-Out Historical Financial Information is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Special Purpose Carve-Out Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Special Purpose Carve-Out Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting, estimates and related disclosures made by the directors.
- Evaluate the overall presentation, structure and content of the Special Purpose Carve-Out Historical Financial information, including the disclosures, and whether the Special Purpose Carve-Out Historical Financial Information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: W van Niekerk CA (SA)
Registered Auditor

Pretoria
28 April 2022

INDEPENDENT REPORTING ACCOUNTANT'S REVIEW REPORT ON THE SPECIAL PURPOSE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE TARGET ENTITY FOR THE YEARS ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2020

The Directors of PEG Retail Holdings Proprietary Limited

At your request, we present our Independent Reporting Accountant's Review Report on the special purpose carve-out historical financial information that comprises of the Sale Assets and Assumed Liabilities within PEG Retail Holdings Proprietary Limited and the operations of its subsidiaries (together, the "**Target Entity**") for the years ended 30 September 2019 and 30 September 2020 (the **''Special Purpose Carve-Out Historical Financial Information**") for inclusion in **Annexure 1** on pages 20 to 40 of the circular to be dated on or about 4 May 2022 (''**Circular**") by the directors. This report is required for the purposes of complying with Section 8.48(a) of the JSE Limited ("**JSE**") Listings Requirements and is given for the purpose of complying with those requirements and for no other purpose. We are the Independent Reporting Accountant and the Independent Auditor of the Target Entity.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the JSE Listings Requirements and consenting to its inclusion in the Circular.

Independent Reporting Accountant's Review Report on the Special Purpose Carve-Out Historical Financial Information

We have reviewed the Special Purpose Carve-Out Historical Financial Information, which comprises of the statements of financial position as at 30 September 2019 and 30 September 2020 and the statements of profit or loss and other comprehensive income for the years then ended, including a summary of significant accounting policies and the notes thereto as presented in **Annexure 1** on pages 20 to 40 of the Circular.

The Special Purpose Carve-Out Historical Financial Information has been prepared solely for the purpose of fulfilling management's financial reporting responsibilities in order to comply with the respective JSE Listings Requirements. As a result, the Special Purpose Carve-out Historical Financial Information may not be suitable or relied on for any other purpose.

Responsibilities of the directors for the Special Purpose Carve-Out Historical Financial Information

The directors are responsible for the compilation, contents and preparation of the Circular in accordance with the JSE Listings Requirements. The directors are also responsible for the preparation of the Special Purpose Carve-Out Historical Financial Information, in accordance with the JSE Listings Requirements, as set out in the basis of preparation paragraph included in **Annexure 1** on page 23 to the Circular, and for determining that the basis of preparation is acceptable in the circumstances. The directors are also responsible for such internal control as management determines is necessary to enable the preparation and presentation of the Special Purpose Carve-Out Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Those charged with governance at PEG Retail Holdings Proprietary Limited are responsible for overseeing the process to compile the Special Purpose Carve-Out Historical Financial Information.

Reporting Accountant's Responsibilities for the Special Purpose Carveout Historical Financial information

Our responsibility is to express a review conclusion on the Special Purpose Carve-Out Historical Financial Information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Special Purpose Carve-Out Historical Financial Information, taken as a whole, is not prepared in all material respects in accordance with the basis of preparation. This Standard also requires us to comply with relevant ethical requirements.

A review of the Special Purpose Carve-Out Historical Financial Information in accordance with ISRE 2410 is a limited assurance engagement in terms of which we perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Special Purpose Carve-Out Historical Financial Information**.**

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the Special Purpose Carve-Out Historical Financial Information, as set out in **Annexure 1** on pages 20 to 40 to the Circular is not prepared, in all material respects, in accordance with the basis of preparation paragraphs included in **Annexure 1** on page 23 to the Circular and the JSE Listings Requirements.

Emphasis of Matter – Basis of Accounting, and Restriction on Use

We draw attention to the basis of preparation paragraphs to the Special Purpose Carve-Out Historical Financial Information which describes the basis of preparation and presentation of the Special Purpose Carve-Out Historical Financial Information, including the approach to and the purpose for preparing the financial Information. Consequently, the Special Purpose Carve-Out Historical Financial Information may not necessarily be indicative of the financial performance that would have been achieved if the four divisions had operated as an independent group, nor may it be indicative of the results of operations of the four divisions for any future period.

The Special Purpose Carve-Out Historical Financial Information has been prepared solely for the purpose of fulfilling management's financial reporting responsibilities in order to comply with the respective JSE Listings Requirements. As a result, the Special Purpose Carve-Out Historical Financial Information may not be suitable or relied on for another purpose. Our conclusion is not modified in respect of this matter.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: W van Niekerk CA(SA)
Registered Auditor

Pretoria
28 April 2022

PRO FORMA FINANCIAL INFORMATION OF KAAP AGRI LIMITED

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this Annexure 3.

The *pro forma* financial information of KAL as at 30 September 2021 is set out below. The *pro forma* consolidated statement of financial position as at 30 September 2021, the *pro forma* consolidated income statement of KAL for the year ended 30 September 2021, the *pro forma* financial effects and notes thereto ("collectively referred to as "the *pro forma* financial information") have been prepared for illustrative purposes only to show the *pro forma* financial information after the implementation of the Acquisition and the Sale and Leaseback. Due to the nature of the *pro forma* financial information, the *pro forma* consolidated statement of financial position and the *pro forma* consolidated income statement may not fairly present KAL's financial position, changes in equity, results of operations or cash flows after the implementation of the Acquisition and Sale and Leaseback.

The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of KAL, IFRS and the basis on which the historical financial information has been prepared. The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the SAICA Guide on *pro forma* financial information. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated income statement as set out below should be read in conjunction with the report of the Independent Reporting Accountants which is included as **Annexure 4** to this Circular.

