

Integrated Report





Salient features

Management committed to doing business in more places, with more clients and more products, making more margin.

+1,5%

REVENUE

continued market share growth

+4,6%

RHEPS

positive returns

10,4%

ROIC

beating WACC

+6,8%

EBITDA

strong operational growth

R494,5 m

CASH FLOW FROM OPERATING ACTIVITIES

strong cash generation

R313,0 m

CAPEX SPEND

investing for growth

+2,0% (Group)

+3,7% (TFC)

FUEL LITRE GROWTH

strong Covid recovery

13,8%

ROE

8,4%

RONA

3,3%

ROS

50,0

(cents per share)

DPS

rewarding shareholders

+2,0%

EXPENSE GROWTH

encouraging operational expenditure savings of R47,8 million during the year

-2,9%

TRANSACTIONS

18,4 million transactions
+2,3% excl. Retail Fuel & Convenience

3 500

NUMBER OF EMPLOYEES

well positioned
for growth

Contents

| | |
|---|------------|
| About this report | 3 |
| Value proposition | 4 |
| Business philosophy | 4 |
| Group strategy | 4 |
| How we create value | 6 |
| Business profile | 8 |
| Our brands | 10 |
| Geographic footprint | 14 |
| Business review | 16 |
| Leadership report | 16 |
| Financial performance | 20 |
| Group Financial Director's report | 20 |
| Five-year financial review | 26 |
| <i>Pro forma</i> financial information | 28 |
| Governance and sustainability | 32 |
| Board of directors | 32 |
| Executive management | 33 |
| Remuneration report | 34 |
| Corporate governance report | 49 |
| Risk report | 62 |
| Report of the Social and Ethics committee | 66 |
| Social and Ethics report | 67 |
| Additional material information | 77 |
| Group structure | 77 |
| Shareholder information | 78 |
| Annual financial statements | 79 |
| Corporate information | IBC |

About this report

This integrated report (“report” or “IR”) covers the integrated performance of the Kaap Agri Group (“Kaap Agri”, “the Group” or “the company”) for the year ended 30 September 2020 (“the year”).

SCOPE AND BOUNDARY

We aim to provide current and prospective investors and other stakeholders with a comprehensive view of our performance during the year, which will enable them to make an informed assessment of the Group’s ability to create and grow sustainable value. This report provides material information relating to our strategy and business model, financial and operational performance, significant risks and opportunities, stakeholder interests and governance. Additional reports are available on our website: www.kaapagri.co.za.

The report focuses on the main operational income channels contributing to our performance: Trade, Retail Fuel & Convenience, Grain Services and Manufacturing. These are supported by the corporate shared service environment. The business’s organisational structure is unchanged since 2019, with the following exception.

The Group established a 100% held subsidiary, Tego Plastics (Pty) Ltd (“Tego”), effective 1 October 2019. Tego will initially produce high-quality food grade plastic bulk bins for the agricultural market, with the opportunity to manufacture additional solid form products at a later stage. This will be done through the injection moulding manufacturing process. A large portion of the year was spent on product development and refinement with production commencing during the last quarter of the year.

REPORTING FRAMEWORKS

Kaap Agri applied the principles of the International Financial Reporting Standards (“IFRS”), the King Report on Corporate Governance™ for South Africa, 2016 (“King IV”)¹, the JSE Limited Listings Requirements (“JSE Listings Requirements”) and the Companies Act, 71 of 2008, as amended (“the Companies Act”). The report considers the requirements of the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting <IR> Framework.

TARGET AUDIENCE AND MATERIALITY

This report was primarily prepared for current and prospective shareholders and is relevant for any other stakeholder with an interest in our performance and prospects. It focuses on matters we deem material in our ability to create value and deliver against our strategic objectives.

EXTERNAL AUDIT AND ASSURANCE

An independent audit of the Group’s annual financial statements (“AFS”) was performed by PwC. Broad-based black economic empowerment (“B-BBEE”) scorecard information was independently verified by The Legal Verification Team (Pty) Ltd. The rest of this IR is not subject to independent audit or review.

FORWARD LOOKING STATEMENTS

This report contains certain forward looking statements about Kaap Agri’s financial position, performance and operations. These statements and forecasts involve risk and uncertainty as they may relate to events and depend on circumstances occurring in the future and, as such, are not guarantees or predictions of future performance. There are various factors that could cause actual results to materially differ from those expressed or implied by these forward looking statements. Readers are advised not to place undue reliance on such statements.

STATEMENT OF THE BOARD OF DIRECTORS OF KAAP AGRİ

The Board of Directors (“Board”) acknowledges its responsibility to ensure the integrity of the IR. In the Board’s opinion, this report provides a fair and balanced account of the Group’s performance on material matters assessed as having a bearing on the Group’s capacity to create value. The 2020 IR was prepared in line with recognised best practice and complies with King IV recommendations. Accordingly, the IR was unanimously approved for publication by the Board.



GM Steyn
Chairman



S Walsh
Chief Executive Officer

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Value proposition

We are a people company dedicated to delivering a unique offering to our customers.

Business philosophy

The business believes in a GROWTH philosophy. We strive to create and add value so all our stakeholders are better off because the company exists, better off than they would be if the company did not exist.

The company is a retailer and trader in Southern African markets, and strives to realise an operating profit growth which significantly outperforms inflation. Our CUSTOMERS are the driving force of our business. We aim to please our customers with an overall improved customer experience ranging from digitising purchases to improved product ranging and store formats.

Although we believe our strategic footprint, infrastructure, facilities, geographical spread and differentiated market approach are competitive advantages, we support a culture of “mens-mense” (we are a place where PEOPLE still count). This means we Communicate, seek continuous Alignment and build authentic Relationships within an Empowering environment (CARE). Our PEOPLE-driven culture of CARE is fundamental to securing employee commitment to our growth philosophy.

Group strategy

With its roots entrenched in a strong agricultural foundation, the Group has successfully diversified to include manufacturing as well as retail offerings in both the fuel and convenience sectors. We have also strengthened our customer value proposition through diverse store formats reflecting a differentiated shopping experience that captures the charm of a rural way of life with shared lifestyles, attitudes and interests for both city dwellers and farmers alike.

