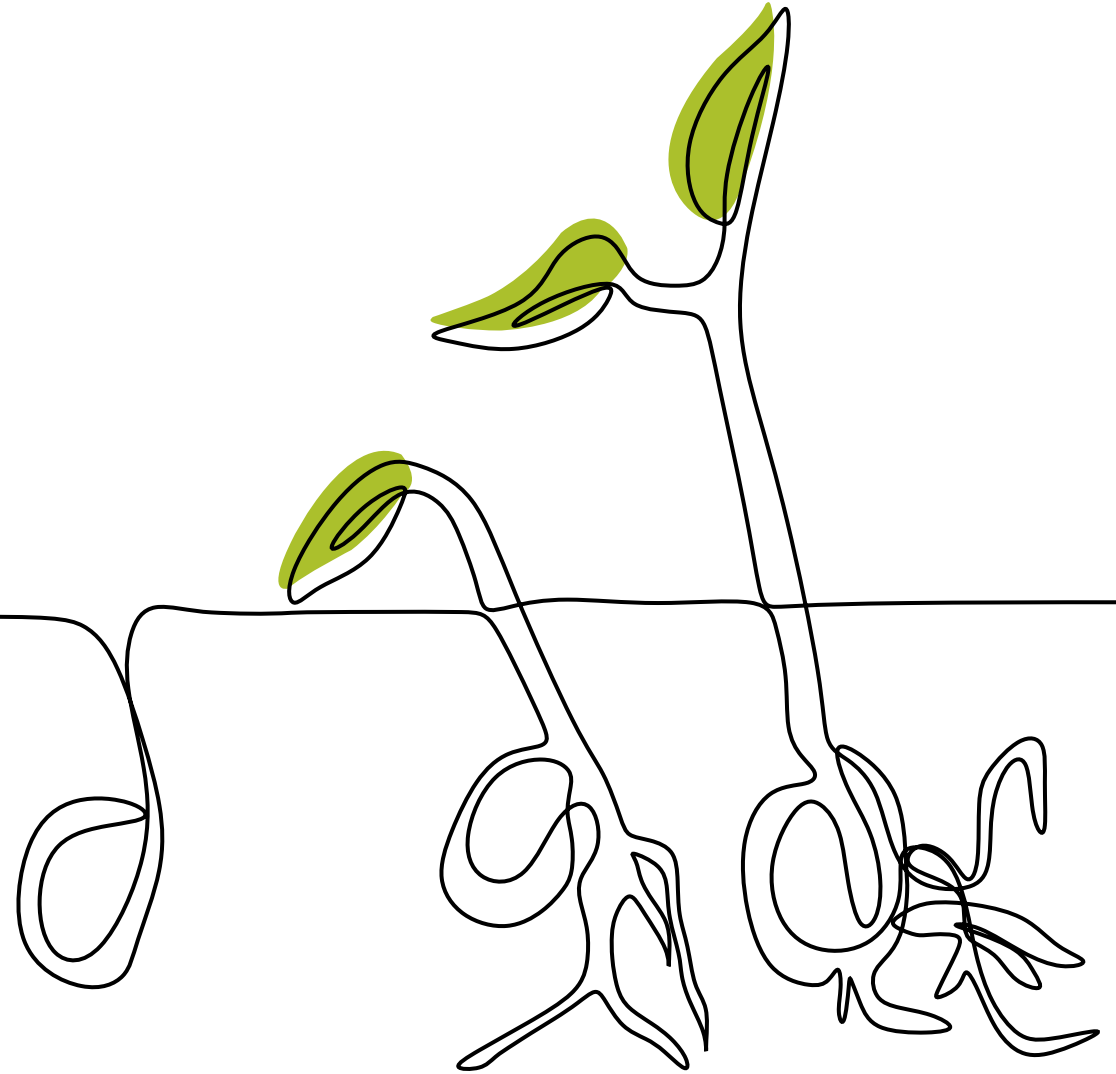




2022 INTEGRATED REPORT

2022





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## 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](http://www.vkb.co.za)

**BANKERS**  
Standard Bank  
Absa Bank

**AUDITORS**  
Enslins Bethlehem  
Incorporated  
PO Box 357  
BETHLEHEM  
9700

# 2022

# GEOGRAPHICAL *Footprint*

Commercial branches	60
Trade depots	10
Distribution centres	3
Mechanisation outlets	13
Grain facilities	23
Filling stations	10
Fuel retail outlets	37
Tyre outlets	2
Transmission	2
Packaging plants	2
Seed processing plant	1
Cold storage	1
Auction centre	1
Fertiliser mixing plant	1
Precision agronomic services	1
Insurance	13
Maize mills	3
Maize meal depots	13
Wheat mill	1
Bakery	1
Bakery depots	2
Broiler abattoir	1
Animal feed factories	2
Soya bean crushing plant	1
VKB Foods	8





2018	2019	2020	2021	2022
12 months	12 months	12 months	12 months	12 months
R'm	R'm	R'm	R'm	R'm

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Sales	10 446	10 736	11 660	12 474	16 815
Operating profit	724	604	624	516	707
Results of associates	5	8	11	24	43
Finance cost	(205)	(231)	(284)	(213)	(196)
Investment income	10	24	6	8	8
<b>Profit before incentive discount</b>	<b>534</b>	<b>406</b>	<b>356</b>	<b>334</b>	<b>562</b>
Incentive discount	(260)	(250)	(210)	(248)	(330)
<b>Profit before tax</b>	<b>274</b>	<b>156</b>	<b>146</b>	<b>86</b>	<b>232</b>
Tax	(59)	(86)	(46)	(21)	29
<b>Profit after tax</b>	<b>215</b>	<b>69</b>	<b>100</b>	<b>65</b>	<b>261</b>

Incentive discount	260	250	210	248	330
Dividends declared Class 2 preference shares	40	30	20	25	30
Dividend rate Class 2 preference shares	3,09%	2,12%	1,27%	1,50%	1,65%
Dividend rate Class 4 preference shares			4,00%	4,00%	4,00%

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets	1 910	2 143	2 662	2 907	3 020
Current assets	4 587	4 770	5 436	5 822	7 079
<b>Total assets</b>	<b>6 497</b>	<b>6 913</b>	<b>8 098</b>	<b>8 729</b>	<b>10 099</b>

Share capital	1 829	1 911	2 019	2 139	2 354
Reserves	395	437	464	470	704
Minority interest	80	69	82	85	121
<b>Total equity</b>	<b>2 304</b>	<b>2 417</b>	<b>2 566</b>	<b>2 694</b>	<b>3 179</b>

Non-current liabilities	718	614	612	530	811
Current liabilities	3 475	3 883	4 920	5 506	6 108
<b>Total equity and liabilities</b>	<b>6 497</b>	<b>6 913</b>	<b>8 098</b>	<b>8 729</b>	<b>10 099</b>

## PROFITABILITY AND PRODUCTIVITY

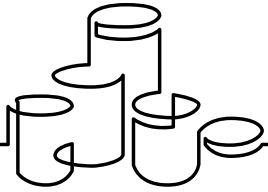
Return on total assets	11%	9%	8%	6%	8%
Return on shareholders' equity	23%	17%	14%	12%	18%
Asset turnover ratio (number of times)	1,82	1,67	1,55	1,44	1,94
Operating profit as % of income	7%	6%	5%	4%	4%

## SOLVENCY AND LIQUIDITY

Own capital ratio	35%	35%	32%	31%	31%
Total assets to total liabilities	1,55	1,54	1,46	1,45	1,46
Percentage interest-bearing capital	44%	48%	50%	51%	48%
Interest cover (number of times)	3,60	2,76	2,25	2,57	3,87
Operating capital ratio	1,32	1,23	1,10	1,06	1,16
Acid test ratio	0,99	0,93	0,85	0,79	0,88

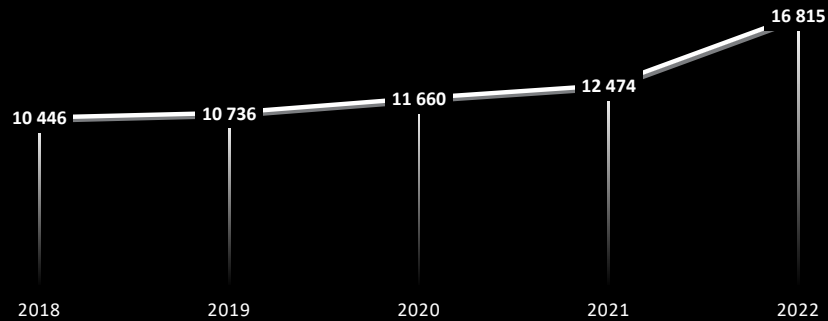
Note: Ratios were adjusted to 12 months, where applicable.



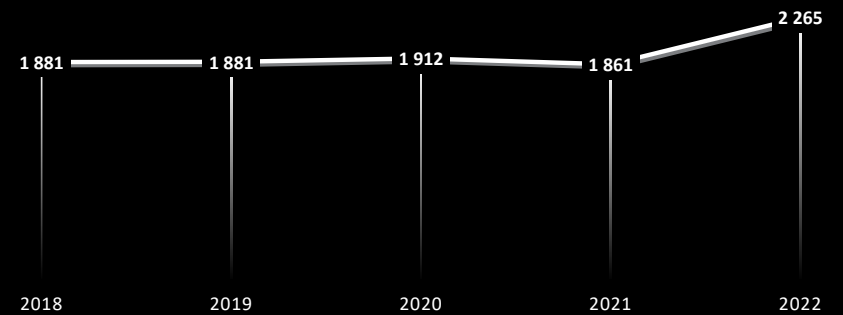


# FINANCIAL HIGHLIGHTS

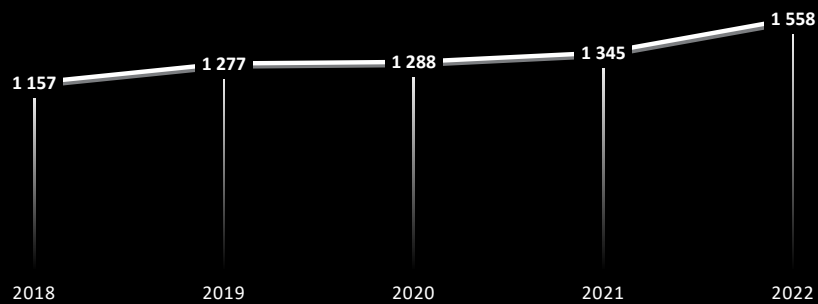
### TURNOVER (R'MILLION)



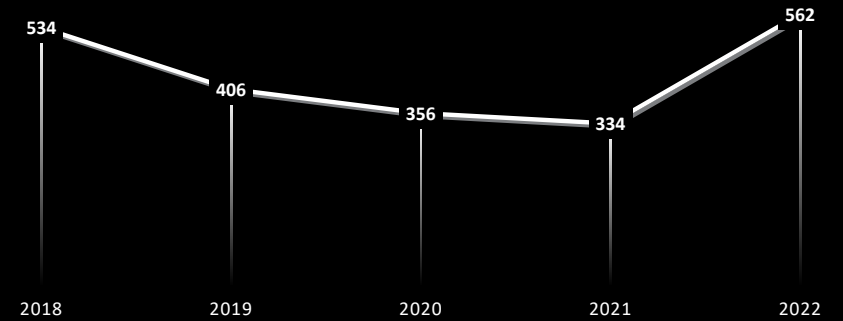
### GROSS INCOME (R'MILLION)



### OPERATIONAL EXPENSES (R'MILLION)

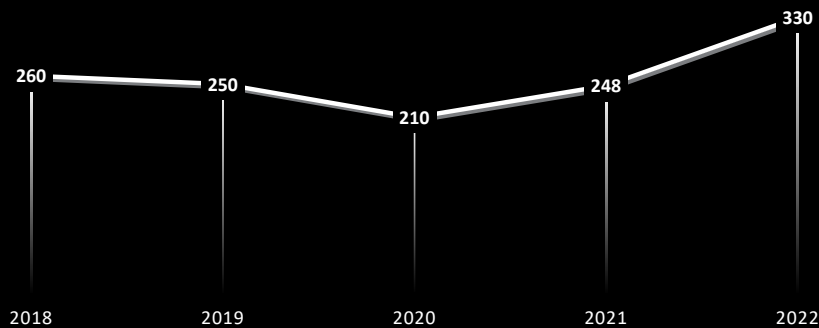


### PROFIT BEFORE INCENTIVE DISCOUNT (R'MILLION)

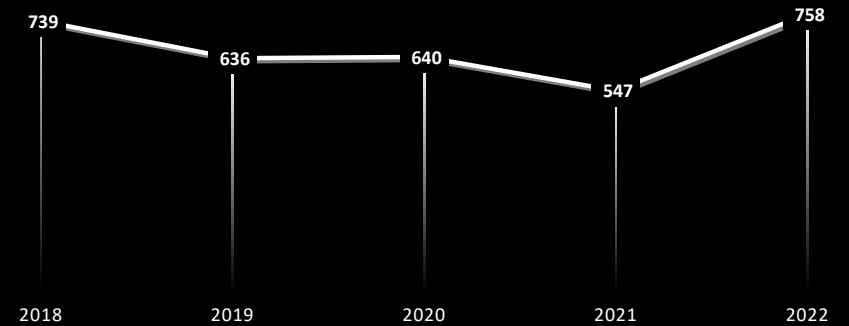


# FINANCIAL HIGHLIGHTS

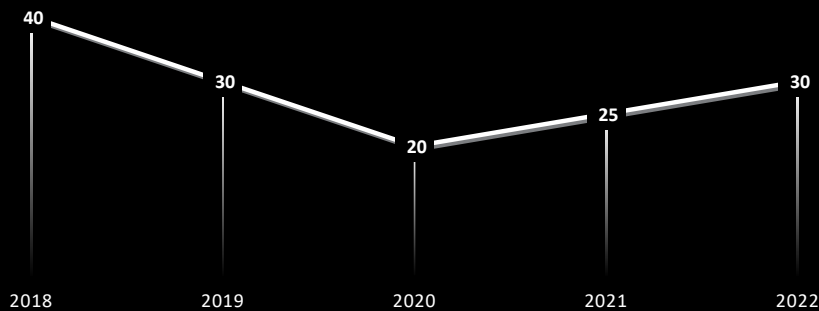
INCENTIVE DISCOUNT (R'MILLION)



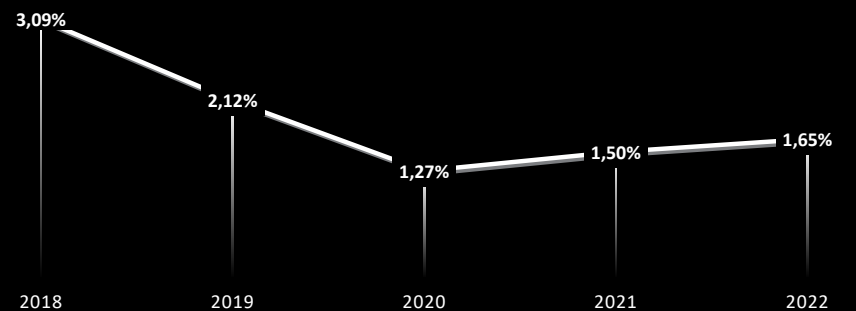
PROFIT BEFORE INTEREST, TAX AND INCENTIVE DISCOUNT (EBIT) (R'MILLION)

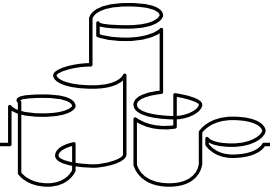


DIVIDENDS DECLARED (R'MILLION)



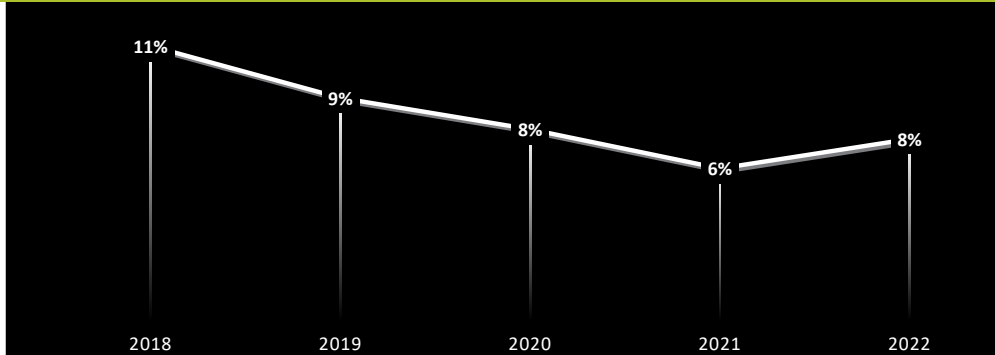
DIVIDEND RATE (%)



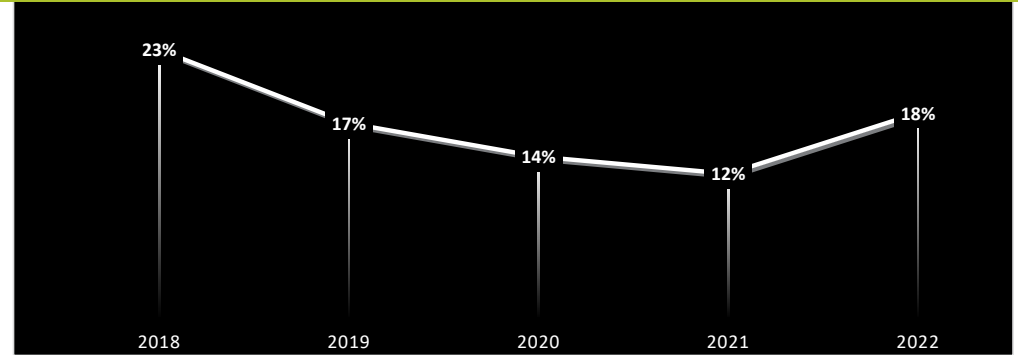


# FINANCIAL HIGHLIGHTS

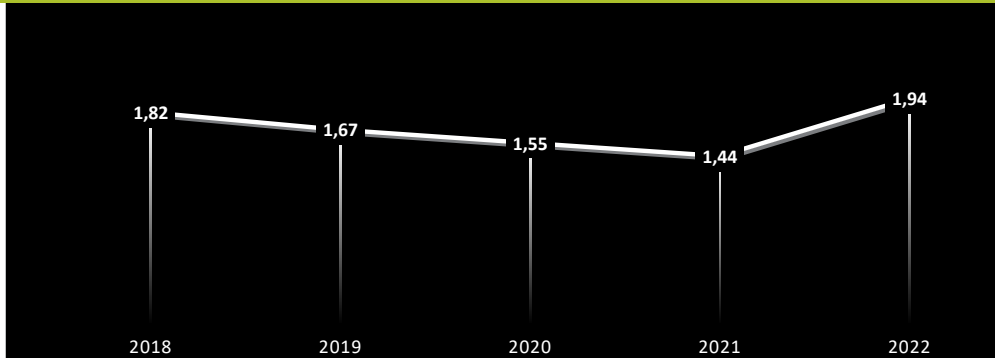
### RETURN ON TOTAL ASSETS (%)



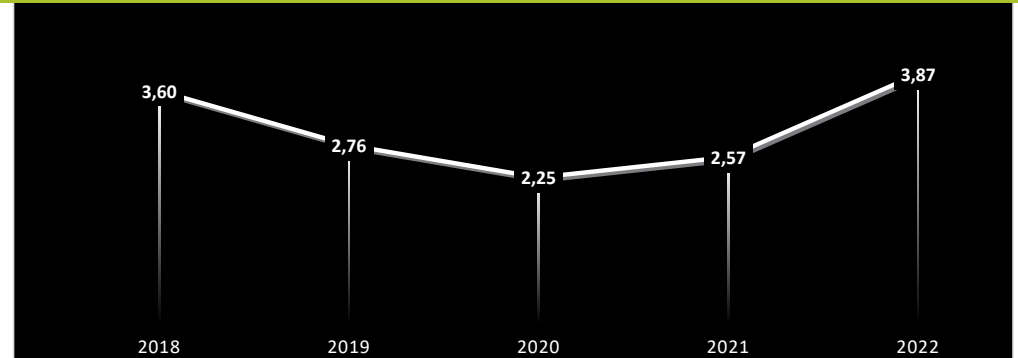
### RETURN ON SHAREHOLDERS' EQUITY (%)