The Directors are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial information that the Acquisition and Sale and Leaseback took place with effect from 1 October 2020 for purposes of the *pro forma* consolidated income statement and on 30 September 2021 for purposes of the *pro forma* consolidated statement of financial position.

PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2021

	KAL year ended 30 September 2021 Audited R'000 Column 1	Sale and Leaseback *Pro-forma* R'000 Column 2	PEG carved-out special purpose financial information Audited R'000 Column 3	Accounting for the Acquisition *Pro-forma* R'000 Column 4	Transaction costs *Pro-forma* R'000 Column 5	*Pro-forma after the Acquisition and Sale and Leaseback* R'000 Column 6
Revenue	10,582,588	–	5,745,539	–	–	16,328,127
Cost of sales	(9,006,338)	–	(4,864,233)	–	–	(13,870,571)
Gross profit	1,576,250	–	881,306	–	–	2,457,556
Other operating income	145,211	–	23,051	–	–	168,262
Movement on expected credit loss allowance	(3,829)	–	–	–	–	(3,829)
Selling and distribution costs	(114,427)	–	(10,676)	–	–	(125,103)
Administrative expenses	(741,546)	–	(365,453)	–	(8,300)	(1,115,299)
Other operating expenses	(304,793)	(28,950)	(268,702)	–	–	(602,445)
Operating profit	556,866	(28,950)	259,526	–	(8,300)	779,142
Finance costs	(99,048)	(2,576)	(7,568)	(65,951)	–	(175,142)
Share in profit/(loss) of joint venture	2,381	–	–	–	–	2,381
Profit before tax	460,199	(31,526)	251,958	(65,951)	(8,300)	606,381
Income tax	(127,923)	8,827	(70,628)	18,466	–	(171,258)
Profit after tax	332,276	(22,699)	181,330	(47,485)	(8,300)	435,123
Profit attributable to shareholders of the holding company	321,099	(14,173)	86,691	(29,650)	(5,183)	358,784
Non-controlling interest	11,177	(8,525)	94,639	(17,834)	(3,117)	76,339
Net profit	332,276	–	–	–	–	435,123
Attributable to shareholders of the holding Company	321,099	–	–	–	–	358,784
Non-controlling interest	11,177	–	–	–	–	76,339
Net profit on disposal of assets	(1,470)	–	–	–	–	(1,470)
Headline earnings	330,806	–	–	–	–	433,653
Attributable to shareholders of the holding Company	319,722	–	–	–	–	357,407
Non-controlling interest	11,084	–	–	–	–	76,246
Non-recurring items	16,402	–	–	–	8,300	24,702
Non-recurring expenses	7,464	–	–	–	8,300	15,764
Revaluation of Put Options	8,938	–	–	–	–	8,938
Recurring headline earnings	347,208	–	–	–	–	458,355
Attributable to shareholders of the holding Company	335,630	–	–	–	–	378,498
Non-controlling interest	11,578	–	–	–	–	79,857
Per share performance						
Issued number of ordinary shares ('000)	70,281	–	–	–	–	70,281
Weighted number of ordinary shares ('000)	70,281	–	–	–	–	70,281
Weighted number of ordinary shares for diluted earnings ('000)	71,072	–	–	–	–	71,072
Earnings per ordinary share (cents)						
– basic earnings basis	456.88	–	–	–	–	510.50
– diluted earnings basis	451.79	–	–	–	–	504.82
– headline basis	454.92	–	–	–	–	508.54
– diluted headline basis	449.86	–	–	–	–	502.88
– recurring headline basis	477.55					538.55

NOTES:

Column 1

Extracted without modification from the audited consolidated financial statements of KAL for the year ended 30 September 2021

Column 2

This column represents the recurring interest and depreciation expense pertaining to the IFRS 16 Sale and Leaseback transaction (12-year lease period), as explained in the pro forma statement of financial position. The proceeds from this transaction results in an interest saving, which is also reflected. The Sale and Leaseback transaction is included in the pro forma accounts as it was concluded after 30 September 2021 and the proceeds of the Sale and Leaseback will partly fund the Acquisition.

	R ' 000
Net interest effect	*(2,576)*
Interest received on the net cash consideration received in respect of the Sale and Leaseback	*23,900*
IFRS 16 Interest expense to be recognised	*(26,476)*
IFRS 16 depreciation to be recognised	*(28,950)*
	(31,526)
Tax impact on the income statement effect of IFRS 16 at 28%	*8,827*
Interest received on the cash consideration received in respect of the Sale and Leaseback	
Net cash received from the Sale and Leaseback	*464,082*
*Interest saving on the proceeds received**	*23,900*

* *The interest saving is calculated using the actual rate applicable to the short-term borrowings as disclosed in the audited Kaap Agri Limited Group financial statements for the year ended 30 September 2021.*

Column 3

Column 3 is extracted from the audited carved-out special purpose financial statements of PEG Retail Holdings for the year ended 30 September 2021 included in ***Annexure 1****. The carved-out special purpose financial statements of PEG Retail Holdings have been prepared in terms of IFRS and in accordance with KAL's elected accounting policies, which have been audited in compliance with ISA 800 by SNG GT. The carved-out special purpose financial statements of PEG Retail Holdings for the year ended 30 September 2021 are designed to reflect the carved-out PEG Retail Holding financial information of the Target Business comprising of the sale assets and assumed liabilities within PEG Retail Holdings, and the operations of its subsidiaries.*

Column 4

Column 4 relates to the effect on interest expense as a result of the term debt facility of R725 million from ABSA. The interest rate on the facility is the 3-month JIBAR plus 2.2% and final repayment date is 4 years from the date upon which all initial conditions precedent are fulfilled to the satisfaction of the lender. There is also an increase in the utilisation of the short-term borrowings to fund the Acquisition.