The following strategic key focus areas are business imperatives:

1. Growth



A strong focus on upgrades and footprint expansions, strategic alliances, and mergers and acquisitions continues to fuel our growth ambitions.

2. Optimisation



The implementation of systems to support supply chain optimisation and the optimisation of retail store formats and ranges will ensure relevance with a diverse range of customers and enhance the in-store customer experience.

3. Leveraging culture and diversity



Talent development and entrenching the culture of CARE remain high on the agenda to support our unique value proposition. Transformation is not only a responsibility but a business imperative and catalyst for social and economic transformation.

4. Digital transformation



Enhancing our customer experience and ease of doing business is the business driver for all e-commerce, account and payment solutions initiatives.



OUR COMMUNITIES

“

The flour was distributed by the NGOs and is still being distributed and this will ensure that no family has to starve in these difficult economic conditions. We want to thank our farmers very, very much for their thoughtfulness. You really are the breadbasket of this area and the community sincerely appreciates it.”

*– Executive Mayor
Alderman Ray van Rooy,
Bergrivier Municipality*

#InThisTogether: CARE amid Covid-19 (“Covid”)

As the impact of Covid expanded, we were reminded every day that we are all in this together. Thanks to the generosity of wheat producers in the Swartland region, Kaap Agri spearheaded a project with Grain SA, Overberg Agri, Wes-Kaap Graanprodusente and Groep 35 Voedsel to provide 52 tons of flour to families who were going hungry as a result of the economic impact of the lockdown. In June, more than 5 000 bags of 10 kg flour were donated to non-profit organisations in areas stretching from Klipheuwel to Saldanha.

How we create value



*Plant and Harvest.
Dream and Do.
Care and Grow.*

EMERGING FARMERS

R6,7 million
invested in the
KaaP Agri Academy
since 2009

R979 681
invested through the
KaaP Agri Academy
in 2020

More than
6 239
farmworkers
trained since
2009

378
emerging farmers
trained since 2009

Read more about these initiatives in the social and ethics report on page 67.

YOUTH DEVELOPMENT

We provided
46 bursaries
to the value of
R1.4 million
to beneficiaries of whom
52%
were **female students**

OUR SUPPLIERS

R7,87 billion
total procurement spend
(less statutory allowances)



B-BBEE suppliers

OUR CUSTOMERS

Kaap Agri's commitment to serving its customers is the driving force of its business, guiding decision-making and shaping strategy. It is centred around relationships built over time, values shared and honoured, and a commitment to partner and create value for its customers through both good and challenging times.

Kaap Agri's brands have always been about community. Its consumers are driven by a desire for community. Our footprint grew to 217 operating points.

Group fuel litre growth
2,0%
(2019: 263,9 million litres versus 2020: 269,6 million litres)



TFC
3,7%
(2019: 153,7 million litres versus 2020: 159,4 million litres)

Seven

new retail fuel sites opened in 2020, including managed sites awaiting regulatory approval.

159,4 million

litres fuel pumped at Retail Fuel & Convenience including managed sites awaiting regulatory approval.

OUR EMPLOYEES

R618,8 million
total labour cost

3 500
employees

The total
payable skills levy
for the Kaap Agri Group (9,3%)

256
additional employees
employed for the year

R3,7 m
(total skills levy payable) (2019: R5,1 million)

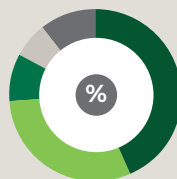
Kaap Agri established an ethics line in August 2018, to be used by any person irrespective of position or seniority (employee, client or supplier) to report issues of concern that might be perceived to be difficult to resolve through normal channels.

OUR COMMUNITIES

R3,3 million

spent on the following community initiatives:

OUR COMMUNITIES



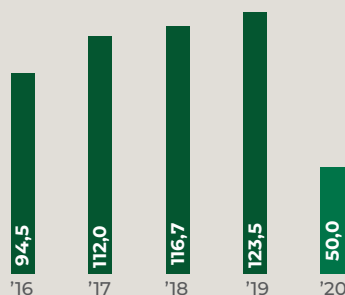
- Bursary programme for secondary and tertiary learners R1,4 million
- Kaap Agri Academy R979 681
- Young Stars programme R285 000
- Covid relief programme R216 191
- Community outreach project R334 798

INVESTORS AND SHAREHOLDERS

R68,3 m
declared to
shareholders
in 2020

R382,2 m
equity held by
broad-based black
shareholders
at year-end

DIVIDEND PER SHARE (CENTS)

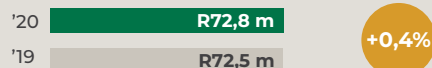


GOVERNMENT AND REGULATORS

In 2020 Kaap Agri paid R102,3 million to the South African Revenue Service ("SARS") in direct taxes.



The total amount of PAYE paid for the Kaap Agri Group was R72,8 million.



Business profile

SERVICES

PURPOSE

OPERATIONS

TRADE

| | | | |
|---|---|--|--|
| <ul style="list-style-type: none"> > Production inputs > Packing material > Hardware and building materials > Fuel > Garden and pool > Clothing and outdoor life > FMCGs and liquor > Tractors and combine harvesters > Tillage > Parts > Workshops | Provides a complete range of production inputs, mechanisation equipment and services, and other retail products to agricultural producers and the general public. | <ul style="list-style-type: none"> > 72 Agrimark shops > 11 Agrimark Packaging > 8 Agrimark Liquor shops > 17 service stations > 2 Agrimark depots > 6 Forge shops > 15 workshops > 16 parts outlets > 4 fuel depots | <ul style="list-style-type: none"> > Western Cape > Northern Cape > Eastern Cape > Limpopo > North West > Mpumalanga > KwaZulu-Natal > Namibia |
|---|---|--|--|

RETAIL FUEL & CONVENIENCE

| | | | |
|---|---|--|--|
| <ul style="list-style-type: none"> > Retail fuel > Convenience stores > Quick service restaurants | Provides a full retail fuel offering to a diverse range of customers, including convenience store and quick service restaurant outlets. | <ul style="list-style-type: none"> > 43 service stations > 2 OK Value shops > 1 liquor outlet > 1 stand-alone quick service restaurant combo | <ul style="list-style-type: none"> > Western Cape > Northern Cape > Eastern Cape > North West > Gauteng > Limpopo > Mpumalanga |
|---|---|--|--|