### ASSET TURNOVER RATIO



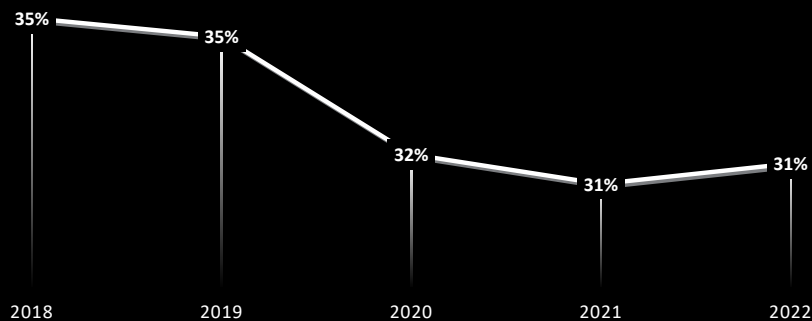
### INTEREST COVER



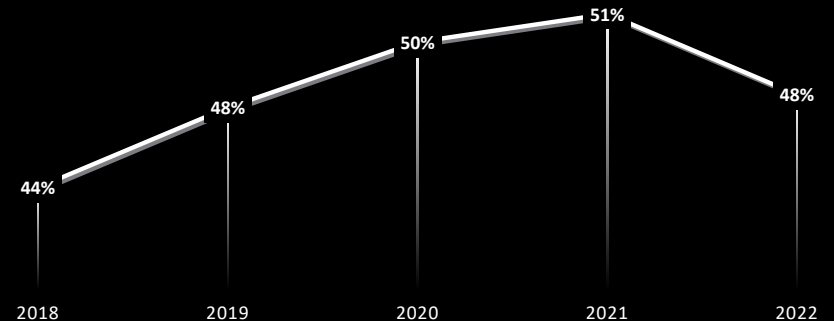


# FINANCIAL HIGHLIGHTS

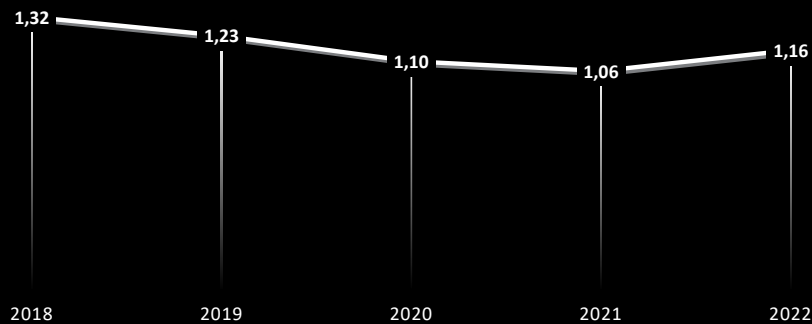
## OWN CAPITAL RATIO (%)



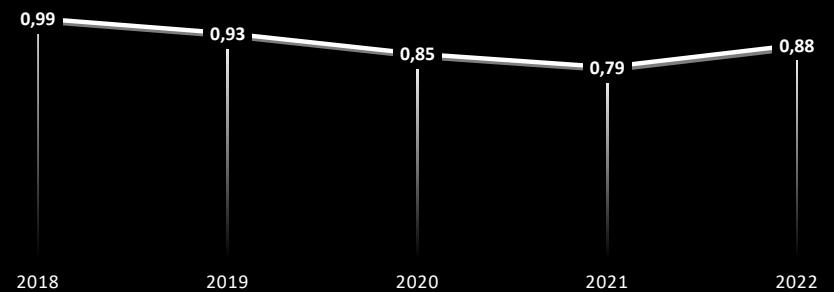
## INTEREST-BEARING DEBT (%)



## OPERATING CAPITAL RATIO



## ACID TEST RATIO



# BOARD OF DIRECTORS

## VKB BELEGINGS (PTY) LTD

*Coenraad Pick*

Ward 1 / Chairperson / Audit, Risk and Opportunity Management Committee (ex officio) / Human Resources Committee / Social and Ethics Committee / Nominations Committee / VKB Landbou (Pty) Ltd, VKB Agri Processors (Pty) Ltd and other subsidiaries' Board meetings (ex officio)

*Human du Preez*

Ward 15 / Vice-chairperson / Social and Ethics Committee / Nominations Committee / VKB Landbou (Pty) Ltd Advisory Committee

*Dirk Viljoen*

Ward 2 / Human Resources Committee / VKB Landbou (Pty) Ltd Advisory Committee

*Izak Dreyer*

Ward 3 / Audit, Risk and Opportunity Management Committee

*Sakkie Bosman*

Ward 4 / Social and Ethics Committee / VKB Landbou (Pty) Ltd Advisory Committee

*Ben Greyling*

Ward 5 / Human Resources Committee / Social and Ethics Committee / VKB Landbou (Pty) Ltd Advisory Committee

*Dan Kriek*

Ward 6 / Human Resources Committee / Social and Ethics Committee

*Stephan Pourié*

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

*Philip Cronjé*

Ward 8 / Audit, Risk and Opportunity Management Committee / Social and Ethics Committee / Nominations Committee / VKB Landbou (Pty) Ltd Advisory Committee

*Leon Eksteen*

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

*Stapie van der Goot*

Ward 15 / Human Resources Committee / Social and Ethics Committee / VKB Landbou (Pty) Ltd Advisory Committee

*Kees Janse van Rensburg*

Managing Director: VKB Group

*Markus Mittermaier*

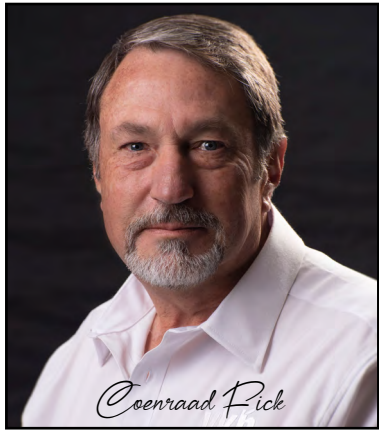
Executive Director: Finance VKB Group

*Bert Nel*

Independent Specialist Consultant / Audit, Risk and Opportunity Management Committee / Human Resources Committee

*John Purchase*

Independent Specialist Consultant / Social and Ethics Committee



*Coenraad Fick*



*Human du Preez*



*Dirk Viljoen*



*Izak Dreyer*



*Sakkie Bosman*



*Ben Greyling*



*Dan Kriel*



*Stephan Fourie*



*Philip Cronjé*



*Leon Eksteen*



*Japie van der Goot*



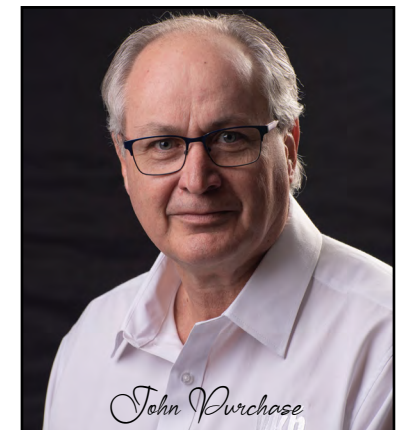
*Kees Janse van Rensburg*



*Maribus Mittermaier*



*Bert Nel*



*John Purchase*



# Letter to our **SHAREHOLDERS**

## INTRODUCTION

It is a great privilege for me to present to you my first report as chairperson of VKB Beleggings (Pty) Ltd's Board of Directors. We are proud of VKB's heritage and are grateful that we have been able to build on the legacy of our predecessors for another successful year. Agriculture and the producer remain our core business and the reason for VKB's existence.

The past financial year started with the impact of the COVID-19 pandemic still visible. From an agricultural point of view, the pandemic presented the opportunity to remind the world of the importance of food security. The agricultural industry worldwide delivered steadfast results and stood out as one of the more resilient and important sectors for the future.

In South Africa, and specifically VKB's service areas, the year started off with positive prospects for a potentially good summer grain crop. This usually implies good results for VKB, and we were looking forward to a prosperous financial year. As expected, the agricultural division sustained its good performance and many divisions produced record results. We are grateful to look back on the best financial year in VKB's history, with almost all of our subsidiaries and divisions realising outstanding results. VKB Agri Processors (Pty) Ltd's performance improved significantly from the previous year, although the best is yet to come.

The record results once again emphasised the VKB Group's potential. We look forward to a year in which we will overcome challenges we may experience and in which the business can reach its full potential.

## ECONOMIC CLIMATE

Over the past year, the global economy started recovering from the effects of the COVID-19 pandemic. It was accompanied by shortages of certain electronic components and delays in delivery times of manufactured products due to logistical bottlenecks. Economic growth was stimulated by fiscal measures (low lending rates) introduced by central banks worldwide. Improved economic growth in South Africa during 2021 can be attributed to higher commodity prices and the normalisation of economic activity after the stringent COVID-19 control measures.

In January 2022, the International Monetary Fund predicted global economic growth of 4,4% and 3,8% for 2022 and 2023 respectively. Emerging economies' growth prospects for these periods were forecasted at 4,8% and 4,7% respectively. However,



*Coenraad Pick*

**10**  
Integrated  
Report

CHAIRPERSON

the war that broke out during February 2022 in Eastern Europe resulted in economic growth having to be adjusted downward. The latest outlook for both 2022 and 2023 is global growth of 3,6%. For emerging economies, a growth rate of 3,8% and 4,4% is envisaged for 2022 and 2023. Increased commodity prices as well as a sharp increase in prices of natural gas and crude oil contribute to the downward adjustment. These price increases cause a sharp rise in inflation rates, such as in the United States of America where the inflation rate is currently at its highest level in 40 years. As for monetary policy, authorities have no choice but to increase lending rates. The war also contributes to economic fragmentation due to several countries terminating relations with Russia. This is a mere confirmation of how quickly the world can change.

The South African economy is facing challenges such as increasing interest rates and inflation, the high unemployment rate, electricity outages, high levels of debt and limited fiscal space. Economic prospects are weakened against the backdrop of an unstable global growth environment (mainly due to ongoing bottlenecks in the supply chain, disruptions caused by the Russia-Ukraine crisis, higher food and energy prices and rising interest rates), as well as the possibility of new variants of the coronavirus emerging.

South African consumers continue to be under pressure. Per capita income shows minimal growth since 2010. On the contrary, it has been declining annually since 2015 due to economic growth not keeping up with the population growth. Economic growth prospects for South Africa of less than 2% for 2022 and 2023 will not be sufficient to meet the growing socioeconomic needs.

## THE VKB GROUP'S FINANCIAL PERFORMANCE IN PERSPECTIVE

VKB Landbou (Pty) Ltd is privileged to do business in a very stable and versatile agricultural area. Our large footprint also serves as a natural barrier against adverse climate conditions in certain regions. VKB has a very loyal customer support base built up over more than 100 years. The combination of these factors creates the foundation from which consistent good results can be achieved. The good harvests of the past number of years contribute to the favourable financial position of our producers and strengthen their purchasing power. VKB's expansion strategy of recent years has had a positive impact on the results and almost all of VKB's divisions are profitable. During the year under review, the Commercial Services Division in the Free State and Limpopo performed excellent and improved on the previous year's record results. The Grain Handling and Grain Trading Departments capitalised on the large crop which, underpinned by good relationships in the grain supply chain, produced excellent results. During the past year, VKB experienced the benefit of the shortened supply chain of the Case brand, with the Mechanisation Division making an excellent contribution to VKB's profitability. The Financial Services Division plays an extremely important role in stimulating production and also achieved excellent results. Although the current season's wet conditions adversely affected crops such as beans and put a damper on crop insurance, high commodity

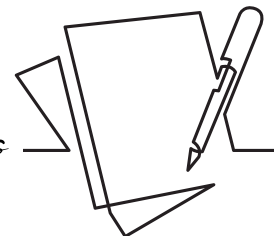
prices neutralised this effect and VKB Brokers (Pty) Ltd achieved excellent results. The poor conditions of certain roads in our area affect traffic patterns, adversely impacting the results of some of our fuel stations. VKB Fuels (Pty) Ltd, however, still managed to deliver good results and a fair return on capital for the year under review.

Some of VKB's investments and interests outside the traditional agricultural input supply chain make a significant contribution to VKB's results. AE Solutions (Pty) Ltd achieved excellent results for the year. Multi Green (Pty) Ltd has developed into a significant role player in the fertiliser supply sector within our service area and also achieved good results. Bethal Koelkamers (Pty) Ltd experienced excellent capacity utilisation. Strong competition in the packing materials industry put a damper on Farmpack (Pty) Ltd's business, but the company's results were still fair. VKB Auction Centre (Pty) Ltd benefitted from high livestock prices and an active livestock market and achieved satisfactory results, despite the negative impact of foot and mouth disease. The only agricultural subsidiary not meeting the profit expectations for the year under review was Crown Bag (Pty) Ltd. We are, however, confident that the new management and turnaround strategy will have the desired outcome in the year to come.

The VKB Agri Processors Group's results improved significantly from the previous financial year, although the Group has not yet reached its full potential. The performance would have been even better had it not been for an impairment on the bakery equipment recorded at year end. The broiler industry and maize mills achieved fair results for the year under review. Intensive focus is placed on improving the results of the animal feed factories and the wheat mill. The upgrade of QPro Feeds (Pty) Ltd's Bethlehem plant should already deliver the expected return during the 2022/23 financial year. VKB's maize and wheat milling businesses have been merged into one entity, VKB Milling (Pty) Ltd, with a consolidated strategy to ensure optimum growth and sustainability. Free State Oil (Pty) Ltd achieved good results for the year. Extensive upgrades were done at the plant, which resulted in downtime and subsequent production loss. The upgrades, however, have had a positive impact and production has since reached new record levels.

BKB Ltd achieved fair results and recently listed on the Cape Town Stock Exchange. VKB Beleggings (Pty) Ltd holds a 30% share in BKB Ltd. We are grateful that the company was able to perform so well despite the negative impact of foot and mouth disease on the auction, wool and fibre industries.

The Board is grateful and privileged to have declared and paid an incentive discount of R330 million and dividends of R30 million to VKB's shareholders at the end of the year under review.



## PROGNOSIS FOR THE FUTURE

Although both humanity and financial markets prefer stability and predictability, the past number of years of unstable environments due to various factors beyond human control made us accustomed to volatility and uncertainty.

The impact of the ongoing war between Russia and Ukraine creates tremendous uncertainty in the provision of agricultural inputs, making any forecast of commodity prices almost impossible.

The summer crop, which will be harvested in the 2022/23 financial year, shows fair potential despite the initial excessive wet conditions and subsequent typical midsummer drought in certain areas. A solid foundation has been established on which to build the new financial year.

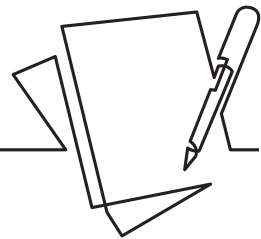
Producers benefit from high commodity prices. Within VKB, however, the high commodity prices put pressure on the performance of the industries processing the commodities. Margins come under pressure if raw material prices cannot be recovered from the market. Despite this, we remain positive about the industries' potential and look forward to a year that started off very well for all the industries.

VKB is committed to the role we play in the communities in which we conduct our business and is aware of the general deterioration of rural areas. We appreciate that social and environmental challenges are too complex to be solved by government alone and that businesses have to play a role in this regard. VKB regards this as an opportunity for innovation and growth, rather than an obstacle for progress.

The new financial year will present challenges and opportunities, but the consistent performance of agriculture should continue. We also look forward to the contribution of new business units to the performance of the Group.

The proposed transaction with GWK Ltd will, as with the NTK transaction, be a quantum leap in VKB's progression, should the transaction be approved by the Competition authorities.

Dr PG Strauss has been appointed as the successor to Mr Koos van Rensburg, Managing Director: VKB Group. We wish him all the best and trust that he will build on the foundation that has been laid, and take VKB to even greater heights.



*Letter to our Shareholders*

## ACKNOWLEDGMENTS

Mr Koos van Rensburg was the Managing Director of the VKB Group for the past 16 years. He retires on 30 September 2022. During his term, the erstwhile Vrystaat Koöperasie Ltd was transformed into a diversified group of companies. We thank Koos for his outstanding leadership and service during this time. Koos's vision, diligence and enthusiasm paved the way for major changes that transformed VKB into one of the leading agribusinesses in South Africa. The entire VKB family conveys our appreciation to him and pays tribute to an exceptional leader and human being. We pray the Lord's blessing over him and his family.

I would also like to express my gratitude to VKB's producers, management, staff and clients. Each one of you contributes to our success and we appreciate your support and inputs. A sincere word of appreciation also goes to the Board of Directors for your vision, guidance and selfless service.

We praise and thank our Heavenly Father for the blessings He bestows on our company and the achievements of the past year.

A handwritten signature in black ink, appearing to read 'Coenraad Fick', written over a light blue horizontal line.

**COENRAAD FICK**  
Chairperson: VKB Group



for the  
**LO**VE  
of the  
**LAND**





# STRATEGIC *Overview*

## BACKGROUND

Vrystaat Koöperasie Ltd ("VKB") has been an extremely healthy agricultural co-operative with a loyal producer customer base and a demarcated service area in the northeastern Free State. The customer base was built up over more than 100 years and is underpinned by a co-operative incentive discount model. Over time, the business started lacking critical mass in a rapidly changing environment. Given its size, it also became a target for hostile takeovers by the larger agribusinesses.

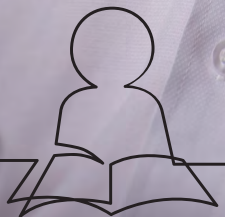
Changes in the external environment forced VKB to adapt to the changing environment and had a major impact on VKB's strategic deployment. These include the following:

- Pressure built up against agricultural co-operatives because of assistance received from government for drought relief and for the setting up of silos to ensure food security.
- For larger co-operatives, the co-operative as a form of enterprise became challenging as a result of amendments to the legislation governing co-operatives.
- Demarcation of borders became illegal with the enactment of the Competition Act, Act No. 89 of 1998, making businesses contravening the legislation liable to extensive fines.
- VKB was surrounded by two large agribusinesses and consequently had very limited geographical growth opportunities.
- The loss of VKB's John Deere agency following pressure from neighbouring competitors was a major setback in the field of mechanisation.

As a result of the above factors, VKB had limited growth opportunities at the time. The business was not considered one of the leaders of the future and suppliers rallied behind the larger agribusinesses. VKB lacked critical mass, which was essential for survival. Fortunately, VKB had a solid foundation and certain strengths on which a sustainable business could be built to ensure it continued operating autonomously.

## VRYSTAAT KOÖPERASIE LTD AT A TURNING POINT

VKB was to a large extent affected by the above circumstances and the business found itself at a turning point. The choice was simple: remain a small, effective agricultural business focusing on serving its customer base and run the risk of being swallowed by the larger agricultural businesses, or grow the enterprise into a business with critical mass, which was safer for autonomous survival.



*Kees Janse van Rensburg*



The subsequent chosen long-term strategy centred around the following important aspects:

- Main reason for VKB's existence was the agricultural producer and:
  - VKB had to create a climate within which the producer could produce; and
  - VKB had to fulfill the essential role of input supplier, grain handler and financier.
  - In addition to this, growth opportunities in the agricultural value chain would be explored.
- Convert the co-operative into a company but retain the business's competitive advantage, namely the co-operative business model.
- Growth was essential to ensure the business's autonomous survival.
- Make VKB's grain-handling facilities world-class.
- Provide excellent customer service.
- Develop VKB's image in the business world.

## STRATEGIC DEPLOYMENT – VKB LANDBOU (PTY) LTD

The current deployment is part of a deliberate strategy to grow the agricultural business. VKB Landbou (Pty) Ltd's strategy was largely focused on generic and geographical growth, and the improvement of what VKB was already doing. It did not involve a new strategy, but rather focused on effectiveness.

## STRATEGIC DEPLOYMENT – GRAIN HANDLING

VKB was traditionally a grain co-operative. The enterprise is located in a mainly yellow maize-producing area, but also handles fair volumes of white maize, wheat, soya beans, sunflower and smaller volumes of sorghum, manna, etcetera.

Climate changes, changes in cultivar characteristics and yields, as well as changes in farming practices all contribute to a change in production patterns. It is VKB's experience that there is a decrease in wheat production and an increase in soya bean production. Further changes can be expected in the future, given international production trends that have a direct impact on local competitiveness.

World-class grain-handling facilities require extensive capital investment. The costs are fixed to a large extent and therefore the profitability of the facilities largely depends on the volume of grain that can be handled every season.

VKB's location is favourable with regard to the harbour, but less favourable for the local processing of grain. During export years, VKB's silos are emptied first and during non-export years, there is an increased risk that grain will overflow between seasons and in the subsequent years create a storage capacity problem. VKB's strategy is aimed at attracting as much grain as possible to its silos and providing good service to the buyers, rather than keeping the grain in the silos for as long as possible.

In the past, the grain industry was to a large extent geographically demarcated due to the established network of silo complexes and railway lines. The industry underwent a major transformation in recent years, with rail transport being substituted by road transport as the primary form of transportation of grain. As a result, alternative storage facilities developed rapidly and the playing field was radically changed by the establishment of farm silos, farm loading transactions, silo bags, grain bunkers and other grain storage methods. Lots of grain were lured away from agricultural businesses in the process.