Reconciliation for the full interest effect for the period ended 30 September 2021:

	R'000 *Borrowings increase*	*Interest rate %*
Interest expense on the term debt facility obtained from ABSA	*(47,125)*	*6.50%*
Interest expense on the increase in the utilisation of the short-term borrowings	*(18,826)*	*5.15%*
	(65,951)	
Tax impact on the income statement effect of the interest expense#	*18,466*	

\# *The tax impact is calculated at 28% based on the tax deductibility of the interest expense*

Column 5

Column 5 refers to the transaction costs incurred relating to this transaction as disclosed in Paragraph 10 of this circular.

Column 6

Column 6 reflects the pro forma Kaap Agri Limited Group consolidated income statement for the year ended 30 September 2021 post the Sale and Leaseback and the Acquisition.

The transaction cost has a once-off effect on the consolidated income statement, and the rest of the adjustment will have a continuing effect.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	KAL as at 30 September 2021 *Audited* Column 1 R'000		Sale and Leaseback Column 2 R'000	PEG carved-out special purpose financial information Audited 30/09/2021 Column 3 R'000		Accounting for the Acquisition Column 4 R'000	Transaction cost Column 5 R'000	*Pro forma* after the Acquisition and Sale and Leaseback Column 6 R'000
ASSETS								
Non-current assets								
Property, Plant and Equipment	1,545,524	*a*	(420,978)	46,714		–	–	1,171,260
Right-of-use assets	253,804	*b*	347,555	1,452		–	–	602,811
Intangible assets	517,764	*a*	(81,907)	202,337	*c*	1,071,214	–	1,709,408
Investment in joint venture	33,923		–	–		–	–	33,923
Investment in subsidiary	–		–	–		–	–	–
Financial assets at fair value through other comprehensive income	5,580		–	–		–	–	5,580
Trade and other receivables	52,153		–	–		–	–	52,153
Loans	26,732	*a*	(10,000)	–		–	–	16,732
Deferred taxation	7,181	*b*	18,730	4,339		–	–	30,250
	2,442,661		(146,600)	254,842		1,071,214	–	3,622,117
Current assets								
Inventory	1,221,339		–	74,289		–	–	1,295,628
Trade and other receivables	2,053,669		–	5,738		–	–	2,059,407
Derivative financial instruments	35,983		–			–	–	35,983
Short-term portion of loans	7,238		–	7,291		–	–	14,529
Income tax	–		–	1,214		–	–	1,214
Cash and cash equivalents	51,534		–	259,990		–	–	311,524
	3,369,763		–	348,522		–	–	3,718,285
Total assets	5,812,424		(146,600)	603,364		1,071,214	–	7,340,402
EQUITY AND LIABILITIES								
Capital and reserves								
Stated capital	446,571		–	–		–	–	446,571
Other reserves	12,552		–	–		–	–	12,552
Net investment in entity				172,202	*f*	(172,202)	–	–
Retained profit	1,829,321	*a*	22,703	–	*f*	(11,905)	(8,300)	1,831,819
Equity attributable to shareholders of the holding company	2,288,444		22,703	172,202		(184,107)	(8,300)	2,290,942
Non-controlling interest	109,722	*a*	(40,760)	18,914	*f*	160,095	–	247,971
Total equity	2,398,166		(18,057)	191,116		(24,012)	(8,300)	2,538,913
Non-current liabilities								
Deferred taxation	108,683	*a*	(81,907)	–		–	–	26,776
Financial liability at fair value through profit or loss	76,100		–	–	*f*	(76,100)	–	–
Lease liabilities	232,208	*b*	414,446	579		–	–	647,233
Instalment sale agreements	62,914		–	–		–	–	62,914
Employee benefit obligations	14,875		–	–		–	–	14,875
Contingent liability at fair value	–		–	–	*c*	80,778	–	80,778
Borrowings	325,000		–	34,000	*c*	725,000	–	1,084,000
	819,780		332,539	34,579		729,678	–	1,916,576

	KAL as at 30 September 2021 *Audited*		Sale and Leaseback	PEG carved-out special purpose financial information Audited 30/09/2021		Accounting for the Acquisition	Transaction cost	*Pro forma* after the Acquisition and Sale and Leaseback
	Column 1		**Column 2**	**Column 3**		**Column 4**	**Column 5**	**Column 6**
	R'000		**R'000**	**R'000**		**R'000**	**R'000**	**R'000**
Current liabilities								
Trade and other payables	1,656,660		–	338,532		–	8,300	2,003,492
Intergroup loan						–	–	–
Financial liability at amortised cost	23,651		–	–		–	–	23,651
Short-term portion of instalment sale agreements	29,166		–	–		–	–	29,166
Short-term portion of Employee benefit obligations	2,169		–	–		–	–	2,169
Short-term portion of lease liabilities	23,827		–	1,266		–	–	25,093
Short-term borrowings	842,096	*a*	(461,082)	26,178	*e*	365,547	–	772,739
Income tax	16,909		–	11,694		–	–	28,603
	2,594,478		(461,082)	377,670		365,547	8,300	2,884,913
Total liabilities	3,414,258		(128,543)	412,249		1,095,225	8,300	4,801,489
Total equity and liabilities	5,812,424		(146,600)	603,364		1,071,214	–	7,340,402
Issued number of ordinary shares ('000)	70,281		–	–	–		–	70,281
Net asset value per share (Rand)	32.56		–	–	–		–	32.60
Net tangible asset value per share (Rand)	25.19		–	–	–		–	8.27

NOTES:

Column 1

Extracted without modification from the audited consolidated financial statements of KAL for the year ended 30 September 2021

Column 2

Column 2 reflects the removal of TFC Properties as a result of the Sale and Leaseback.

a *These adjustments relate to the sale of the shares held by Kaap Agri Group in TFC Properties (Pty) Ltd to an external party according to the sales agreement. This transaction results in the removal of all the assets, liabilities and non-controlling interest of TFC Properties (Pty) Ltd that was included in the Kaap Agri Limited Group financial statements for the year ended 30 September 2021. The proceeds received in cash decreases the overdraft borrowings and the profit with the Sale and Leaseback is also recognised in the income statement in retained earnings.*

The adjustment of R10,0 million in short term borrowings is an agreed partial repayment of a loan by one of the shareholders of TFC Properties (Pty) Ltd. This will be funded through the portion of the proceeds received by this shareholder for the sale transaction.