GRAIN SERVICES





| | | | |
|--|---|---|---|
| <ul style="list-style-type: none"> > Grain receiving and grading > Grain marketing > Grain storage > Seed processing > Seed potatoes | Provides a complete range of marketing and hedging options as well as handling grain products between producer and buyer. | <ul style="list-style-type: none"> > 14 silo complexes (320 000 ton capacity) > 1 bunker complex (46 000 ton capacity) > 3 seed processing plants | <ul style="list-style-type: none"> > Western Cape |
|--|---|---|---|

MANUFACTURING

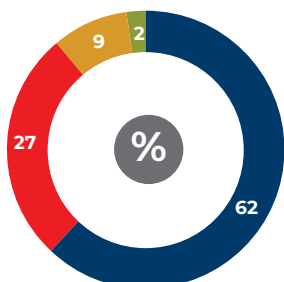
| | | | |
|---|--|--|---|
| <ul style="list-style-type: none"> > Dripper pipe > Pumps > Irrigation equipment > Filters > Automation > Plastic bulk bins | <p>Manufactures dripper pipe and other irrigation equipment, and distributes franchise and other irrigation parts.</p> <p>Manufactures food grade plastic bulk bins for the agricultural market.</p> | <ul style="list-style-type: none"> > 1 factory > 3 distribution points > 1 factory | <ul style="list-style-type: none"> > Western Cape > Gauteng > Mpumalanga > Western Cape |
|---|--|--|---|

CORPORATE

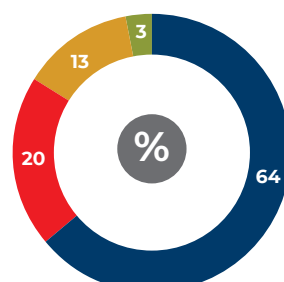
| | | | |
|--|---|--|---|
| <ul style="list-style-type: none"> > Financing > Finances > Human resources ("HR") > Corporate affairs > Internal audit > Risk management > Information management | Provides support services for the Group's activities and tailor-made financing for clients. | <ul style="list-style-type: none"> > Administrative head office – Malmesbury > Corporate office – Paarl > 13 regional credit offices | <ul style="list-style-type: none"> > Western Cape > Northern Cape > Eastern Cape > Mpumalanga |
|--|---|--|---|

| |  TRADE | |  RETAIL FUEL & CONVENIENCE | |  GRAIN SERVICES | |  MANUFACTURING | |
|-------------------|---|---------------|---|---------------|--|---------------|---|---------------|
| Financial | 2020 R'000 | 2019 R'000 | 2020 R'000 | 2019 R'000 | 2020 R'000 | 2019 R'000 | 2020 R'000 | 2019 R'000 |
| Revenue | 5 312 682 | 4 969 211 | 2 309 904 | 2 457 152 | 759 681 | 840 830 | 192 401 | 184 327 |
| Profit before tax | 285 116 | 245 771 | 88 330 | 101 275 | 54 466 | 50 479 | 14 402 | 26 118 |
| Gross assets | 1 790 116 | 1 663 028 | 1 214 656 | 900 710 | 96 842 | 105 100 | 299 801 | 218 551 |
| Net assets | 557 001 | 604 252 | 1 019 781 | 747 951 | 55 150 | 57 440 | 162 554 | 183 899 |

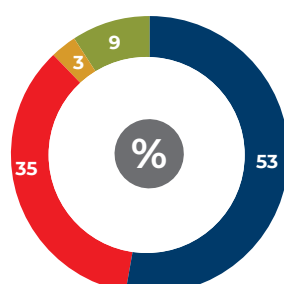
REVENUE



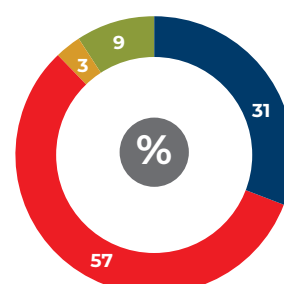
PROFIT BEFORE TAX



GROSS ASSETS



NET ASSETS



These percentages are calculated as a percentage of the total reportable segments, refer note 45.

Our brands

The Group trades under multiple brands reflective of the nature of the business conducted. The core business segments are Trade, Grain Services, and Retail Fuel & Convenience, which generate approximately 98% of the Group's income.

NEW BRAND IDENTITY

Building on our 100-year heritage, we are proud to announce a refreshed brand identity and simplified brand structure.

Our Trade business segments are taking the Agrimark brand name and forming one single consumer-facing brand.

Alongside our Agrimark stores, our Agrimark brand now includes Agrimark Mechanisation, Agrimark Grain, Agrimark Liquor, Agrimark Packaging, and Agrimark Tyre and Fitment. Agrimark Value-Added Services includes Agrimark Financial Services and the newly launched Agrimark App. New growth projects will also carry the Agrimark name, like Agrimark Pet. Financial Services is still a shared service, but we are positioning it as a more customer-facing offering to unlock future growth opportunities.

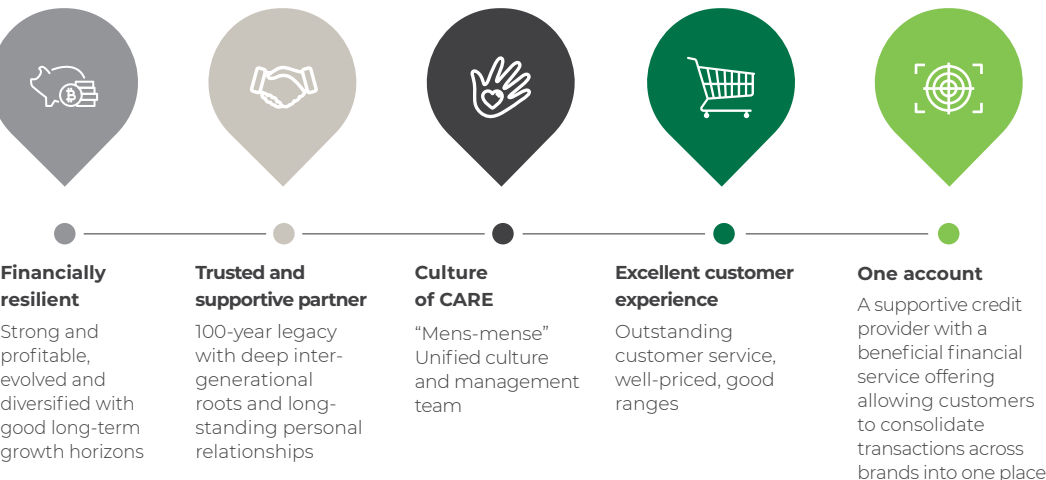
Moving from several different brands to one consumer-facing brand will strengthen the identity of the Agrimark brand, and will ensure our one-stop agri-lifestyle offering becomes more recognisable especially among new customer segments. Through this approach, we will gradually start to see even better customer recall and resonance of the Agrimark brand.