VKB followed a very specific strategy to maintain its market share and focused primarily on service delivery. The strategy is to have the best grain-handling facilities in the country and to provide the best possible service to the producers and grain buyers. The offloading rate is decisive for the producer. VKB has to ensure, through its service delivery, that frustration during harvest time does not motivate the producers to build their own silos. Service hours and the quality of grain are important for grain buyers. With its service, VKB must ensure that the buyers work with the Group rather than against us. We therefore still see our role as an essential link between the producer and the rest of the grain value chain.

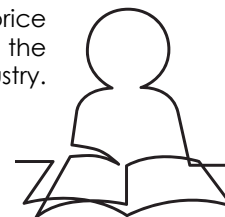
VKB continuously focuses on improving the experience of its customers. As a result, a substantial amount of capital is invested to increase VKB's storage capacity and expand our geographical footprint, to increase the intake and offloading rate at silos, and to improve the silos' cleaning and drying capacity. During harvest time we work extended hours to deliver optimum service to the producers and the grain value chain.

VKB aims to develop user-friendly systems. The migration of VKB's entire operating system to a new system is currently in process. It also involves the development of new grain service and grain trading systems, and systems to provide customers with information. Although much work has already been done in this regard, there is still a lot that has to be done. The final product should ensure VKB's competitiveness in the market and improve the producer's experience.

The NTK transaction added significant storage capacity to VKB's existing capacity. Unfortunately, not enough grain is produced and stored in the Limpopo area to utilise the storage capacity sufficiently. Options to convert this space into profitable opportunities are constantly being investigated.

## STRATEGIC DEPLOYMENT – GRAIN TRADING

Although grain trading does not require extensive capital investment, it requires large amounts of operating capital. As a result, the barriers to entry are low, with many smaller role players in the market. In such a competitive market, and given the volumes of grain that VKB is handling, we will always be the price setters in our area and other parties will always offer a price slightly higher than VKB's price to be able to buy grain. VKB's co-operative model provides us with the competitive edge to retain grain in an extremely competitive industry.



VKB Grain Marketing's strategy is to optimise the entire marketing chain for the benefit of all stakeholders. We strive to provide the best service in the industry and are geared to provide our producers with daily information and advice, and to build solid relationships with our customers. They are kept informed of market trends on an ongoing basis and receive reliable information of their grain transactions, whilst knowing that they are doing business with a credible company.

The large volumes of grain we receive enable good business with grain buyers. VKB's team has excellent relationships with grain buyers and exporters.

Despite the competition in the market, VKB maintains a sizeable market share.

## STRATEGIC DEPLOYMENT – COMMERCIAL SERVICES

The strategy for commercial services is based on the following:

- Strong focus on generic growth to increase business with our existing customer base.
- Given our well-established incentive discount scheme based on the co-operative model, geographical growth opportunities have been utilised to expand to surrounding areas. Branches were established in Bethlehem, Senekal, Harrismith, Heilbron and Morgenzon.
- Certain windows of opportunity within VKB's chosen strategy came our way and resulted in quantum leaps in terms of strategic deployment. An example of this is the NTK transaction, which had a positive influence on VKB's critical mass with regard to commercial services. It has since been expanded with several additional branches and depots established in the area. The NTK area confirmed the potential of consumer goods and improved the Group's ability to generate cash profit.
- Focus on geographical growth in Mpumalanga and KwaZulu-Natal. Branches have been established in Delmas, Mbombela, Newcastle and Hendrina.
- Strong focus on relationships with our suppliers and supply agreements for large inputs such as seed, fuel, agricultural chemicals, fencing and steel.
- Backward integration strategy for large agricultural inputs resulted in investments being made in animal feed plants, a fertiliser mixing plant and packing material plants.
- Increased fuel sales volumes and consolidation of VKB and NTK's fuel supply resulted in a stronger relationship and improved procurement terms with our supplier.
- The acquisition of a substantial interest in BKB Ltd ("BKB") was followed by a commercial transaction. The transaction was approved by the Competition Tribunal and paved the way for increasing the geographical footprint of the two businesses.
- VKB concluded a proposed merger transaction with GWK Ltd ("GWK"). The implementation of the transaction is subject to approval by the Competition authorities. There is a strong willingness between the parties to co-operate. Although GWK is located in the central/western side of South Africa and VKB's focus has always been on the eastern side of the country, it is an irrigation area with enormous potential.

VKB currently has a large geographical footprint. Almost any producer can be serviced effectively by VKB's network on the eastern side of South Africa. If GWK is added to our business, it will increase the geographical footprint and VKB, together with our associate company BKB, will be able to serve producers effectively over a large area.

The VKB Group has grown into an esteemed role player in agricultural input supply. The Group is recognised by suppliers as a key role player for the future and we have excellent relationships with them.

## STRATEGIC DEPLOYMENT – FINANCING

The importance of financing in the successful implementation of VKB's growth strategy cannot be overemphasised. The Financing Department on its own makes good profits, but moreover, it facilitates transactions benefitting other divisions as well. Financing also promotes customer loyalty.

The role of VKB is to provide production credit since we only have short-term facilities at our disposal to do the financing, while banks play the role of long-term financiers.

Financing remains risky and the delicate balance between growth and the quality of the debtors' book must always be maintained. The available funds are utilised to finance the most profitable transactions. To assist producers, VKB pursues a deliberate strategy of integrating backward to provide cheaper inputs to the producers.

## STRATEGIC DEPLOYMENT – MECHANISATION

Mechanisation is an essential service to the producer, although it seldom yields a very high return on capital for the company. Profitability is pursued but not always achieved. VKB's mere involvement in the industry has played an important role to ensure agencies' prices remain competitive.

VKB is currently the sole agency dealer for Case in our service areas. CNH International has taken back the distribution of both its brands, Case and New Holland, which vastly improves the supply chain. As a result, more sustainable margins are being achieved. VKB constantly focuses on the sustainability of our farming equipment offering. The strategy has proven to be successful and the Group currently has well-developed agencies making a good contribution to the profitability of the company.

VKB's footprint is fairly representative in our service areas. The current supply chain puts us in a better position to achieve fair results in the future.

## STRATEGIC DEPLOYMENT – INDUSTRIES

The primary strategy with VKB's industries is to add value to our producers' products. The industries also offer other advantages, such as:

- Create a market for grain in the area.
  - Producers benefit as the full location differential is not forfeited if there is a buyer in the area.
  - Industries get the opportunity to buy grain at a better price in the surrounding area than to transport grain from afar.
  - Grain is drawn from outside VKB's traditional area and increases occupancy of our silos.
- Provide VKB and our producers with more diversification opportunities.
- Keep grain longer in VKB's silos.
  - Theoretically, VKB wants to process all the grain in our area over a 12-month period and start the new season afresh.

VKB's traditional service area consists of mixed farming activities, mainly yellow maize. Sizeable volumes of white maize, wheat and soya beans are also produced. Because the growing season comes to a standstill in winter, crop residues are important for feeding livestock. For this reason the planting of sunflower in VKB's area was traditionally not a preferred option. It is a crop that is planted if maize cannot be planted. The price of sunflower sometimes makes it an attractive option. In the Limpopo, especially the Springbokvlakte, sunflower is a primary crop.

Other minor crops are planted from time to time and in certain conditions, but not extensively.

### Value added to yellow maize

Yellow maize is the main product produced in the Eastern Free State. The demand for yellow maize is stimulated by a livestock feed factory. Given our large livestock factor, it made sense for VKB to become involved in the livestock feed industry. VKB had an existing market for animal feed, which created the opportunity for entry into the ruminant animal feed market. As a result, VKB obtained a stake in a ruminant feed factory at Bethlehem. Unfortunately, the dairy industry subsequently scaled down substantially due to competition with imported products and production costs that were higher in the Eastern Free State than in other areas. This forced the factory to expand to include monogastric products as well.

Given the relatively small quantity of yellow maize used in ruminant feed, a monogastric animal feed factory in the area would have had much more strategic value. A monogastric animal feed factory is capital-intensive and only profitable if large volumes of feed are produced. For these and several other reasons, VKB investigated opportunities to become involved in the broiler industry and subsequently provided the capital for the establishment of the monogastric animal feed factory at Vrede and chicken abattoir

at Reitz. It also offered contract growers the opportunity to raise broilers for the abattoir. The benefits that would result from this included:

- Create a demand for 100 000 tons of yellow maize.
- Create a demand for 40 000 tons of soya oilcake.
- Make an animal feed plant sustainable with internal business only.
- Offer VKB an opportunity for growth outside the well-known co-operative chain.
- Offer contract growers a diversification strategy and growth opportunity.
- Provide hedging for growers against low grain prices.
- Factory can also supply feed to the market.

This investment was probably the single largest investment by VKB to date. VKB and the contract growers invested more than R1 billion in the project. Almost one million broilers are slaughtered weekly and supplied to markets across South Africa.

### Value added to white maize

Small quantities of white maize are produced in VKB's service area, but production is increasing as the demand for white maize in the region increases.

Millers prefer harder maize for better extraction and therefore have a preference for white maize produced in the Western Free State and North-West. New white maize cultivars performing well in VKB's area could possibly alter this pattern, so that the planting of white or yellow maize would become a mere economic decision.

NTK had well-established maize mills in Limpopo, which were in a fair condition when VKB became involved with NTK. The mills have an excellent regional brand built up over many years through good quality product. The operation of these mills makes a major contribution to VKB's industrial portfolio as it has proven how successful grain processing can be.

The Mokopane Mill was in a fair condition but did not have sufficient milling capacity to meet the demand. The mill has since been expanded and better equipment installed to meet the growing demand. Additional capacity was needed at the time and an offer was made to buy a mill at Mashishing (Lydenburg). The offer was initially not accepted and VKB subsequently bought the Zoutpansberg Mill in Louis Trichardt because the Venda Mill, which formed part of the NTK transaction, was in a deteriorated condition at that time. Louis Trichardt was not the ideal place to mill, but was a relatively inexpensive option to expand capacity.

After the Zoutpansberg Mill was acquired, the opportunity presented itself again to buy the Mashishing Mill. The mill is located in a white maize-producing area and provides VKB with access to the Lowveld. Although the mill is not large, it is in a fairly good condition.



VKB currently has a strong brand and sufficient milling capacity, but not all of the mills' locations are optimal. It, however, offers a very solid platform on which a future milling industry can be built.

### Value added to soya beans

As a crop, soya beans emerged strongly over time. It is an excellent rotation crop for maize. As the cultivation of soya beans increased in South Africa, cultivars were developed that are better suited to VKB's environment and the local climate conditions. In the past the only demand for the beans was for export purposes. As a result, the producer was compensated at export parity minus the transport costs to the harbour. The disadvantage for VKB was that soya beans were seldom stored in our silos, and the silos only served as a transit facility for the beans on route to the harbour. At that time, more beans were produced than processed and South Africa imported soya oilcake on a large scale.

VKB, together with other role players, established a soya bean crushing plant at Villiers. VKB's crushing plant was the first of a series of new crushing plants and the potential margins were promising. The investment was aimed at the following:

- Stimulate the demand for soya beans in VKB's area.
  - Producer receives more for his product.
- VKB attracts larger quantities of soya beans from outside the area to Villiers.
  - VKB earns more income from the silo.
- Soya beans are stored in the silo for much longer.
  - VKB earns more storage fees at the silo.

After the plant was established, other plants were also set up at Standerton and Bronkhorstspuit. Sunflower oil crushing plants adapted their crushing plants to be able to crush sunflower and soya beans. Domestic demand for soya beans rose sharply due to the increased processing capacity, putting crush margins and profitability under pressure. Hopefully, soya bean production will increase to such an extent that there is enough product for all the processing facilities.

Vegetable proteins are becoming more important in the human diet and, as a result, soya beans are not only used in animal nutrition. A bright future lies ahead for the crop.

### Value added to wheat

Traditionally, the Eastern Free State received rain in early spring and the spring rains were consistent. This made wheat an important rotation crop produced on a reasonable scale in our area.

VKB considered the establishment of a wheat mill for some time, but there were already three mills in the Eastern Free State at the time. Although VKB received a fair amount of wheat, it did not make sense to set up another processing plant and, as a result, it was not further pursued.

In 2015, VKB was approached by the owners of Kromdraai Best Milling (Pty) Ltd for financial assistance. They were operating a wheat mill and bakery at the time. The mill was a relatively new mill with good equipment but, due to a lack of operating capital, was milling too little product to be profitable. VKB bought the business in partnership with Louis Dreyfus Commodities Africa (Pty) Ltd. At the time there was a reasonable balance in the market between the milling capacity and the demand for flour. The large milling companies had sufficient internal demand and were not very aggressive in the market. It would be relatively easy to get the mill to breakeven point, but to make it profitable, additional markets had to be found in a competitive market.

Since our entry into the wheat milling industry, several other new entrants have entered the industry as well. A company from East Africa joined the milling industry in South Africa and built a large mill in Durban. GWK established a large wheat mill at Modder River near Jacobsdal and some other smaller mills were set up with support from the government's black industrialist programme. Collectively, this resulted in surplus capacity developing in the country.

VKB Flour Mills (Pty) Ltd (formerly Kromdraai Best Milling [Pty] Ltd) adopted a strategy to expand the bakeries to mill larger volumes. The bakery industry is, however, even more competitive than the milling industry. The large bakeries do not tolerate competition in the market and will cut prices in the short term to drive competitors out of the market. The market also does not allow for larger margins or growth in volumes, and costs are fairly controllable. This strategy therefore does not appear to be successful at this stage and consequently other plans will be made to ensure the viability of this business.

Due to climate change, spring rains became less over the last number of years, making wheat cultivation more challenging. The risk of poor yields was no longer hedged in the wheat price and wheat production started decreasing. The strategic importance of a wheat mill in the VKB area will therefore have to be reconsidered in due course.

### Industries' impact on communities

VKB's industries are still in their infancy stage. The potential exists, but it is a steep learning curve. VKB Agri Processors (Pty) Ltd is a corporate business that pursues profit, but it also has a positive impact in the communities in its service area. The presence of the industries creates mini-economies of their own in communities with many poor, unemployed people.

VKB Agri Processors (Pty) Ltd provides employment to almost 2 800 employees, with a total annual salary cost of approximately R400 million. The industries in the Group



annually process approximately 705 000 tons of grain produced by our producers. The processing of their grain holds particular benefits for our producers.

The industries are the corporate part of the VKB Group. The ultimate strategy is to get VKB Agri Processors (Pty) Ltd to such a level that it has a good portfolio of businesses, sound profitability, positive cash flow and a strong balance sheet, and generates value for its shareholders. We are still far from realising this goal, but the industries are relatively young and have great potential.

To fast-track the achievement of this goal and get the industries independent from VKB Landbou (Pty) Ltd, VKB may in future consider partnering with capital investors as minority shareholders.

## VKB'S STRATEGY WITH THE ACQUISITION OF INTERESTS IN OTHER AGRICULTURAL BUSINESSES

### BKB Ltd

Much potential synergy exists between VKB and BKB. Given this synergy, VKB entered into discussions with BKB to investigate the potential benefits of such a transaction. An opportunity subsequently presented itself, which allowed VKB to acquire a 30% interest in BKB, fending off a hostile takeover of BKB by a third party. The partnership with BKB provides the opportunity to generate long-term value for both companies by unlocking synergistic benefits.

These benefits include:

- VKB indirectly participates in auctions to be of service to the livestock farmer.
- The combined geographical footprint covers a large area.
- Economy of scale.
- BKB industries process approximately 200 000 tons of yellow maize mainly from our service area.
- Our commercial outlets offer a market for each other's products, such as fertiliser, animal feed, chicken meat and maize flour.

### GWK Ltd

The transaction has been approved by the Boards of Directors of VKB and GWK, and by GWK's shareholders. It will be submitted to the Competition Commission for approval. GWK's area is an excellent agricultural area, given the irrigation done along the Orange, Riet and Vaal River. For VKB, this will further extend the geographical footprint and should unlock a lot of synergy between the businesses in the long term. The transaction will also expand our portfolio of processing plants and offer rationalisation opportunities in the milling industry.

## CAPITAL

Given VKB's aggressive growth over the past number of years, the own capital ratio is not at the desired levels. VKB's focus for the immediate future is to consolidate its balance sheet to improve this ratio and our liquidity position.

A negotiable instrument will be considered in the future to provide shareholders with the opportunity to unlock their cash earlier without putting the control of the company at risk. The proposed negotiable instrument will provide VKB with the advantage of more permanent capital on our balance sheet without the shareholders having to provide the capital. This will be an important determining factor for the future growth rate of the VKB Group.

## BUSINESS MODEL

The co-operative business model provided VKB with a solid foundation and a competitive advantage, and remains an excellent model for the agricultural environment. The Board is of the opinion that it is a sustainable model, but will from time to time consider whether this is still what the majority of the shareholders prefer.



**KOOS JANSE VAN RENSBURG**  
Managing Director: VKB Group





# MANAGEMENT OVERVIEW FOR THE FINANCIAL YEAR *Ending 31 March 2022*

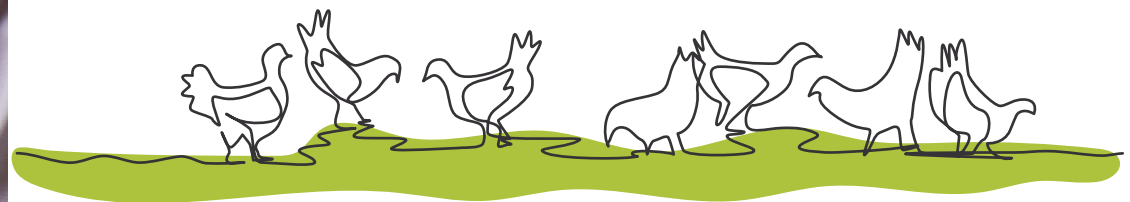
We are proud to announce a new record profit of R562 million for the VKB Group ("VKB") for the 2021/22 financial year. The previous record result was a profit of R534 million in the 2017/18 financial year.

The VKB Landbou Group built on the good results of the previous couple of years, with almost all of the divisions and entities performing exceptionally well. Only Crown Bag (Pty) Ltd and Agrisol Schoeman Precision Services (Pty) Ltd did not end the financial year with a profit.

The VKB Agri Processors Group recovered with a moderate performance for the year under review, following the disappointing performance of the past three years. The profits from the chicken abattoir, maize mills and soya bean crushing plant were average to fair. Losses were again incurred by the wheat mill and one of the animal feed factories, but turnaround plans have been activated.

## GROUP RESULTS

For the financial year ending 31 March 2022, VKB's consolidated net profit before tax and incentive discount amounted to R562 million, compared to the previous year's R334 million.