		R'000
Reconciliation of the sale transaction:		
Proceeds for the sale of the shares of TFC Properties (Pty) Ltd		*456,520*
– derecognise the Property, Plant and Equipment		*(420,978)*
– derecognise the Goodwill		*(81,907)*
– derecognise the Non-controlling interest		*40,760*
– derecognise the deferred tax liability		*81,907*
Total profit Sale and Leaseback		*76,302*
– Recognised against the right-of-use asset	***b***	*66,891*
– Recognised in retained earnings		*9,411*
Effect in retained earnings:		
Profit accounted for in retained earnings		*9,411*
Capital gains tax paid in respect of the Sale and Leaseback		*(5,438)*
Deferred tax on temporary differences as result of the Sale and Leaseback	***b***	*18,730*
		22,703
Effect in short term borrowings:		
Proceeds from the Sale and Leaseback		*(456,520)*
Capital gains tax paid in respect of the Sale and Leaseback		*5,438*
Repayment of a loan by one of the shareholders of TFC Properties (Pty) Ltd		*(10,000)*
Net cash received from the Sale and Leaseback		*(461,082)*

b *These adjustments refer to the IFRS 16 impact of the Sale and leaseback transaction relating to the sale of the entity TFC Properties (Pty) Ltd. TFC Operations (Pty) Ltd will lease back all the properties from the purchaser of the entity TFC Properties (Pty) Ltd, thus a right-of-use asset, deferred tax asset and lease liability will be recognised. As a result of the nature of this transaction, being a Sale and leaseback in terms of IFRS 16, a portion of the profit on the sale of TFC Properties (Pty) Ltd is effectively recognised against the right-of-use asset.*

Rational for the determination of amounts reflected in the pro-formas:

- *The lease liability of R414,4 million is calculated using the proposed lease payments, discounted at the incremental borrowing rate of 6.85% for a period of 12 years.*
- *The seller-lessee initially recognises a right-of-use asset as the proportion of the previous carrying amount that reflects the right of use retained. The proportion is, calculated by dividing the present value of the lease payments, by the fair value of the asset. This results in a right-of-use asset of R347,5 million. The ROU asset is depreciated over the lease term.*
- *the difference between the lease liability and right-of-use asset is recognised as a day-one profit/loss with the Sale and leaseback transaction.*
- *a deferred tax asset is also recognised on day one as 28% of the temporary difference (difference between the lease liability and the right-of-use asset) with recognition. The deferred tax asset recognised is R18,7 million.*

	R'000
Lease liability recognised	*414,446*
Profit in respect of the Sale and Leaseback	*(66,891)*
Right-of-use asset recognised	*347,555*
Deferred tax asset on temporary difference	*18,730*

Column 3

Column 3 is extracted from the audited carved-out special purpose financial statements of PEG Retail Holdings for the year ended 30 September 2021 included in ***Annexure 1****. The carved-out special purpose financial statements had been prepared in terms of IFRS and in accordance with KAL's elected accounting policies, which have been audited in compliance with ISA 800 by SNG GT. The carved-out special purpose financial statements of PEG Retail Holdings for the year ended 30 September 2021 are designed to reflect the carved-out PEG Retail Holding financial information of the Target Entity comprising of the sale assets and assumed liabilities within PEG Retail Holdings, and the operations of its subsidiaries*

Column 4

Column 4 reflects the pro forma adjustments relating to the provisional PEG purchase price allocation done in terms of IFRS 3 recognising the intangible assets forming part of the Acquisition. There is also a deferred payment which is a retention amount, which will only be payable subject to certain milestones being achieved and verified. This is deemed to be highly probable and is recognised as a long term payable at fair value. The bulk of the funding is obtained from ABSA bank and is reflected in long term borrowings, this is in line with the ABSA funding agreement. The non-controlling interest is also adjusted to reflect the acquisition of the PEG Group as well as the change in ownership for the owners of TFC.

			R'000 30 September 2021
c	*Provisional purchase, price allocation:*		
	Property, plant and equipment		*46,713*
	Intangible assets		*202,337*
	Deferred taxation		*4,339*
	Right of use assets		*1,452*
	Inventory		*74,290*
	Trade and other receivables		*5,738*
	Cash and cash equivalents		*259,990*
	Short term loan		*7,291*
	Income tax		*1,214*
	Borrowings		*(34,000)*
	Trade and other payables		*(338,532)*
	Lease liabilities		*(1,845)*
	Loans		*(145,615)*
	Short-term borrowings		*(26,178)*
	Income tax		*(11,694)*
	Non-controlling interest		*(18,914)*
	*Intangible assets**		*1,071,214*
	Purchase consideration		*1,097,800*
	*– financed through ABSA term funding***		*725,000*
	– paid in cash	***e***	*219,932*
	– paid through equity (issue of TFC Ops shares)		*72,090*
	– contingent consideration payment		*80,778*

