

CONTENTS

Geographical presence	02
VKB Group: Five-year overview.....	03
Financial highlights.....	04
Board of Directors.....	08
Chairperson's Report.....	10
Management overview for the financial year ending 31 March 2021.....	14
Report: VKB Landbou Group.....	20
Report: VKB Agri Processors Group.....	26
Corporate Governance Report.....	30
Social and Ethics Committee Report.....	36
Audit, Risk and Opportunity Management Committee Report.....	42
Directors' responsibilities and approval.....	44
Directors' Report.....	45
Consolidated statement of financial position.....	47
Consolidated statement of profit or loss and other comprehensive income.....	48
Consolidated statement of cash flow.....	48



VKB BELEGGINGS (PTY) LTD

REGISTRATION NUMBER:
2011/007000/07

REGISTERED ADDRESS
31 President CR Swart Street
REITZ
9810

POSTAL ADDRESS
PO Box 100
REITZ
9810

CONTACT NUMBER
Tel.: 087 358 8111

WEBSITE
www.vkb.co.za

BANKERS
Standard Bank
Absa Bank

AUDITORS
Enslins Bethlehem
Incorporated
PO Box 357
BETHLEHEM
9700

for the
LOVE
of the
LAND

GEOGRAPHICAL PRESENCE

Commercial branches	54
Trade depots	10
Distribution centres	3
Mechanisation branches	13
Grain facilities	23
Filling stations	8
Fuel retail outlets	39
Tyre outlets	2
Transmission	2
Packaging plants	2
Seed processing plants	2
Cold storage	1
Auction centre	1
Fertiliser mixing plant	1
Precision agronomic services	1
Insurance	13
Maize mills	4
Maize meal depots	15
Wheat mill	1
Bakeries	1
Bakery depots	3
Broiler abattoir	1
Animal feed factories	2
Soya bean crushing plant	1
VKB Foods	5



	2017 12 months R'm	2018 12 months R'm	2019 12 months R'm	2020 12 months R'm	2021 12 months R'm
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Sales	9 764	10 446	10 736	11 660	12 474
Operating profit	355	724	604	624	516
Results of associates	(1)	5	8	11	24
Finance cost	(241)	(205)	(231)	(284)	(213)
Investment income	9	10	24	6	8
Profit before incentive discount	123	534	406	356	334
Incentive discount	(215)	(260)	(250)	(210)	(248)
Profit before tax	(92)	274	156	146	86
Tax	47	(59)	(86)	(46)	(21)
Profit after tax	(46)	215	69	100	65
Incentive discount	215	260	250	210	248
Dividends declared Class 2 preference shares	-	40	30	20	25
Dividend rate Class 2 preference shares	0,00%	3,09%	2,12%	1,27%	1,50%
Dividend rate Class 4 preference shares				4,00%	4,00%
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Non-current assets	1 922	1 910	2 143	2 662	2 907
Current assets	4 372	4 587	4 770	5 436	5 822
Total assets	6 294	6 497	6 913	8 098	8 729
Share capital	1 665	1 829	1 911	2 019	2 139
Reserves	222	395	437	464	461
Minority interest	66	80	69	82	94
Total equity	1 953	2 304	2 417	2 566	2 694
Non-current liabilities	543	718	614	612	535
Current liabilities	3 798	3 475	3 883	4 920	5 500
Total equity and liabilities	6 294	6 497	6 913	8 098	8 729
PROFITABILITY AND PRODUCTIVITY					
Return on total assets	6%	11%	9%	8%	6%
Return on shareholders' equity	6%	23%	17%	14%	12%
Asset turnover ratio (number of times)	1,56	1,82	1,67	1,55	1,44
Operating profit as % of income	4%	7%	6%	5%	4%
SOLVENCY AND LIQUIDITY					
Own capital ratio	31%	35%	35%	32%	31%
Total assets to total liabilities	1,45	1,55	1,54	1,46	1,45
Interest cover (number of times)	1,51	3,60	2,76	2,25	2,57
Operating capital ratio	1,15	1,32	1,23	1,10	1,06
Acid test ratio	0,84	0,99	0,93	0,85	0,79

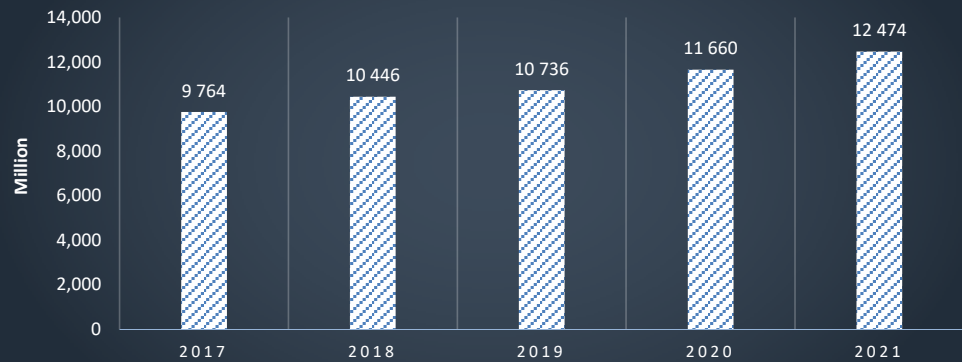
Note: Ratios were adjusted to 12 months, where applicable.



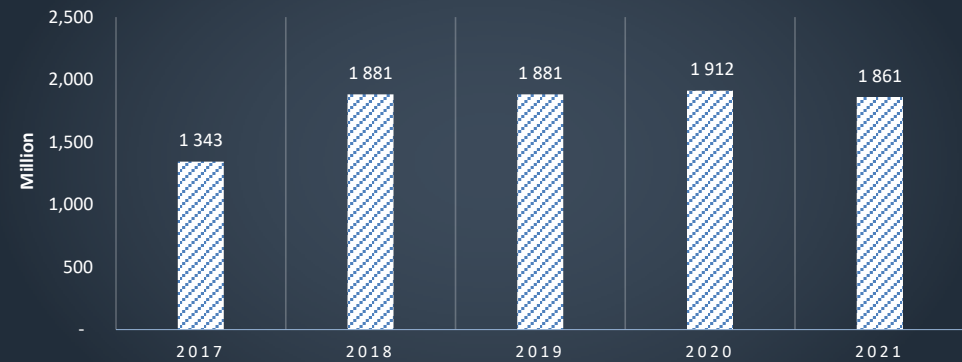
"To achieve such results despite all the abnormal circumstances is a testimonial to the solid foundations on which our business is built."

- Paul Carshagen -

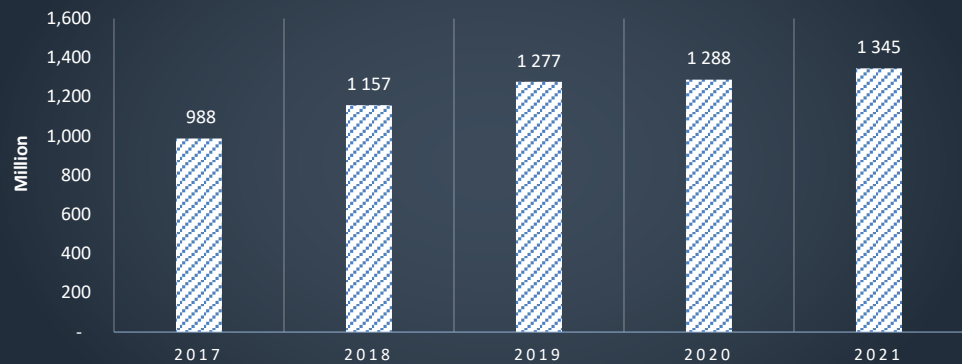
TURNOVER (R)



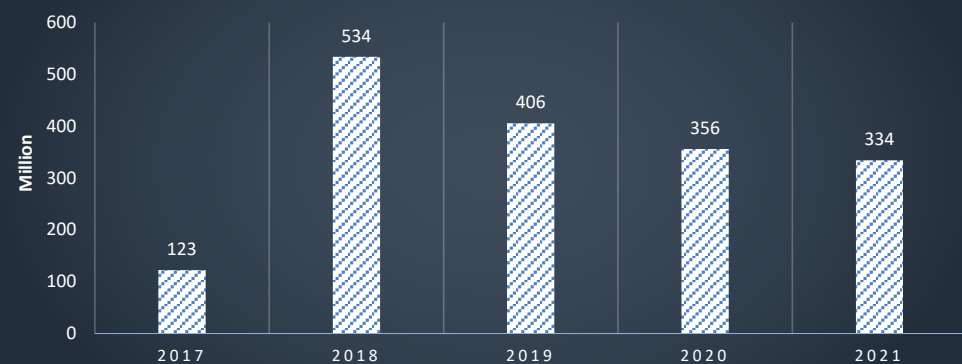
GROSS INCOME (R)



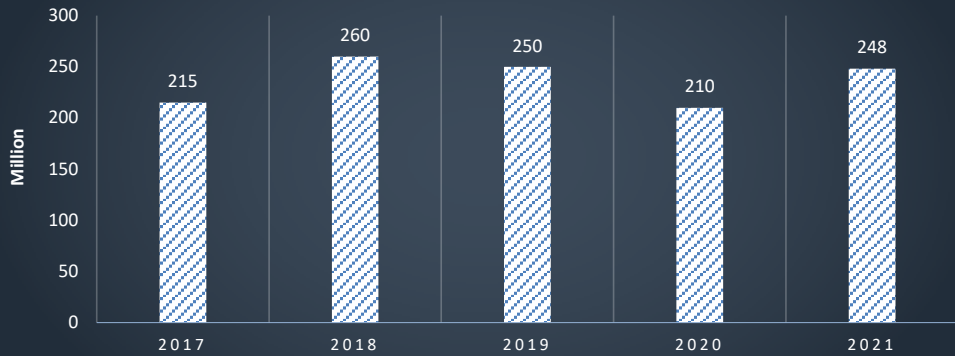
OPERATIONAL EXPENSES (R)



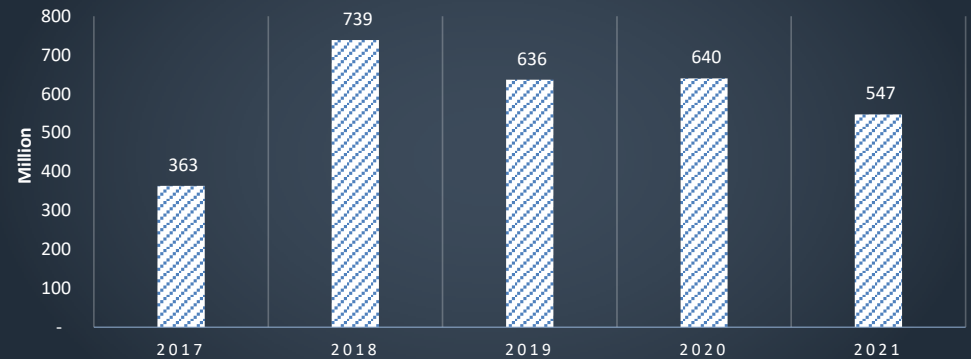
PROFIT BEFORE INCENTIVE DISCOUNT (R)



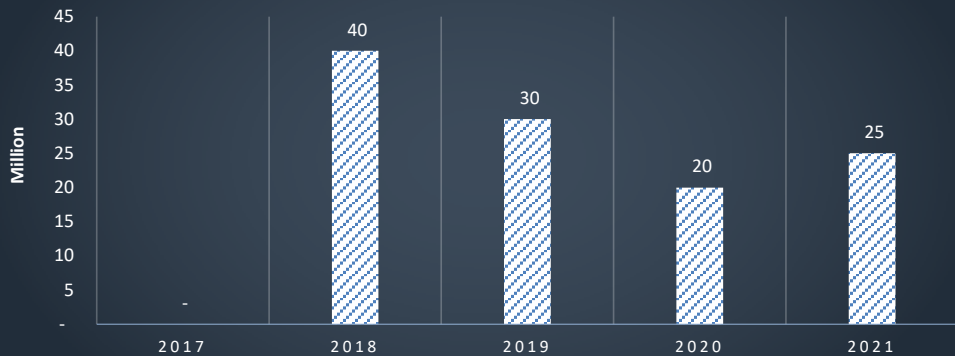
INCENTIVE DISCOUNT (R)



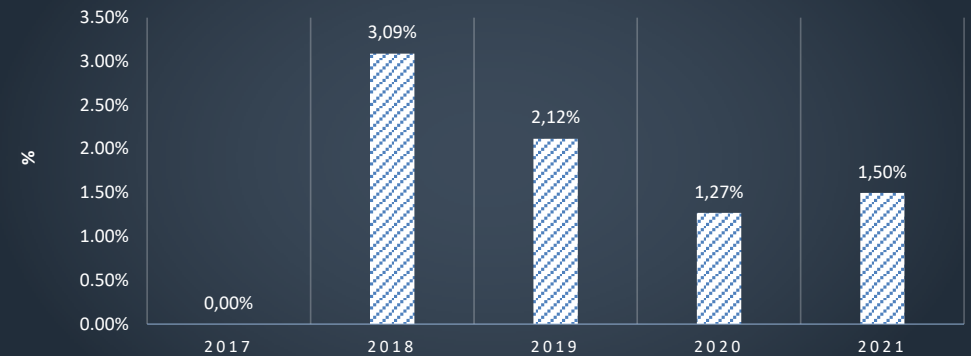
PROFIT BEFORE INTEREST, TAXATION AND INCENTIVE DISCOUNT (EBIT) (R)



DIVIDENDS DECLARED (R)