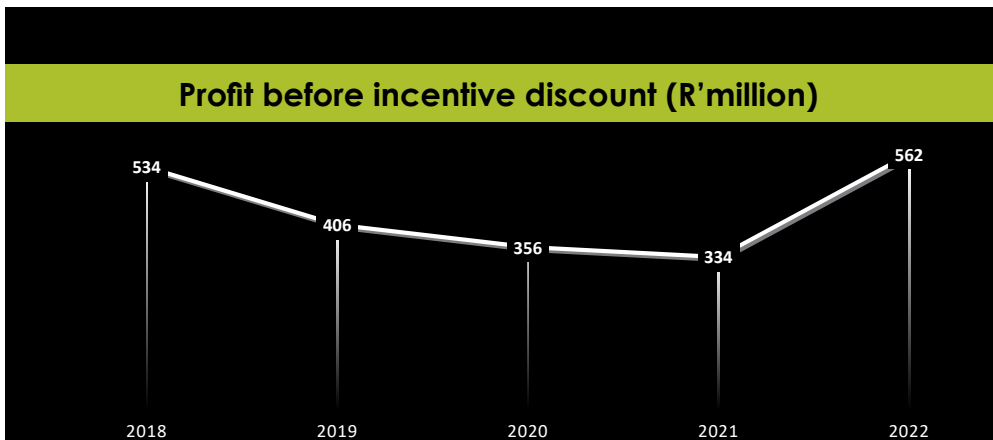


*Markus Mittermaier*

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

Entity	Shareholding (%)	Profit/(Loss) 2021 (R)	Profit/(Loss) 2022 (R)
VKB Beleggings (Pty) Ltd	100	61,9 million	63,1 million
VKB Landbou (Pty) Ltd	85	219,7 million	379,8 million
Multi Green (Pty) Ltd	53	25,6 million	13,8 million
VKB Brokers (Pty) Ltd	100	14,3 million	17,6 million
Farmpack (Pty) Ltd	51	13,0 million	8,0 million
Crown Bag (Pty) Ltd	100	(0,6 million)	(13,5 million)
VKB Fuels (Pty) Ltd	85	12,5 million	10,2 million
VKB Auction Centre (Pty) Ltd	100	2,3 million	4,9 million
Bethal Koelkamers (Pty) Ltd	100	0,2 million	1,1 million
VKB Graan (Pty) Ltd	100	0,7 million	0,8 million
AE Solutions (Pty) Ltd	33,7	20,0 million	27,9 million
Agrisol Schoeman Precision Services (Pty) Ltd	50	0,2 million	(1,3 million)
Grain Field Chickens (Pty) Ltd	100	(17,9 million)	76,4 million
VKB Milling (Pty) Ltd	100	101,6 million	51,5 million
Vhembe Milling (Pty) Ltd	57,7	2,0 million	(1,1 million)
Free State Oil (Pty) Ltd	100	(59,5 million)	16,0 million
VKB Flour Mills (Pty) Ltd	100	(25,5 million)	(43,9 million)
QPro Feeds (Pty) Ltd	100	0,8 million	(10,2 million)

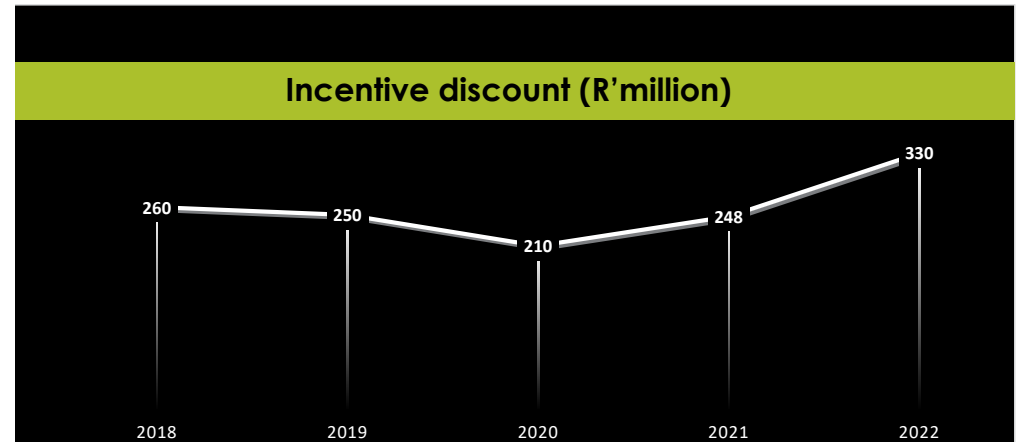
**Chart 1: Profit before incentive discount**



## INCENTIVE DISCOUNT

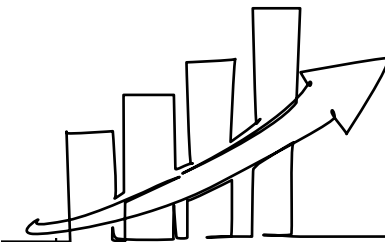
Given the excellent performance of VKB Landbou (Pty) Ltd and its subsidiaries, the Board of Directors approved the allocation of R330 million as incentive discount to clients (mainly producers and shareholders of VKB Beleggings [Pty] Ltd ["VKB Beleggings"]). Incentive discounts are awarded from the profits 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 and divisions during the past year.

**Chart 2: Incentive discount**



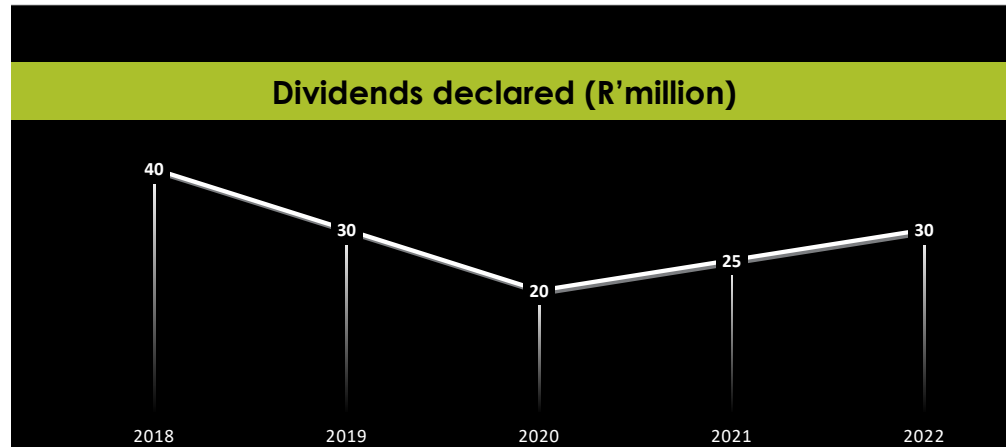
## DIVIDENDS DECLARED

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 declare dividends to VKB Beleggings and VKB Beleggings in turn declares dividends to its shareholders, being the agricultural producers. The total dividends declared and paid by VKB Beleggings to its shareholders over the past nine years amount to R205 million. During the 2021/22 financial year, VKB Beleggings declared and paid dividends of R30 million to its shareholders.



During the 2021/22 financial year, VKB Beleggings declared and paid dividends of R30 million to its shareholders.

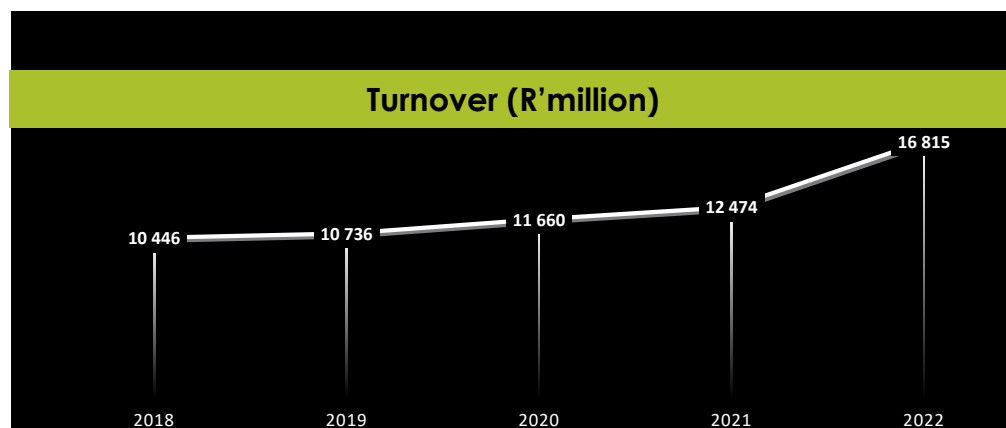
**Chart 3: Dividends declared**



## OPERATIONAL RESULTS

VKB's turnover of R16,8 billion represents an increase of 35% compared to the previous year. The excellent 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.

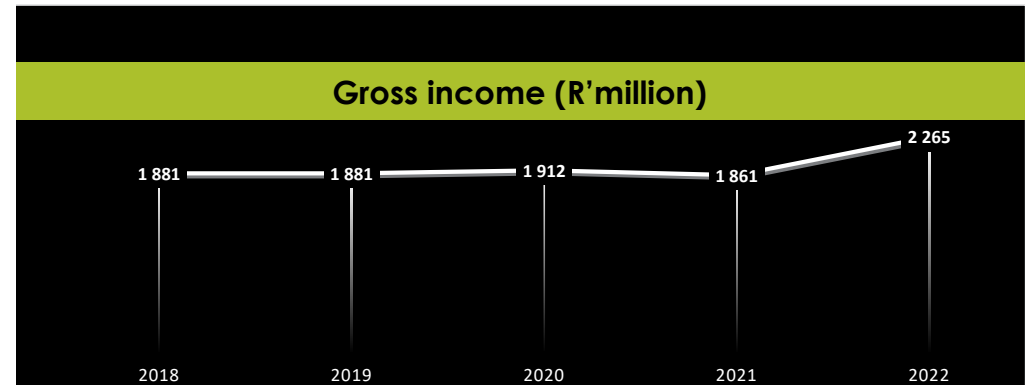
**Chart 4: Turnover**



## GROSS INCOME

In general, the VKB Landbou Group's margins were under pressure for the year under review, while the margins recovered slightly in the VKB Agri Processors Group.

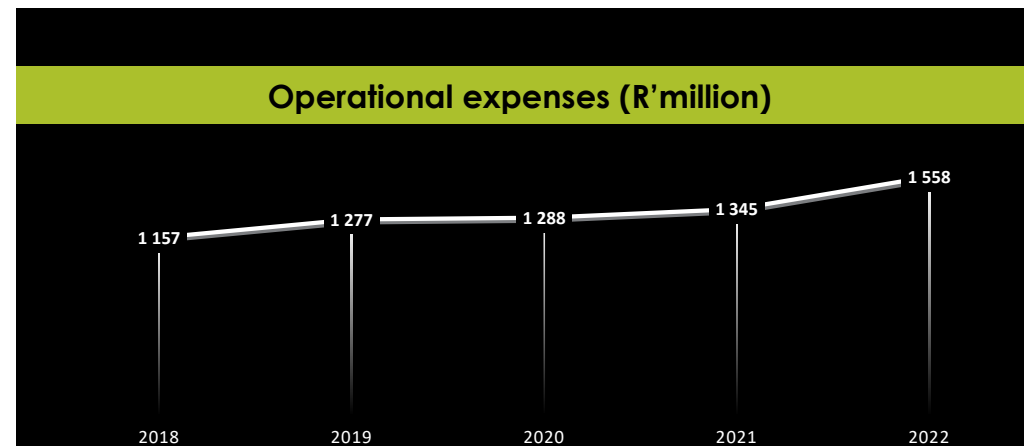
**Chart 5: Gross income**



## OPERATIONAL EXPENSES

Expenses are managed stringently. If the impact of inflation is ignored, the increase in expenses over the last couple of years was minimal. Operational expenses increased with an average of 8,6% over the last four years.

**Chart 6: Operational expenses**

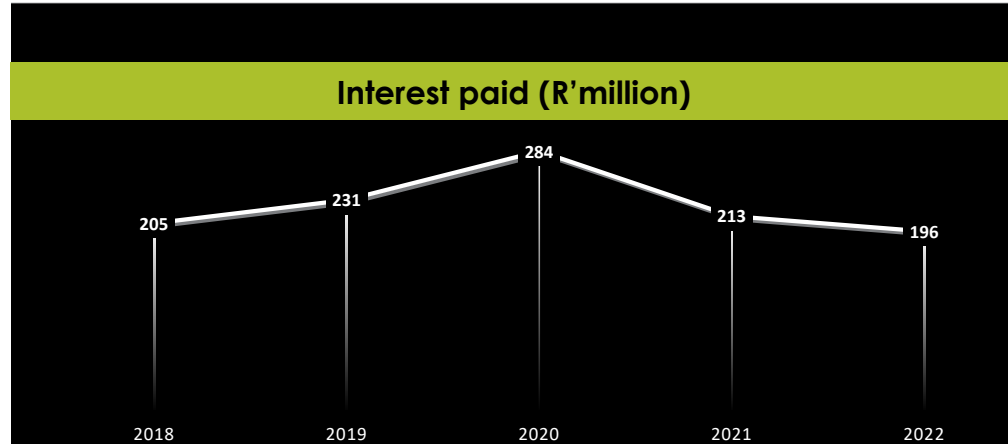




## INTEREST PAID

Interest paid has been lower over the past two years, 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.

Chart 7: Own capital ratio



## CAPITAL RESOURCES

The following chart indicates the own-capital-to-total-capital ratio applied by the VKB Group. VKB's deliberate growth strategy over the past years required major capital investments, which temporarily distorted the capital ratio. A significant improvement was experienced in 2018 and 2019. The investment in BKB Ltd, however, resulted in the ratio declining again in 2020. Due to the higher than expected debtors' book and stock levels at the 2021/22 financial year end, this ratio is currently still below the target of 35%.

Investment in capital projects and expansions is done selectively and within conservative balance sheet ratios. The capital ratios are currently at acceptable levels.

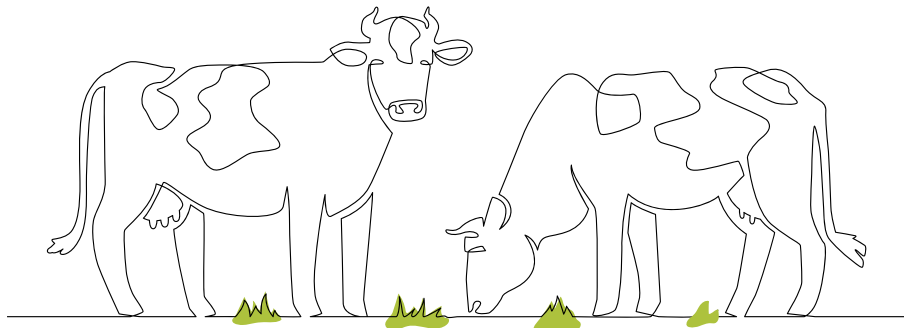
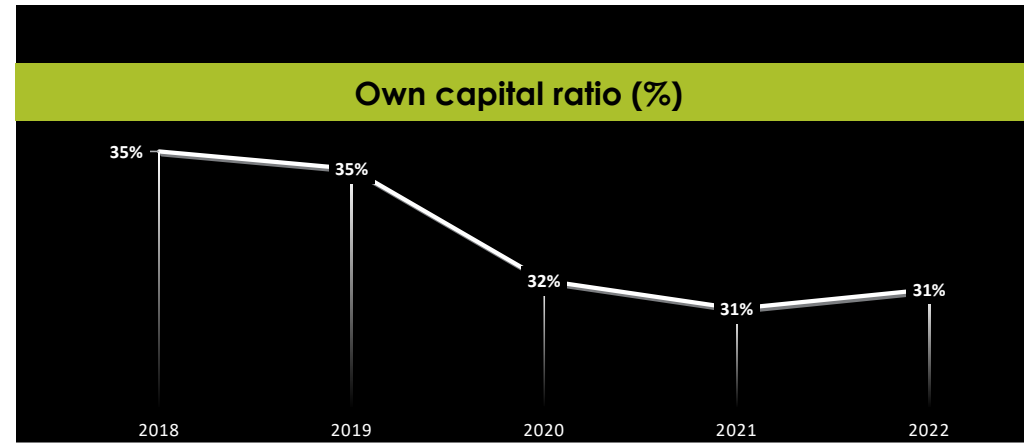


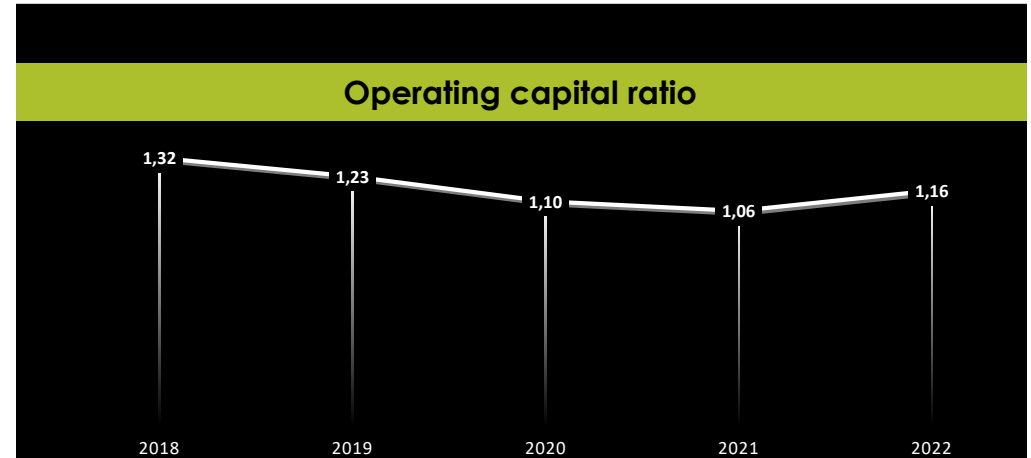
Chart 8: Own capital ratio



## OPERATING CAPITAL AND LIQUIDITY RATIOS

Optimum levels of operating capital are being maintained and VKB's liquidity is at a healthy level. The agricultural debtors, which to a large extent consist of production financing for cultivation of the summer crop, reach its peak at year end, having an adverse effect on the operating capital ratio, specifically at year end.

Chart 9: Operating capital ratio

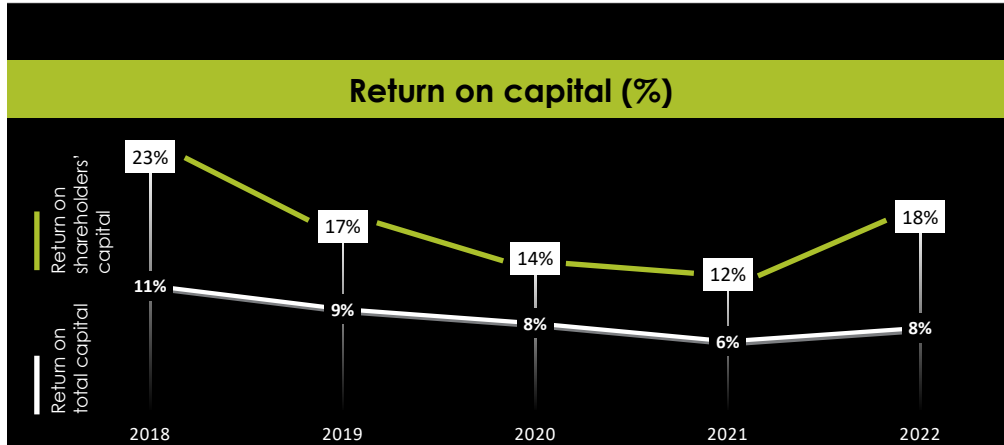


## RETURN ON TOTAL AND SHAREHOLDERS' CAPITAL

The return on total and shareholders' capital recovered significantly from the previous three years' decline, mainly due to the increased profit realised. VKB is committed to its diversification strategy, although it remains challenging to 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. The Group requires 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 satisfactory, although VKB will always strive to improve on the performance. The return compares well to the industry as well as the economy as a whole, confirming that VKB is utilising its borrowed funds in a productive manner.

Chart 10: Return on capital



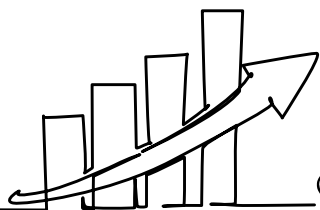
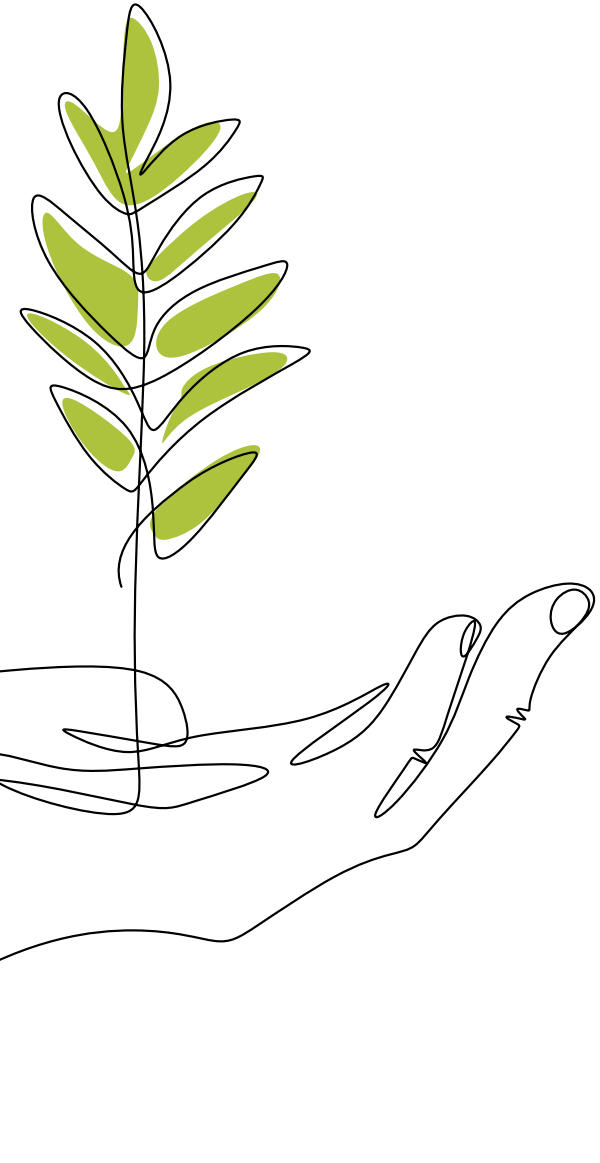
## SUSTAINABILITY

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 that 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.