* *The intangible assets recognised are subject to change as the PPA is provisional, as allowed by IFRS 3. It is expected that the only intangibles that will be identified is goodwill and potentially retail licenses taken over with an indefinite useful life. Refer to section 2.4.6 in the circular for the issuer's accounting policy of goodwill.*

** *This relates to the term debt facility obtained from ABSA to fund the bulk of the Acquisition. This is based on a variable interest rate linked to 3-month JIBAR.*

d *This adjustment relates to the loans that originated as part of the steps in this transaction for the B-BBEE minority shareholders. These loans are either repaid or converted to shares in TFC Operations (Pty) Ltd.*

	R'000
Reconciliation of the loans:	
Loan: Bourbon Investments""	*61,394*
Loan: Red Navona**	*30,697*
Loan: Street Spirit@	*125,615*
	217,706

"" *The full value of the Loan to Bourbon Investments is converted to shares in TFC Operations (Pty) Ltd*

** *R20 million of the loan to Red Navona is paid out in cash and the balance of the loan is converted to shares in TFC Operations (Pty) Ltd*

@ *The full value of the Street Spirit loan is paid out in cash.*

			R'000
e	*Reconciliation of the effects in short term borrowings:*		
	Cash paid out to Street Spirit	**d**	*125,615*
	Cash paid out to Red Navona	**d**	*20,000*
	Portion of purchase consideration paid in cash	**c**	*219,932*
			365,547

			Retained earnings R'000	Non-controlling interest R'000
f	*Reconciliation of the effects in retained earnings and non-controlling interest:*			
	Financial liability through profit/loss expires through equity#		*76,100*	–
	Change in ownership (NCI at fair value)		*(18,112)*	*18,112*
	Profit for the year – new TFC Group (including PEG)		*(69,893)*	*69,893*
	Non-controlling interest on acquisition date	**d**	–	*72,091*
			(11,905)	*160,095*

Financial liability through profit/loss expires through equity as part of this transaction.

Column 5

Column 5 refers to the transaction costs incurred relating to this transaction as disclosed in Paragraph 10 of this circular

Column 6

Column 6 reflects the Pro forma Kaap Agri Limited Group consolidated statement of financial position as at 30 September 2021 post the Sale and Leaseback and the Acquisition.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF KAAP AGRI LIMITED

To the Directors of Kaap Agri Limited

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in a Circular

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Kaap Agri Limited (the "Company") by the directors. The *pro forma* financial information, as set out in **Annexure 3** of the circular to Kaap Agri Limited shareholders to be dated on or about 4 May 2022 ("the Circular"), consist of the *pro forma* consolidated statement of financial position as at 30 September 2021, the *pro forma* consolidated income statement for the year ended 30 September 2021, related notes and *pro forma* financial effects ("the *Pro Forma* Financial Information"). The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Limited (JSE) Listings Requirements and described in **Annexure 3** of the Circular.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the sale of TFC Properties (Pty) Ltd and the subsequent sale and leaseback and the acquisition by Kaap Agri of 100% of the issued ordinary shares in and loan claims against PEG Retail Holdings from Stoney Meadows and related loan accounts against a subsidiary of PEG Retail Holdings Proprietary Limited such that there will not be any outside vendor funding remaining. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 30 September 2021, on which an audit report has been published.

Directors' responsibility

The directors of the Company are responsible for compiling the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 3** of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 3** of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

The purpose of *pro forma* financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 3** of the Circular.

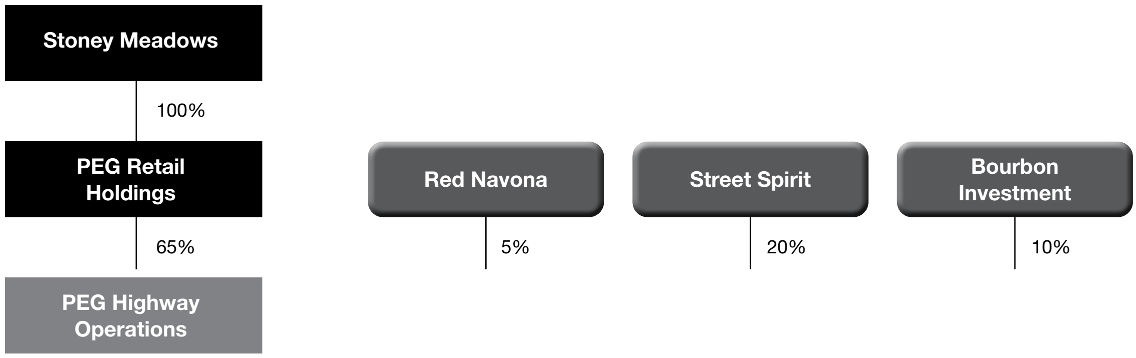
PricewaterhouseCoopers Inc.
Director: JA Hugo
Registered Auditor