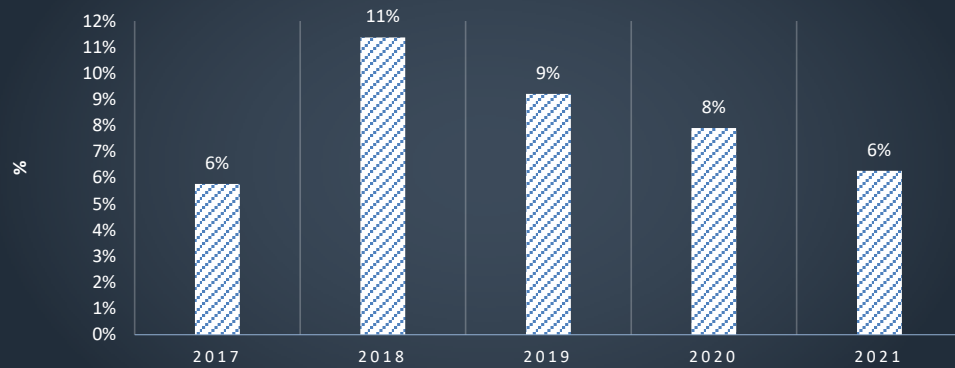
DIVIDEND RATE



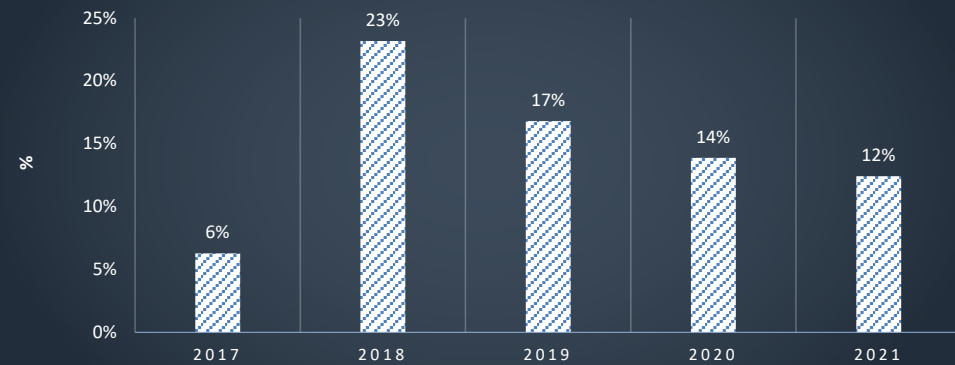
FINANCIAL HIGHLIGHTS

Continued

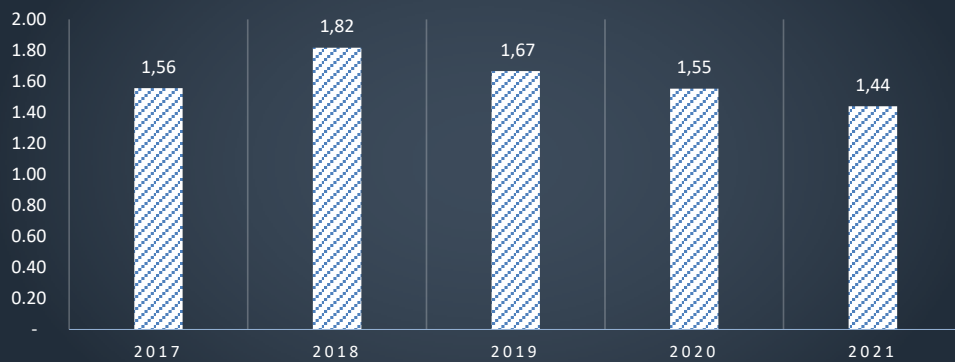
RETURN ON TOTAL ASSETS



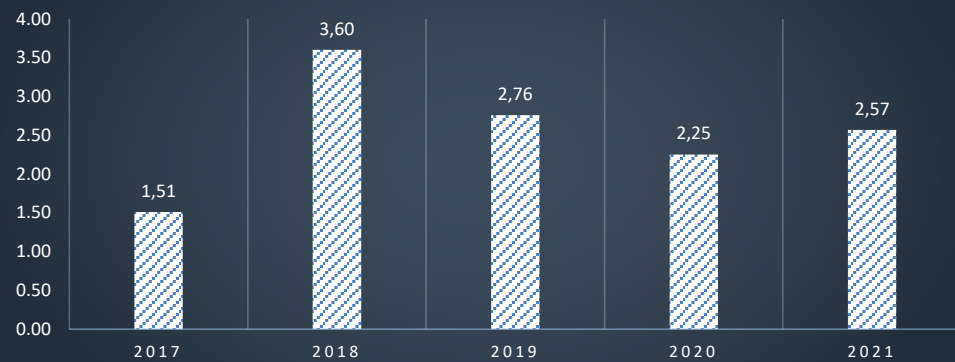
RETURN ON SHAREHOLDERS' EQUITY



ASSET TURNOVER RATIO

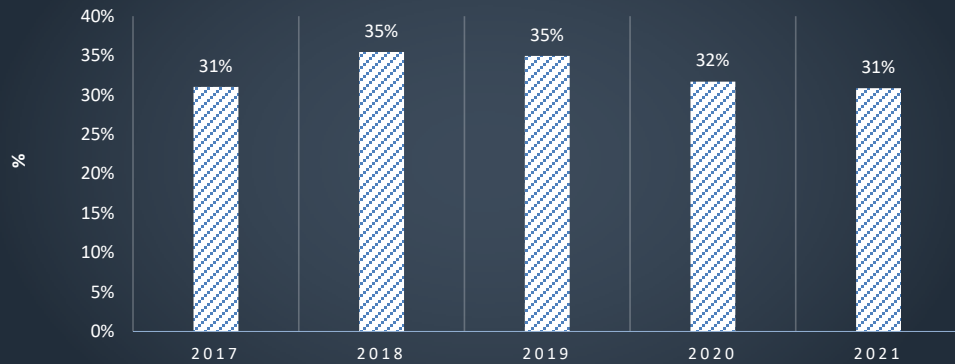


INTEREST COVER

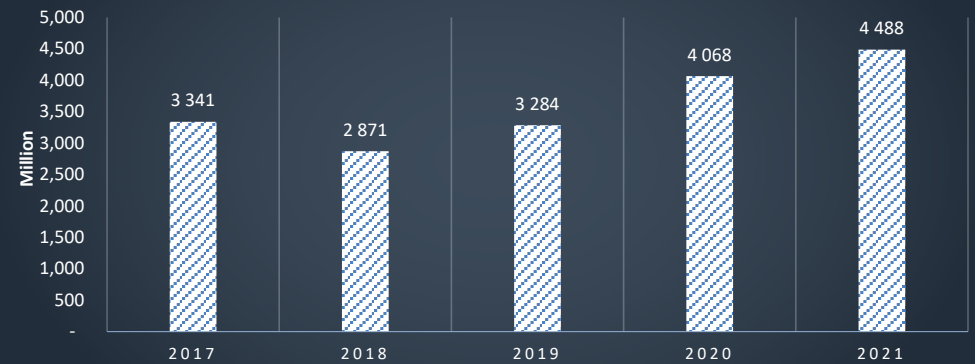




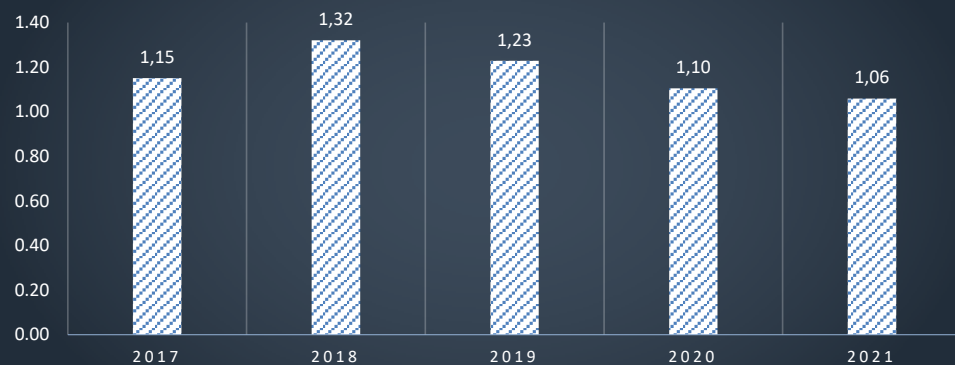
OWN CAPITAL RATIO



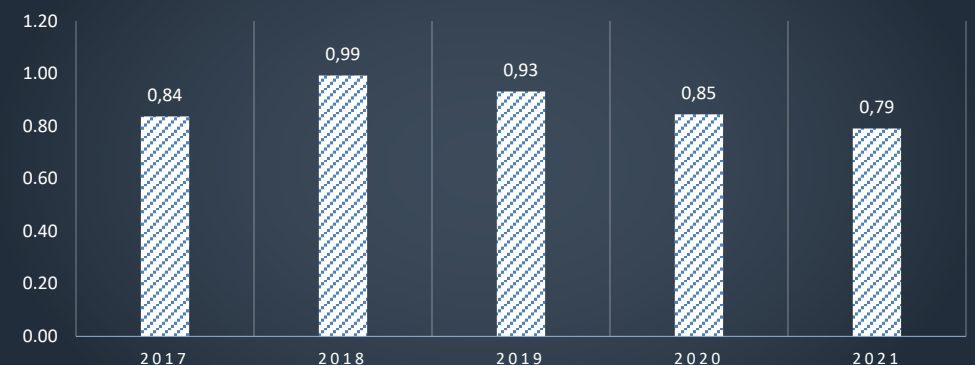
INTEREST-BEARING DEBT (R)



OPERATING CAPITAL RATIO



ACID TEST RATIO



BOARD OF DIRECTORS

VKB BELEGGINGS (PTY) LTD



BOARD OF DIRECTORS



15

Paul Carshagen
Ward 1 • Chairperson
Human Resources Committee
Nominations Committee

01

Coenraad Fick
Ward 1 • Vice-chairperson • Audit,
Risk and Opportunity Management
Committee • Nominations Committee

02

Dirk Viljoen
Ward 2 • VKB Landbou (Pty) Ltd Advisory
Committee

03

Izak Dreyer
Ward 3 • Audit, Risk and Opportunity
Management Committee

04

Dan Kriek
Ward 6 • Human Resources Committee • Social and Ethics Committee
Nominations Committee

05

Ben Greyling
Ward 5 • Human Resources Committee • Social and Ethics Committee
VKB Landbou (Pty) Ltd Advisory Committee

06

Sakkie Bosman
Ward 4 • VKB Landbou (Pty) Ltd Advisory Committee

07

Stephan Fourie
Ward 7 • Audit, Risk and Opportunity Management Committee
VKB Landbou (Pty) Ltd Advisory Committee

08

Philip Cronjé
Ward 8 • Social and Ethics Committee • VKB Landbou (Pty) Ltd Advisory Committee

09

Leon Eksteen
Ward 15 • Audit, Risk and Opportunity Management Committee • VKB Landbou (Pty) Ltd Advisory Committee

10

Human du Preez
Ward 15 • Social and Ethics Committee • VKB Landbou (Pty) Ltd Advisory Committee

11

Japie van der Gool
Ward 15 • Human Resources Committee • Social and Ethics Committee • VKB Landbou (Pty) Ltd Advisory Committee

12

Gert Nel
Independent Specialist Consultant • Audit, Risk and Opportunity Management Committee
Human Resources Committee

13

Koos Janse van Rensburg
Managing Director: VKB Group

14

Markus Mittermaier
Executive Director: Finance VKB Group

15



PAUL CARSHAGEN

Chairperson



INTRODUCTION

With the onset of the past financial year, we were aware that it will once again be an extremely challenging year. There was the possibility of a pandemic, but we were totally unprepared for the extent of the impact of the pandemic on the world.

For VKB, the 2021 financial year is almost a repetition of the 2020 financial year, but for different reasons. The VKB Group achieved satisfactory results despite extremely challenging circumstances and ended the year with a pre-tax profit almost similar to the previous year.

VKB Landbou (Pty) Ltd ("VKB Landbou") built on its excellent results from the past, with an exceptional contribution by the Commercial Services Division and fair contributions by the Grain Services Division and the Financial Services Division.

Unfortunately, the industries achieved mixed successes. VKB Milling (Pty) Ltd had an excellent year. VKB Flour Mills (Pty) Ltd ("VKB Flour Mills") showed some improvement, but a lot of work still needs to be done before VKB can be satisfied with the company's results.

Grain Field Chickens (Pty) Ltd ("GFC") achieved disappointing results in a challenging market. The results of Free State Oil (Pty) Ltd ("FSO") were, unfortunately, extremely disappointing and to a large extent destroyed the value that the other industries had built up.

The year's results were unfortunately negatively affected by an accounting entry error, which occurred over the past five years and was corrected during this accounting term. If this error had not occurred, it would have been the second best results that VKB Beleggings (Pty) Ltd ever achieved.

ECONOMIC CLIMATE

The world economy has long ago last been hit as drastically as by the COVID-19 pandemic in the past year. Governments announced drastic steps in an effort to curb the spread of the virus. Large production units were forced to a standstill to comply with these measures. Production of almost all products was affected by the availability of raw material or labour. Certain sectors have been more affected than others, but the effect of COVID-19 was and is still visible on almost all businesses. Every economic sector

affected has a ripple effect on other sectors, with the result that no sector was left intact by the pandemic.

The tourism industry almost came to a standstill following travel restrictions. As a result of isolation and different levels of restriction, people did not take unnecessary trips. The aviation industry ceased operations for a period and is still suppressed by the pandemic. The consequent lower demand for fuel affected the fuel industry to such an extent that crude oil at one point traded at a negative price due to insufficient storage space for the extracted oil. The food industry was also affected by the pandemic, with restaurant and fast-food outlets being closed temporarily due to restrictive measures.

The consumer's disposable income drastically reduced during this period as unemployment increased, with the consequent change in consumers' spending patterns. Many people were forced to return to staple foods such as maize meal and bread, simply because they could no longer afford luxury foods.

Due to the need for food and food production, and the importance of food security, primary agriculture is one of the few sectors that has been able to continue with business operations fairly uninterrupted over the past year.

THE VKB GROUP'S FINANCIAL PERFORMANCE IN PERSPECTIVE

VKB Landbou was initially affected by the restriction on movement. However, as food supplier the company's business operations were relatively unaffected by the pandemic. Despite the negative factors, VKB Landbou still achieved excellent results for the year.

VKB's Commercial Services Division, which includes trade, mechanisation and agricultural input plants, achieved its best results ever and far surpasses the results of the past. The commercial operations benefitted from the influx of customers because some other businesses had to close temporarily. The fuel business was initially adversely affected by the restrictive measures and the consequent lower demand for fuel. Fortunately, business systematically recovered to normal and then began to build momentum.

The Grain Services Division, which includes grain handling and marketing, was almost unaffected by the pandemic, and continued the good results of the past following a good grain harvest in VKB's service area. VKB strives to provide the best grain handling facilities and service in the country. The loyal support of its grain customers makes these results possible.

The Financial Services Division's results are largely aligned with the past, despite the fact that the average borrowing cost in the agricultural industry has increased and not all the increased financing costs have been passed on to customers, but have been partially absorbed by the company.

Unfortunately, VKB's industries once again did not perform as expected for various reasons. Processors of agricultural commodities' results are to a large extent dependent on raw material costs. In good harvest years, the commodities are usually cheap and

the industries profitable. As commodity prices move closer to import parity, the industries' results come under pressure. Not all manufactured products are equally elastic to changing raw material costs. Since such a large part of the population is dependent on basic foods such as maize meal and bread, these two products are much more elastic and the price of the end product moves together with the raw material price. Meat, including chicken, is unfortunately unelastic regarding raw material costs, as consumers reach a limit where they do not have enough disposable income to afford it.

VKB Milling experienced an absolute record year. The demand for maize meal from the neighbouring countries that did not have good harvests absorbed the surplus in South Africa. There was a good demand for VKB's product at reasonable prices throughout the year. Although VKB's brands are very well established in certain parts of South Africa and the mills' performance is stable, the good results were achieved against a specific background and it should not be expected that the results will be repeated every year.

GFC has had a disappointing year. Although imports were relatively limited, the collapse of a portion of the shelves in the cold storage room and the limited storage space resulted in increased production costs. The main cause of the disappointing results, however, was the surplus product available in the market. COVID-19 restrictions resulted in the restaurant and fast-food industry procuring significantly less product, which in turn resulted in the product normally absorbed by these markets having to be sold in the frozen market and causing a surplus in this market segment. At the same time, the disposable income of consumers in the frozen market came under pressure due to salary cuts and unemployment following the pandemic. This resulted in the broiler industry experiencing pressure from both these sides during the year.

Systematic progress is made with VKB Flour Mills. The bakery operations have been drastically rationalised and almost achieved breakeven results after the closure of three bakeries. Although the wheat mill achieved similar results in some months, the country, unfortunately, has surplus milling capacity that gives buyers the opportunity to constantly take advantage of the lowest price available. This is causing the results to fluctuate. VKB is currently investigating alternative utilisation of its mills to achieve more sustainable results.

QPro Feeds (Pty) Ltd's two animal feed plants achieved varying degrees of success. The plant at Vrede performed excellently and capitalised on the established market with GFC. The dairy industry in the Eastern Free State diminished and the Bethlehem plant does not have a similar established market in the broiler industry. The plant is in the process of establishing its brand in the ruminant market. Therefore, it will take longer to get this plant at the same profitable levels as the Vrede plant.

The performance of FSO for the year was disappointing. New oil press capacity came into operation in the country and resulted in very good demand for soya beans. The below-average soya bean crop of 2020 pushed the South African soya bean price to levels well above import parity, as the world market for soya beans has fallen due to the dramatic drop in demand for crude oil. It totally wiped out crush margins for most of the year. The prospects for the new year look slightly better due to the better 2021 soya

bean crop and crush margins have returned to normal. Extensive maintenance has to be done at the plant, which will have an adverse effect on the 2021/22 year's results.

The net effect of industries that performed excellently and others that performed disappointingly is that the industries as a whole only made a small contribution to the VKB Group's profit and did not deliver the required return on capital.

PROGNOSIS FOR THE FUTURE

The one positive aspect that emerged during the COVID-19 pandemic is that the government and business sector realise the importance of the agricultural industry. It is one of the sectors that kept the country's balance of payments in balance and the one industry that remained stable during the pandemic.

The good 2021 summer crop that is currently being harvested and the reasonable prices that producers are getting for their products, form the basis for expected fair results for the VKB Group. VKB Landbou should build on the stable results of the past and the Grain Services Division has the opportunity to again achieve excellent results. The good harvest also offers the opportunity to further improve the company's carry-over debt position and get the debtors' book on an even healthier basis.

VKB is aware of the shortcomings of the industries and is making concerted efforts to improve their performance and results. Some of the problems are short term in nature and market conditions can change very quickly. Unfortunately, there are no quick fixes for all the problems and it will take a while for VKB Flour Mills to deliver a fair return on capital.