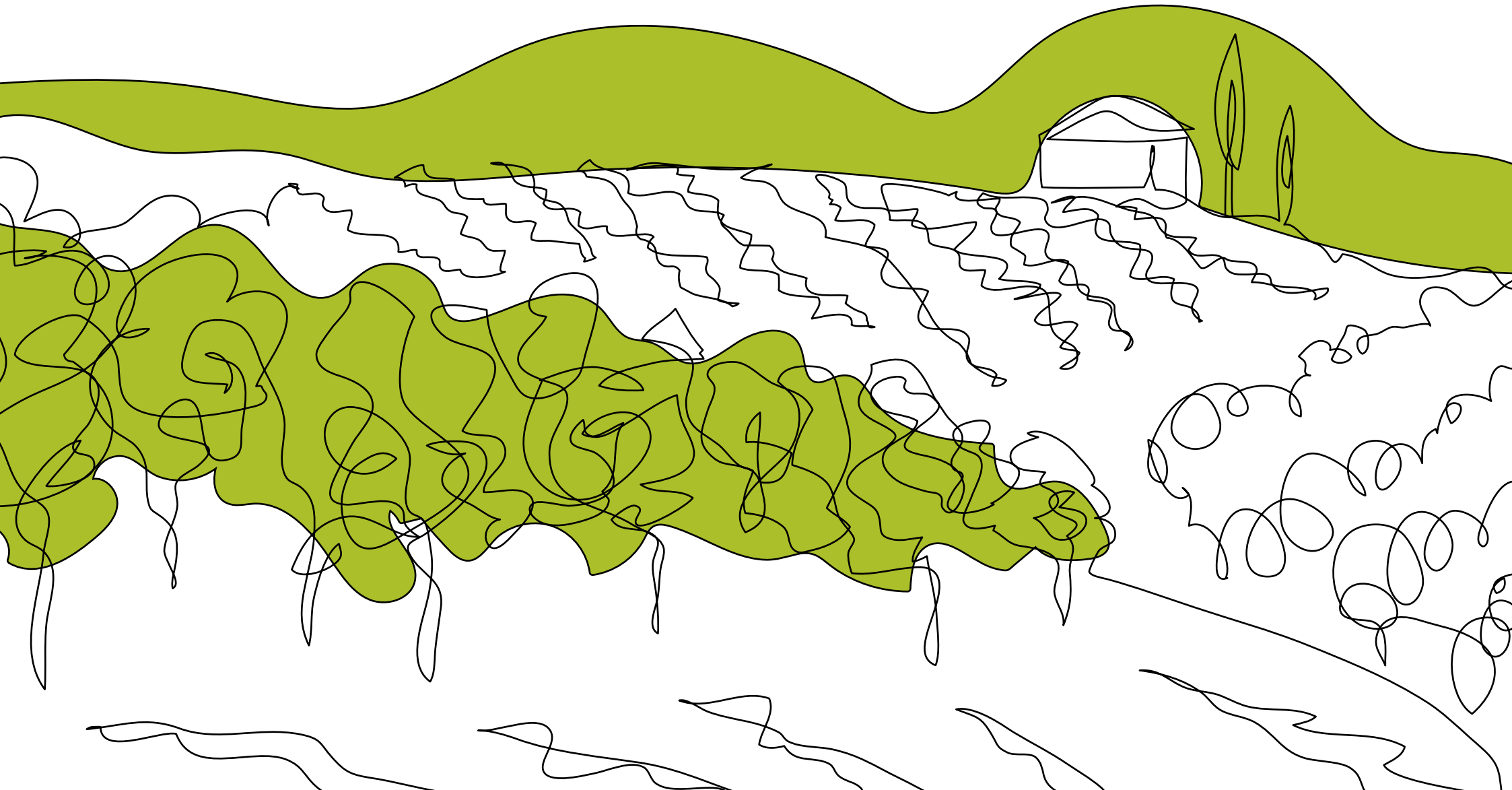
**KOOS JANSE VAN RENSBURG**  
Managing Director: VKB Group

**MARKUS MITTERMAIER**  
Executive Director: Finance VKB Group



*Farming is a profession of hope.*

- Brian Brett -





PC Strauss

# REPORT

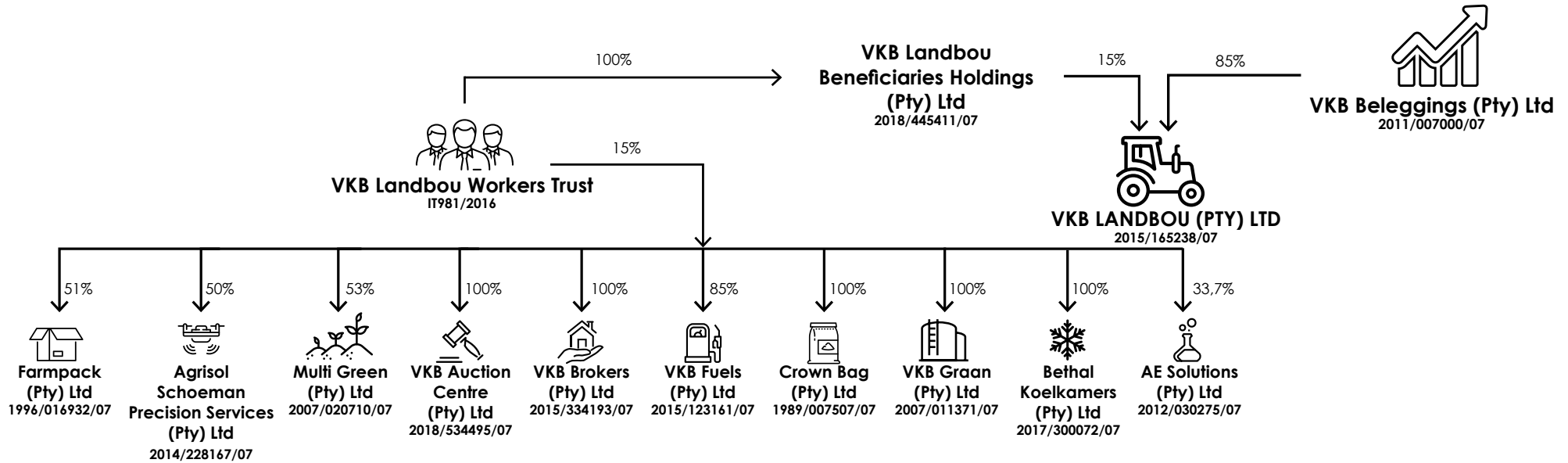
*VKB Landbou Group*



## PURPOSE AND STRATEGY

VKB Landbou (Pty) Ltd ("VKB Landbou") is the holding company of agricultural operations in the VKB Group. The company's primary purpose is to support our key customers, the agricultural producers, in their quest to farm profitably and sustainably. To serve the purpose, our strategy entails the provision of various solutions and products related to financing, insurance, production inputs, general retail needs, mechanisation, technical and management advisory services, grain handling, storage and marketing. VKB Landbou's business activities are conducted in the Free State, Limpopo, Mpumalanga, KwaZulu-Natal and Gauteng.

# The current group structure is as follows:



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

## Commercial and Financial Services Division

The Commercial and Financial Services Division comprises a vast network of retail outlets, mechanisation service centres, insurance offices, and a highly competent agricultural finance team. The network is spread across the Free State, KwaZulu-Natal, Limpopo, Gauteng and Mpumalanga.

The division performed well during the year 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 VKB Landbou's market share, which includes direct inputs such as seed, fertiliser and fuel.

To ensure we meet the changing needs of our customers, the offering and standardisation of product ranges and solutions are reviewed regularly. Products offered through the retail outlets include fuel, fertiliser, chemicals, seed, animal health products, animal feed, irrigation, steel, fencing, building material, packaging material, hardware, groceries, and general consumer goods. Since movement and storage of stock are part and parcel

of our business, VKB Landbou created a distribution network with distribution centres ("DCs") to ensure availability of stock and complete product ranges at the retail outlets. Systems are reviewed and upgraded on an ongoing basis to support our product and services offering.

Numerous projects were undertaken during the year under review to upgrade and extend VKB's facilities and working assets, including the establishment of new retail outlets and upgrading existing retail outlets. This included Frankfort, Qwaqwa, Woudzicht, Elim, Soekmekaar, Thohoyandou, Louis Trichardt, Mokopane DC, Modimolle Offices, as well as the VKB Foods outlets in Reitz, Frankfort and Vrede.

### 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 2018.

During the financial year under review, VKB Auction Centre's results exceeded its budget with 98%, with a year-on-year growth of 115%.



Bertie Smith

# REPORT

*VKB Landbou Groep*

The VKB Auction Centre was awarded a four-star rating for biosecurity during 2021. This is the highest rating issued to an auction centre. Connectivity to the site has been upgraded significantly during the year under review to enable the company to host online auctions.

## **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. The facility has a capacity of 140 400 bags of potato seed, or 3 120 pallets.

An average utilisation of 75% of the storage space was maintained during the year under review. A sharp increase in capacity utilisation from November 2021 until March 2022 resulted in increased turnover for the company. The demand for potato seed cooling facilities remains high, with positive prospects for the new financial year.

## **VKB Brokers (Pty) Ltd (“VKB Brokers”)**

VKB Brokers conducts an insurance business within the service areas of VKB. The company has 13 broker offices with experienced advisors, supported by skilled administrative staff. The services offered include short-term insurance products, including personal, asset and crop insurance. A new addition to the range of services offered is life insurance. The main insurers' products offered include Santam, Old Mutual Insurance, Hollard, One Commercial and Landmark.

Despite the devastating effect of claims on the insurance industry following COVID-19 and the looting and floods in KwaZulu-Natal, VKB Brokers managed to grow its business during the year under review. The company ended the financial year with a profit before interest and tax that was 21,66% better than the previous year. There was a marked improvement in the results of all areas of business, especially in the crop and VKB own asset

portfolios. Crop insurance specifically benefitted from the favourable market conditions experienced in the agricultural sector.

During the year under review, VKB Brokers declared a dividend and awarded incentive discounts in terms of its incentive discount policy 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.

The expansion of the agricultural asset and crop insurance business is a focal area for VKB Brokers.

### **Crown Bag (Pty) Ltd (“Crown Bag”)**

Crown Bag produces packing material for potatoes and other products such as charcoal. The company experienced a very difficult year due to global factors significantly impacting raw material costs, a shortage of sack craft paper, as well as unfavourable local weather conditions in potato production areas reducing the demand for packing material. Besides these factors, the market was extremely competitive and role players had to offer value proposition through price. Crown Bag went through a re-engineering exercise during the year under review to create a leaner, more competitive enterprise. This resulted in stock write-offs and other required adjustments, with subsequent temporary financial setbacks. The combination of all these factors resulted in Crown Bag concluding the financial year with unsatisfactory financial results.

The company started the 2022/23 financial year on a more solid foundation. Its market share appears to have stabilised, raw material supply is currently stable, and relationships with customers are sound. While the market appears to experience some raw material supply shortages, Crown Bag is still in a position to service its existing customers and at reasonable but competitive prices. This may also enable Crown Bag to potentially gain some market share, should raw material supply be sufficient. Improvements in efficiency will continue during the new financial year to ensure an even leaner, more profitable and sustainable enterprise by the end of the 2022/23 financial year.

### **Farmpack (Pty) Ltd (“Farmpack”)**

Farmpack is situated in the vicinity of Mbombela, Mpumalanga, and supplies packing 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 experienced an increase in sales volumes and realised a reasonable turnover during the year under review. The market was, however, extremely competitive, putting pressure on gross profit margins. At the same time, corrugated raw material costs have increased significantly. Some of the company's major customers experienced cash flow constraints, which led to an increase in the provision for bad debts, negatively impacting on an otherwise fair performance.

### **VKB Fuels (Pty) Ltd (“VKB Fuels”)**

Fuel services and its related offering are focal areas for VKB, given our strategy to service the communities in which our agricultural producers operate their businesses. A total of 37 fuel retail outlets and ten filling stations, of which some are 24-hour stations, form part of the fuel offering. The company also delivers fuel directly to producers' farms. VKB Fuels realised satisfactory results for the year under review, and we are confident that the company will continue its significant customer value proposition.

During the year under review, fuel stations were established in Vrede and Senekal.

### **Mechanisation**

VKB's mechanisation service centres consist of 13 workshops and parts centres in the Eastern Free State and Limpopo, serviced by teams of marketers and skilled mechanical and administrative staff. The product ranges offered include Case, Jupindex, Rovic Leers, Falcon, AgriCAD, Equalizer and Amazone.

The division recorded excellent financial results for the year under review, allowing it to reinvest for improved customer service levels. Severe supply chain challenges unfortunately prevailed in the supply of farming equipment and parts due to COVID-19 and the Russia-Ukraine war. Indications are that these challenges may persist into 2023. All possible efforts are being made to meet our customers' requirements.

### **Multi Green (Pty) Ltd (“Multi Green”)**

VKB Landbou expanded its agricultural product portfolio in 2019 by acquiring the majority shareholding (53%) in Multi Green, a fertiliser mixing plant in Villiers. Multi Green's focus is to support plant nutritional needs through custom fertiliser mixes, liquid fertiliser products, and specialised plant nutrition products such as foliar applications. The company is well established in the farming community and fertiliser industry, and has an extensive client base in, amongst others, the Free State and Mpumalanga.

For the year under review, the company experienced a significant increase in turnover due to higher international fertiliser prices as well as an increase in sales volumes. Multi Green upgrades its facilities and product offering on an ongoing basis to improve product quality and consistency.

### **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 department is to provide financing to producers, enabling them to acquire production inputs and services to farm profitably and sustainably.



*Francois Proneman*

# REPORT

*VKB Landbou Groep*

VKB offers and facilitates a range of financing products to the producer, including production loans, term loans, monthly accounts, and deferred accounts for lime. With a debtors' book exceeding R3,7 billion, the division makes a substantial contribution to the South African commercial and new era farming landscape. During the year under review, the debtors' book increased with 17% compared to the previous financial year, following the favourable agricultural and market conditions of the past year. Debt in arrears, however, was 16% lower than the 2020/21 financial year.

The financial performance of the division improved compared to the previous financial year's results.

Relationships and personal contact are of the utmost importance to the division. A team of 16 proficient and experienced credit managers and skilled administrative staff manages the finance needs of our customers. They are devoted to providing appropriate and affordable financing solutions to optimally serve the diverse needs of the agricultural producer.

## **Grain Services Division**

### **Grain handling and storage**

The Grain Services Division comprises of 23 grain storage and handling facilities, of which 15 are situated in the Free State, 7 in Limpopo and 1 in KwaZulu-Natal. The grain facilities are equipped to receive and store grain and oil seed products. Services offered at the grain facilities include drying, sifting and cleaning of grain. The facilities are upgraded on an ongoing basis to provide producers and customers with a faster and more efficient service.

The Grain Services Division had an excellent year with a profit after cost of capital that was 15% more than budgeted and 22% more than the previous year, whilst the grain received in the northeastern Free State and Limpopo was 22% more than the previous season and 21% more than the five-year average. The profitability of the Grain Services



Division is influenced by the volume of grain received and processed, the utilisation of opportunities offered by the market and a strong focus on utilising resources strategically and effectively. VKB received a total of 1,5 million tons of grain during the past year, whilst approximately 680 000 tons of South Africa's 2,8 million tons of exports emanated from VKB silos.

During the year under review, VKB Landbou continued to expand and upgrade its grain handling capacity by adding and upgrading delivery points, improving traffic flow, and further expanding the existing storage capacity. This significantly accelerated the existing intake speed and outloading rate and forms part of a long-term project to increase VKB's average storage capacity and improve service levels. Upgrading the facilities also creates the opportunity to utilise existing storage facilities more effectively to unlock value for our stakeholders.

Two new delivery points, namely Sonop (to service the Petrus Steyn and Reitz areas) and Triple C Feedlot (to service the Dundee area in KwaZulu-Natal), and additional bins at Jim Fouché Silo, are currently being constructed. These facilities will increase the current storage capacity with more than 30 000 tons.

### **Grain Marketing**

VKB's Grain Marketing Division is focused on providing a comprehensive marketing service to farmers, grain traders, millers, food manufacturers, animal feed plants, exporters, and international traders. The division is underpinned by world-class systems, procedures and a Safex seat operated within VKB Graan (Pty) Ltd.

The optimal utilisation of opportunities in the grain markets and deep-sea exports during the past financial year had a significant impact on the results of the division. The division achieved exceptional results, with the net profit after cost of capital being 41% higher than budgeted and 26% higher than the previous year.

### **AE Solutions (Pty) Ltd ("AES")**

The company, with its head office in Centurion, specialises in the sale, service and support of laboratory and analytical equipment mainly to the agricultural industry. VKB Landbou holds 33,7% of the shares in AES.

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. The company's network of expertise enables them to utilise the latest technology and innovation in variable circumstances and conditions.

AES experienced an exceptional year, with dividends declared twice during the year under review. VKB values the partnership and is proud of the excellent performance achieved.

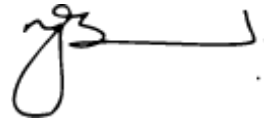
### **Agrisol Schoeman Precision Services (Pty) Ltd ("Agrisol")**

VKB acquired a 50% shareholding in the company during the 2019/20 financial year. The company offers an advanced geographic information system that includes, amongst others, grid samples, soil data, satellite images and weather statistics for the agricultural industry. Agrisol provides services to producers in various regions, such as the Western Cape, North-West, the Free State and KwaZulu-Natal.

The company's internal software development team, in collaboration with VKB's Information & Technology Department, developed the VKB360 platform, which will be utilised to organise and file data relating to the history and extent of farms and fields, and to conduct area analyses of rainfall, temperatures and crops for the different seasons. The platform will also assist with valuable information to ensure optimal planning, and also includes systems for communication between VKB and producers. The intention is to launch VKB360 during 2023.



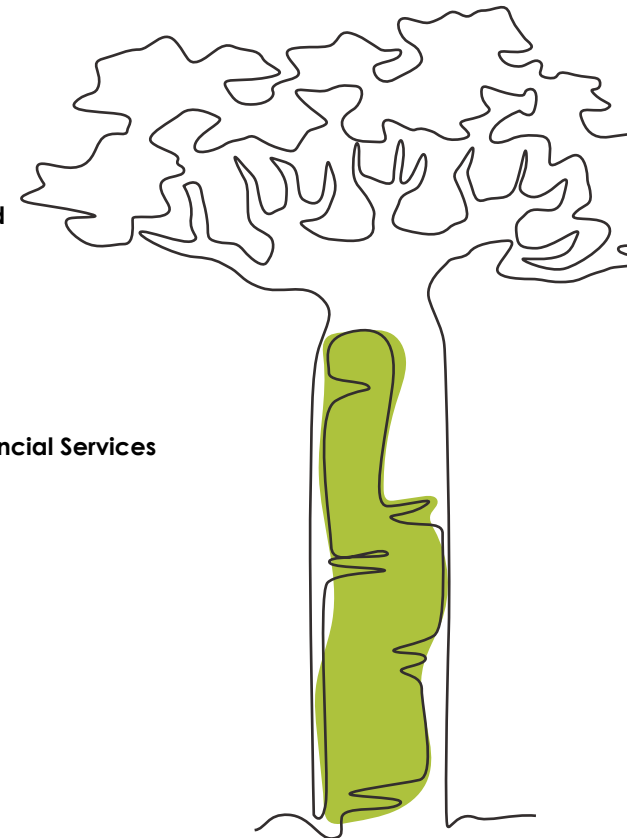
**PG STRAUSS**  
Managing Director: VKB Landbou (Pty) Ltd



**BERTIE SMITH**  
Executive Director: Commercial and Financial Services

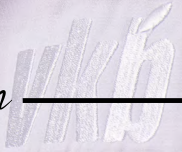


**FRANCOIS FRONEMAN**  
Executive Director: Grain Services





Sas Kasselman



# REPORT

VKB Agri Processors Group

## STRATEGIC GOAL

In 2010, the Board of Directors of VKB Beleggings (Pty) Ltd decided to further integrate into 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 it through the most effective market channels to the consumer, and to grow market share with quality products, excellent service and well-established trademarks.

VKB Agri Processors (Pty) Ltd ("VKB Agri Processors") made a good recovery during the year under review, following the volatility of the previous year. The group structure was amended to create better efficiency. Adjustments were also made to the management structure to group similar business units together. This should result in better focus and alignment within the VKB Agri Processors Group.