Our Agrimark brand position reflects our agricultural heritage and retail ambitions. It celebrates and champions a rural way of life. It goes beyond targeting a demographic and builds a connection with customers over a shared attitude, lifestyle and passion.

As part of our new strategy, Kaap Agri retains its brand position as that of an investor and employer brand. We also modernised our Kaap Agri logo, so it lives comfortably with our updated Agrimark logo. To signal the brand structure to our customers and bring the trading brands together, we developed logos for each Agrimark subbrand.

BRAND STRENGTHS

Targeted customer engagements conducted as part of the brand analysis process, re-emphasised the value of our "mens-mense" culture of CARE, with stakeholders viewing our brands as having these core strengths.

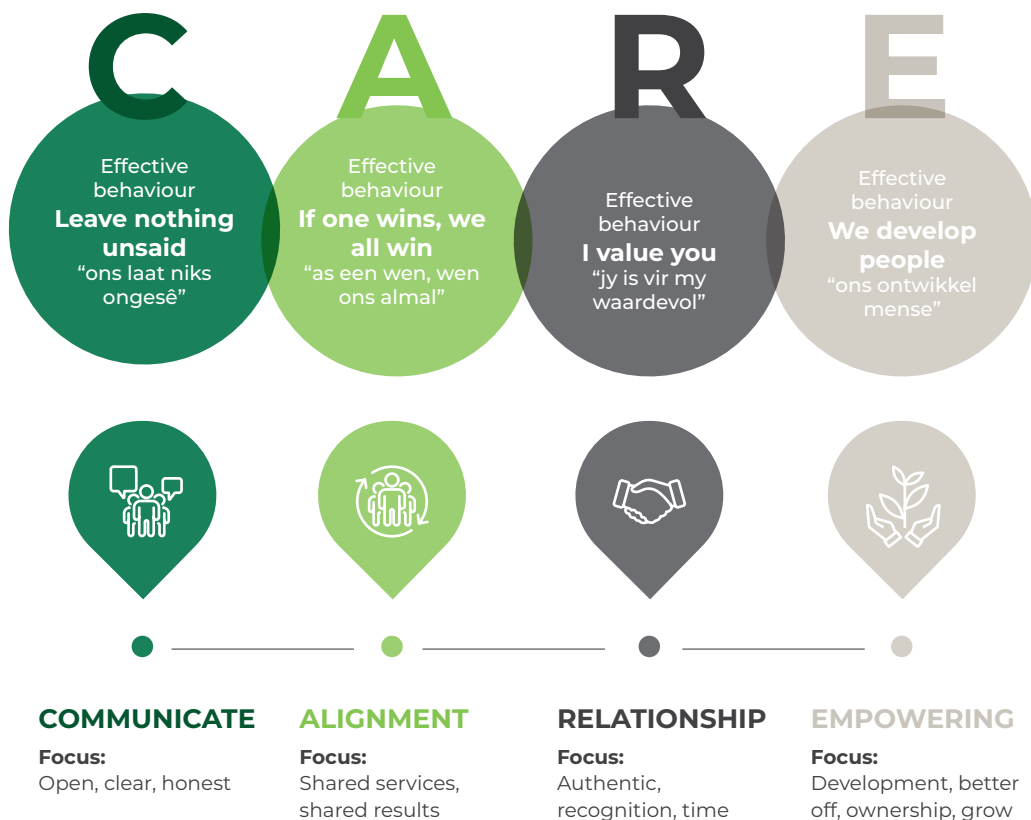


From a consumer perspective, all marketing efforts will contribute to one Agrimark brand story:

Agrimark is for people who share a love of the land; people who plant and harvest, dream and do, care and grow. On the farm, in the home and outdoors, we are for the enthusiasts and the experts; for the people who love rolling up their sleeves and getting their hands dirty. Whether you are a farmer, a farmer in training or a farmer at heart, from the country or from the city, Agrimark is for you, your friends and your family (even your fur family). It is a place where an honest day's work is respected, where wholesome, down to earth values are honoured and upheld, and is a place which forms part of the heart of the community.

OUR VALUES

Our “mens-mense” culture is underpinned by our core values. These values are entrenched in how we do business and are integral to the essence of our brands.





Agrimark

Agrimark stores are one-stop agri-lifestyle retail stores providing expert advice, products and services to home, land, pet and animal owners. There are over 70 stores operating countrywide and in Namibia. These stores represent the Group's core business with general retail offerings including retail shop areas, bulk store areas and yards for bulk items. Fuel filling stations are also situated at most Agrimarks with Tyre and Fitment services attached to select Agrimark stores. The retail product offerings in these branches are targeted at farmers, families, trade professionals, building contractors, and DIY and outdoor enthusiasts, with a garden centre and expanded pet offerings where appropriate. Outlets are tailored for urban, peri-urban and rural demographics.

Agrimark Packaging

Agrimark Packaging services the fruit and vegetable farming sector with packaging materials. There are 11 standalone centres with 23 additional facilities managed in conjunction with Agrimark stores. These branches support the Group's drive into the water-intensive areas of the country, where fruit and vegetable production is the core farming operation. Agrimark Packaging branches are redistribution centres for products such as cartons, carton inner packaging, plastic bags, labels, pallet strapping and pallets – anything a farmer needs to market products in South Africa or for the export market.