The Competition Tribunal approved a merger transaction between VKB and BKB Ltd's ("BKB") commercial services and financial services divisions. The nature of the transaction implies that the profit of the VKB commercial branches will still accrue to VKB, and BKB's profit will accrue to BKB. It also does not affect the brands under which business is conducted, but provides the opportunity to utilise synergy between the businesses. The Boards of Directors of VKB and BKB are currently investigating further opportunities to transform the synergy between the businesses into profitable business opportunities for the benefit of both businesses.

VKB and GWK Ltd are also in discussions to investigate potential collaboration at an operational level. These investigations will be subject to the approval of competition authorities and will take quite some time to conclude.

At the request of shareholders, the reconversion of VKB into a public company with an additional class of shares that trades freely is being investigated. With the erstwhile conversion of the co-operative to a company, VKB was a public company, until the company legislation was amended, and VKB Beleggings (Pty) Ltd classified as a private company. Thus, converting VKB into a public company again will bring about little change in the company.

The aim of the conversion is to provide shareholders with the opportunity to convert redeemable shares into cash at an earlier stage, should the need exist or their circumstances necessitate it, without the company having to use its cash to buy back the redeemable shares. The conversion does not imply an obligation for producers. It is to the benefit of some members, but cannot be detrimental to the producer not converting his shares. The conversion will imply a slight increase in annual dividends for the company, but the company will benefit from additional permanent capital and will not be harmed by such step in any way. Shareholders will have the opportunity to cast their democratic vote on this and the approval of 75% of the total voting rights are required to implement the change.

ACKNOWLEDGMENTS

VKB strives for great heights and although the year's results do not meet our high expectations, we have much to be thankful for. To achieve such results despite all the abnormal circumstances is a testimonial to the solid foundations on which our business is built. We are extremely thankful to our Heavenly Father for the blessings He bestows on our business.

I would also like to express my sincere gratitude to:

- VKB's producers and clients without whose support such results would not be possible.
- VKB's Board of Directors for their vision, guidance and the selfless service they provide to the agricultural community.
- VKB's staff who do their best for the company every day.
- The community, VKB's suppliers and other stakeholders for the manner in which they support VKB.



PG CARSHAGEN
Chairperson: VKB Group

“Agriculture is our wisest pursuit, because it will in the end contribute most to real wealth, good morals, and happiness.”

- Thomas Jefferson -



MANAGEMENT OVERVIEW

FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021

2021



KOOS JANSE VAN RENSBURG

Managing Director: VKB Group



Table 1: Profit/(loss) before tax of VKB's subsidiaries and related companies for the past two years

Although the results of the VKB Group ("VKB") for the period under review are not as good as the previous number of years, it is still satisfactory given the difficult economic circumstances in which it was achieved.

The VKB Landbou Group built on the good results of the previous year, with especially the Commercial Services Division performing exceptionally well and the Grain Services Division and the Financial Services Division achieving fair results.

The VKB Agri Processors Group's performance as a whole was again disappointing, largely due to losses incurred by the oil press, wheat mill and chicken abattoir. The maize mills, however, experienced an exceptionally good year with record results.

GROUP RESULTS

For the financial year ending 31 March 2021, VKB's consolidated net profit before tax and incentive discount amounted to R334 million compared to the previous year's R356 million.

Name	Shareholding (%)	Profit/(Loss) 2020 (R)	Profit/(Loss) 2021 (R)
VKB Beleggings (Pty) Ltd	100	40,0 million	61,9 million
VKB Landbou (Pty) Ltd	100	274,1 million	219,7 million
Grain Field Chickens (Pty) Ltd	100	25,9 million	(17,9 million)
VKB Milling (Pty) Ltd	100	27,0 million	101,6 million
Vhembe Milling (Pty) Ltd	57,7	(5,1 million)	2,0 million
Free State Oil (Pty) Ltd	100	(19,9 million)	(59,5 million)
VKB Flour Mills (Pty) Ltd	100	(41,6 million)	(25,5 million)
QPro Feeds (Pty) Ltd	100	7,9 million	0,8 million
Crown Bag (Pty) Ltd	100	4,4 million	(0,6 million)
AE Solutions (Pty) Ltd	33,7	14,0 million	20,0 million
VKB Brokers (Pty) Ltd	100	10,7 million	14,3 million
Farmpack (Pty) Ltd	51	18,4 million	13,0 million
Multi Green (Pty) Ltd	53	21,7 million	25,6 million
VKB Graan (Pty) Ltd	100	0,6 million	0,7 million
VKB Auction Centre (Pty) Ltd	100	(1,3 million)	2,3 million
VKB Fuels (Pty) Ltd	100	4,2 million	12,5 million
Bethal Koelkamers (Pty) Ltd	100	(1,5 million)	0,2 million

Continued

MANAGEMENT OVERVIEW

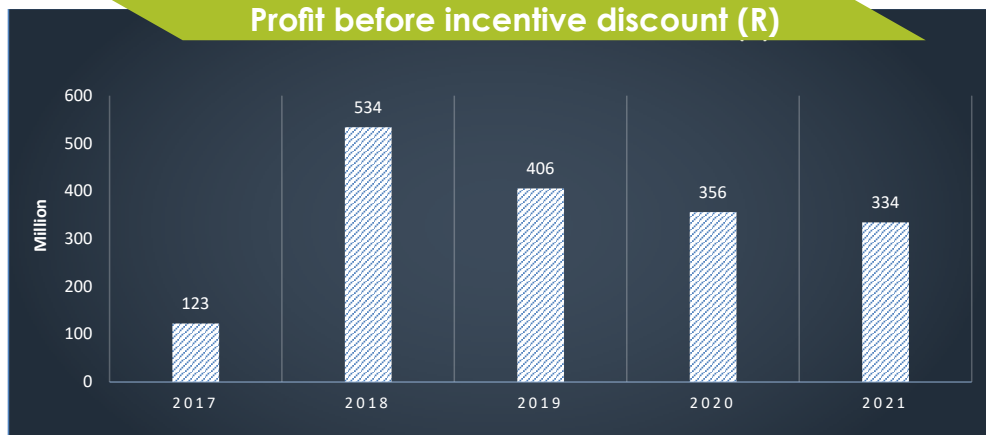
FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021

MARKUS MITTERMAIER

Executive Director: Finance VKB Group



Profit before incentive discount (R)



"The VKB Landbou Group built on the good results of the previous year, with especially the Commercial Services Division performing exceptionally well and the Grain Services Division and the Financial Services Division achieving fair results."

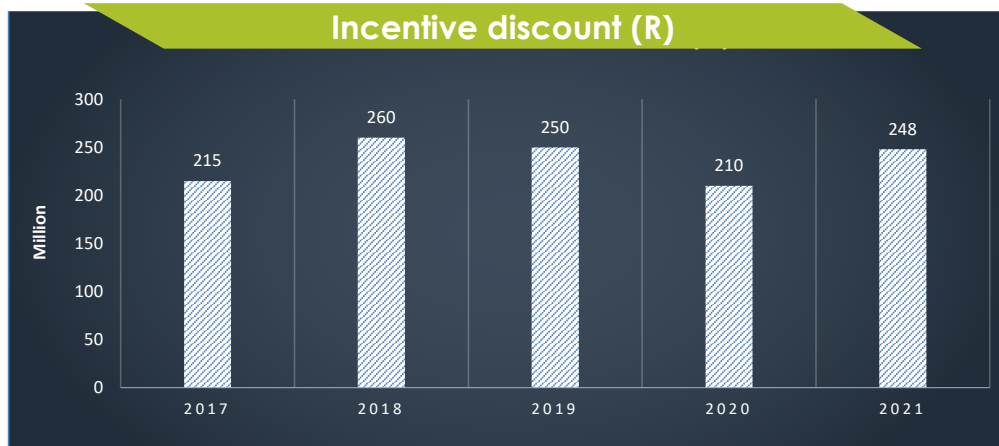
MANAGEMENT OVERVIEW

FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021

Continued

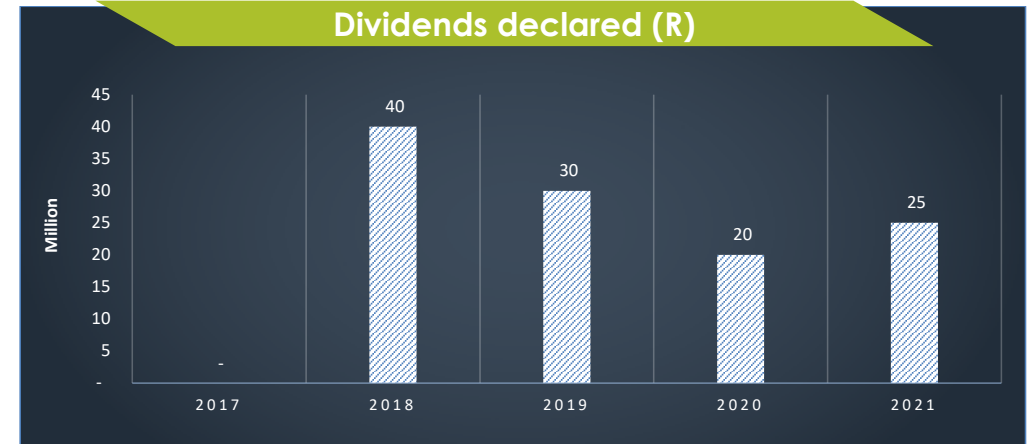
INCENTIVE DISCOUNT

Given the excellent performance of VKB Landbou (Pty) Ltd and its subsidiaries, the Board of Directors approved the allocation of R248 million as incentive discount to clients. Incentive discounts are awarded from the profits generated by VKB Landbou (Pty) Ltd and VKB Brokers (Pty) Ltd, while dividends are declared from profits generated by the other entities within the VKB Group. The incentive discounts are based on clients' pro rata participation in the agricultural business activities with the relevant entities during the past year.



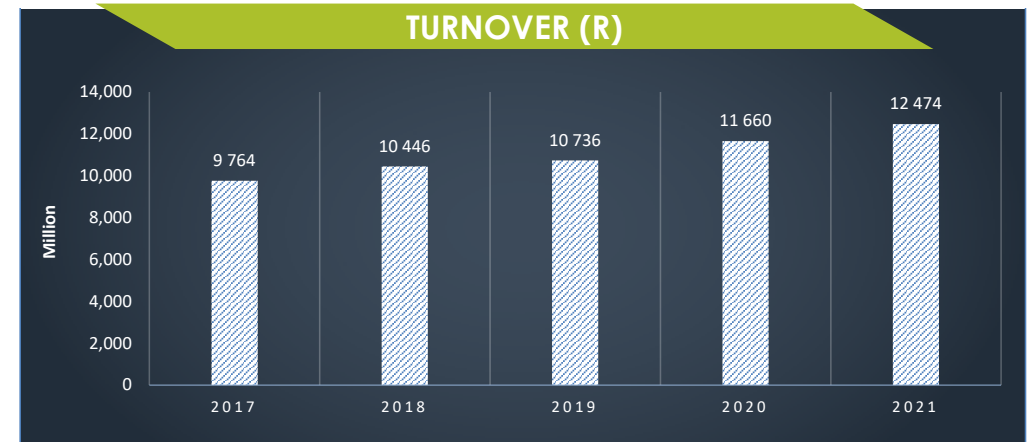
DIVIDENDS DECLARED

Dividends are declared from entities within the VKB Group to its shareholders, which include the holding companies of the two divisions, namely VKB Landbou (Pty) Ltd and VKB Agri Processors (Pty) Ltd. These two companies in turn declare dividends to VKB Beleggings (Pty) Ltd ("VKB Beleggings") and VKB Beleggings declares dividends to its shareholders, being the agricultural producers. The total dividends declared and paid by VKB Beleggings to its shareholders over the past eight years amount to R175 million. For the past year, VKB Beleggings declared and paid dividends of R25 million to its shareholders.



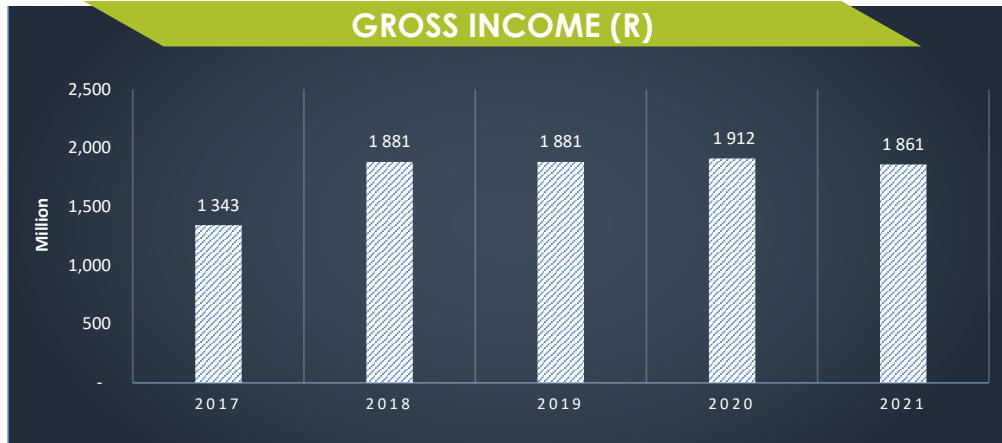
OPERATIONAL RESULTS

VKB's turnover of R12,5 billion represents an increase of 7% compared to the previous year. The good results of the VKB Landbou Group are also evident from the increase in the turnovers of the subsidiaries and divisions. The turnover of the VKB Agri Processors Group also increased as a result of inflation adjustments and minor capacity expansions.



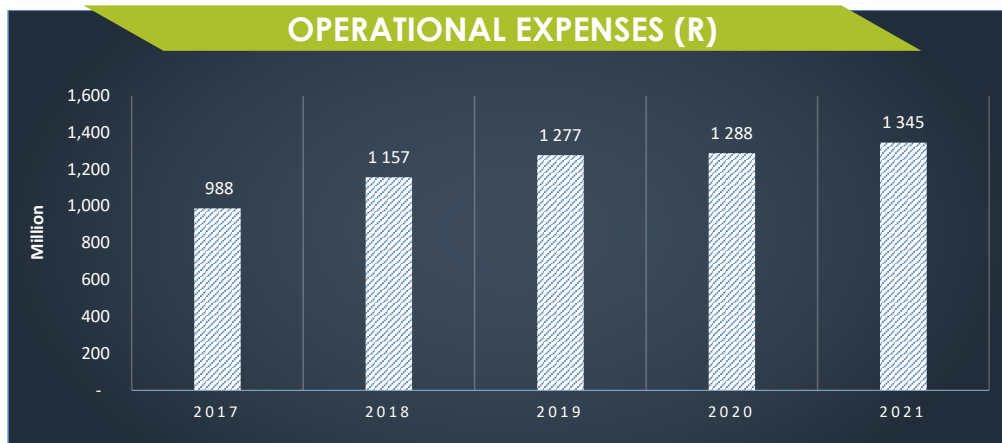
GROSS INCOME

Margins were in general under pressure during the year under review, especially at the VKB Agri Processors Group. The correction in the current financial year of an accounting entry error that occurred in the previous five years adversely affected the VKB Group's gross income.



EXPENSES

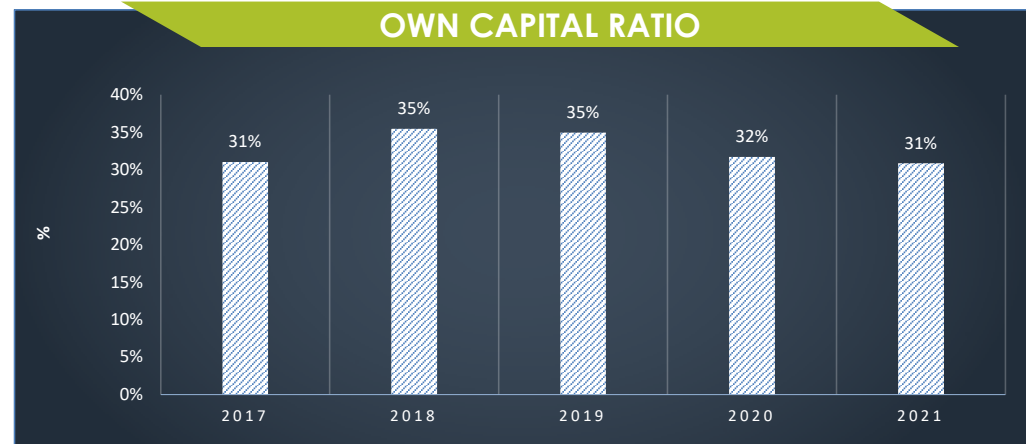
Expenses are managed stringently. This resulted in a significant decrease in the Group's expenditure of the past two years compared to the previous years, discounting inflation growth. Operational expenses increased with a mere 4% from the previous year. Interest paid is much lower than the previous year, mainly due to the reduction in interest rates. Operating capital is financed by creditors, overdraft facilities and own funds. On the other hand, investments in fixed assets are funded mainly with term loans.