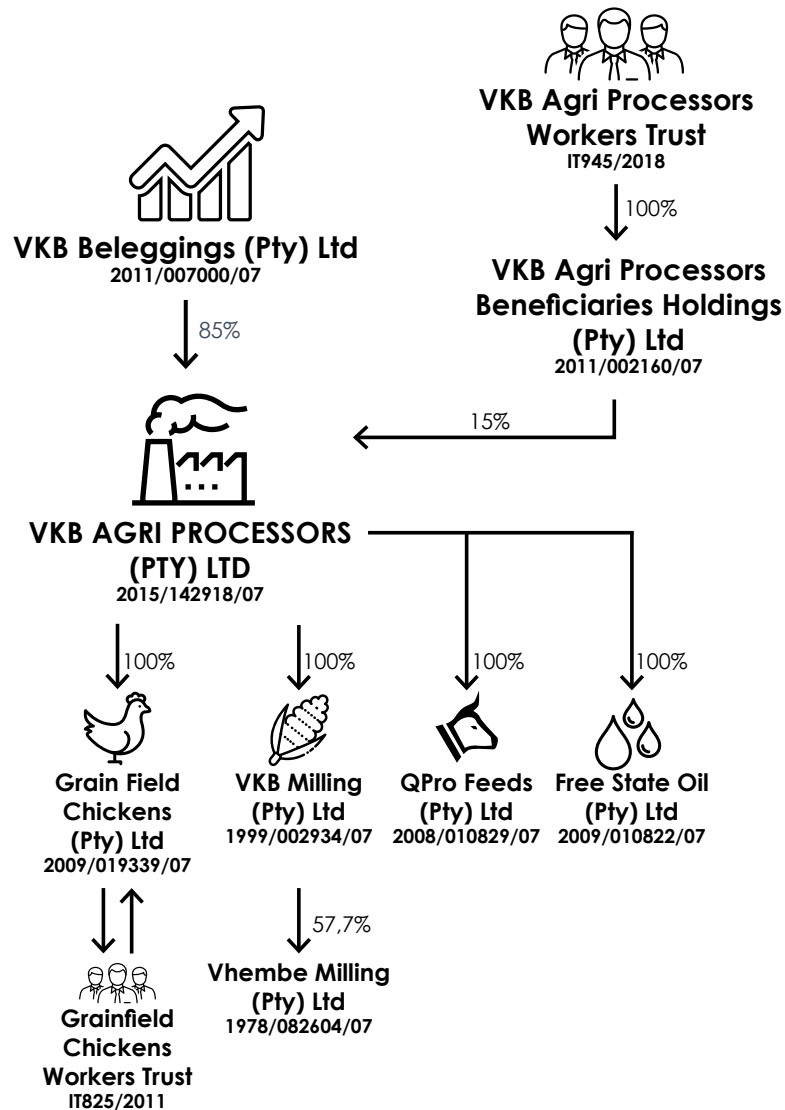
During the 2021/22 year, the world returned to a more normalised state after COVID-19. This was, however, short-lived when Russia invaded Ukraine, which created a whole new scenario of uncertainty and threats to the global economy and market stability. The war had a significant impact on grain markets and, given the already low stock-to-use ratios worldwide, catapulted the grain markets into a bullish cycle, resulting in high grain price levels.

The world grain market situation will probably remain in bullish territory until a number of good production seasons can build more acceptable carry-over stock levels. It is furthermore expected, as the old saying goes: "The best cure for high prices is high prices", that the high pricing will stimulate production and may also eventually lead to a lower demand at the front end. The 2022/23 year is expected to be dominated by uncertainty and volatility in the world economy.

During the year under review, a total of 705 000 tons of product were produced and processed by the VKB Agri Processors Group, consisting of the following products:

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

The current group structure is as follows:



The VKB Agri Processors Group concluded the year with a pretax profit of R90 million. Grain Field Chickens (Pty) Ltd had a slow start to the year but eventually realised a good result. QPro Feeds (Pty) Ltd performed below expectation and suffered a loss for the year under review. Free State Oil (Pty) Ltd had a much-needed recovery from the previous year and delivered a fair result for the year. The milling activities of wheat and maize mills were consolidated in one company during the year to improve synergy in the milling unit. The company realised a small profit for the year, with the maize milling division performing in line with expectation and the flour milling division unfortunately still ending on a loss for the year.

## MARKET OVERVIEW

### Grain Field Chickens (Pty) Ltd (“GFC”)

GFC experienced a volatile year with difficult market conditions due to the impact of COVID-19. This was aggravated by a shortage in the supply of day-old chicks after an outbreak of avian influenza, which resulted in GFC only placing 85% of its requirement for a period.

During the second half of the year, a sharp increase in grain prices was experienced, which had a negative effect on feed costs. Fortunately, GFC was able to resume full production and the additional volumes contributed to better efficiency through the abattoir. A portion of the increase in raw material was recovered through increased market pricing on chicken in general. The quick service restaurant market also recovered from the previous disastrous year when the national lockdown had a severe impact on this segment. Supply to the market has stabilised.

The announcement of the Poultry Master Plan by the industry, government and other stakeholders should contribute to a more stable platform for the poultry industry in South Africa. The relationship between the government and industry has improved and role players are working together to create a sustainable poultry industry in South Africa.

### QPro Feeds (Pty) Ltd (“QPro Feeds”)

QPro Feeds experienced a disappointing year, which concluded with a loss. The Vrede factory performed reasonably well but the Bethlehem factory’s results were below expectation, mainly due to production and staff issues experienced. These issues have since been resolved. Production managers with good experience in the feed industry have been appointed at the Bethlehem and Vrede factories. This has a positive impact on production throughput.

Sales volumes through the VKB branches increased again year-on-year 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. Limpopo business increased steadily during the financial year and remains a key focal area for future growth.

Additional equipment was installed at the Bethlehem factory during the year. The new lick plant is doing well, with good sales experienced at the beginning of the new lick season. The new pellet press is functioning well and improved the production capacity and service levels

to customers. The installation of the lucerne-dosing bin in the 2022/23 financial year should also contribute to better results. Continued focus is placed on optimisation of the production flow at both plants to ensure longer runs and a more equalised production curve.

## Free State Oil (Pty) Ltd (“FSO”)

FSO experienced a good turnaround from the previous year and ended the year with a fair result. The international market remains volatile but gave opportunity to lock in good crush margins during the year under review.

This was a reversal of the previous year when, for a large part of the year, the South African soya bean price was lower in comparison to the international bean price. This opened up local crush margins and allowed profitable crush. The increase in local crush capacity in recent years puts the market under pressure due to bigger discounts offered compared to imported product.

The replacement of the desolventiser toaster at FSO during the year under review increased production throughput and improved product quality.

The market dynamics in the industry remain cyclical. FSO is investigating various options to negate its exposure to the cyclical nature of the industry.

## VKB Milling (Pty) Ltd (“VKB Milling”)

The maize and wheat milling divisions of the VKB Agri Processors Group were consolidated in one company, VKB Milling. The divisions have a shared customer base and good synergy exists between them in terms of knowledge and skill.

VKB Milling reported a small profit for the year. It was once again an acceptable performance by the maize milling division, but the flour milling division did not perform according to expectation.

### Flour milling

The mill suffered an operational loss and reported a negative earnings before interest, taxes, depreciation and amortisation (“EBITDA”) of R6 million. The bakery did not perform well and the contribution of the bakery to the business is evaluated on an ongoing basis. There has been an impairment on bakery assets at year end, which had a negative impact on the results of the flour mill division.

The international wheat market was severely impacted by the Russia-Ukraine war, since a sizeable portion of world exports stems from these regions. Local wheat prices followed suit and increased from R5 900 per ton in February 2022 to R8 000 per ton in June 2022.

The project to convert one of the wheat mills at Frankfort to a maize mill will proceed in the 2022/23 year and should contribute to the sustainability of the milling site at Frankfort.

### Maize milling

The maize milling division delivered good results for the year. It was substantially down from the previous year’s exceptional performance, but is still in line with normal expectation. The current market environment is extremely competitive and new millers are continuously entering the market, especially in Limpopo, which put margins and volumes under pressure.

The focus remains on expansion of the geographical footprint of the maize milling operation.

## WAY FORWARD

The year ahead is going to be unpredictable. The ongoing conflict in Ukraine is adding to the uncertainty. There are worldwide fears of a recession, which can have a massive impact on all commodities. The fundamentals of the grain markets with low stock-to-use ratios are still supporting the high grain price levels. However, if a recession becomes a reality, the big investment funds will probably move away from commodities. This can also have a negative impact on the South African rand since developing currencies usually come under pressure during a recession.

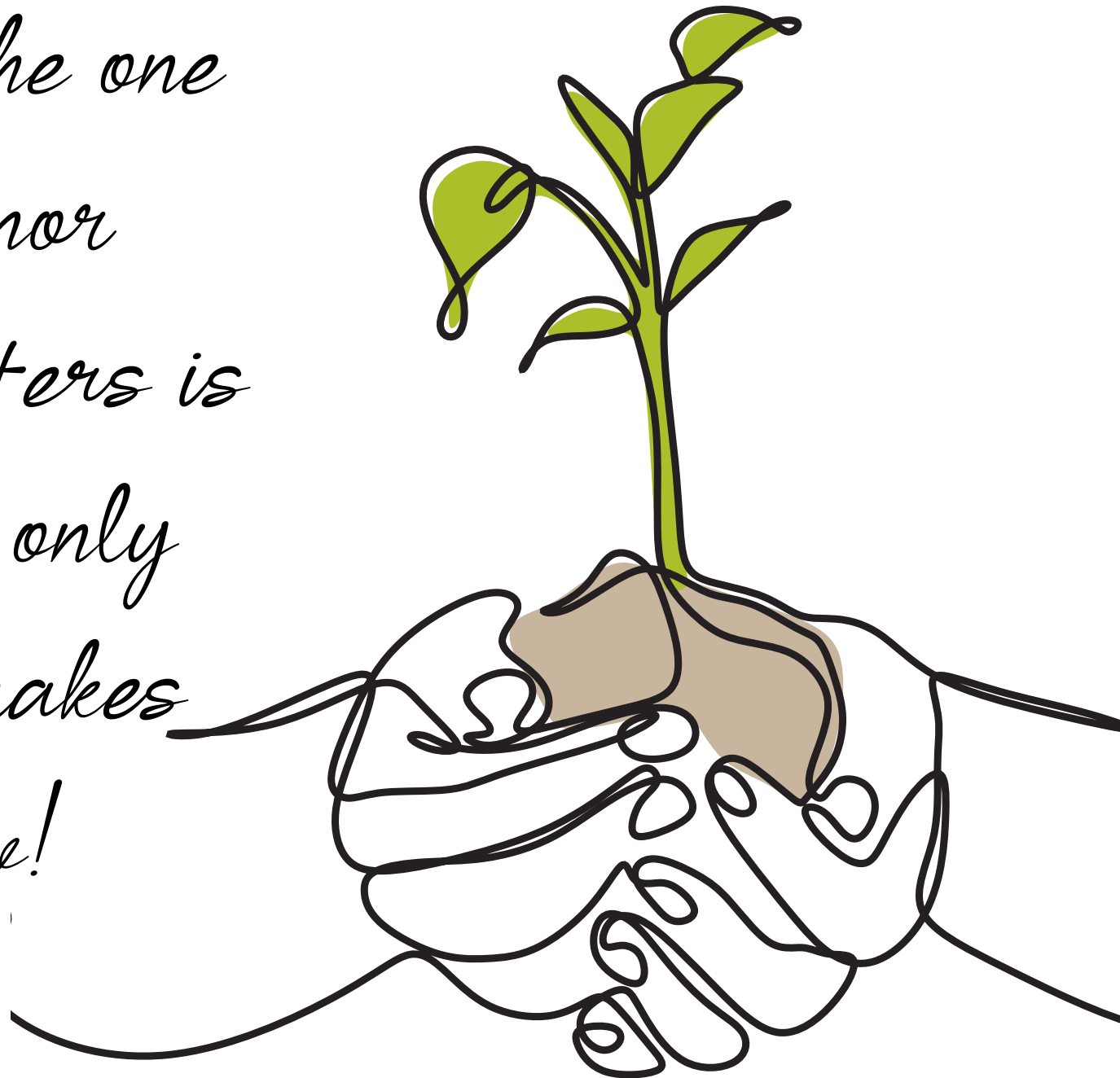
The focus within VKB Agri Processors will remain on cost management, optimal raw material procurement and operational efficiency. There is also increased focus on the sales and marketing strategy. A major challenge will be the recovery of raw material cost increases from the market with timeous price increases. The high levels of raw material and final product pricing can put affordability under pressure, with consumers already suffering due to numerous cost-of-living expenses increasing during the past year.



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

So neither the one  
who plants nor  
the one who waters is  
anything, but only  
God, who makes  
things grow!

1 Corinthians 3:7





Rina Erasmus

# REPORT

## Corporate Governance

### VKB'S COMMITMENT AND APPROACH

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 underpinning the Group's ethics, culture and values.

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

The Boards of Directors of the various entities within the Group are the focal point of VKB's corporate governance and are responsible to all stakeholders for the effective and ethical operation and performance of the enterprise. A corporate culture of compliance with legislation, policies and procedures is fostered within the Group. VKB 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 of 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. For this reason, corporate governance is regarded as the responsibility of all stakeholders. The activities and operations of VKB are corporately integrated to ensure effective and transparent execution thereof. All the structures within the Group, both at operational and Board level, ensure that adequate meetings are held to properly give effect to their duties and responsibilities. The Board and Executive Management ensure that the VKB engine and all its components function properly and in sync. The Department of Corporate Services is the facilitator for corporate governance in VKB and performs, amongst others, the following functions:

- Corporate maintenance of VKB's Organogram;
- Compilation and successful execution of the Corporate Calendar – corporate facilitation of the business processes (agendas, minutes, resolutions and the execution thereof);
- Management and implementation of VKB's Corporate Governance Framework, including the management of all the entities' corporate affairs, such as statutory records and securities registers;
- Ensure that all entities in VKB comply with corporate legislation;
- Providing joint and individual guidance to the directors regarding their duties and responsibilities, raising awareness of pending legislation and corporate events relevant to the Group;
- Drafting and vetting corporate documentation; and
- Reporting to the Board on any unethical behaviour, conflict of interest or failure to comply with the provisions of the Memorandum of Incorporation ("MOI") of the company, the Board Charter or the Companies Act, Act No. 71 of 2008 ("the Act").

## GOVERNANCE STRATEGY

The Board determines the strategy of the business, its associated goals and objectives. In doing so, the Board balances the interests of the different stakeholders whilst optimising value creation and ensuring sustainability of the business. When considering risk, opportunities, investment and value creation, the Board takes into consideration the six capitals: financial, manufacturing, human, social and relationship, intellectual and natural.

The Board, as governing body, exercises control over the business via appropriate governance structures through constant monitoring and internal control. The Board executes its duties and responsibilities in accordance with the legal and regulatory framework, the company's MOI, VKB's Board Charter and adequate and relevant policies and procedures.

Committees assist the Board in this regard. The performance of the business is constantly monitored against predetermined goals and objectives and compared to previous years' performance, budgets and industry norms.

Within the organisational hierarchy, a Delegation of Authority Framework approved by the Board delegates 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 (Pty) Ltd ("VKB Beleggings") as holding company of the Group.

## BOARD OF DIRECTORS

Directors of the company, when acting in that capacity, exercise their powers and perform their duties in good faith and for due purpose, in the best interests of the company and with the degree of care, skill and diligence reasonably 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.

Directors are expected to act objectively in the execution of their duties. A director of VKB who has an interest in a proposed contract with VKB or any matters relating to 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 such matter, 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 and the performance of committees, management structures and individual directors on an ongoing basis, and if shortcomings are identified, it is addressed appropriately and timeously. 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 of new legislation and developments affecting the business on an ongoing basis. 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 regarding the representation of non-executive directors on the Boards of subsidiaries and committees. The Nominations Committee also ensures that the performance of the Board, its committees and directors is evaluated frequently. Based on the outcome of these evaluations, the Nominations Committee makes recommendations to the Board.

## COMPOSITION OF THE BOARD OF DIRECTORS

During the year under review, the Board of VKB Beleggings consisted of 11 non-executive directors, two executive directors and two independent specialist consultants. The 11 non-executive directors ("ward directors") are nominated and elected by shareholders of the relevant wards (Free State – eight and Limpopo – three). In accordance with the company's MOI, a third of the ward directors rotate every year. The Nominations Committee assists with the identification of suitable candidates for election as ward directors to ensure that the Board consists of directors with the necessary skills and expertise.

Due to expiry of the terms of office of non-executive ward directors, vacancies arose in four of the wards during the year under review. The previous Chairperson, Mr PG Carshagen, who had diligently served on the Board of Directors for 33 years, of which 12 years were as Chairperson, retired at the Annual General Meeting of Shareholders

of 2021. The shareholders resolved that Ward 1 will in future only be represented by one director instead of two, and therefore only three nominations were called for the vacancies in the respective wards. Messrs CF Fick, JBS Fourie and JH du Preez were nominated unopposed by their respective wards (Wards 1, 7 and 15) and declared elected by the Board for a term of office of three years. Mr GJ Nel and Dr JL Purchase were co-opted by the Board as independent specialist consultants for a term of one year. Messrs JF Janse van Rensburg, Managing Director: VKB Group, and MJ Mittermaier, Executive Director: Finance VKB Group, served 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 CF Fick was elected as Chairperson and Mr JH du Preez 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 daily business operations.

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

## BOARD COMMITTEES

The following committees assist the Board in the execution of its duties:

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

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 executive powers and only make recommendations to the respective Boards. The performance and efficiency of the committees are constantly monitored by the Board. The various chairpersons present the deliberations and recommendations of the committees to the Board.

The composition of the committees complies with the requirements of the Act and the provisions of the King Code IV®. Each committee is chaired by an independent, non-executive director. The members of the various committees are elected by the Board on recommendation of the Nominations Committee. The Board ensures that there is sufficient cross-membership between the committees and that directors are exposed to the activities of the different committees to facilitate effective governance. Most of the committee members are independent, non-executive directors, as recommended by the King Code IV®. The committee members have the skills and expertise to properly perform their duties and responsibilities. Executive and Senior Management members attend committee meetings to report on their respective areas of responsibility.

## BUSINESS MODEL

VKB Beleggings has 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, and the industries in a holding company called VKB Agri Processors (Pty) Ltd. Both holding companies have various subsidiaries.

VKB Beleggings follows a unique dividend and incentive discount model. 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. This discount is paid through a cash component and by the issuance of Class 2 shares in VKB Beleggings. During the year under review, the Board of Directors approved the allocation of R330 million as incentive discount. In addition to that, VKB Beleggings annually considers declaring dividends from the profits generated by the industries (VKB Agri Processors Group), as well as the other agricultural entities. During the year under review, VKB Beleggings declared and paid dividends of R30 million to its shareholders. The total dividends declared and paid by VKB Beleggings to its shareholders over the past nine years amount to R205 million.

VKB Beleggings currently has the following four classes of shares in issue:

### CLASS 1

Ordinary shares, each shareholder (bona fide producer) 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, one Class 2 share is issued in VKB Beleggings for every R1,00 of the balance of the incentive



discount awarded. The Class 2 shares are 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 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 was issued to the shareholder in VKB Beleggings. The Class 3 shares are 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 enable 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. Class 4 shares carry a dividend rate of 4%.

## **OTHER FOCAL AREAS OF CORPORATE GOVERNANCE**

### **Risk management and sustainability**

Risk management and business continuity management are focal areas in the business. Risk management is a standing item on the agenda of Management and Board 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 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. This plan is presented to both the Audit Committee and Social and Ethics Committee. The Audit Committee evaluates the plan on an ongoing basis, monitors its execution and provides feedback to the Board. The Board approves the Risk Management Plan annually and ensures that the Plan is formally documented.

The Internal Audit Department plays an important role in the company's internal control and risk management process. Risk and opportunity are managed in such a way that it supports VKB in setting and achieving strategic goals. To provide assurance to the Board, risk management interventions 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 Board adopted a long-term strategic plan. The sustainability of VKB remains the most important aspect of the Board's responsibilities in the determination of the strategy. Information affecting sustainability, including internal, external and global risks and trends, is continuously 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 has 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 Audit Committee and Social and Ethics Committee, as well as the respective Boards.

### **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 sound corporate governance, the I&T Executive Management Committee has the mandate to execute the Board's strategy, approved policies and procedures relating to I&T governance. The Committee reports 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 a standing item on the agenda of the Audit Committee. The review of I&T-related controls is included in the Internal Audit Plan, which is presented to the Audit Committee and Social and Ethics Committee. 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 VKB Beleggings and the individual entities on an ongoing basis, considering available information and all reasonably foreseeable financial and other aspects 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 by the Social and Ethics Committee and the respective Boards.

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](http://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 channels.

The Annual General Meeting of Shareholders is preceded by a series of shareholder 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 an analysis of the creation and distribution of wealth, as well as the Group's economic value added. The Statement is also submitted to the Social and Ethics Committee for noting.