Cape Town, South Africa
28 April 2022

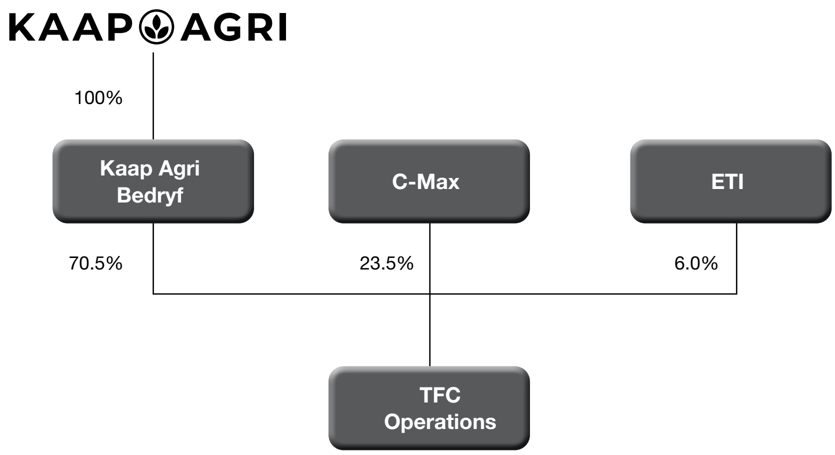
STRUCTURE DIAGRAMS

Current position as at date of the Circular

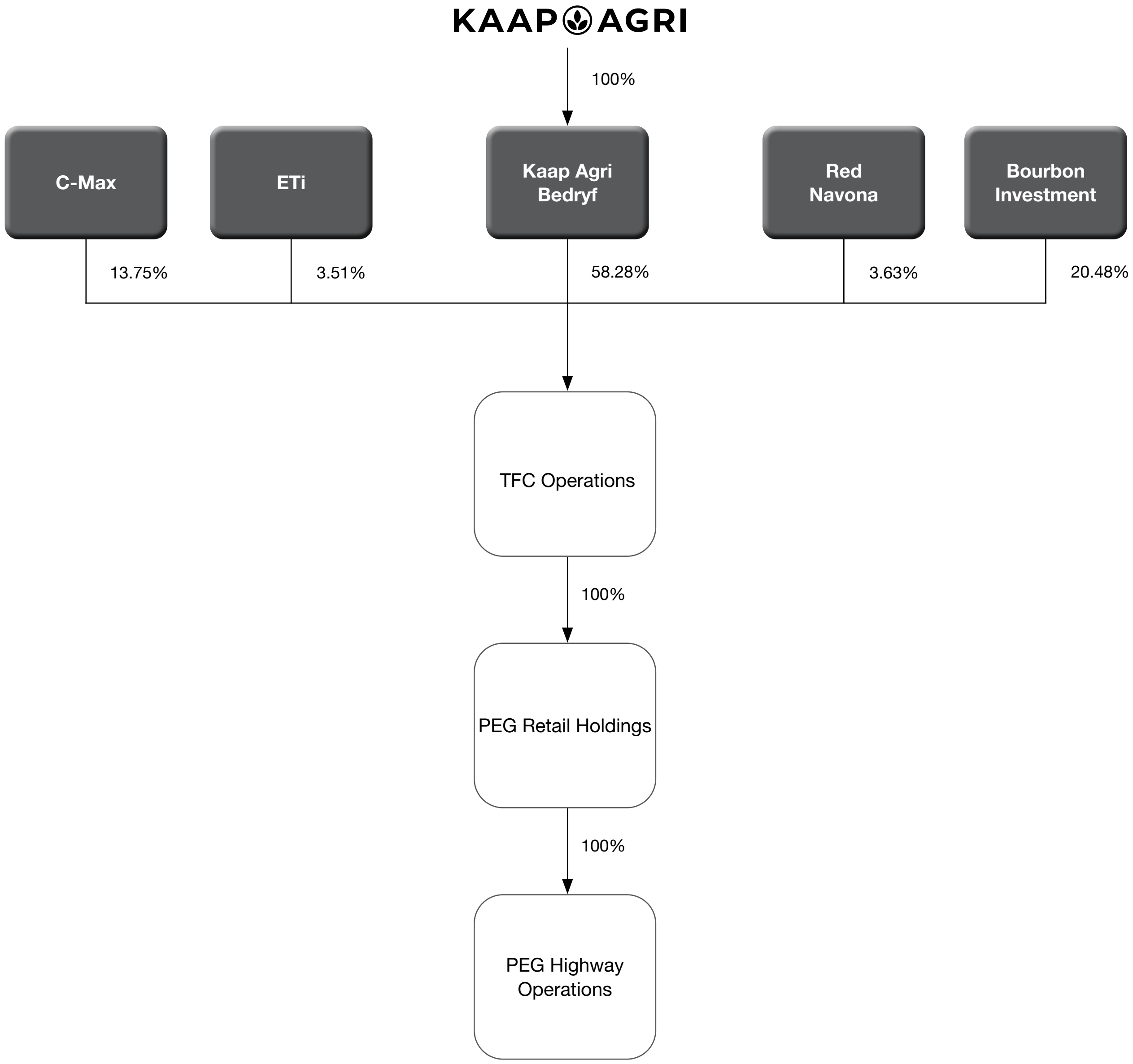
Current PEG Retail Holdings structure



Current TFC Operations structure



Structure following fulfilment of all Conditions Precedent and implementation of the Acquisition



KAAP AGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/113185/06)
(Share Code: KAL, ISIN ZAE000244711)
("**KAL**" or "**Company**")

NOTICE OF GENERAL MEETING

All terms defined in the Circular to which this Notice of General Meeting is attached, shall bear the same meanings where used in this Notice of General Meeting.

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders will be held and conducted entirely by electronic communication at 10h00 on Monday, 6 June 2022, to consider and, if deemed fit, to approve, with or without modification, the resolution set out in this Notice of General Meeting.

Notes:

- *For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*
- *The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 22 April 2022.*

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE ACQUISITION

"**RESOLVED AS AN ORDINARY RESOLUTION** that the Acquisition be and is hereby approved by Shareholders and that the Company be and is hereby authorised to implement and to procure the implementation of the Acquisition on the terms more fully set out in the Acquisition Agreement (the salient terms of which has been included in the Circular), subject to the fulfilment or, where applicable, waiver of the Conditions Precedent."

Reason for and effect of Ordinary Resolution Number 1

Should the Acquisition and the BEE Minority Agreements be implemented, they will, on an aggregated basis, exceed the threshold for a category 1 transaction in terms of the JSE Listings Requirements. In terms of the JSE Listings Requirements, a category 1 transaction and requires the approval of the Shareholders by way of an ordinary resolution.