CAPITAL RESOURCES

The following chart indicates the own-capital-to-total-capital ratio applied by the VKB Group. VKB's deliberate growth strategy required major capital investments over the past few years, which temporarily distort the capital ratio. A significant improvement was noted in 2018 and 2019, but the investment in BKB resulted in the ratio declining again in 2020. Due to the higher than expected debtors' book and stock levels at year end, this ratio is still below the set target of 35%. The target remains to restore the own capital ratio to a minimum level of 35%.

Investment in capital-intensive projects is done within conservative balance sheet ratios. The current capital ratios are at acceptable levels and all new expansions are selectively invested in.



MANAGEMENT OVERVIEW

FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021

Continued

OPERATING CAPITAL AND LIQUIDITY RATIOS

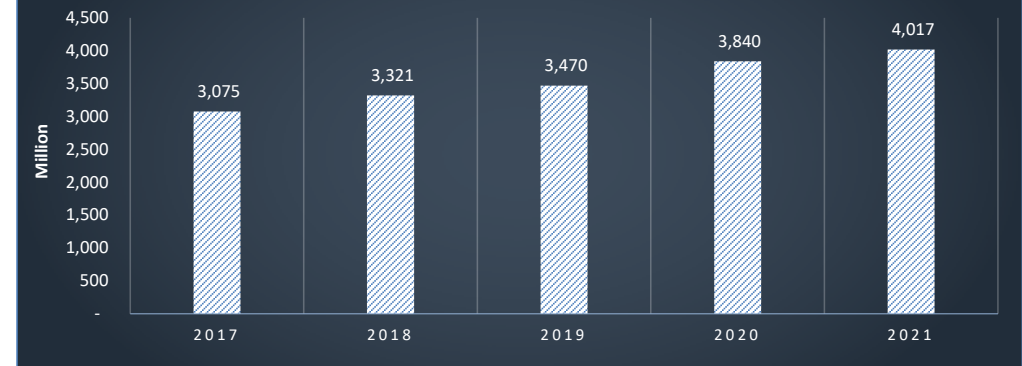
Optimal levels of operating capital are being maintained and VKB's liquidity is at healthy levels. The agricultural debtors, which are largely made up of production financing for summer plantings, reach its peak at year end, having an adverse effect on the operating capital ratio, specifically at year end.



The debtors' cycles of the industries are much shorter than those of agricultural production, which in turn reduce the total average number of debtors' days, to the benefit of VKB's cash flow. The increase in VKB's debtors compared to the previous year resulted mainly from an increase in the agricultural debtors' book.

The quality of the debtors' portfolio remains excellent, although further growth is strictly managed. There was a significant decrease at year end in the amount of arrears of the agricultural debtors, which attests to the diligent management of the debtors' book.

TOTAL DEBTORS (R)

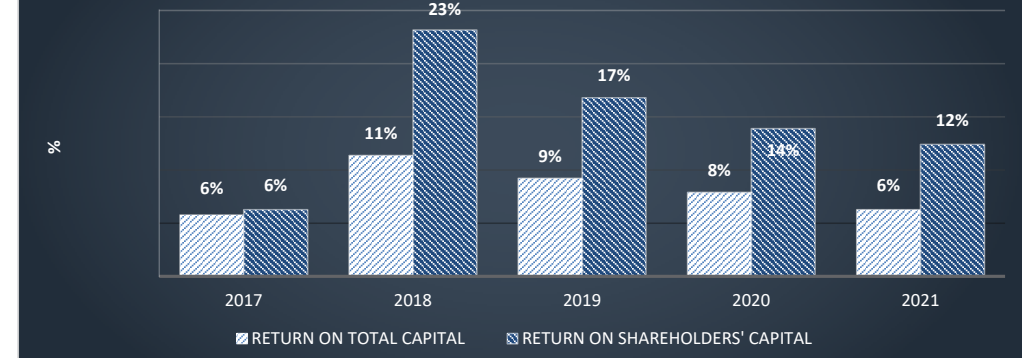


RETURN ON TOTAL AND SHAREHOLDERS' CAPITAL

The return on total and shareholders' capital declined due to the smaller profit realised, mainly as a result of the correction of the accounting entry error. VKB is still committed to its diversification strategy, although it is currently challenging to achieve and maintain the profitability levels of all the entities within the Group. No major capital-intensive investments were made during the past year and only some minor projects undertaken. It remains a requirement within the Group that the return on all capital investments should be higher than the average return on total capital.

The return on total and shareholders' capital is still satisfactory, although the company's target remains at a slightly higher level. The return compares well to the industry as well as the economy as a whole, confirming that VKB is utilising its borrowed funds productively.

RETURN ON CAPITAL



FIXED ASSETS

The Group's capital expenditure amounted to R176 million. The expenditure on land and buildings amounted to R39 million; plant, equipment and furniture R56 million; vehicles R26 million, computer equipment R7 million and capital projects in progress R48 million. Depreciation for the year amounted to R137 million. The capital expenditure was incurred mainly at existing businesses. Only minor projects were undertaken.

CASH FLOW

The operating activities of VKB resulted in a cash inflow of R158 million. The net movement from investment activities resulted in an outflow of R292 million. The finance activities of VKB resulted in an outflow of R324 million. In total, there was a net decrease in cash of R458 million, which increased the cash deficit at the beginning of the year. Management of cash and the improvement of the cash deficit is a strong focal point for the new year.

SUSTAINABILITY

VKB strives to manage all its business activities as profitably and effectively as possible, even during challenging economic times. VKB's statement of financial position is structured conservatively. Because the debtors' book is partly financed with own capital, an increase in finance costs does not pose any risk for the business and may even contribute to better results. Investments in new operations are pursued only if the projected results meet certain predetermined norms and requirements, and if there is synergy with existing operations, which will contribute to the competitive advantage of the new business. In view of the aforesaid, the enterprise is optimally positioned to perform sustainably in the long term.



KOOS JANSE VAN RENSBURG
Managing Director: VKB Group



MARKUS MITTERMAIER
Executive Director: Finance VKB Group





FRANCOIS FRONEMAN

Executive Director: Grain Services



BERTIE SMITH

Executive Director: Financial Services

STRATEGY

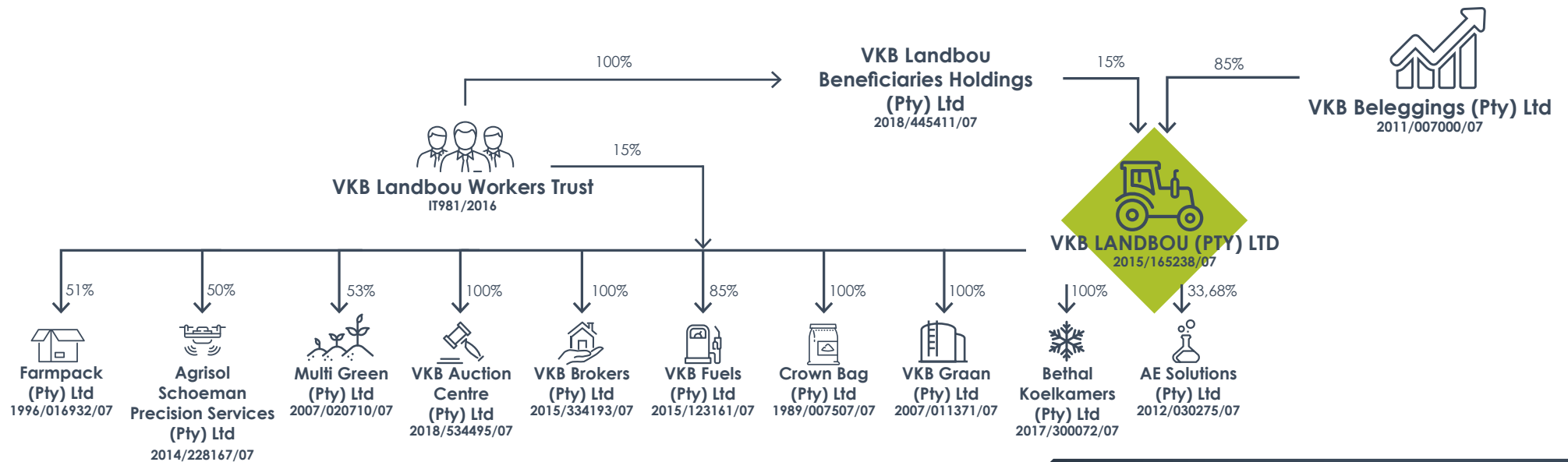
VKB Landbou (Pty) Ltd ("VKB Landbou") is the holding company of the agricultural operations of the VKB Group. The company's primary strategy remains the supporting of producers to farm profitably and efficiently by providing them with affordable financing, inputs and services required for production, and optimising the value of products they produce. VKB Landbou's business activities are conducted throughout the Eastern Free State and Limpopo as well as in parts of Mpumalanga, Gauteng and KwaZulu-Natal.

The current VKB Landbou Group structure is as follows:



FRANCOIS SWANEPOEL

Executive Director: Commercial Services



The VKB Landbou Group consists of the following divisions and subsidiaries, all contributing significantly to the success of VKB Landbou.

Divisions

Commercial Division

VKB Landbou's Commercial Division comprises a network of 54 retail outlets and 10 retail depots in the Eastern Free State, KwaZulu-Natal, Limpopo and Mpumalanga. Products offered include fuel, fertiliser, chemicals, seed, animal health products, animal feed, irrigation, steel, fencing, building material, packaging material, hardware, groceries and general consumer goods.

The Commercial Division as a whole performed very well during the period under review. This is the result of, amongst others, the various projects invested in over the past few years, which made a significant contribution to the growth in turnover and net profit of the Division. A concerted effort was made during the past year to increase the company's market share of direct inputs, amongst others, seed and fertiliser.

The standardisation and offering of complete product ranges within VKB's Commercial Division remains a priority for VKB. Systems are tested and upgraded on an ongoing basis to ensure that the product offering to clients is constantly improving, and stock optimally managed. The Distribution Centres ("DCs") in Mokopane and Bethlehem ensure improved stock supply and availability of complete product ranges to the commercial branches. The DCs realised additional profits of R12,6 million and R3,1 million respectively over the past year, which were proportionally allocated to the branches at year end.

VKB upgrades and extends its facilities on an ongoing basis. Numerous projects were undertaken during the period under review, including the establishment of new and upgrading of existing retail outlets at Morgenzon, Soekmekaar, Settlers, Bela-Bela, Louis Trichardt, Tolwe, Nwanedi, Alldays and Tom Burke. Projects currently in process include, amongst others, Frankfort, Lindley and Qwaqwa.

Two VKB Foods stores (Warden and Memel) were opened adjacent to the existing commercial branches to expand the product range and improve service delivery to clients. These stores offer a complete range of VKB products (such as chicken, maize meal and bread), groceries and household items to clients, which is of great value to customers in the countryside. VKB is in the process of opening VKB Foods stores in other areas as well.

VKB's brand-new retail store in Harrismith opened its doors on 30 April 2021. This new branch forms part of the ongoing strategy to improve VKB's facilities and expand its offering to the market.

Mechanisation

VKB's mechanisation service centres consist of 13 mechanisation workshops and parts centres, serviced by 12 marketers in the Eastern Free State and Limpopo. Some of the product ranges offered include Case, Jupidex, Rovic Leers, Falcon, AgriCAD, Equalizer and Amazone.

VKB Mechanisation expanded its footprint with the acquisition and establishment of the Bethlehem branch. The division had an excellent year and recorded the best results in VKB's history. Although some challenges are still experienced as a result of pressure on margins and the uncertain economic climate, which limit customers' capital expenditure, all indications are that the excellent performance will continue in the coming year.

Grain Division

The Grain Division comprises of 23 grain storage and handling facilities, of which 15 are situated in the northeastern Free State and 8 in Limpopo. The grain facilities are equipped to receive and store grains and oil seed products. Grain services offered at the grain facilities include drying, sifting and cleaning facilities. The facilities are continuously upgraded to provide producers and customers with a faster and more efficient service.

The Grain Division had an excellent year with a profit after cost of capital that was 4,6% more than budgeted and 0,6% more than the previous year, whilst the grain received in the northeastern Free State and Limpopo was 10% more than the previous season and 1% less than the five-year average. The profitability of the Grain Division is influenced by the extent of the grain harvest received and processed, the utilisation of opportunities offered by the market and a strong focus on utilising resources strategically and effectively. A total harvest of 1,2 million tons were received for the past year. Approximately 450 000 tons of the national 1,4 million tons of exports were loaded out to the harbour at VKB's silos, without any dispute or disapproval.

During the review period, VKB Landbou continued to build on its capacity expansion by adding and upgrading several delivery points and its traffic flow, and further expanding the existing storage capacity, thereby significantly accelerating the existing offloading rate. These facilities not only improve the intake speed and storage capacity during harvest time, but also create the opportunity to utilise existing storage facilities more effectively and to unlock value for the benefit of stakeholders. This forms part of a

longer-term project to increase VKB's average capacity over the next few years to 200 tons/hour per intake point and the total capacity at the larger silos to 1 000 tons/hour.

With the excellent 2021 season at hand and the foreseen inability of the Durban harbour to handle all the planned deep-sea grain exports during June to August 2021, resulting in pressure on the capacity of some of VKB's silos during harvesting time, the Board approved additional capital amounting to R6,5 million to expand the capacity at Windfield, Cornelia, Wilgespruit and Reitz, if and when required, with a total of 53 500 tons. The aforesaid expansion is in addition to a budgeted 10 000-ton bunker already built at Jim Fouché silo to increase storage capacity.

Grain Marketing

VKB's Grain Marketing Division is focused on providing a comprehensive service to producers, grain traders, millers, animal feed plants, international traders and other processors, and is backed by effective systems, procedures and a Safex seat operated within VKB Graan (Pty) Ltd.

Although the summer production year yielded an average harvest, the grain markets and deep-sea exports offered some opportunities during the past financial year, which were utilised and had a significant effect on the results of the Division. The Division achieved exceptional results, with the net profit after cost of capital being 35% higher than budgeted.

Financing

VKB Landbou is a registered credit provider and complies with the regulatory requirements and Code of Conduct of the National Credit Regulator. The primary role of the division is to provide financing to producers to acquire the necessary production inputs and services to farm sustainably.

VKB offers a range of financing products to the producer, including production loans, term loans, monthly accounts and contract growth financing. With a debtors' book exceeding R3 billion, the division makes a substantial contribution to the South African commercial and new era farming landscape. The debtors' book increased with 8% compared to the previous financial year following the favourable agricultural and market conditions of the past year. Debt in arrears was 8% lower than that of the 2019/20 financial year.

The financial performance corresponded with the previous financial year's results. These results were achieved despite an increase in the cost of capital, which was not fully recovered from clients but partially absorbed by the business, resulting in margins being marginally lower. The successful financing of new era farmers increased from the previous year and a further increase is envisaged for the coming year. Relationships and personal contact are of the utmost importance to the Division. A team of 16 proficient credit managers manages the interests of producers. They are devoted to providing appropriate and affordable financing solutions to optimally serve the diverse needs of the producers.

Various new financing projects to improve the offering to the agricultural producer are currently being investigated.

Subsidiaries

VKB Brokers (Pty) Ltd ("VKB Brokers")

VKB's Insurance Division is operated within VKB Brokers and consists of 13 offices with 13 trained and experienced advisors. Various short-term insurance products, including personal, asset and crop insurance, are provided. The main insurers' products marketed include Santam, Old Mutual Insurance, Hollard, One Commercial and Landmark.

Despite the devastating effect of the COVID-19 pandemic on the insurance industry, VKB Brokers managed to grow its business in all areas of operation. The company ended the financial year with a profit before interest and tax that was 17,86% better than the previous year. The growth in VKB's own asset portfolio was noticeable, with crop insurance contributing to the overall improvement in the results. Asset insurance also showed a remarkable improvement compared to previous years.