## STATUS OF CORPORATE GOVERNANCE

All the tasks and responsibilities included in this report were duly executed during the year under review. The Board's corporate calendar was successfully executed, with 317 meetings conducted, minuted and resolutions executed. The corporate affairs of the 33 entities in the Group were found to be in order, as confirmed by the external auditors.

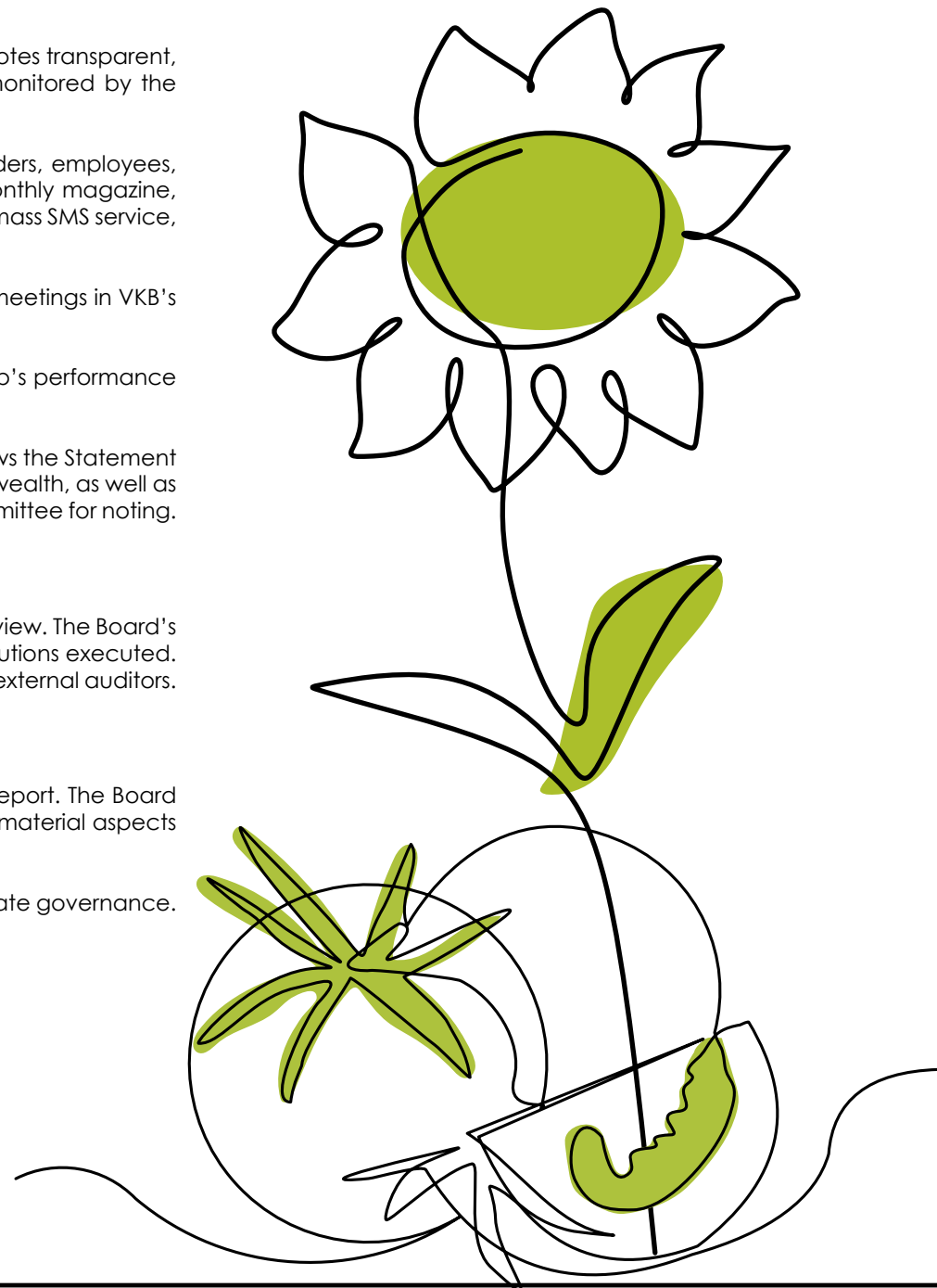
## DECLARATION BY THE BOARD

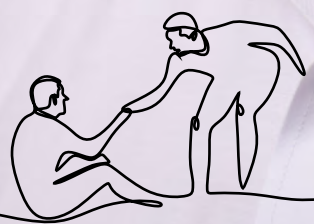
The Board confirms and acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board accordingly considered the 2022 Integrated Report and is of the opinion that it addresses all the material aspects and is a fair account of the integrated performance and sustainability 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 2022 Integrated Report.



**RINA ERASMUS**  
Group Company Secretary: VKB Group





Dan Kriek

# REPORT

## *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 six suitably skilled and experienced non-executive directors, appointed by the Board of Directors ("the Board") of VKB Beleggings (Pty) Ltd ("VKB Beleggings"), namely Messrs DJ Kriek, JH du Preez, PJ Cronjé, J van der Goot, ID Bosman and JJB Greyling, and one independent specialist consultant, Dr JL Purchase. In addition to the members, the Chairperson of the Board, the Managing Director: VKB Group and other members of Executive Management are also invited to attend meetings of the Committee. The Chairperson of the Committee attends the Annual General Meeting of Shareholders where he reports on the Committee's activities.

After every meeting, the Chairperson of the Committee presents the deliberations and recommendations of the Committee to the Boards of Directors of the respective entities.

### MANDATE AND RESPONSIBILITIES

In the execution of its statutory responsibilities, the Committee monitors the relevant activities of the entities within the VKB Group. The Committee wishes to report on VKB's performance for the year under review as follows:

1. Social and economic development, including VKB's contribution to economic transformation, its corporate social investment, support to the communities in which VKB conducts its operations, and its investment in developing agriculture.
2. Workplace, including VKB's investment in skills development and training of our employees, our commitment toward and progress with employment equity and the review of our Remuneration Policy.
3. Governance, including the company's integrated approach toward governance, ethics, procurement and compliance.
4. The environment, health and public safety, and the impact of VKB's operations, products or services.
5. Risk management, global and local sustainability trends and implications thereof.

## 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, and to the local and national economy.

### VKB's contribution to economic transformation

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 ("Broad-based Black Economic Empowerment"), which is evident from the numerous projects and initiatives undertaken internally and externally.

All the VKB Group's entities are governed by the AgriBEE Sector Code. Entities compile BEE plans every year, which set out the targets of their respective scorecards. Every entity has a BBBEE Committee with assignees managing the different pillars. The Committee meets bimonthly to ensure that the plans are adhered to, and to monitor progress toward the goals. VKB made good progress during the year under review on most of the elements and subelements of the scorecards, especially skills development, enterprise and supplier development, and socioeconomic development.

It is also part of VKB's philosophy to invest in and empower our employees to share in the value they help to create. The Group has three workers' trusts as co-shareholders in some of the operating entities. A total of 1 662 employees who are beneficiaries of the trusts received distributions in the 2021/22 financial year.

### Corporate Social Investment and community support

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

VKB's contribution to host congresses during the year under review amounted to R228 122, which was slightly less than the previous year as several congresses were either postponed or cancelled due to COVID-19 restrictions, or were held virtually.

Sponsorships, donations and contributions are utilised to support institutions and organisations in which VKB and our customers have an interest, and to fulfil the VKB Group's corporate and social responsibilities by supporting the sustainability of the specific structure, organisation or initiative. It is also a way of reaching out to the community, including schools, which play an important role in the communities in our service areas. The sponsorship for schools included, among other things, billboards, advertisements and banners. A total amount of R387 912 was spent for this purpose. The Rugby Weeks, which are major events for the local schools and communities, could not be hosted due to COVID-19. Donations were made to the relevant schools. A total amount of R529 418 was spent on sponsorships for various deserving organisations and

schools from previously disadvantaged communities. In addition, sponsorships and donations were made to the Surrender Hill Marathon at Clarens, the Frankfort Children's Fund and a feeding scheme in collaboration with Memel Commercial Branch.

VKB collaborates with media platforms, such as radio (OFM), Landbou.com and Food for Mzansi. Food for Mzansi is a nation-building project providing positive exposure to agriculture on social media and through various other marketing campaigns. Sponsorship of the platform amounted to R1,5 million for the year.

VKB is the name sponsor of the annual Bieliemieliefees in Reitz. The sponsorship amounts to R150 000. The VKB Bieliemieliefees could not take place in 2021 due to COVID-19 and the sponsorship was transferred to 2022. A successful festival was hosted in February 2022.

The annual VKB Rural Safety Golf Days were hosted in September 2021. A total amount of R874 798 was raised by VKB and participating donors, which was distributed by the Board of Directors to the communities in VKB's service areas in support of rural safety and security.

VKB assists as much as possible with the maintenance of infrastructure in most of the communities in which we conduct our business. This include municipal waterworks, roads and temporary provision of machinery and equipment. Several projects were undertaken in this regard, amongst others, a community development contribution of R430 000 made for work done at the municipal storage dam in the Liebenbergsvlei River at Reitz. An amount of R2,1 million was spent on the repair of one of the main access roads to Reitz.

Grain Field Chickens (Pty) Ltd ("GFC") hosts a charity Fundraising Golf Day every year. The R300 000 raised during the year under review was utilised to create an Emergency Fund for school children in the Eastern Free State. GFC also hosts an annual Fundraising Golf Day in aid of the local House of St Paul Nursing Home.

### Developing Agriculture

Developing agriculture forms the cornerstone of VKB's enterprise development initiatives. During the year under review, VKB supported numerous new era farmers in its service areas, engaging in a diverse range of crop and livestock farming activities. VKB provides these producers with advice, financing and mentorship on an ongoing basis, with the aim to develop them into commercial farmers. During the past few years, a total of 38 new era producers were developed successfully as a direct result of VKB's programmes.

As part of VKB's strategy to contribute toward sustainable agriculture, we are actively involved in the operation of Maluti Farming PALS ("Partners in Agri Land Solutions"), a non-profit company focusing primarily on the promotion of co-operation and partnerships between commercial and new era farmers. The initiative is gaining momentum on a national scale, with other centres also operating in the Western Cape (Witzenberg

PALS) and Mpumalanga (Mpumalanga PALS). During the year under review, the local centre initiated several projects with role players such as Sasol Mining, GFC, Nonyana Fruit and Maluti Asparagus Company. Liaison with role players and the government, for participation and funding, is done concurrently with the projects. VKB's current strategic approach is to develop the PALS initiative, while also pursuing our own development programme.

VKB's agricultural development programme experienced a very successful 2021/22 season. A total of 3 683 hectares of crops were planted in the Free State (mainly maize and soya beans), and in Limpopo 246 hectares of potatoes (with contribution of seed from Potatoes South Africa) and 14 hectares of peppadews (in collaboration with Peppadew International [Pty] Ltd). Grants received from government for development projects for the 2021/22 season amounted to approximately R40 million.

With the assistance of AgriSETA ("Agricultural Sector Education and Training") and in collaboration with VKB's Transformation Department, VKB's Developing Agriculture Division facilitated various training courses during the year under review. This included Animal Production, Plant Production, Farm Management Skills Development and Making an Impact Soft Skills Development. A practical irrigation course was also presented in collaboration with Potatoes South Africa and the University of Pretoria.

Other initiatives embarked upon by VKB's Developing Agriculture Division include the submission of a proposal to Venetia Diamond Mine to establish an "Agrihub" offering support to new era farmers in Limpopo, and liaison with Standard Bank for an opportunity to act as a so-called BDSP ("Business Development Service Provider"). As part of this project VKB will attend to the mentorship and project management in accordance with the BDSP model, while loans, securities and risk will be shared with Standard Bank.

## Workplace

### Skills development and training

VKB invests in our employees. Our Workplace Skills Plan is aligned to the broader organisational goals by facilitating of training and human capital development. The VKB Group strives to be a learning organisation through structured programmes underpinned by the business's strategic imperatives, organisational core competencies and occupational requirements.

One of the focal areas of our skills development drive is the implementation of learnerships and apprentices. During the year under review, training, skills development and social assistance programmes were offered to 2 442 employees who underwent formal training. The total cost of training for the VKB Group during the 2021/22 financial year amounted to R8,85 million. The Group offers ongoing learnerships, and students who successfully complete these programmes are subsequently considered for permanent employment. The Group established a successful online training academy providing employees with 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.

As part of its strategy, VKB also facilitates access to education and skills development for the external environment. During the year under review, four bursaries were approved by AgriSETA and the students were placed accordingly.

A total of 42 internal bursaries were approved for employees of VKB for the 2021/22 financial year to further their studies. VKB is also in the process of launching its own external Bursary Policy for tertiary studies to support a talent pipeline and increase the talent pool of the VKB Group. This will assist top-performing talent to obtain a formal education and to make a meaningful contribution to the socioeconomic development of the society in which VKB operates and will ensure that VKB has the required skills available within a continuous changing work environment.

### Employment Equity

The VKB Group promotes an organisational culture that recognises the diversity of the society within which it conducts its business. VKB strives to afford all employees with opportunities to achieve their optimum potential.

Most of the VKB Group's entities are classified as designated entities in terms of the Employment Equity Act, Act No. 55 of 1998, and have Employment Equity Plans in place. Annual reporting is done and monitored by the Human Resources Committee and also reported to the Social and Ethics Committee. It is thereafter submitted to the entities' respective Boards of Directors for approval and to the Department of Labour. VKB complies with the applicable legislation and makes a concerted effort to continuously make progress in this regard.

### Remuneration Policy and Remuneration Implementation Report

The Human Resources Committee reviewed VKB's Remuneration Policy during the past year and made recommendations to the Board in this regard. The Board of Directors subsequently amended the Remuneration Policy. The policy and the Remuneration Implementation Report are available on the VKB website at <https://bit.ly/3pDux9h>.

## Governance

The Social and Ethics Committee reviews the VKB Group's Corporate Governance Report semi-annually.

## **Integrated approach toward governance**

The VKB Group is committed to responsible corporate citizenship and effective corporate governance. VKB follows an integrated approach toward corporate governance in terms of execution and reporting. All structures within VKB are responsible for corporate governance. The Boards of Directors of the respective entities within the Group are the focal areas of VKB's corporate governance and are responsible to all stakeholders for the effective and ethical operation of the business. Cross-membership of committees of VKB Beleggings' Board of Directors ensures co-operation and adherence to all prescriptions. A corporate culture of compliance with legislation, policies and procedures is fostered within VKB to ensure effective corporate governance.

This is adequately and appropriately addressed within VKB by:

- reporting to the various committees and Boards of Directors on all areas of the business;
- adequate policies and procedures covering all areas of business and constant monitoring thereof;
- internal and external communication (including the Integrated Report, website, social media and information meetings) to promote transparency of VKB's activities and stakeholder engagement;
- adequate and applicable accounting policies and practices;
- an independent external audit; and
- an extremely efficient Internal Audit Department executing a diverse range of duties, including risk management, ensuring internal control measures are adequate and operate efficiently, and management of interaction between business and systems.

VKB supports the management outcomes and practices as contained in the King Code IV®, namely Ethical Culture, Performance and Reporting, Adequate and Effective Control, Trust, Good Reputation and Legitimacy. VKB is committed to holistic and integrated thinking, management and reporting, while focusing on stakeholders, transparency and disclosure.

## **Ethics**

VKB's operations are conducted according to a Code of Ethics. 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.

## **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**

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 custodian 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, and the impact of VKB's operations, products or services**

According to VKB's Environmental Policy, 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 year under review, the Committee monitored the implementation of occupational health and safety, wellness, and resource and energy management programmes.

## **VKB Occupational Health and Safety and Continuous Improvement Systems**

VKB's Occupational Health and Safety Division successfully managed the Occupational Health and Safety systems of all business units in the Group during the year under review. Significant progress has been made with the implementation of PPCB Food Safety Systems, ISO 22000 Food Safety Systems, ISO 45001 Occupational Health and Safety Systems, and Railway Safety Regulator systems. Effective digital reporting of injuries and non-compliance is monitored through the CURA Digital System.

The Mashishing and Mokopane Mills have already passed the Level 1 FSSC 22000 audit and are attending to Level 2. Once both mills have passed Level 2 audits, VKB Milling (Pty) Ltd ("VKB Milling") will be FSSC 22000 certified, which should create additional opportunities in the market for the company. The implementation of the systems and controls at Free State Oil (Pty) Ltd ("FSO") is still in process and preparations are being made for a Level 1 FSSC 22000 audit.

Good progress has been made with the implementation of the 20 Keys Continuous Improvement System, for which certification by the ODI ("Organisation Development International") as a "Certified Workplace – Key 1" has been achieved. VKB's Occupational Health and Safety Division and Clinic are making good progress toward the final assessment for the "20-Keys International Excellence Award", which will take place in August 2022.

## **Medical surveillance and management of COVID-19**

The overall state of employees' health, which has been very good during the year under review, is of utmost importance to VKB. A total of 2 630 medical examinations were conducted by VKB Medical Team during this period.

VKB ensures compliance with all prescribed measures to ensure the safety of our employees and the public to comply with all the COVID-19 legislation and regulations. Policies and procedures are documented and adhered to by the whole VKB Group.

In our strive toward continuous improvement, VKB invests in the educational development of its staff. During the year under review, 2 343 employees attended formal statutory safety training programmes.

## **Establishment and implementation of VKB Group Environmental Management System**

Due to the extent of VKB's diverse operations and the implementation of carbon taxation, there is renewed focus on the provisions and implications of the National Environmental Management Act, Act No. 107 of 1998. The implementation of a VKB Environmental Management System is progressing well. Projects undertaken include recycling and waste disposal.

## **Energy management**

The VKB Group is committed to optimise energy management within all its structures. Consumption is monitored continuously to determine the impact on the environment and to ensure the optimal utilisation of electricity, cost savings and alternative sources of energy. For this purpose, the Group employs a fulltime Energy Engineer.

During the year under review, the total power usage of the VKB Agri Processors Group increased with 2,2%, while the calculated cost of electricity increased with 12,1% compared to the previous period (2020/21). The substantial increase in electricity charges from Eskom and the municipalities resulted in a noticeable increase in cost since July 2021, without an increase in consumption. GFC, FSO, VKB Flour Mills (Pty) Ltd ("VKB Flour Mills") and QPro Feeds (Pty) Ltd are amongst the companies in this portfolio. Compared to the previous year, VKB Milling's total year-to-date power usage declined with 7,1%. During the same period, the cost of electricity increased with 5,8%. The reduction in power usage can be attributed to reduced manufacturing output at Mashishing Mill, while improvements in the power factor at the Mokopane and Mashishing Mills also resulted in significant reduction in costs.

During the previous year, electricity usage at VKB's silos declined with 10,5%. Although the amount of grain processed increased from the previous year, the cost of electricity

declined with 1,8%, which can be attributed to less grain dried or increased efficiency of the grain drying process. Except for the Memel and Windfield silos, most of the Free State silos reported reduced consumption for the harvest season between May and September 2021. Excluding the Mookgophong, Mokopane, Roedtan and Settlers silos, which experienced an increase in electricity consumption during the previous season, silos in the Limpopo area consumed less electricity.

From the carbon emissions data collected for the SAGERS ("South African Greenhouse Gas Emissions Reporting System") submission, the polyfuel usage decreased from 314 795 litres to 235 683 litres. The coal usage also decreased from 1 373 tons to 1 004 tons. This is an indication that less grain drying took place, resulting in reduced electricity consumption in some cases.

For the 2021/22 year, the VKB Group's total carbon dioxide emissions from stationary combustion were 33 810 tons, an increase of 2 250 tons from the previous year. Only the consumption of coal and diesel increased, while the consumption of all other fuels decreased. The shutdown of numerous VKB Flour Mills bakeries drastically reduced paraffin consumption. Diesel consumption for backup generators increased due to load shedding. Reduced grain drying during the previous season resulted in a significant decrease in Sasol polyfuel consumption. Coal continues to be the largest source of overall emissions for the VKB Group, accounting for 93,2%. The VKB Group's preliminary carbon tax calculation for the 2021/22 reporting period amounts to R1 351 996, which will be paid in July 2022. A total of 3 381 carbon offset credits will be acquired at R120/ton, which will result in a saving of R405 720 in carbon taxes.

The VKB Group presently has two buildings (Reitz Head Office and the Modimolle Regional Office) that require an EPC ("Energy Performance Certificate"), according to regulations issued in terms of the National Energy Act, Act No. 34 of 2008. The certification process will be completed by December 2022.

The solar project at VKB Head Office Reitz has been in operation for five years and saved R183 221 in electricity costs during the year under review. VKB Milling's (previously VKB Flour Mills) solar system in Frankfort has been in operation for almost two years. Despite experiencing difficulties with dust and unusually excessive rainfall during the last two summers, the facility was able to provide 6,1% of its total power consumption during the past year. The Group is in the process of investigating similar projects for GFC, FSO and the other industries.