Agrimark Liquor

Agrimark Liquor extends Agrimark's retail offering with standalone liquor stores. Conveniently located on the same premises as Agrimark, there are currently eight stores located mainly in peri-urban and rural areas.

Agrimark Mechanisation (New Holland agency)

Agrimark Mechanisation is home to the New Holland agency and is one of the largest agents for New Holland in Southern Africa. This service entails marketing mechanical equipment into the farming and related sectors, parts branch network and workshops. These services are mainly focused on the Western and Southern regions of the Western Cape.

Forge

Stores operating under the Forge Agri and Forge Build brands consist of retail stores with agri-sheds and/or building yards. They operate from six locations and primarily service dairy, beef and sheep farming, and the building trade in Southern KwaZulu-Natal and the Midlands.



GRAIN SERVICES

Agrimark Grain represents Kaap Agri's silo storage, grain handling and grain trading services. It consists of 14 silo complexes with a 320 000 ton silo capacity and an additional bunker complex with a 46 000 ton capacity. These services are focused in the Swartland area of the Western Cape. Agrimark Grain also offers seed processing and related services to farmers in the Western Cape.



RETAIL FUEL & CONVENIENCE

The Fuel Company ("TFC") represents Kaap Agri's retail fuel interests and comprises two Group subsidiaries driving retail fuel expansions and growth. The Expressmark brand represents TFC's convenience store offering at service stations owned and operated by TFC (i.e. TFC can choose the brand of fuel). It is a home-grown convenience store brand offering TFC an alternative to outlets such as Caltex Fresh Stop, Engen Quick Shop or TOTAL La Boutique. The Fego Caffé To Go brand is an exclusive coffee shop brand. It operates under licence from Famous Brands Limited. There are 43 retail fuel and convenience service stations operating in TFC. TFC is not limited to operating under Expressmark and/or Fego Caffé. It operates across a broad spectrum of convenience store and quick service restaurant offerings ranging from Mugg & Bean, Debonairs Pizza, Fishaways, Steers, Wimpy and Bonjour. This includes a tailor-made quick service restaurant, offering quality meals under the Homestead True Food brand.



MANUFACTURING

Agriplas

Agriplas is the Group's irrigation subsidiary, which manufactures dripline (under licence) and sprinkler (own patents) irrigation products, and offers agency services for imported irrigation products in water-intensive agricultural areas of Southern Africa.

TEGO Plastics

Kaap Agri has expanded its manufacturing capabilities with the establishment of TEGO Plastics, a wholly-owned subsidiary, which specialises in the manufacturing of bulk bins used in the harvesting and post-harvesting processes of fresh fruit and vegetables.

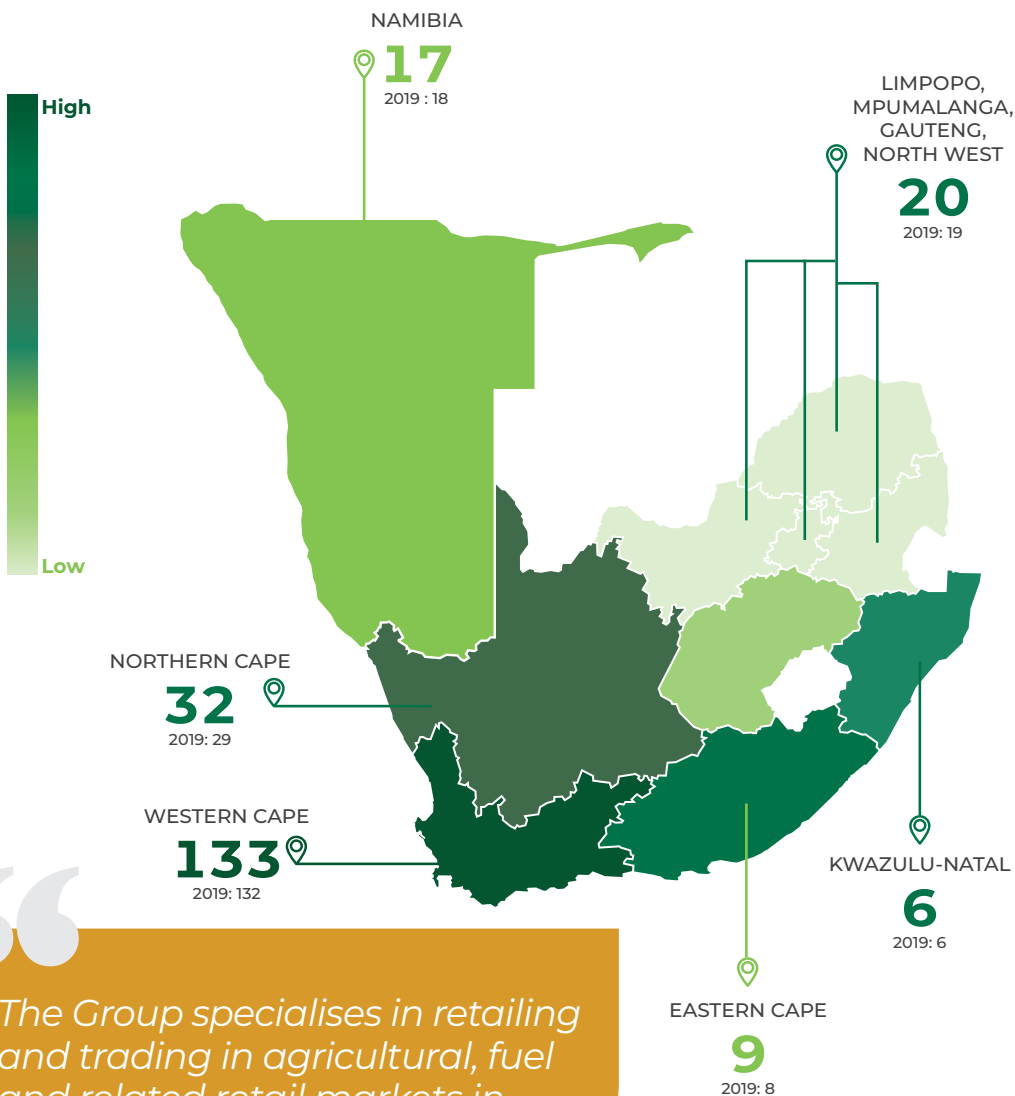
We aim to expand our network by establishing new operating points to grow our client base, optimising the product range we offer to our bedrock agricultural customers, and expanding our range to cater for the building contractor and retail homemaker customer segments.