The effect of Ordinary Resolution Number 1, if passed by Shareholders, will be that the Company will have the necessary authority in terms of the JSE Listings Requirements to implement, and procure the implementation of, the Acquisition in accordance with its terms.

RECORD DATES, VOTING AND PROXIES

1. The date on which Shareholders must be recorded in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 22 April 2022.

2. The date on which Shareholders must be recorded in the Register for purposes of being entitled to participate electronically and vote at the General Meeting, is Friday, 27 May 2022. The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 24 May 2022.

3. In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Transfer Secretaries, as follows:

   3.1 participants pre-registering to participate electronically in the General Meeting using the online registration method, by uploading the relevant documentation via the online registration portal; or

   3.2 participants pre-registering to participate electronically in the General Meeting by submitting the written application, by submitting the relevant documentation by e-mail.

4. The Transfer Secretaries must be reasonably satisfied that the right of that person to participate in, speak and vote at the General Meeting as a Shareholder, as proxy or as a representative of a Shareholder, has been reasonably verified. Accepted forms of identification include South African drivers' licenses, green barcoded identity documents or barcoded identification smart cards issued by the South African Department of Home Affairs, as well as passports.

5. A Shareholder entitled to participate electronically and vote at the General Meeting is entitled to appoint one or more proxies to participate, speak and vote in his/her stead. A proxy need not be a Shareholder of KAL. A Form of Proxy (*grey*), which sets out the relevant instructions for its completion, is attached to this Circular for use by Certificated Shareholders and Dematerialised Shareholders with Own-name Registration who wish to be represented at the General Meeting. Completion of the Form of Proxy (*grey*) will not preclude such Shareholder from participating electronically and voting (to the exclusion of that Shareholder's proxy) at the General Meeting.

6. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries, at the addresses given below, to be received by them preferably by no later than 10h00 on Thursday, 2 June 2022, for administrative purposes, provided that any Form of Proxy (*grey*) not delivered to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

7. Dematerialised Shareholders who are not Own-name Registered Dematerialised Shareholders who wish to participate electronically in the General Meeting, will need to request their CSDP or Broker to provide them with the necessary letter of representation in terms of their Custody Agreement entered into between such Shareholder and the CSDP or Broker.

8. Dematerialised Shareholders who are not Own-name Registered Dematerialised Shareholders who do not wish to participate electronically in the General Meeting but who wish to be represented at the General Meeting, must advise their CSDP or Broker of 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.

9. Shareholders participating electronically or represented by proxy or authorised representative shall on a poll have one vote in respect of each Share held.

ELECTRONIC PARTICIPATION IN THE GENERAL MEETING

10. In order to attend at the General Meeting and participate electronically (*only*) thereat, Shareholders must pre-register with the Transfer Secretaries by either:

    10.1 registering online using the online registration portal at https://meetnow.global/za, by no later than 10h00 on Thursday, 2 June 2022, for administrative purposes; or

    10.2 making a written application to so participate, by email to proxy@computershare.co.za, so as to be received by the Transfer Secretaries, for administrative purposes only, by no later than 10h00 on Thursday, 2 June 2022,

    in order for the Transfer Secretaries to arrange such participation for the Shareholder at the General Meeting and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after this date, provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act by uploading their relevant verification documentation via the online registration portal or submitting their relevant verification documentation by e-mail, as the case may be) and are registered at the commencement of the General Meeting.

11. Shareholders will thereafter be required to connect to the General Meeting through https://meetnow.global/za and following the relevant prompts. Shareholders are referred to the "Electronic Participation Meeting Guide" attached to this Notice of General Meeting for further instructions relating to the electronic participation.

12. The Transfer Secretaries will by no later than 17h00 on Friday, 3 June 2022 notify eligible Shareholders of the meeting link and invitation code through which eligible Shareholders can participate electronically in and/or vote at the General Meeting.

13. In-person registration of General Meeting participants will not be permitted.

14. Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of KAL and/or the Transfer Secretaries. None of KAL and/or the Transfer Secretaries and/or service providers can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth power outages and/or other extraneous causes which prevent any such Shareholder from participating in and/or voting at the General Meeting.

15. **Electronic voting at the General Meeting**

    15.1 Shareholders connecting to the General Meeting electronically will be able to participate electronically in the General Meeting. Voting will be conducted by poll and Shareholders will be able to cast their vote electronically at the General Meeting.

    15.2 Shareholders may raise questions at the General Meeting and are also encouraged to submit any questions to KAL's Company Secretary prior to the General Meeting, by no later than 10h00 on Thursday, 2 June 2022, at cosec@kalcorporateservices.co.za. These questions will be addressed at the General Meeting.

    15.3 All eligible Shareholders will be entitled to participate electronically in the General Meeting and to vote (or abstain from voting) on the resolution proposed at the General Meeting.

SIGNED AT PAARL ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY ON 4 MAY 2022

By order of the Board

____

SEAN WALSH
Chief Executive Officer

Registered address / Company Secretary
KAL Corporate Services (Pty) Ltd
(Registration Number 2020/841850/07)
1 Westhoven Street, Paarl, 7646
Suite 110, Private bag X3041, Paarl, 7620

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank,
Johannesburg, 2196
Private bag X9000, Saxonwold, 2132

KAAP AGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/113185/06)
(Share Code: KAL, ISIN ZAE000244711)
("**KAL**" or "**Company**")

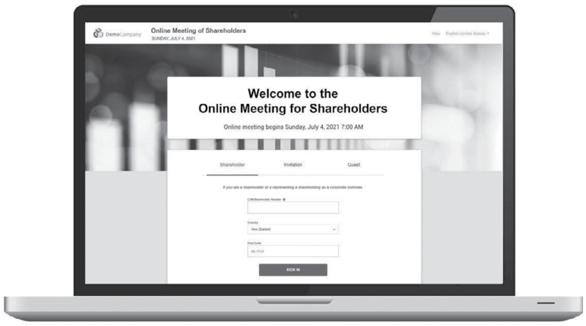
HOW TO PARTICIPATE IN VIRTUAL/HYBRID MEETINGS

Attending the meeting online

Our online meeting provides you the opportunity to participate online using your smartphone, tablet or computer.