## **Risk management, global and local sustainability trends and implications thereof**

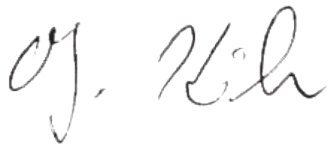
VKB's Internal Audit Department manages the Group's risk assessment process in accordance with the Risk Management Policy adopted by the Board. Risk management

involves identifying, evaluating and managing risks. The Board must ensure that Management is familiar with all known risks within the business and that they take all reasonable steps to develop, implement and integrate control measures into the day-to-day activities of the business. The process of strategic Risk Management safeguards the Group's assets, and supports our business objectives and sustainability under normal and abnormal business conditions. This is achieved by acting responsibly toward all stakeholders with a legitimate interest in the business. Subsequent to identifying risks, we ensure that adequate structures, policies, procedures, practices and control measures are in place to effectively manage risks within the Group.

Risk Registers are compiled and submitted to the Audit, Risk and Opportunity Management Committee and the respective entities' Boards of Directors. Management, the Committees and the Boards assess risk, global and sustainability trends and the implications thereof on the business on an ongoing basis.

## REPORT

The Committee successfully executed its mandate and responsibilities during the year under review.



**DAN KRIEK**  
Chairperson: Social and Ethics Committee







Leon Eksteen

# REPORT

*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 non-executive 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 three non-executive directors and one co-opted specialist (Messrs LJ Eksteen – Chairperson, ID Dreyer and JBS Fourie; specialist – GJ Nel). An additional member, the non-executive director Mr PJ Cronjé, was also co-opted to gain exposure to the activities of the Committee. The composition and mandate of the Committee comply 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 the Internal Audit Department, as well as Senior Management, also attend meetings of the Committee. The Committee met three times during the year under review, during which the Group's Budgets, Annual Financial Statements and Risk Management Plans 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:
  - i. describing how the Audit Committee carried out its mandate and responsibilities;
  - ii. stating whether the Audit Committee is satisfied that the auditors acted independently of the company; and
  - iii. 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:
  - i. the accounting practices and internal audit of the company;
  - ii. the content or auditing of the company's financial statements;
  - iii. the internal financial control of the company; or
  - iv. 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 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, as well as 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.
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 risks is complete, timely and relevant.
15. To continuously consider the solvency and liquidity of the company and the Group, taking into account all reasonably foreseeable financial circumstances.
16. To provide independent oversight of, amongst others:
  - i. 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
  - ii. 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

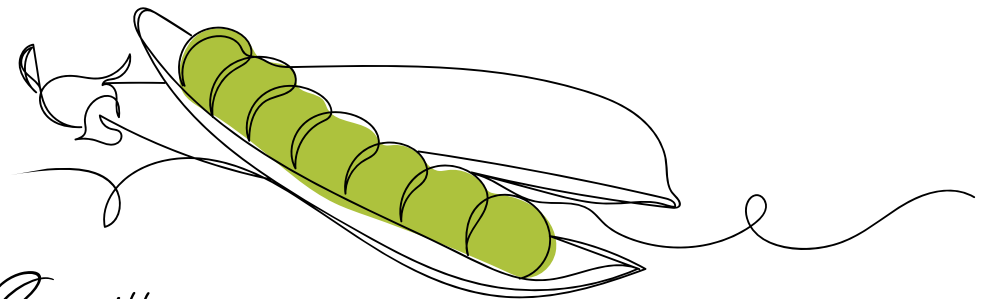
The Committee performed all duties as set out above. The Committee is satisfied that the 2022 audit conducted by the external auditors was independent and agrees with the audit reports issued in respect of the Group.

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 accurately reflect the financial position of the business and the Group correctly.
3. The financial function and the internal financial and other controls are adequate and function effectively.
4. The sustainability reporting included in the Integrated Report is 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 contributes to an adequate and efficient control environment.



**LEON EKSTEEN**  
Chairperson: Audit, Risk and Opportunity Management Committee



Report: *Audit, Risk and Opportunity Management Committee*

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

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, according to 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.

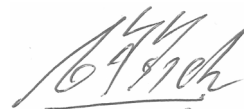
The directors confirm that they are ultimately responsible for the system of internal financial control established by the Group and has considerable regard for the importance of maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors ("the 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 duties within a clearly defined framework, effective accounting policies and 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 risks in 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 policies and procedures.

The directors are of the opinion, based on the information and explanations provided 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 2023 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 52 to 53, which have been prepared on the going concern basis, were approved by the Board on 30 June 2022 and were signed on their behalf by:



**CF FICK**  
Chairperson



**JH DU PREEZ**  
Vice-chairperson

Declaration of responsibility by the Group Company Secretary:

In terms of Section 88(2)(e) of the Companies Act, Act No. 71 of 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 2022.

## 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 business arrangements. The Group conducts its operations in South Africa.

There have been no material changes to the nature of the Group's business since 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 and results of operations of the Group are set out in these consolidated financial statements.

## 3. SHARE CAPITAL

Authorised	Number of shares	
	2022 '000	2021 '000
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			
	2022 R'000	2021 R'000	2022 '000	2021 '000
Ordinary shares	23 700	22 930	23 700	22 930
Class 2 preference shares	2 353 760	1 890 466	2 353 760	1 890 466
Class 3 preference shares	210 323	218 395	210 323	218 395
Class 4 preference shares	9 573	6 775	9 573	6 775
	<b>2 353 760</b>	<b>2 138 566</b>	<b>2 353 760</b>	<b>2 138 566</b>

## 4. DIVIDENDS

The Board approved the declaration and payment of a dividend of R30 million (2021: R25 million).

## 5. DIRECTORATE

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

Non-executive	Ward
CF Fick – Chairman	Ward 1 – Reitz, appointed as Chairman on 16 September 2021
PG Carshagen	Ward 1 – Reitz, retired as Chairman on 16 September 2021
JH du Preez – Vice-chairman	Ward 15 – Limpopo, appointed as Vice-chairman on 16 September 2021
DP Viljoen	Ward 2 – Bethlehem, Daniëlsrus, Kestell and Qwaqwa
ID Dreyer	Ward 3 – Vrede, Memel, KwaZulu-Natal (North), Cornelia, Woudzicht and Ascent
ID Bosman	Ward 4 – Petrus Steyn, Heilbron, Senekal and Lindley
JJB Greyling	Ward 5 – Warden, Verkykerskop, Harrismith and KwaZulu-Natal (South)
DJ Kriek	Ward 6 – Frankfort and Tweeling
JBS Fourie	Ward 7 – Jim Fouché, Oranjeville and Windfield
PJ Cronjé	Ward 8 – Villiers, Grootvlei, Balfour, Standerton and Delmas
J van der Goot	Ward 15 – Limpopo
LJ Eksteen	Ward 15 – Limpopo
GJ Nel	Independent specialist consultant
JL Purchase	Independent specialist consultant, appointed on 1 January 2022

Executive	
JF Janse van Rensburg	Managing Director: VKB Group
MJ Mittermaier	Executive Director: Finance VKB Group

There have been no other 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 materially affect the Group.

## 8. LITIGATION STATEMENT

From time to time the Group becomes involved in 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 2022.

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 2023 financial year.

## 10. SECRETARY

The Group Company Secretary is Adv. SC Erasmus.

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REITZ  
9810

**Business address:** 31 President CR Swart Street  
REITZ  
9810

## 11. SOLVENCY AND LIQUIDITY

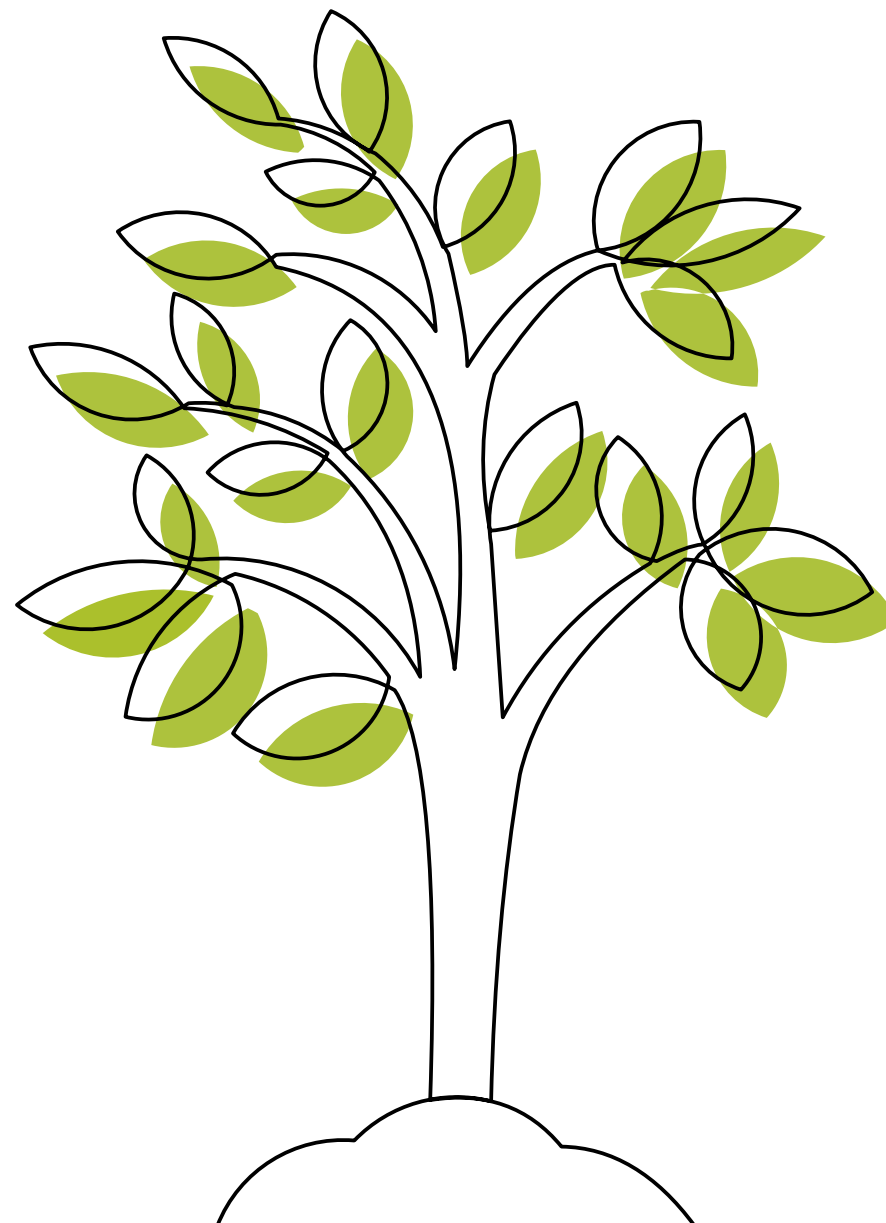
The directors performed the solvency and liquidity test as prescribed by the Companies Act, Act No. 71 of 2008.

## 12. RUSSIA UKRAINE WAR / KWAZULU-NATAL FLOODS

During the review period, the Board took note of the impact of the Russia-Ukraine war and the KwaZulu-Natal floods. 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 to these events are adequate. The Board is assessing and monitoring developments on an ongoing basis to assess its impact on the Group. The financial impact cannot be determined reliably at the moment as the extent of these matters 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.



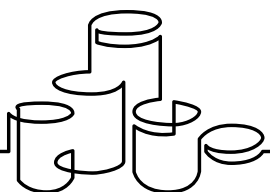
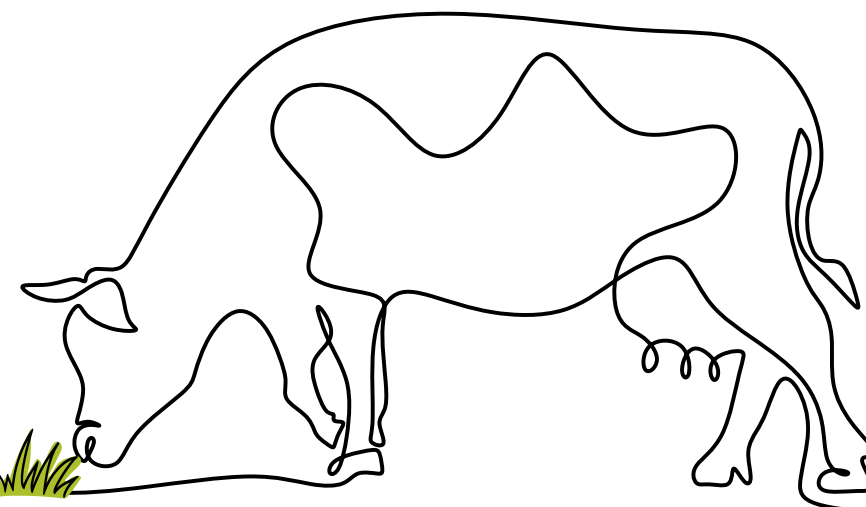
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2022*



	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1 916 136	1 837 074	6 603	6 870
Right-of-use assets	33 015	26 313	-	-
Investment property	-	-	441 383	401 890
Goodwill	134 413	149 005	-	-
Intangible assets	108 197	97 427	-	-
Investments in subsidiaries	-	-	1 858 326	1 644 523
Investments in associates	489 002	472 864	479 276	459 995
Investments in joint ventures	1 908	2 671	-	-
Other financial assets	6 295	9 771	-	-
Finance lease receivables	2 876	3 150	-	-
Instalment sale receivables	63 057	90 092	-	-
Deferred tax	259 070	214 960	343	361
	<b>3 013 969</b>	<b>2 900 656</b>	<b>2 785 931</b>	<b>2 513 639</b>
<b>Current assets</b>				
Inventory	1 674 714	1 471 139	-	-
Loans to group companies	2 938	2 894	-	17 049
Loans receivable	13 223	10 436	-	-
Trade and other receivables	4 986 911	3 878 098	11 784	14 486
Contract assets	997	-	-	-
Other financial assets	141 681	196 584	-	-
Finance lease receivables	260	278	-	-
Operating lease asset	49 176	45 302	-	-
Current tax receivable	6 150	10 990	630	84
Cash and cash equivalents	202 666	206 212	2 789	649
	<b>7 078 716</b>	<b>5 821 933</b>	<b>15 203</b>	<b>32 268</b>
Non-current assets held for sale and assets of disposal groups	6 056	6 813	-	-
<b>Total assets</b>	<b>10 098 741</b>	<b>8 729 402</b>	<b>2 801 884</b>	<b>2 545 907</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	2 353 760	2 138 566	2 353 760	2 138 566
Reserves	26 906	(25 428)	9 117	8 542
Retained income	677 268	486 508	374 332	352 544
<b>Equity attributable to equity holders of the parent company</b>	<b>3 057 934</b>	<b>2 599 646</b>	<b>2 737 209</b>	<b>2 499 652</b>
Non-controlling interest	121 011	94 291	-	-
	<b>3 178 945</b>	<b>2 693 937</b>	<b>2 737 209</b>	<b>2 499 652</b>

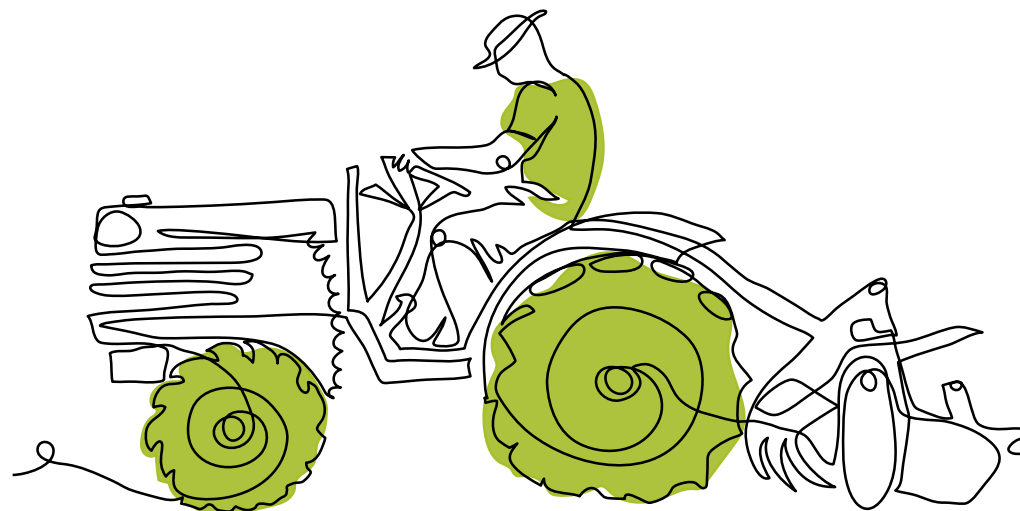
	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	492 654	215 121	-	-
Financial liabilities at fair value	1 988	2 373	-	-
Finance lease liabilities	21 753	16 862	-	-
Retirement benefit obligation	69 882	73 507	-	-
Deferred tax	225 103	221 771	22 433	18 630
	<b>811 380</b>	<b>529 634</b>	<b>22 433</b>	<b>18 630</b>
<b>Current liabilities</b>				
Trade and other payables	1 417 315	954 323	35 025	27 625
Loans from shareholders	683 054	577 104	-	-
Borrowings	207 460	194 298	6 467	-
Financial liabilities at fair value	142 596	83 087	-	-
Derivatives	187	153	-	-
Finance lease liabilities	13 342	10 787	-	-
Income tax payable	1 077	6 444	-	-
Provisions	790	9 844	-	-
Bank overdraft	3 642 595	3 669 791	-	-
	<b>6 108 416</b>	<b>5 505 831</b>	<b>41 492</b>	<b>27 625</b>
<b>Total liabilities</b>	<b>6 919 796</b>	<b>6 035 465</b>	<b>63 925</b>	<b>46 255</b>
<b>Total equity and liabilities</b>	<b>10 098 741</b>	<b>8 729 402</b>	<b>2 801 884</b>	<b>2 545 907</b>



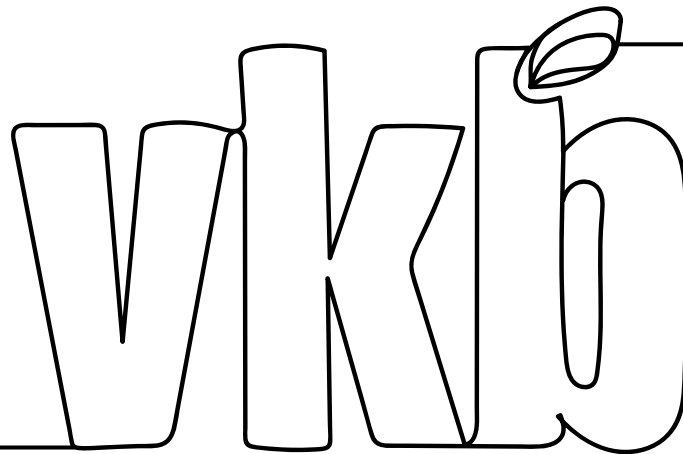
# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>Continuing operations</b>				
Revenue	16 814 861	12 473 662	46 581	42 754
Cost of sales	(14 923 298)	(10 912 523)	-	-
<b>Gross profit</b>	<b>1 891 563</b>	<b>1 561 139</b>	-	-
Incentive discount	330 000	248 075	-	-
<b>Gross profit before incentive discount</b>	<b>2 221 563</b>	<b>1 809 214</b>	<b>46 581</b>	<b>42 754</b>
Other operating income	56 012	57 896	4 496	13 095
Other operating profit/(loss)	(12 534)	(6 487)	-	1 061
Other operating expenses	(1 557 729)	(1 345 032)	(33 870)	(24 998)
<b>Operating profit</b>	<b>707 312</b>	<b>515 591</b>	<b>17 207</b>	<b>31 912</b>
Investment income	8 143	7 782	9 459	11 053
Finance cost	(196 099)	(212 878)	(458)	-
Income from equity-accounted investments	42 860	23 704	36 853	18 834
Other non-operating profit/(loss)	1	104	1	104
<b>Profit before incentive discount</b>	<b>562 217</b>	<b>334 306</b>	-	-
Incentive discount	(330 000)	(248 075)	-	-
<b>Profit/(loss) before taxation</b>	<b>232 217</b>	<b>86 231</b>	<b>63 062</b>	<b>61 903</b>
Taxation	28 754	(21 235)	(4 018)	(8 662)
<b>Profit from continuing operations</b>	<b>259 971</b>	<b>64 996</b>	<b>59 044</b>	<b>53 241</b>
<b>Discontinued operations</b>				
Profit/(loss) from discontinued operations	-	(1 535)	-	-
<b>Profit for the year</b>	<b>260 971</b>	<b>63 461</b>	<b>59 044</b>	<b>53 241</b>



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