VKB Brokers approved an incentive discount policy according to which incentive discounts are awarded annually to its clients who are also shareholders of VKB Beleggings (Pty) Ltd. Incentive discounts are paid through a cash component and the issuance of Class 2 shares in VKB Beleggings (Pty) Ltd for the balance. During the year under review, incentive discounts amounting to 5% of the crop insurance premiums were awarded.

VKB Fuels (Pty) Ltd ("VKB Fuels")

Fuel offering and services are focal areas for VKB. A total of eight filling stations, of which some are 24-hour stations, and 39 fuel retail outlets form part of the fuel offering to the public and producers. The company also delivers fuel to producers' farms.

During the period under review, fuel licences for Vrede and Senekal filling stations were issued. The construction of these two filling stations will commence in the 2021/22 financial year. VKB Fuels is looking forward to the positive contribution that these two stations will make to the company's profitability.

Crown Bag (Pty) Ltd (“Crown Bag”)

The company's factory in Harrismith in the Free State produces packaging material, which is aligned to the Group's strategy of focusing on integration opportunities in the agricultural value chain and adding value for the producer. The factory has the capacity to produce seven million potato bags and one million charcoal bags per month. The cost-effective procurement of raw materials strengthens the company's competitive position in the market and contributes to the reduction of input costs for producers.

Crown Bag's turnover decreased during the review period, following poor harvests resulting from unfavourable agricultural production conditions in various provinces, producers planting less potatoes due to the impact of COVID-19, clients ceasing business operations and large food groups buying producers' total harvests with resultant smaller orders for potato bags. Export of charcoal bags to Namibia was negatively impacted by the excessive rains in Namibia during the last quarter of 2020/21. Local volumes remained stable.

Farmpack (Pty) Ltd (“Farmpack”)

Farmpack is located in the vicinity of Mbombela, Mpumalanga, and supplies packaging material to the agricultural and commercial sectors. The company produces and distributes a variety of boxes to clients across the country and in Mozambique and Eswatini. VKB Landbou holds 51% of the shares in the company.

Farmpack's performance during the past year was fair although sales decreased due to the decline in orders for fruit cartons resulting from abnormal heat conditions, cold fronts and hail at critical times during the past few months, as well as the change in consumer spending patterns and industries not operating due to lockdown regulations. The company, however, managed to retain its market share and procured several new cardboard folding machines.

During the year under review, the company declared an interim dividend to its shareholders.

Multi Green (Pty) Ltd (“Multi Green”)

VKB Landbou expanded its agricultural investment in 2019 by acquiring the majority shareholding (53%) in Multi Green, a fertiliser mixing plant in Villiers. The company is well established and well known in the farming community and the fertiliser industry, and has an extensive client base in, amongst others, the Free State and Mpumalanga. Multi Green experienced an exceptionally good year with a substantial increase in granular fertiliser sales, which made a significant contribution to the company's profitability.

Multi Green upgrades its facilities and product offering on an ongoing basis. During the past year, a bagging unit and mobile coater were installed.

Bethal Koelkamers (Pty) Ltd (“Bethal Koelkamers”)

Bethal Koelkamers is a cooling facility for potato seed, located in Bethal, Mpumalanga. The company delivers quality services at competitive tariffs, thereby reducing input costs for producers. The facility has a capacity of 140 400 bags of potato seed, or 3 120 pallets.

A decrease in delivery and storage of potato seed bags was experienced from August to November 2020. The occupation of storage capacity subsequently increased with the storage of maize seed in some of the cold rooms and an increase in demand for cooling storage space for potato seed toward the end of the financial year.

Agrisol Schoeman Precision Services (Pty) Ltd (“Agrisol”)

Agrisol, with its head office in Potchefstroom, was founded in 2010. VKB acquired a 50% shareholding in the company during the 2019/20 financial year. The company developed an advanced geographic information system that includes, amongst others, grid samples, soil data, satellite images and weather statistics for the agricultural industry. It provides services to producers in various regions, such as North-West, the Free State, KwaZulu-Natal and Zambia. Agrisol operates independently of fertiliser and foliar feed suppliers and strives to provide a solution for every producer's unique agricultural circumstances, based on scientific principles. The company offers a practical approach and works in partnership with the producer to find purposeful solutions. Agrisol's ultimate goal is to assist the producer to farm sustainably by improving the condition of his soil, whilst lowering his input costs.

The company has its own internal software development team, working in close collaboration with VKB's Information & Technology Department. Together they developed the VKB360 platform, which will be utilised to organise and file data in terms

of the history and extent of farms and fields, as well as to conduct area analyses for companies and producers in terms of rainfall, temperatures and crops for different seasons. The platform will also assist with valuable information for planning purposes, and also includes components for communication between VKB and producers.

AE Solutions (Pty) Ltd (“AES”)

The company, with its head office in Centurion, specialises in the sale, service and support of analytical equipment in mainly the agricultural industry and has more than 30 years' extensive experience in this field. VKB Landbou holds 33,68% of the shares in AES.

Trained specialists provide full support in the application and development of instruments and methods for all analyses and laboratories. A team of dedicated service technicians provides fast and cost-effective maintenance and technical support in all the regions where the company operates, including South Africa, Sub-Sahara Africa, Mauritius, Madagascar and the Seychelles. This network of expertise enables them to make the best use of the latest technology and innovation in variable circumstances and conditions.

AES experienced an exceptional year with a record profit before tax of more than R20 million. The company twice declared dividends during the review period. VKB values the partnership and is proud of the excellent performance achieved despite the COVID-19 travel and other restrictions of the past year.

VKB Auction Centre (Pty) Ltd (“VKB Auction Centre”)

In accordance with VKB's strategic objectives and the company's focus on integration opportunities in the agricultural value chain, VKB Landbou invested in a livestock auction centre near Frankfort in October 2018.

Disruptions within the local livestock auctions industry, caused by the ban imposed on open-cry auctions during the past year due to the foot-and-mouth disease outbreak and restrictions put in place during the COVID-19 lockdown, resulted in an increase in the use of digital auction platforms. During the latter part of the year, the industry stabilised and auctions resumed, resulting in VKB Auction Centre achieving much better results than the previous year.



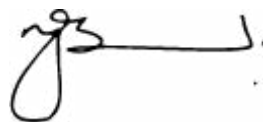
FRANCOIS FRONEMAN

Executive Director: Grain Services



FRANCOIS SWANEPOEL

Executive Director: Commercial Services



BERTIE SMITH

Executive Director: Financial Services





SAS KASSELMAN

Managing Director: VKB Agri Processors (Pty) Ltd



STRATEGIC GOAL

The Board of Directors of VKB Beleggings (Pty) Ltd resolved in 2010 to integrate further in the value chain. The focus of this strategy is to add value to the products produced in VKB's service area by processing the products and taking them through the most effective market channels to the consumer, as well as to grow market share with quality products, excellent service and well-established trademarks.

The past year was a difficult year for VKB Agri Processors (Pty) Ltd ("VKB Agri Processors"), with varying performances, as in the preceding years, by the respective industries. The year 2020 will go down as one of the most unpredictable years in modern history. The COVID-19 pandemic hit the world and South Africa early in 2020. Various countries, including South Africa, went into a hard lockdown, which had a negative effect on all economies. The uncertainty of the impact on the world economy also had an extremely negative effect on most of the developing countries' currencies. The rand devaluated from a level of R13 to R19 against the dollar as the world sought comfort in the safety

of established economies. The price of commodities such as grain and oil tumbled as demand slowed down, and for the first time in history oil traded in negative territory.

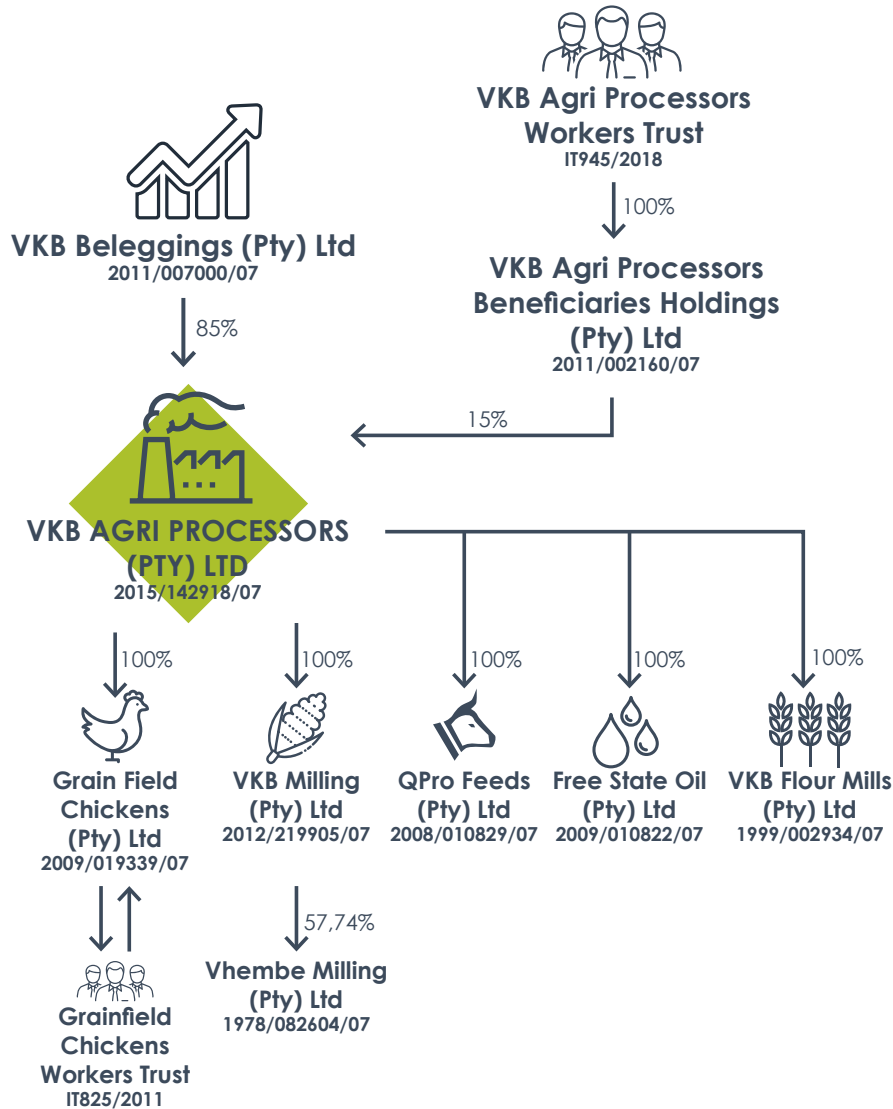
The end of the trade war between China and the United States of America ("US") toward the last quarter of 2020 once again shifted the balance and triggered strong Chinese buying, resulting in grain prices rocketing due to fears of carry-over stock dropping to uncomfortable levels.

The impact of a black swan event such as COVID-19 created a very unpredictable environment, with various uncertainties.

During the review period, a total of 740 000 tons of product were produced and processed by the VKB Agri Processors Group ("the Group"), consisting of the following products:

- Yellow maize
- White maize
- Soya beans
- Wheat
- Chicken

The current Group structure is as follows:



The Group concluded the year with a pre-tax profit of R1 million. Grain Field Chickens (Pty) Ltd had a fairly good start to the year, but the high cost of raw material during the last quarter of the financial year eroded value. Free State Oil (Pty) Ltd experienced a very disappointing year and suffered a big loss. VKB Flour Mills (Pty) Ltd showed good improvement on the previous year's results but unfortunately still concluded the year with a loss. QPro Feeds (Pty) Ltd also experienced a disappointing year with marginally-above-breakeven results. The company's feed factory in Vrede performed well, whilst the Bethlehem feed factory is still struggling to make progress. VKB Milling had an exceptional year, achieving a record profit of R101 million.

MARKET OVERVIEW

Grain Field Chickens (Pty) Ltd ("GFC")

GFC experienced a fluctuating year with a fairly good start under difficult market conditions. The initial hard lockdown at the onset of the COVID-19 pandemic brought the quick-service restaurant ("QSR") sector to a standstill, with disastrous consequences for the chicken industry. Approximately 20% of all chicken consumed in South Africa is channelled through this sector. With the QSR sector being closed, the chicken volume that would normally be absorbed by this sector, was subsequently shifted to Individually Quick Frozen, resulting in an oversupply in this market.

A sharp increase in international grain prices was experienced during the latter part of the financial year due to very strong demand from China. This resulted in a sharp increase in raw material cost that could not be recovered from the market, thereby putting margins under pressure and destroying the value that was created during the first six months.

The GFC contract growers made excellent progress, with production efficiency stabilising, whilst delivering good results on feed turnover and general efficiency.

The conclusion of the Poultry Master Plan between the industry, government and other stakeholders in 2019 created a stable platform for the poultry industry in South Africa. The relationship between the government and industry has since improved and role players are working together to create a sustainable chicken industry in South Africa.

QPro Feeds (Pty) Ltd ("QPro Feeds")

QPro Feeds realised a marginally-above-breakeven result, with the Vrede feed factory performing very well, but the Bethlehem feed factory not performing as expected. The performance of the feed improved markedly during the period under review, compared to the previous year that had fluctuating results in terms of efficiency.

Sales volumes through the VKB branches increased and will remain a focal area in future. Considerable effort went into establishing the QPro Feeds brand in the market and building the customer base. The sales team was expanded and the strategy revised, with continued focus on product quality and service delivery. Limpopo business experienced steady growth during the financial year and remains a key area for future growth.

The Bethlehem business model is currently being revised. Promising additions to the Bethlehem plant include the installation and commissioning of a new lick plant and a pellet press. These additions will not only increase the product range but also contribute to better operational efficiency in the rest of the plant.

Free State Oil (Pty) Ltd (“FSO”)

FSO experienced a very disappointing year. The world market went through a very volatile period, with international soya bean pricing skyrocketing from \$8 per bushel levels to \$16 per bushel during the past year.

The crush margins were under pressure during the year due to the South African soya beans being more expensive for a large part of the year compared to international beans. Since the selling price of soya oilcake is a derivative of international oilcake prices, it has also put the crush margin under pressure. South Africa even experienced negative gross crush margins at intervals during the year.

The increase in local crush capacity during the last two years has put the market under pressure. The shortage of physical stock experienced during the last quarter of the financial year drove the local soya bean price to record levels of R10 000 per ton. The high carry cost of soya beans at these levels also contributed to the poor performance of FSO. It was a conundrum in that, if physical stock is not carried, no stock will be available to crush. On the other hand, if stock is carried, it will drive costs to unprofitable levels.

The market dynamics in the industry are also not balanced in the sense that the total risk is currently vested in the crusher. New strategies to address this will have to be devised and various options are being investigated.

VKB Flour Mills (Pty) Ltd (“VKB Flour Mills”)

VKB Flour Mills experienced a disappointing year as the full effect of the turnaround strategy did not materialise and expectations were not met. Intensive focus on eliminating all unnecessary costs from the business resulted in a significant reduction of the previous year's loss. Although the company is still not profitable, it almost achieved an EBITDA breakeven during the year.

Good progress has been made with the development of the industrial flour market and several new clients were recruited during the year. The flour market remains extremely competitive, but VKB Flour Mills is building a good reputation for consistent quality and service, which is essential in the market. The mill achieved profitability during a few months of the year, but the loss of a few key customers due to competitive pricing resulted in a disappointing last quarter.

Although the main drive remains to increase sales volumes, the challenge is to do it at profitable price levels. Alternative options are currently being investigated to optimally structure the milling divisions within the VKB Agri Processors Group to ensure the sustainability of all business units.

VKB Milling (Pty) Ltd (“VKB Milling”)

VKB Milling experienced an exceptional year with excellent volume growth and good margins being realised. Volumes increased with strong market demand as consumers moved back to staple food, following economic pressure due to COVID-19 and its impact on the general economy. Sales were also stimulated by strong demand from neighbouring countries. VKB Milling continued to focus on local customers and was rewarded with good sales volume growth.

In a difficult and unpredictable year, VKB Milling's procurement of good raw material was done with excellent positions in the market, which contributed to its success. Availability of raw material was better than the previous year and with another good maize crop being harvested, the local supply of white maize is currently stable. Zimbabwe and Zambia are also harvesting very good maize crops and it is expected that there will be little demand for maize meal from these markets during the 2021 season. This will result in increased competition for the local market since a number of millers were exporting good volumes during the past season.