Geographic footprint

The company is based in the Western Cape with the administrative head office and corporate functions in Malmesbury and Paarl. The Group specialises in retailing and trading in agricultural, fuel and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities and client network, the Group follows a differentiated market approach, bolstering the core retail business with financial, grain handling and agency services.

OPERATING POINTS PER GEOGRAPHY

The colour indicator below is a representation of the number of operating points per geographic area. Dark green indicates the highest concentration of operating points. Light green indicates a low concentration of operating points



The Group specialises in retailing and trading in agricultural, fuel and related retail markets in Southern Africa



EMPLOYEES



#InThisTogether: CARE amid Covid

In many ways, Covid has served as a catalyst for positive transformational change within the company and enabled us to realise and fast track innovative team management practices. While Kaap Agri was included as part of the exempted essential services that could operate during the Covid alert level 5 lockdown period, employee safety remained top of mind. Work structures and processes were adapted with speed to improve safety and ensure continued productivity. These included:

- > Covid Task Team established to develop hygiene and operational protocols



The strange thing about Covid is that it actually had a positive impact on both the efficiency and productivity of the team. It required our employees to learn fast and adapt quickly. I am very proud to be a part of this team.” – Tiaan Lessing, Senior Manager: Fuel

- > Remote work implemented for office-based staff – an unprecedented human resource management decision
- > Digital collaborations tools installed to facilitate interaction between teams
- > Continuous communication and development of awareness material to guide staff and ensure compliance

Business review

Kaap Agri managed to grow profitability in an environment impacted by the Covid pandemic.

Leadership report (Chairman and Chief Executive Officer)

KEY RESULTS

Avoiding the Covid iceberg, staying above water and preparing for growth opportunities.

+1,5%

REVENUE

healthy top-line growth, impacted by Covid, fuel price deflation and economic downturn

+6,8%

EBITDA

(1,1% excluding impact of IFRS 16)
healthy pre-interest earnings growth

+2,0%

TOTAL EXPENSES

encouraging operational expenditure savings of R47,8 million during the year

Kaap Agri delivered healthy growth in profitability in a year largely impacted by the Covid pandemic. While the effect of the pandemic on agriculture was less significant than expected, good market share gains contributed to positive revenue growth of 4,5% in input supplies to farmers. The pandemic's impact on general retail revenue was more pronounced, with retail categories growing at 4,1%. Retail fuel was the most significantly affected, with TFC experiencing a drop of 12,8% in profitability due to the pandemic.

Although revenue growth of 1,5% was above industry trends during the pandemic, it was further impacted by fuel price deflation of 9,4% and positive growth from investment activities. This resulted in growth of 4,6% in recurring headline earnings per share. Annualisation of earnings from investment activities will continue into the new financial year.

STRATEGY

Strategy execution was re-aligned to avoid the Covid iceberg and save jobs and the company. Recurring headline earnings per share grew at a compound annual growth rate ("CAGR") of 8,6% for the past five years. Although Covid cost the company R69,2 million in lost gross profit, management was able to flex operational expenditure down and saved R47,8 million during the year, with a number of interventions implemented prior to the pandemic lockdown periods.

Strategic outcomes are annually evaluated with the executive team. These outcomes remain focused on delivering our strategic intent: growing profitability that significantly outperforms inflation to create sustainable value creation. Some key successes for the year were:

- > More measured approach to footprint growth in the Trade and Retail Fuel & Convenience divisions
- > Renewed focus on market share through channel deep dives
- > Growing niche service offerings in our virtual store concept

- > Continued optimisation of assortment, replenishment, stock management and distribution centre supply
- > Operational expenditure reductions
- > Improving support service cost to serve
- > Strategic profit analysis identifying key areas of focus to improve ROIC and EVA
- > Employee engagements to enhance performance acceleration
- > Introduction of reward and recognition programmes
- > Continued digitisation efforts and commencement of ERP modernisation project

The year has clearly been the most challenging yet. We believe the strategy of diversifying the company's market, geography and customer exposure has paid off.

The executive team continued investing in systems, skills and infrastructure during the year. This positions the company well for future growth. Despite this investment, interest paid to banks reduced by 4,4%, a combination of lower interest rates and increased interest paid on higher average borrowings offset by lower interest paid on grain financing.

The Group is organised into four divisions for operational and management purposes: Trade, Retail Fuel & Convenience, Grain Services and Manufacturing. Kaap Agri reports its operating segment information on this basis.

The Trade segment contributes 62,0% of revenue and TFC contributes a further 26,9%. This illustrates the high contribution of retail activities in the Group. Trade remained resilient, while Retail Fuel & Convenience was hugely impacted by the pandemic. The Manufacturing segment showed lower than expected profit growth during the financial year, and Grain Services delivered higher than expected profitability despite a smaller wheat harvest at the end of 2019. The Trade segment's operating profit grew 15,9% off the back of sterling

operational cost controls. This was mainly due to stable agri infrastructure spend on farms and improvements in the fruit sector market share. Retail-related category sales experienced pressure during lockdown levels 5 to 3. Retail Fuel & Convenience was still profitable despite the pandemic-related loss in fuel litres of 10,5%, and footprint growth continued.

Grain Services' operating profit grew by 11,9%, a result of margin gains despite the lower wheat harvest. Manufacturing was impacted by Covid during April to May and TEGO Plastics encountered a slower start up than expected. On a statutory basis, the combined segment operating profit return on net assets employed by the segments was 25,5% in 2020 and 27,40% in 2019. This is on the back of combined statutory segment operating profit growth of 4,9%. The Trade, Retail Fuel & Convenience and Manufacturing segments are well positioned for continued future growth and the Grain Services segment remains reliant on wheat harvests and climatic conditions. Trading profit contribution from retail categories remained higher than agri-input supply categories despite the Covid impact on retail trading conditions. This speaks to our strategy of diversifying the company's activities to reduce our exposure to a single income channel.