If you choose to attend online you will be able to view a live webcast of the meeting, ask questions and submit your votes in real time.

You will need the latest version of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.



Visit https://meetnow.global/ZA

Access

Access the online meeting at https://meetnow.global/ZA, select the applicable meeting from the drop down option. Click 'JOIN MEETING NOW'.

If you are a shareholder:
Select 'Shareholder' on the login screen and enter the applicable information as per your invitation. Accept the Terms and Conditions and click Continue.

If you are a guest:
Select Guest on the login screen. As a guest, you will be prompted to complete all the relevant fields including title, first name, last name and email address.

Please note, guests will not be able to ask questions or vote at the meeting.

If you are a proxy holder:
You will receive an email invitation the day before the meeting to access the online meeting. Click on the link in the invitation to access the meeting.

Contact

If you have any issues accessing the website please email proxy@computershare.co.za.

Navigation

When successfully authenticated, the home screen will be displayed. You can watch the webcast, vote, ask questions, and view meeting materials in the documents folder. The image highlighted blue indicates the page you have active.

The webcast will appear and begin automatically once the meeting has started.

Voting

Resolutions will be put forward once voting is declared open by the Chair. Once the voting has opened, the resolution and voting options will appear.

To vote, simply select your voting direction from the options shown on screen. You can vote for all resolutions at once or by each resolution.

Your vote has been cast when the green tick appears. To change your vote, select 'Change Your Vote'.

Q&A

Any eligible shareholder/proxy attending the meeting remotely is eligible to ask a question.

Select the Q&A tab and type your question into the box at the bottom of the screen and press 'Send'.

KAAP AGRI

KAAP AGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/113185/06)
(Share Code: KAL, ISIN ZAE000244711)
("**KAL**" or "**Company**")

FORM OF PROXY

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION ONLY

For use by Shareholders at the General Meeting of the Company, to be held and conducted entirely by electronic communication at 10h00 on Monday, 6 June 2022 at, or any adjourned or postponed meeting.

The definitions and interpretation commencing on page 6 *of the Circular to which this Form of Proxy is attached ("**the Circular**") apply mutatis mutandis to this Form of Proxy.*

If you are a Dematerialised Shareholder without Own-Name Registration you must not complete this Form of Proxy but must instruct your CSDP or Broker as to how you wish to vote. This must be done in terms of the Custody Agreement between you and your CSDP or Broker.

I/We (Please PRINT names in full) ______________________________

of (address) ______________________________

____

Telephone number ____________________ Cellphone number ____________________

e-mail address ______________________________

being the holder(s) of ______________________________ Certificated Shares or

Dematerialised Shares with Own-Name Registration do hereby appoint (see notes 1 and 2):

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. THE CHAIRMAN OF THE GENERAL MEETING

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolution to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolution and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	For*	Against*	Abstain*
Ordinary Resolution Number 1 Approval of the Acquisition			

* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Shares held by them.

Signed at: ______________________________ on ______________________________ 2022

Signature ______________________________

Capacity of signatory (where applicable) ______________________________

Note: Authority of signatory to be attached – see notes 8 and 9.

Assisted by me (where applicable)

Full name ______________________________

Capacity ______________________________

Signature ______________________________

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate electronically in, and speak and vote at, a Shareholders' meeting on behalf of such shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Notes:

1. Each Shareholder is entitled to appoint 1 (or more) proxies (none of whom need be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of 2 alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided or "X" should they wish to vote all Shares held by them. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolution, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the meeting.
4. Completed Forms of Proxy must be received by the Company Secretary or the Transfer Secretaries, namely, Computershare Investor Services (Pty) Ltd, at any of the addresses below preferably, for administrative purposes, by not later than 10h00 on Thursday, 2 June 2022, provided that any Form of Proxy not submitted to the Company Secretary or the Transfer Secretaries by this time may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting:

   Company Secretary
   By e-mail: cosec@kalcorporateservices.co.za
   By hand: 1 Westhoven Street, Paarl, 7646
   By post: Suite 110, Private bag X3041, Paarl, 7620

   Transfer Secretaries
   By e-mail: proxy@computershare.co.za
   By hand: Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
   By post: Private bag X9000, Saxonwold, 2132

   (Note that postal delivery by the due date is at the risk of the Shareholder.)
5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The chairman of the General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the Company.
7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by the Company or the Transfer Secretaries.
9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by the Company or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. Where Shares are held jointly, all joint holders are required to sign this Form of Proxy.
11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company or the Transfer Secretaries.
12. Dematerialised Shareholders without Own-name Registration and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or Broker who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the Custody Agreement between the Shareholder and his/her CSDP or Broker.
13. This Form of Proxy shall be valid at any resumption of an adjourned meeting to which it relates although this Form of Proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This Form of Proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
15. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the General Meeting or any adjournment of the General Meeting.

Registered Office / Company Secretary
KAL Corporate Services (Pty) Ltd
(Registration Number 2020/841850/07)
1 Westhoven Street, Paarl, 7646
Suite 110, Private bag X3041, Paarl, 7620

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
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Rosebank Towers, 15 Biermann Avenue,
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