WAY FORWARD

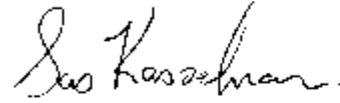
The year ahead is going to be a roller-coaster ride with, once again, several uncertainties, which will have to be managed. The international grain prices are at high levels and the stock-to-use ratio of several commodities, such as maize and soya beans, is under pressure. This is the result of exceptional demand from China apparently restocking strategic reserves depleted during the trade war with the US. The world relies strongly on a good American harvest and the first half of 2021/22 can be a very volatile period.

The sales structures of all the entities in the VKB Agri Processors Group were centralised during the previous financial year. The impact of COVID-19 and the lockdown, however,

made it difficult to measure the success of the restructuring during the first half of the year. It will be evaluated on an ongoing basis to ensure that it services the Group optimally.

The business models of several companies in the VKB Agri Processors Group will be reviewed during 2021/22 to explore opportunities to create and maintain sustainability and to optimally manage the inherent risk of the industries.

The focus remains on margin improvement, operational efficiency, sustainable client relationships and the strengthening of trademarks.



SAS KASSELMAN
Managing Director: VKB Agri Processors (Pty) Ltd





RINA ERASMUS

Group Company Secretary

COMMITMENT TO CORPORATE GOVERNANCE

The VKB Group ("VKB") is committed to responsible corporate citizenship and effective corporate governance. VKB's operations are conducted in accordance with a Code of Ethics based on the following principles:

- Compliance with all laws, rules and regulations;
- Fairness, respect and dignity;
- Acceptance of alternative views;
- Mutual trust, honesty and respect for colleagues;
- Support and loyalty;
- Exceptional performance;
- A safe and healthy work environment for all employees;
- Recognition of employees' performance;
- Customer satisfaction;
- Confidentiality;
- Anticorruption;
- Avoidance of any conflict of interest.

Organisational structures are constantly reviewed to ensure that they support the above principles, ensure optimal performance and align the business with the best industry standards.

The Board of Directors ("the Board") is the focal point of VKB's corporate governance and is responsible to all stakeholders for the effective and ethical operation and performance of the business. A corporate culture of compliance with legislation, policies and procedures is fostered within the Group. The Board has a Whistle-blowing Policy to identify malpractices, combat corruption and theft, and to protect persons reporting irregularities.

VKB supports the management outcomes and practices as embedded in the King Code IV, namely Ethical Culture, Performance and Value Creation, Adequate and Effective Governance, Trust, Good Reputation, and Legitimacy. The Group is committed to holistic and integrated thinking, management and reporting, whilst constantly focusing on stakeholders, transparency and disclosure.

SHAREHOLDING AND BUSINESS MODEL

VKB Beleggings (Pty) Ltd ("VKB Beleggings") has approximately 4 628 shareholders who are all bona fide farmers in the Free State, Limpopo, KwaZulu-Natal, Mpumalanga and Gauteng.

The VKB Group's operations are conducted in two separate divisions. The traditional agricultural business is grouped together in a holding company called VKB Landbou (Pty) Ltd ("VKB Landbou"), and the industries in a holding company called VKB Agri Processors (Pty) Ltd ("VKB Agri Processors"). Both of these holding companies have various subsidiaries.

The company follows a unique dividend and incentive discount model. Incentive discounts are awarded from the profits generated by VKB Landbou and VKB Brokers (Pty) Ltd, while dividends are declared from profits generated by the other entities within the VKB Group. The incentive discounts are based on clients' pro rata participation in the agricultural business activities with the relevant entities during the past year. This discount is paid through a cash component and by the issuance of Class 2 shares in VKB Beleggings.

VKB Beleggings has four classes of shares:

CLASS 1 Ordinary shares, each shareholder (bona fide producers) owns 5 000 ordinary shares and has one vote per share.

CLASS 2 Voting, redeemable shares issued in relation to incentive discounts awarded, provided that, after a portion of the incentive discounts has been paid out in cash, for the balance one Class 2 share be issued in VKB Beleggings for every R1,00 incentive discount awarded. The Class 2 shares will be redeemed by VKB Beleggings, preferably not later than 15 years after issuance thereof, taking into account the business's ability and needs. The Class 2 shares of a shareholder who is 55 years or older at the time of the awarding of a particular year's incentive discount will be redeemed at age 70 years, subject to a minimum period of five years. Each Class 2 share carries one vote.

CLASS 3 Voting, redeemable shares awarded to shareholders during 2012 from reserves of the former Vrystaat Co-operative Limited and Northern Transvaal Co-operative Limited. For every R1,00 reserves allocated to a shareholder, one Class 3 share in VKB Beleggings was issued to the shareholder. The Class 3 shares will be redeemed by VKB Beleggings, preferably not later than 15 years after issuance thereof (2027), taking into account the business's ability and needs. Each Class 3 share carries one vote.

CLASS 4 Participating, non-voting, redeemable preference shares to make provision for shareholders whose Class 2 and 3 shares are redeemed, to exercise the option of subscribing for Class 4 preference shares, which shares rank pari passu with Class 2 shares in all aspects, except for a higher dividend rate. The shares are redeemable with 30 days' notice to the company, who must then redeem it at the face value thereof.

THE BOARD OF DIRECTORS

During the year under review, the Board of VKB Beleggings consisted of 12 non-executive directors, two executive directors and one independent specialist consultant. The 12 non-executive directors are nominated and elected by shareholders of the relevant wards (Free State – nine and Limpopo – three) ("ward directors"). In accordance with the company's Memorandum of Incorporation ("MOI"), a third of the ward directors rotate every year. The Nominations Committee ("the Committee") assists with the identification of suitable candidates for election as ward directors to ensure that the Board comprises of directors with the necessary skills and expertise.

Due to the expiry of the terms of office of non-executive ward directors, vacancies arose in four of the wards during the year under review. Nominations were requested and Messrs ID Dreyer, JJB Greyling, PJ Cronjé and LJ Eksteen were nominated unopposed by their respective wards (Wards 3, 5, 8 and 15) and declared elected by the Board for a term of office of three years. Mr GJ Nel was co-opted by the Board for a further term of one year as independent specialist consultant. Messrs JF Janse van Rensburg, Managing Director: VKB Group, and MJ Mittermaier, Executive Director: Finance VKB Group, serve as executive directors on the Board.

The Directors' Report contains further information on the composition of the Board.

The Chairperson and Vice-chairperson of the Board are elected at the first Board meeting held after the Annual General Meeting of Shareholders, or as otherwise required. For the year under review, Mr PG Carshagen was elected as Chairperson and Mr CF Fick as Vice-chairperson.

The balance within the Board is sound and the role of the Chairperson is separate from that of the Managing Director. The Chairperson is responsible for leadership within the Board and facilitates constructive liaison between the Board, Management and stakeholders. The Managing Director of the VKB Group is primarily responsible for leading Management in the execution of the strategic plan and the daily business operations.

DUTIES AND RESPONSIBILITIES

The Board, as Governing Body, exercises control over the business through appropriate governance structures. The Board executes its duties and responsibilities in accordance with legislation, the company's MOI and VKB's Board Charter. The Board determines the strategy of the business, its associated goals and objectives. Committees assist the Board in this regard. The performance of the business against set goals and objectives is constantly monitored and compared to previous years' performance and industry norms.

A Delegation of Authority Framework is approved by the Board to delegate duties and responsibilities to different levels of Management. The Group's subsidiaries agreed to adopt and apply the Delegation of Authority Framework and policies approved by VKB Beleggings as holding company of the Group. The delegation of authority does not absolve the Board from its responsibilities.

The Board ensures that VKB, its subsidiaries and related entities act as, and are seen as, responsible corporate citizens protecting and extending the sustainability of the Group, community and natural environment, and conducting its operations in a legal and ethical manner.

At the end of each year, the Board prepares a comprehensive year planner for the following year to ensure that adequate attention is given to all aspects of the business. The Board meets at least four times a year to fulfil its duties and responsibilities, and additional meetings are scheduled when necessary. It is the responsibility of Executive Management to implement the resolutions taken by the Board.

Directors of the company, when acting in that capacity, must exercise the powers and perform the functions in good faith and for a proper purpose, in the best interests of the company and with the degree of care, skill and diligence that may reasonably be expected of them. The directors have unlimited access to all information, records and resources of the business to fulfil their duties and responsibilities. The Board has a procedure in place for directors to obtain independent professional advice in the execution of their duties.

INDEPENDENCE OF THE BOARD

Directors are expected to act objectively and in the best interest of the company in the execution of their duties. A director of VKB who has an interest in a proposed contract that VKB considers entering into, or acquires an interest in a contract after it has been entered into by VKB, must disclose full particulars of the nature and extent of his/her interest and may not vote in respect of such contract or proposed contract with VKB,

or any matter arising therefrom, and if he/she so votes, his/her vote is not counted. Directorships and interests declared by directors are recorded in a register maintained for this purpose. The declaration of interests is a standing item on the agenda of every Board meeting.

EVALUATION AND TRAINING OF DIRECTORS

The Board evaluates its own performance as well as the performance of committees, management structures and individual directors on an ongoing basis, and if shortcomings are identified, it is addressed appropriately and immediately. Newly appointed directors undergo a comprehensive induction process to acquaint them with the business's structure, strategy, policies and procedures, as well as directors' duties and responsibilities.

The Board is kept informed on an ongoing basis of new legislation and developments affecting the business. During the year under review, the Board and Management received training on applicable legislation and corporate governance.

The Nominations Committee is responsible for succession planning of directors and makes recommendations to the Board on the representation of non-executive directors on the Boards of subsidiaries and committees. The Committee also ensures that the performance of the Board, its committees and directors is evaluated frequently. Based on the outcome of these evaluations, the Committee makes recommendations to the Board.

BOARD COMMITTEES

The following committees of the Board assisted the Board and Management during the review period in the execution of their duties:

- Audit, Risk and Opportunity Management Committee ("Audit Committee")
- Human Resources Committee
- Nominations Committee
- Social and Ethics Committee

The composition of the committees complies with the requirements of the Companies Act, Act No. 71 of 2008 ("the Act"), and the provisions of the King Code IV. Each committee is chaired by an independent, non-executive director. The chairpersons and members of the various committees are elected by the Board, on the recommendation of the Nominations Committee. The majority of committee members are independent, non-executive directors, as prescribed by the King Code IV. The committee members have the joint ability and expertise to carry out their duties and responsibilities. Executive

and Senior Management members attend committee meetings to report on their respective areas of responsibility.

The committees facilitate effective decision making and function in accordance with approved Terms of Reference, which are reviewed by the Board from time to time and which include their mandate, duties and responsibilities. Unless authorised thereto by legislation or otherwise, the committees do not have decision-making powers and only make recommendations to the Board. The various chairpersons present the deliberations and recommendations of the committees to the Board for approval and implementation.

RISK MANAGEMENT AND SUSTAINABILITY

The company proactively manages its risks in accordance with a comprehensive Risk Management Policy. A scheduled programme of risk assessment is followed annually, during which risks are quantified, prioritised and included in a Risk Management Plan.

The development, implementation and assessment of the Risk Management Plan has been delegated to Management. The Board approves the Risk Management Plan on an annual basis and ensures that the Plan is formally documented. The Audit Committee evaluates the plan on an ongoing basis, monitors execution and provides feedback to the Board. Risk management and business continuity management are also focal areas for Management. Risk management is a standing item on the agenda of Management meetings. The Board, with the assistance of the Audit Committee, ensures that sustainable and effective control measures are established and implemented to ensure effective control within the Group. The Internal Audit Department plays an important role in the company's internal control and risk management.

Risk and opportunity are managed in such a way that it supports VKB in defining its primary goals and objectives, and in setting and achieving strategic goals. To provide assurance to the Board, risk management practices affecting VKB's operations are continuously identified, assessed and implemented through action plans and regular monitoring and reporting to Management, the Audit Committee and the Board.

The sustainability of VKB remains the most important aspect of the Board's responsibilities. The Board adopted a long-term strategy to give effect thereto. Information affecting sustainability is continuously provided to the Board and is thoroughly evaluated to ensure that the information and forecasting enable the Group to achieve its goals and objectives, that the information is reliable and that there are no discrepancies in the disclosed financial information.

COMPLIANCE WITH LEGISLATION

The Board is responsible to ensure compliance with all applicable legislation and regulatory requirements, and adopted a Compliance Policy for this purpose. The Legal Department continuously addresses the critical regulatory risk areas as part of the Group's risk management process. Continuous awareness, training and liaison within the Group take place and assurance in this regard is accordingly provided to the Board.

INFORMATION AND TECHNOLOGY GOVERNANCE

As an integral part of the risk management framework, the Board ensures oversight of information and technology ("I&T") governance, which is executed by a team of knowledgeable I&T staff and specialists. To comply with the requirements of legislation and the King Code IV, the I&T Executive Management Committee has the following mandate:

- Execute the Board's strategy and approved policies and procedures relating to I&T governance.
- Report to the Board, enabling it to perform its oversight function on the adequacy and effectiveness of I&T governance within the organisation, as well as information security management.

I&T management is also a standing item on the agenda of the Audit Committee and the review of I&T-related controls is included in the Internal Audit Plan. Extensive business and I&T disaster recovery systems and processes have been established within the business.

SOLVENCY AND LIQUIDITY

The Board, with the assistance of the Audit Committee, monitors the solvency and liquidity of the individual entities and VKB on an ongoing basis, taking into account available information and all reasonably foreseeable financial and other factors that may affect the company and the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Board adopted a Stakeholder Engagement Policy to ensure an inclusive approach that promotes transparent, comprehensive and targeted interaction with its stakeholders. The execution of the policy is monitored on an ongoing basis.

Various channels regulate the communication, relationships and liaison of VKB with its shareholders, employees, clients, suppliers, the community and the government. VKB's website, www.vkb.co.za, and bimonthly magazine, *Die Pad Saam*, as well as the Integrated Report, social media, regular information meetings and a mass SMS service are used as communication media.

The Annual General Meeting of Shareholders is preceded by a series of information meetings in VKB's service area, during which shareholders are informed of developments within the business.

VKB's Board also hosts an annual Stakeholder Review Day during which an overview of the Group's performance and business operations is presented to stakeholders.

The value created by the Group is of utmost importance to the Board. The Audit Committee reviews the Statement of Value Added on an annual basis, which includes analyses of the creation and distribution of wealth, as well as the Group's economic value added.

CUSTODIANSHIP OF CORPORATE GOVERNANCE

The group company secretary is the primary custodian for corporate governance in the Group and has, amongst others, the following duties:

- Management and execution of the VKB Group Corporate Governance Framework;
- Arranging and minuting the meetings included in the Board's corporate calendar for the year;
- Execution of resolutions taken by the Boards and shareholders;
- Ensuring that all the entities in the Group comply with corporate legislation, including the Act;
- Management of the entities' corporate affairs, such as statutory records and security registers;
- Providing the directors collectively and individually with guidance as to their duties, responsibilities and powers, making them aware of legislation and corporate developments relevant to or affecting the company;
- Reporting to the Board any failure on the part of the company or a director to comply with the provisions of the MOI of the company, the Board Charter or the Act.

STATUS OF CORPORATE GOVERNANCE

All the aspects included in this report were duly executed during the period under review. The Board's corporate calendar was successfully executed and 317 meetings conducted, minuted and resolutions executed. The corporate affairs of the 35 entities in the Group were found to be in order, as confirmed by the external auditors.

The company successfully hosted its first electronic Annual General Meeting in 2020, which was preceded by a series of Information Meetings in VKB's service area.

DECLARATION BY THE BOARD

The Board confirms and acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board accordingly considered the 2021 Integrated Report and is of the opinion that it addresses all the material aspects and is a fair account of the integrated performance and sustainability of the business.

The Integrated Report was prepared in accordance with the accepted principles of good corporate governance. The Board authorises the issuance of the 2021 Integrated Report.



RINA ERASMUS

Group Company Secretary: VKB Group





for the
LOVE
of the
LAND



DAN KRIEK

Chairperson: Social and Ethics Committee

This report incorporates the statutory responsibilities of social and ethics committees, as prescribed by Section 72 and Regulation 43 of the Companies Act, Act No. 71 of 2008. This committee acted as the Social and Ethics Committee ("the Committee") for entities within the VKB Group ("VKB").