The company has taken the decision to preserve liquidity and strengthen the balance sheet in these trying times. Taking cognisance of Group-wide employee remuneration sacrifices, a reduced final dividend was declared for the year.

GOVERNANCE

At year-end, our broad-based black shareholders held equity in the company worth R382,2 million.

The Board holds the requisite skills to lead an increasingly diversified business, with Board composition being reviewed on the basis of a three-year revolving plan. The Board remains cognisant of the regulatory environment governing the business, including King IV, the JSE Listings Requirements, the Companies Act and other applicable legislation.

COMMUNITY AND SOCIAL INITIATIVES

Being a place where people still count, we place as much value on our responsibility to the environment and society as we do on our shareholders and employees. Our investments in socio-economic development programmes mostly support peri-urban and rural communities and are an enabler for broad-based economic transformation and poverty alleviation. Our programmes focus on the education of children, in the form of early childhood development, primary, secondary and tertiary education; adult education programmes encompassing, *inter alia*, training and development of farmers and farmworkers; and community outreach programmes supporting the needs of children, the elderly and the vulnerable in disadvantaged communities in which we operate.

This year, we continued to plough significant resources in support of the Kaap Agri school bursary programme, the job shadowing Young Stars programme and the farmer development courses hosted at the Kaap Agri Academy. We also took pride in joining forces with our fellow South Africans to contribute to Covid relief efforts.

More than 370 developing farmers have now passed through the Kaap Agri Academy doors and have gone on to implement what they learnt in the classroom. While the current cohort of Young Stars will see the completion of their final year of the course delayed to December 2020 as a consequence of the pandemic, the programme has been successful. We continue to focus our efforts on youth empowerment through education and have increased the number of learners benefiting from our bursary programme. We are pleased to report that efforts to rebalance the gender split in respect of our bursary programme

has been successful with 52% of bursary holders now being female. The pandemic impacted the implementation of most of the educational programmes, but also provided an opportunity for us to pause, reflect and explore new innovative modes of delivery of these programmes. Various options for remote learning were evaluated, with a blended model adopted for future farmer training at the Academy. A virtual classroom solution and an adapted course curriculum has been planned for our Young Stars programme.

The implementation of community outreach projects in rural areas in which we operate remains a pivotal focus of our socio-economic development strategy. The Porterville Community Association's wheat cultivation project has raised in excess of R1,4 million to date, and the provision of uniforms, stationery and school bags remains a highlight for learners in disadvantaged communities, much like a school in Riebeeck West, which benefited from this year's project. We are particularly grateful for the generous donations from our suppliers at our annual Golf Day. Proceeds from the Golf Day were invested in educational support for an underprivileged school supporting learners with special needs, an organisation supporting the hearing impaired and a place of safety for abandoned babies in Uptington.

We celebrated our second year of partnering with the Nelson Mandela Children's Fund, with our funds invested in the provision of afterschool support, as well as Saturday mathematics and literacy classes. Through our participation in the Hope@Swartland programme, we were also able to continue supporting Grade 12 learners with exam preparation for mathematics and science, facilitated by the University of Stellenbosch.

OUTLOOK

The Board believes the Group is well positioned for further growth. In line with our strategic focus areas, efforts will continue to optimise offerings at existing branches and implement more selective expansion of the TFC footprint.

Agriculture has remained resilient during the pandemic and the outlook remains positive. The agricultural sector is high on the political agenda to stimulate economic growth in the country, which should lead to infrastructure investments. We still believe that expropriation without compensation will be focused on constructively addressing social inequalities and supporting commercial production to maintain our food

security status. The company's diversified exposure to other retail markets bodes well for sustainable growth. Although the past three years have been challenging, the company is on track to achieve growth above inflation in the medium term.

We are optimistic about the company's future. We thank the Board, the executive team and the PEOPLE of the Kaap Agri Group for their resilience in these trying times.



GM Steyn
Chairman



S Walsh
Chief Executive Officer



Financial performance

Our financial strategy underpins the Group strategy.

Group Financial Director's report

STRATEGIC PRIORITIES

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

Performance management at a Group level considers the diverse nature of our combined business segments and aims to identify key financial performance indicators that will contribute to increased shareholder value. The top five financial indicators used by the business to measure performance are:

> RHEPS

We consider RHEPS growth to be a strong indicator of sustained wealth creation as it eliminates the impact of events that do not recur frequently. Successful execution of the four strategic focus areas should ultimately be reflected in superior RHEPS growth.

> ROIC

We have prioritised ROIC as we consider this to be an appropriate measure of our efficiency of allocating capital to investments. This is particularly important given our acquisitive strategy specifically in the Retail Fuel & Convenience environment. ROIC is compared to the weighted average cost of capital and applied to capital invested to determine value creation.

> Return on equity ("ROE")

We believe ROE is a true bottom line profitability measurement relevant to shareholders, comparing the earnings available to shareholders to the capital provided by shareholders.

> Return on sales ("ROS")

Our ability to translate revenue into earnings is measured by ROS. This indicator considers our ability to procure optimally, to effectively operate our business on a low-cost model and the funding impact of investment activities and balance sheet optimisation.

> Fuel volume growth

Due to the volatility and regulated nature of fuel prices, we believe the true measure of success in the retail fuel environment is volume growth. By optimising existing operations and expanding our footprint through acquisitions, as well as the addition of complementary convenience shopping and quick service restaurant offerings, we aim to significantly grow fuel volumes over the medium term.

INCOME STATEMENT

Despite Covid, Kaap Agri increased revenue by 1,5% to R8,6 billion, up from R8,5 billion in the previous financial year, with like-for-like comparable growth declining by 0,6%. Covid is conservatively estimated to have had a 6,6% negative impact on revenue growth. The 1,5% growth in revenue was achieved despite a 2,9% decrease in the number of transactions. Excluding a 5,9% reduction in the number of transactions in the Retail Fuel & Convenience environment, the remaining business grew transactions by 2,3%.