COMPOSITION

During the year under review, the Committee consisted of five non-executive directors, namely Messrs DJ Kriek, JH du Preez, PJ Cronjé, J van der Goot and JJB Greyling. In addition to the members, the Chairperson of the Board of Directors ("the Board"), the Managing Director: VKB Group and other members of Executive Management also attend meetings of the Committee. The Chairperson of the Committee in turn attends the Annual General Meeting of Shareholders and reports on the Committee's activities.

MANDATE AND RESPONSIBILITIES

The Committee monitors the following activities of the entities within the VKB Group, taking into consideration relevant legislation, other legal requirements and/or applicable codes of best practice:

1. Social and economic development, including the Employment Equity Act, Act No. 55 of 1998, and the Broad-Based Black Economic Empowerment ("BBBEE") Act, Act No. 53 of 2003.
2. Good corporate citizenship, including the company's:
 - a. promotion of equality, prevention of unfair discrimination and elimination of corruption.
 - b. contribution to the development of the communities in which VKB conducts its operations and markets its products and services.
 - c. sponsorships, donations and welfare contributions.
3. The environment, health and public safety, including the impact of VKB's operations on the environment.
4. Relationships with consumers, including VKB's marketing and communication, public relations and compliance with consumer legislation.

5. Labour and performance, including:
 - a. VKB's position in relation to the *International Labour Organisation Protocol on labour and working conditions*.
 - b. VKB's relationships within the workplace and its contribution to the educational development of its employees.
 - c. inputs on VKB's Remuneration Policy.

The Committee, together with the Board and other committees, gave effect to its mandate during the review period.

SOCIAL AND ECONOMIC DEVELOPMENT

VKB makes a significant contribution, through various social and economic development activities and programmes, to improve the quality of life of the communities in which it conducts its business.

Developing agriculture forms the cornerstone of VKB's enterprise development initiatives. During the past year, VKB supported numerous new era farmers, engaging in a diverse range of crop and livestock farming activities. VKB provides these producers with advice, financial support and mentorship on an ongoing basis. In the Free State, VKB's project included 39 new era farmers during the year under review. These farmers collectively planted 3 552 hectares of grain during the 2020/21 summer season, consisting of maize, soya beans, dry beans, sunflower and asparagus. In Limpopo, the project included 19 new era farmers during the year under review. These farmers produce mostly intensive crops, such as potatoes (164 hectares) and peppadews (20 hectares) under irrigation. Cooperation and coordination of development efforts between VKB and other role players, such as Potatoes SA, Peppadew International (Pty) Ltd and government departments, were extended further during the past season.

A major milestone in VKB's strategy to contribute toward sustainable agriculture was achieved during the year with the launch of Maluti Farming PALS ("Partners in Agri Land Solutions"), a non-profit entity focusing primarily on promotion of cooperation and partnerships between commercial and new era farmers.

VKB is still involved in other initiatives and joint development projects in association with the Jobs Fund, Grain Farmer Development Association (GFADA) and the Department of Agriculture, Land Reform and Rural Development (DALRRD) as its main partners.

SPONSORSHIPS, DONATIONS AND WELFARE CONTRIBUTIONS

VKB has a Corporate Social Investment Policy providing for the support of initiatives with a positive impact in the communities in its service area. These include sponsorships, donations and welfare contributions.

During the year under review, VKB Landbou (Pty) Ltd ("VKB Landbou") contributed R481 930 to schools in the Free State and Limpopo. Sponsorship of the VKB Knights Cricket Team concluded with the third annual sponsorship of R3 580 253 being made. An amount of R2,2 million of this sponsorship was utilised for cricket development.

The annual VKB Fundraising Golf Day, hosted mainly for the purpose of supporting rural security, was cancelled due to COVID-19 regulations. An amount of R452 399 was distributed for this purpose, of which VKB contributed R319 000.

Food For Mzansi, the nation-building initiative telling uplifting agricultural stories, which is supported by VKB, won three awards at the African Digital Media Awards during the past year. Extensive work was done with the filming of VKB's first TV show, *For the love of the land*, in collaboration with Food For Mzansi. The TV presenter and VKB's own Mr Piet Potgieter joined forces to tell agricultural stories of hope.

Ward directors of VKB Beleggings (Pty) Ltd are actively involved in their respective regions and communities to support needy and deserving institutions on behalf of VKB. During the year under review, a total amount of R461 724 was allocated for this purpose.

VKB provides support to numerous farmers' days, auctions, fairs and festivals in its service area. In many instances, the VKB sponsorship is crucial for the survival of these festivals and to support the various communities. VKB is the name sponsor of the Reitz Bieliemielie Festival and acts as sponsor for the joberg2c cycle race, the Surrender Hill Marathon and the Liebenbergsvlei Canoe Marathon. With many of the events not taking place during the past year due to COVID-19, less distributions were made.

Significant grain donations were made during the year toward drought relief, including products such as flour and maize meal. An amount of R73 000 was also donated for assistance with the fighting of veld fires in the Western Free State.

VKB launched a feeding scheme within its service area in support of Agbiz to alleviate food shortages in South Africa. The project not only supported the various communities, but the agricultural producers as well, and was marketed extensively through a social media campaign. As part of the project, donations were requested and maize meal to the value of R1,1 million subsequently distributed through VKB's retail network to organisations and church denominations handling the distribution to needy people.

With its strategy primarily focused on the farmer-producer, VKB is actively involved in supporting farmers' associations in the Eastern Free State and Limpopo (54 in the Eastern Free State and 26 in Limpopo). Diverse VKB sponsorships include the Land Summit, Landbouweekblad's annual Agricultural Conference, the Landbouweekblad Conservation Agriculture Conference (main sponsor), Red Meat Producers Organisation, Agbiz and organised agriculture. Most of these, however, did not take place during the review period due to COVID-19, or were held virtually. The Limpopo Division's

sponsorship also includes sponsorships for study groups, district agricultural unions and breeder groups.

During the period under review, R14 900 was donated as sponsorship for a Youth Against Drugs project in Petsana, R20 800 for soccer sportswear and equipment, as well as R50 000 for a project to make ventilators available to hospitals in VKB's service area. VKB also contributed R150 000 toward the University of the Free State for study bursaries in agricultural economics.

VKB Agri Processors (Pty) Ltd received limited requests for sponsorships during the year, probably due to COVID-19. A total amount of R90 000 was paid out, of which R75 000 was in the form of feed for the QPro Feeds (Pty) Ltd ("QPro Feeds") ram grow project. The remainder of the contributions made were in the form of chicken for three institutions. Free State Oil (Pty) Ltd donated coal ash to the value of R90 574 to brick manufacturers in Qalabotjha (Villiers) for the period under review.

EMPLOYMENT EQUITY

Employment equity plans with goals are compiled annually and approved by the Board, after which it is submitted to the Department of Labour. VKB complies with the applicable legislation and makes a concerted effort to continuously make progress in this regard.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Transformation is an integral part of VKB's business strategy. VKB's transformation strategy is based on the principles of equity, transparency and sustainability. VKB supports the spirit and substance of BBBEE, which is evident from the numerous projects and initiatives undertaken, including the operation of three workers' trusts as co-shareholders in some of the operating entities. A total of 3 323 employees who are beneficiaries of the trusts received distributions in the 2020/21 financial year.

All the VKB Group's entities are governed by the AgriBEE Sector Code. Entities must compile annual plans setting out the targets on the scorecard. Every entity has a BBBEE Committee with a champion per pillar. The Committee meets every second month to ensure that there is adherence to the plan and progress toward the goals. VKB performed well on most of the elements and subelements of the scorecard during the review period, especially skills development, enterprise and supplier development, and socioeconomic development.

GOOD CORPORATE CITIZENSHIP

Code of Ethics

VKB's operations are conducted according to a Code of Ethics. Healthy relationships with all stakeholders are pursued and adequate and appropriate consideration is given to the recognition of human rights, fair labour practices, the impact of the business on the environment and the prevention of fraud, theft and corruption.

The latter is adequately and appropriately addressed within VKB by:

- internal and external communication (including the Integrated Report, website, social media and information meetings) to promote the transparency of VKB's activities;
- adequate internal control and control measures;
- applicable accounting practices;
- an independent external audit; and
- a Whistle-blowing Policy.

Policies

The Committee monitored, amongst others, the execution of the following policies within VKB:

- Internal Audit Reporting Policy
- Tender and Procurement Policy
- Environmental Policy
- Occupational Health and Safety Policy
- Corporate Social Investment Policy
- Remuneration Policy
- Language Policy
- Energy Management Policy
- Information & Technology Management Policy
- Stakeholder Engagement Policy/Interest Groups Interaction Policy
- Compliance Policy

New policies adopted and implemented by VKB during the review period include the following:

- Reporting Policy ("Whistle-blowing")
- Incident Management Policy
- VKB Group Business Continuity Management Programme Guideline

Procurement

VKB follows a Tender and Procurement Policy prescribing fair, honest, transparent and price-competitive procurement processes, with specific measures to prevent fraud, theft and corruption.

Compliance Policy

VKB is committed to conduct all its business activities in accordance with the relevant legislation and applicable compliance principles, legal practices and policy standards. In support of VKB's compliance culture, VKB's Legal Department, as main custodian and executioner of the Compliance Policy, provides regular training to staff to ensure that they are fully aware of, and comply with, the legislation applicable to their operations.

THE ENVIRONMENT, HEALTH AND PUBLIC SAFETY, INCLUDING THE IMPACT OF VKB'S OPERATIONS, PRODUCTS OR SERVICES

VKB has an Environmental Policy, according to which the Group is committed to protect the environment and reduce the impact of the Group's activities on the environment. These include, amongst others, energy efficiency, waste management, recycling and the efficient use of resources. The business also complies with the Occupational Health and Safety Act, Act No. 85 of 1993, and is committed to provide its employees with a safe and healthy work environment. During the review period, the Committee monitored the implementation of health, safety and wellness programmes. Safety performance, occupational health and wellness, and resource and energy management are constantly monitored and improved.

VKB Occupational Health and Safety

VKB's Occupational Health and Safety Division managed the Occupational Health and Safety systems at all business units in the Group, and has made significant progress with the implementation of PPCB Food Safety Systems, ISO 22000 Food Safety Systems, ISO 45001 Occupational Health and Safety Systems, and RSR railway safety systems. Effective digital reporting of injuries and non-compliance is monitored through the CURA Digital System.

VKB medical surveillance and management of COVID-19

A total of 2 114 medical examinations were conducted during the financial year by VKB Medical Team. The overall state of employees' health is very good, the only concern continues to be employees with hypertension and poor vision.

VKB implemented all prescribed measures to ensure the safety of its employees and the public to comply with all legislation and regulations pertaining to COVID-19. Policies and procedures were fully documented and adhered to throughout the VKB Group. During the 2020/21 financial year, 150 positive COVID-19 cases were reported, and VKB regrets to report the passing away of two staff members during the year due to COVID-19.

Establishment and implementation of VKB Group Environmental Management System

Due to the extent of VKB's diverse operations, as well as the future implications of carbon taxation, renewed focus was placed during the year under review on the provisions and implications of the National Environmental Management Act. The implementation of a VKB Environmental Management System is progressing well. Projects undertaken include recycling and disposal, including recycling of used oil, oil filters and oil sludge at all mechanisation branches, the safe disposal of fluorescent tubes and recycling of paper and other products produced or used by the Group.

Energy management

A solar photovoltaic project was completed and commissioned at VKB Flour Mills (Pty) Ltd in September 2020. To date, the system generated 551 202 kilowatt-hours of electricity and supplied 8,8% of the facility's total consumption.

Energy efficiency assessments were conducted at several of VKB's industries during the past year. Compressed air system leaks and tariff optimisation were some of the energy-saving opportunities identified. Reparation of air leaks at QPro Feeds Vrede resulted in an energy saving of 65 976 kilowatt-hours of electricity. QPro Feeds Vrede also switched over to a more beneficial tariff, which will save the company an estimated R467 000 per year in electricity costs.

Power factor correctors were also installed and upgraded at the Limpopo silos, resulting in an estimated saving of 106 kVA in maximum demand power consumption.

The VKB Group's total carbon emissions from stationary combustion were 31 560 tons of CO₂ for the 2020 calendar year, representing a marginal increase of 2% from 2019. The use of diesel for backup generators increased due to increased load shedding during the past year. The use of Sasol polyfuel also increased significantly as a result of more grain drying at the silos during this past season. At nearly 91%, coal remains the biggest contributor to the VKB Group's total emissions. As required, the Group's emissions have been reported on the South African Greenhouse Gas Emissions Reporting System on 31 March 2021.

The VKB Group's estimated carbon tax for 2020/21 amounts to R1 166 702, which will be paid in July 2021.

A total of 3 290 carbon offset credits were purchased at a value of R95/ton to make use of the 10% offset allowance in terms of the regulations. This provided VKB with a carbon tax saving of R388 900, and a net saving of R89 082 if the cost of the credits is included.

LABOUR AND EMPLOYMENT

VKB supports the principles of the *International Labour Organisation Protocol* on good work and working conditions, which include the following:

- Freedom of association and recognition of the right to collective bargaining
- Avoidance of all forms of forced labour
- Prohibition of child labour
- Avoidance of all forms of discrimination

During the year under review, VKB received an award from Topco Media and Simplify HR, as an employer of choice for large employers in South Africa.

Remuneration Policy

The Human Resources Committee considered the management, fairness, responsibility and transparency of VKB's Remuneration Policy and Remuneration Implementation Plan, which was subsequently considered and reviewed by the Board. The Remuneration Policy and Remuneration Implementation Plan is available on the VKB website at <https://bit.ly/3izqSGJ>

Training of staff

VKB strives toward continuous improvement and believes in investing in the educational development of its staff. During the year under review, training, skills development, and social assistance programmes were offered to 1 911 employees who underwent formal training. The total cost of training for the VKB Group during the 2020/21 financial year amounted to R4 518 834. The Group also offers ongoing learnerships, and students who successfully complete these programmes are subsequently considered for permanent employment. The Group is also in the process of establishing a new VKB Online Academy that will provide employees ample learning, development and growth opportunities. The Group also initiated a mentorship programme for employees. Mentors were identified and trained to ensure optimal development of young talent within the Group.

Bursaries

A total of 42 internal bursaries were approved for employees of VKB for the 2021/22 financial year, compared to 45 internal bursaries in 2020/21. External tertiary bursaries are also provided to increase the talent pool for the VKB Group.

IMPACT OF COVID-19

The Committee monitors the impact of COVID-19 on the VKB Group on an ongoing basis.

REPORT

The Committee performed all the duties and responsibilities within its mandate, as set out above.



DAN KRIEK

Chairperson: Social and Ethics Committee



for the
LOVE
of the
LAND

2021





COENRAAD FICK

Chairperson: Audit, Risk and Opportunity Management Committee



This report incorporates the statutory responsibilities of the audit committee, as stipulated in Section 94 of the Companies Act, Act No. 71 of 2008 ("the Act"). This committee acted as the Audit, Risk and Opportunity Management Committee ("the Committee") for entities within the VKB Group ("the Group") during the year under review.

COMPOSITION

The Committee consists of at least three directors appointed at the Annual General Meeting of Shareholders on recommendation of the Board of Directors ("the Board"). The Board may, from time to time, co-opt specialists to the Committee or appoint them as members of the Committee.

During the year under review, the Committee consisted of four non-executive directors and one co-opted specialist consultant (Messrs CF Fick – Chairperson, ID Dreyer, LJ Eksteen and JBS Fourie; co-opted – GJ Nel). The composition of the Committee complies with the requirements of the Act and the provisions of the King Code IV. The Chairperson of the Board, Managing Director: VKB Group, Executive Director: Finance VKB Group, Executive Manager: Audit, representatives of the independent external auditors and Internal Audit, as well as Senior Management, also attend the meetings of the Committee.

The Committee met three times during the year under review, during which the Budgets, Annual Financial Statements and Risk Management Plan were considered, in addition to other matters.

The internal and external auditors have unrestricted access to the Chairperson of the Committee and continuously report to the relevant structures within the Group. The Chairperson and the independent external auditors attend the Annual General Meeting of Shareholders to respond to enquiries relating to the business's financial affairs and Annual Financial Statements.

MANDATE AND RESPONSIBILITIES

The Committee has the following duties and responsibilities:

1. To ensure that the business's financial planning, management and reporting are correct and effective, and in accordance with appropriate accounting policies and international financial reporting standards.

2. To consider and review the financial statements, the accounting practices, policies and procedures, as well as the effectiveness of internal financial controls.
3. To make recommendations on the appointment of the independent external auditors, ensure that the appointment of the auditors complies with the provisions of the Act and other legislation, and determine their fees.
4. To consider the independence and effectiveness of the external auditors, consider any non-audit work by such auditors and determine whether the provision of such services may influence their independence, and pre-approve any proposed agreement with the auditors for the provision of non-audit services to the company.
5. To prepare a report, to be included in the Annual Financial Statements for that financial year:
 - a. describing how the Audit Committee carried out its mandate and responsibilities;
 - b. stating whether the Audit Committee is satisfied that the auditors were independent of the company; and
 - c. commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.
6. To receive and deal in an appropriate manner with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to:
 - a. the accounting practices and internal audit of the company;
 - b. the content or auditing of the company's financial statements;
 - c. the internal financial control of the company; or
 - d. any other related matter.
7. To make submissions to the Board on any matter concerning the company's accounting policies, financial control, records and reporting, and to perform such other oversight functions as may be delegated or requested by the Board.
8. To accept the annual audit plan and audit budget.
9. To evaluate and assess the effectiveness of management information, the annual audit, internal audit programme and internal control systems, and oversight of the management of information and technology.
10. To ensure that the roles of internal and external audit have been appropriately defined and separated.
11. To ensure compliance with applicable legislation and monitoring of regulatory aspects.
12. To consider the Integrated Report.
13. To ensure proper disclosures, reporting and communication with stakeholders.
14. To assist the Board to ensure that an effective strategy for risk management is in place to give effect to the business's strategic goals and to ensure that the disclosure of the risks is complete, timely and relevant.
15. To continuously consider the solvency and liquidity of the company and the Group, considering all reasonably foreseeable financial circumstances.
16. To provide independent oversight of, amongst others:
 - a. the effectiveness of the organisation's assurance functions and services, with particular focus on combined assurance, including external assurance service providers, internal audit and the finance function; and
 - b. the integrity of the Annual Financial Statements and, to the extent delegated by the Board, other external reports issued by the organisation.
17. To meet annually with the internal and external auditors respectively, without Management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

REPORT

The Committee performed all duties as set out above. The Committee is satisfied that the 2021 audit conducted by the external auditors was independent and agrees with the audit reports issued in respect of the Group.

In addition, the Committee considered the Integrated Report and is satisfied that:

1. All the factors and risks, which may have an impact on the integrity of the Integrated Report, have been considered.
2. The Annual Financial Statements reflect the position of the business and the Group correctly.
3. The financial function as well as the internal financial and other controls is adequate and functions effectively.
4. The sustainability opportunities disclosed in the Integrated Report are reliable and not in conflict with financial information.
5. The reporting on risk management, as included in the Integrated Report, is timely, complete and relevant.
6. The level of assurance provided in the Integrated Report gives effect to an adequate and efficient control environment.



COENRAAD FICK

Chairperson: Audit, Risk and Opportunity Management Committee

The directors are required in terms of the Companies Act, Act No. 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the VKB Group ("the Group") as at the end of the financial year and the results of its operations and cash flow for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditors were engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and are based on appropriate accounting policies applied consistently and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors ("the Board") sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operational risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors reviewed the Group's cash flow forecast for the year until 31 March 2022 and, in view of this review and the current financial position, they are satisfied that the Group has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's financial statements. The financial statements were examined by the Group's external auditors and their report forms part of the comprehensive Annual Financial Statements.

The abridged financial statements set out on pages 47 to 48, which have been prepared on the going concern basis, were approved by the Board on 30 June 2021 and were signed on their behalf by:



PG CARSHAGEN
Chairperson



CF FICK
Vice-chairperson

Declaration of responsibility by the Group Company Secretary:

In terms of Section 88(2)(e) of the Companies Act, Act No. 71 van 2008, it is certified that the company submitted the prescribed returns and notices in terms of the act, and that such returns and notices are considered to be just, correct and up to date.



SC ERASMUS
Group Company Secretary

The directors have pleasure in submitting their report on the abridged financial statements of the Group for the year ending 31 March 2021.

1. NATURE OF BUSINESS

VKB Beleggings (Pty) Ltd is a private company incorporated in South Africa, with interests in the agricultural industry. The company does not trade, and all its activities are undertaken through its subsidiaries, associates and joint arrangements. The Group conducts its operations in South Africa.

There have been no material changes to the nature of the Group's business from the previous year.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated financial statements were prepared in accordance with IFRS and the requirements of the Companies Act, Act No. 71 of 2008. The accounting policies have been applied consistently.

Full details of the financial position, results of operations and cash flow of the Group are set out in these consolidated financial statements.

3. SHARE CAPITAL

Authorised	Number of shares	
	2021	2020
Ordinary shares	100 000	100 000
Class 2 preference shares	10 000 000	10 000 000
Class 3 preference shares	1 000 000	1 000 000
Class 4 preference shares	10 000 000	10 000 000

Issued	Number of shares			
	2021 R'000	2020 R'000	2021 '000	2020 '000
Ordinary shares	22 930	22 685	22 930	22 685
Class 2 preference shares	1 890 466	1 761 791	1 890 466	1 761 791
Class 3 preference shares	218 395	230 170	218 395	230 170
Class 4 preference shares	6 775	4 518	6 775	4 518
	2 138 566	2 019 164	2 138 566	2 019 164

4. DIVIDENDS

The Board approved the declaration and payment of a dividend of R25 million (2020: R20 million).

5. DIRECTORATE

The directors in office at the date of this report are as follows:

Non-executive

PG Carshagen – Chairman
CF Fick – Vice-chairman
DP Viljoen
ID Dreyer

ID Bosman
JJB Greyling

DJ Kriek
JBS Fourie
PJ Cronjé
J van der Goot
JH du Preez
LJ Eksteen
GJ Nel

Ward

Ward 1 – Reitz
Ward 1 – Reitz
Ward 2 – Bethlehem, Daniëlsrus, Kestell and Qwaqwa
Ward 3 – Vrede, Memel, Natal (North), Cornelia, Woudzicht and Ascent
Ward 4 – Petrus Steyn, Heilbron, Senekal and Lindley
Ward 5 – Warden, Verkykerskop, Harrismith and Natal (South)
Ward 6 – Frankfort and Tweeling
Ward 7 – Jim Fouché, Oranjeville and Windfield
Ward 8 – Villiers, Grootvlei, Balfour, Standerton and Delmas
Ward 15 – Limpopo
Ward 15 – Limpopo
Ward 15 – Limpopo
Independent specialist consultant

Executive

JF Janse van Rensburg
MJ Mittermaier

Managing Director: VKB Group
Executive Director: Finance VKB Group

There have been no changes in the composition of the Board of Directors for the year under review.

6. SPECIAL RESOLUTIONS

No special resolutions, the nature of which might be significant to the shareholders in their appreciation of the state of affairs of the Group, were made by the Group or any of its subsidiaries during the period covered by this report.

7. GOING CONCERN

The directors are satisfied that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated financial statements were prepared on a going concern basis. The Group is in a sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the Group.

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

8. LITIGATION STATEMENT

From time to time the Group becomes involved in various claims and lawsuits incidental to the ordinary course of business. The Group is not currently involved in any such claims or lawsuits which, individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

9. AUDITORS

Enslins Bethlehem Incorporated ("Enslins") continued in office as auditors for the company and its subsidiaries for 2020.

At the Annual General Meeting of Shareholders, the shareholders will be requested to reappoint Enslins as the independent external auditors of the company and to confirm Mr EE Bakker CA(SA) as the designated audit partner for the 2022 financial year.

10. SECRETARY

The Group Company Secretary is Adv. SC Erasmus.

Postal address: PO Box 100
REITZ
9810

Business address: 31 President CR Swart Street
REITZ
9810

11. SOLVENCY AND LIQUIDITY

The directors performed the solvency and liquidity test as prescribed by the Companies Act, Act No. 71 of 2008.

12. COVID-19

During the review period, the Board took note of the impact of the COVID-19 pandemic as well as the country's downgrade to subinvestment status. At this stage there is no immediate concern about the company's going concern basis and the Board is confident that the company's responses are adequate. The Board is assessing and monitoring developments on an ongoing basis to assess the impact on the Group. The financial estimate cannot be determined reliably as the extent of COVID-19 is unknown.

13. ABRIDGED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The abridged consolidated Annual Financial Statements were compiled by Mr M Julyan AGA(SA). The comprehensive Annual Financial Statements are available on request at the offices of the Group Company Secretary. The information in this report was not subjected to an independent audit or overview.

	Group		Company			Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000		2021 R'000	2020 R'000	2021 R'000	2020 R'000
ASSETS					LIABILITIES				
Non-current assets					Non-current liabilities				
Property, plant and equipment	1 837 074	1 845 288	6 870	-	Borrowings	220 557	309 012	-	-
Right-of-use assets	26 313	23 431	-	-	Financial liabilities at fair value	2 373	2 721	-	-
Investment property	-	-	401 890	377 229	Finance lease liabilities	16 862	11 968	-	-
Goodwill	149 005	136 877	-	-	Retirement benefit obligation	73 507	75 768	-	-
Intangible assets	97 427	8 581	-	-	Deferred tax	221 771	212 309	18 630	12 763
Investments in subsidiaries	-	-	1 644 523	1 524 549		535 070	611 778	18 630	12 763
Investments in associates	472 864	429 485	459 995	417 949	Current liabilities				
Other financial assets	9 771	20 421	-	-	Trade and other payables	954 283	829 744	27 625	22 616
Finance lease receivables	3 150	1 492	-	-	Loans from shareholders	577 104	545 759	-	-
Instalment sale receivables	90 092	20 641	-	-	Borrowings	188 862	178 636	-	-
Deferred tax	214 960	169 661	361	360	Financial liabilities at fair value	83 087	159 210	-	-
	2 900 656	2 655 877	2 513 639	2 320 087	Derivatives	153	-	-	-
Current assets					Total liabilities				
Inventory	1 471 139	1 277 446	-	-	Finance lease liabilities	10 787	13 374	-	-
Loans to group companies	2 894	1 880	17 049	34 137	Income tax payable	6 444	981	-	-
Loans receivable	10 436	11 089	-	-	Provisions	9 884	339	-	-
Trade and other receivables	3 878 098	3 801 819	14 486	4 839	Dividend payable	-	3 430	-	-
Other financial assets	196 584	134 596	-	-	Bank overdraft	3 669 791	3 188 901	-	-
Finance lease receivables	278	813	-	-		5 500 395	4 920 374	27 625	22 616
Operating lease asset	45 302	15 496	-	-	Total equity and liabilities				
Current tax receivable	10 990	9 426	84	3 406		6 035 465	5 532 152	46 255	35 379
Cash and cash equivalents	206 212	183 529	649	68		8 729 402	8 097 837	2 545 907	2 362 537
	5 821 933	5 436 094	32 268	42 450					
Non-current assets held for sale and assets of disposal groups	6 813	5 866	-	-					
Total assets	8 729 402	8 097 837	2 545 907	2 362 537					
EQUITY AND LIABILITIES									
EQUITY									
Share capital	2 138 566	2 019 164	2 138 566	2 019 164					
Reserves	(25 428)	17 581	8 542	7 970					
Retained income	486 508	446 577	352 544	300 024					
Equity attributable to equity holders of parent company	2 599 646	2 483 322	2 499 652	2 327 158					
Non-controlling interest	94 291	82 363	-	-					
	2 693 937	2 565 685	2 499 652	2 327 158					



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Continuing operations				
Revenue	12 473 662	11 659 718	42 754	42 205
Cost of sales	(10 912 523)	(10 000 203)	-	-
Gross profit	1 561 139	1 659 515	42 754	42 205
Incentive discount	248 075	210 000	-	-
Gross profit before incentive discount	1 809 214	1 869 515	42 754	42 205
Other operating income	57 897	71 662	13 095	6 241
Other operating profit/(loss)	(6 487)	(29 299)	1 061	-
Other operating expenses	(1 345 030)	(1 288 125)	(24 998)	(26 151)
Operating profit	515 594	623 753	31 912	22 295
Investment income	7 782	6 046	11 053	11 963
Finance cost	(212 878)	(284 127)	-	(1 685)
Income from equity-accounted investments	23 704	10 771	18 834	7 700
Other non-operating profit/(loss)	104	(309)	104	(309)
Profit before incentive discount	334 306	356 134	61 903	39 964
Incentive discount	(248 075)	(210 000)	-	-
Profit/(loss) before taxation	86 231	146 134	61 903	39 964
Taxation	(21 235)	(46 204)	(8 662)	(6 854)
Profit from continuing operations	64 996	99 930	53 241	33 110
Discontinued operations				
Profit/(loss) from discontinued operations	(1 535)	(5 376)	-	-
Profit for the year	63 461	94 554	53 241	33 110
OTHER COMPREHENSIVE INCOME:				
Items that will not be reclassified to profit or loss:				
Remeasurements on net defined benefit liability/asset	2 441	3 600	-	-
Share of comprehensive income of equity-accounted investments	24 549	(15 824)	24 549	(15 824)
Income tax relating to items that will not be reclassified	(683)	(1 008)	-	-
Total items that will not be reclassified to profit or loss	26 307	(13 232)	24 549	(15 824)
Items that may be reclassified to profit or loss:				
Profit/(loss) on cash flow hedges not subject to basis adjustments	(11 355)	22 393	-	-
Income tax relating to items that may be reclassified	3 178	(6 270)	-	-
Total items that may be reclassified to profit or loss	(8 177)	16 123	-	-
Other comprehensive income for the year net of taxation	18 130	2 891	24 549	(15 824)
Total comprehensive income for the year	81 591	97 445	77 790	17 286
Profit attributable to:				
Owners of the parent company:				
From continuing operations	35 304	71 340	53 241	33 110
From discontinued operations	(1 535)	(5 376)	-	-
	33 769	65 964	53 241	33 110
Non-controlling interest:				
From continuing operations	29 692	28 590	-	-
Total comprehensive income attributable to:				
Owners of the parent company	51 899	68 855	77 790	17 286
Non-controlling interest	29 692	28 590	-	-
	81 591	97 445	77 790	17 286

CONSOLIDATED STATEMENT OF CASH FLOW

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from/(used in) operations	397 222	214 794	26 370	46 168
Interest income	7 753	5 978	1 056	4 025
Dividends received (trading)	107	68	9 997	7 938
Finance costs	(212 878)	(284 127)	-	(1 685)
Tax received/(paid)	(34 085)	(26 793)	527	(7 346)
Net cash from operating activities	158 119	(90 080)	37 950	49 100
CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(156 627)	(220 711)	(7 026)	-
Sale of property, plant and equipment	21 584	20 328	-	-
Purchase of investment property	-	-	(24 899)	(55 695)
Sale of investment property	1 299	-	1 299	-
Purchase of other intangible assets	(61 984)	(3 285)	-	-
Finance lease receipts	(1 123)	(2 305)	-	-
Loans advanced to group companies	(1 014)	(1 880)	31 816	163 699
Sale of investments at fair value	104	(309)	104	(309)
Receipts from loans receivable at amortised cost	653	(4 895)	-	-
Sale of financial assets	(51 338)	(89 015)	-	-
Investment in subsidiaries	-	-	(119 354)	383 536
Investment in associates	4 874	-	1 337	(426 073)
Other non-cash item	(48 253)	(421 830)	(14 728)	(198 941)
Net cash from investment activities	(291 825)	(723 902)	(131 451)	(133 783)
CASH FLOW FROM FINANCE ACTIVITIES				
Proceeds on share issuance	245	505	245	505
Proceeds on debentures/redeemable preference share issuance	1 087	1 657	-	(24)
Redemption of debentures/redeemable preference shares	(105 214)	(74 691)	119 108	115 990
Repayment of borrowings	(78 229)	(87 752)	-	-
Repayment of financial liabilities at fair value through profit/(loss)	(76 471)	(148 250)	-	-
Repayment of shareholders' loan	(31 345)	(11 548)	-	-
Payment on lease liabilities	2 307	15 703	-	-
Non-current assets held for sale	-	-	-	18 445
Dividends paid	(35 347)	(57 870)	(25 271)	(50 181)
Other non-cash item	(1 535)	(5 376)	-	-
Net cash from finance activities	(324 502)	(71 122)	94 082	84 735
Total cash movement for the year	(458 208)	(885 104)	581	52
Cash at the beginning of the year	(3 005 371)	(2 120 268)	68	16
Total cash at the end of the year	(3 463 579)	(3 005 372)	649	68