Agri sales growth outperformed retail sales growth, largely due to Covid-related trading restrictions which impacted retail sales to a larger degree than agri sales. Retail Fuel & Convenience sales were hardest hit by Covid restrictions. Product deflation is estimated at 3,9% but excluding the large deflationary impact of fuel in the revenue basket, product inflation was 1,1%. Despite Covid, the Group showed a high degree of resilience under exceptionally challenging trading conditions. The ongoing diversification strategy is expected to generate improved results in the year ahead, as income streams which were constrained during Covid continue to recover.

The Group's growth strategy of footprint expansion combined with the upgrade and improvement of existing offerings continued during the period, albeit at a reduced level. Four new and managed retail fuel sites were added with total Group fuel volumes increasing by 2,0% in the year. TFC grew annual fuel volumes by 3,7% at owned and managed sites awaiting regulatory approval. A number of small Agrimark upgrades and expansions were completed, and an additional 6 600 tons are currently being added to our grain storage capacity. During the first half of the year, a decision was taken to slow down further TFC footprint expansion across the business and to focus on delivering returns on previously invested capital. The onset of Covid reinforced this decision. However, the business will continue investigating value enhancing opportunities albeit with a more conservative approach.

Gross profit increased by 4,7% and at a rate higher than revenue growth due to the impact of a changed sales mix and an improvement in agri trading margins. Retail margins will continue to be under pressure as consumer spending patterns adapt to a changed and constrained economic environment. Fuel prices were relatively stable for the first six months of the year. However, prices reduced on average by 27,8% between March and May due to Covid. Although fuel prices have subsequently increased, pricing has not yet recovered to pre-Covid levels. Fuel prices ended the year 5,3% lower (petrol) and 8,6% lower (diesel) compared to last year.

A number of concerted cost reduction initiatives were implemented during the year, with a large focus on the optimisation of salary-related expenditure and associated costs. This, combined with specific Covid-related cost interventions, resulted in a growth in expenditure of only 2,0%. Given the conversion of managed fuel sites to owned sites and the acquisition of new sites, with the accompanying inclusion of new site costs, this increase in expenditure is particularly pleasing and indicative of our ability to flex costs when necessary. Effective cost management remains paramount, especially given the revenue challenges and margin constraints being experienced in the current environment.

The operational performance of Kaap Agri (Namibia) improved during the year largely due to the continued focus on margin improvement through procurement initiatives and in-store upgrades and sales execution.

Partridge Building Supplies (Pty) Ltd, which trades as Underberg Forge in the Southern KwaZulu-Natal Midlands, recovered strongly from a disappointing performance last year and remains strategic in terms of footprint expansion and agri diversification. Further footprint expansion and revenue enhancing opportunities are being explored.

Interest received reduced by 1,5%, reflecting a combination of reduced interest rates on debtors accounts and low growth on the debtors book. Debtors interest rates are linked to bank borrowing rates and, as such any reduction in the prime lending rate is passed onto the customer. Interest paid to banks reduced by 4,4%, due to a combination of lower interest rates and increased interest paid on higher average borrowings offset by lower interest paid on grain financing. As at 30 September 2020, net interest-bearing debt increased by R23,7 million compared to the prior year. R450 million of interest-bearing debt was converted to five-year term debt, with the intention to align the repayment of this debt with the earnings profile of the underlying acquired businesses.

EBITDA grew by 6,8% due largely to the impact of the adoption of IFRS 16. Excluding the impact of IFRS 16, EBITDA grew by 1,0%.

The Group's effective tax rate of 26,9% (2019: 26,0%) is higher than last year due mainly to the effect of the non-taxable revaluation of put options in the prior year.

Headline earnings decreased by 2,2% while recurring headline earnings ("RHE") grew by 4,4%. Once-off items, predominantly adjustments for the interest and remeasurement of liabilities relating to put options exercisable by non-controlling subsidiary shareholders, as well as costs associated with new business development, are excluded from headline earnings to calculate RHE. Excluding the adoption of IFRS 16, as well as the negative impact of Covid, both of which are non-comparable with the prior year, RHE would have grown by 15,4% year-on-year ("YoY").

Headline earnings per share of 388,54 cents decreased by 2,3% while RHEPS of 392,52 cents grew by 4,6% from the prior year, resulting in a five-year compound annual growth rate in RHEPS of 8,6% until 30 September 2020.

Return on revenue has increased to 3,3% from 3,2% last year, due to a combination of product mix contribution, low expense growth and lower fuel prices.

At half year, the Board took the decision to forego the payment of an interim dividend due to the uncertainty surrounding Covid and the view that cash preservation and liquidity were paramount. This has proven to be the correct decision and together with a number of cost saving and cash flow initiatives, has contributed significantly to the Group's ongoing balance sheet strength. Salary sacrifices were made across the Group, including executive and non-executive directors, and the personal sacrifice of all our staff members has contributed significantly to the Group's robustness in dealing with the challenges of Covid. The full year results have highlighted exceptional working capital management, strong cash generation and resilient earnings growth.

Footfall has returned and revenue has partially recovered, although not to pre-Covid levels. We remain confident of the performance of the business going forward. While recognising salary sacrifices made and considering the performance of the business excluding these sacrifices, the Board has approved and declared a gross final dividend of 50,00 cents per share (2019: 90,00 cents per share) from income reserves, for the period ended 30 September 2020. The final dividend amount, net of South African dividends tax of 20% is 40,00 cents per share for those shareholders who are not exempt from dividend tax or are not entitled to a reduced rate in terms of the applicable double tax agreement. Given that no interim dividend was declared, the total dividend for the year of 50,00 cents per share (2019: 123,50 cents) represents a dividend cover of 7,4 times (2019: 2,9 times).

STATEMENT OF FINANCIAL POSITION

Capital spend of R313,0 million was incurred during the year, with R117,5 million allocated to expansion, R21,4 million on replacement assets and R174,1 million incurred in the acquisition of TFC businesses. Spend by division remains heavily weighted to our strategic growth areas with the Retail Fuel & Convenience segment receiving the majority of capital allocation. Additionally, product development and enhancement costs were capitalised in the manufacturing environment and further modules of supply chain optimisation software were implemented. The investment in bulk bin manufacturing capacity made during this financial year will only generate returns from the coming financial year.

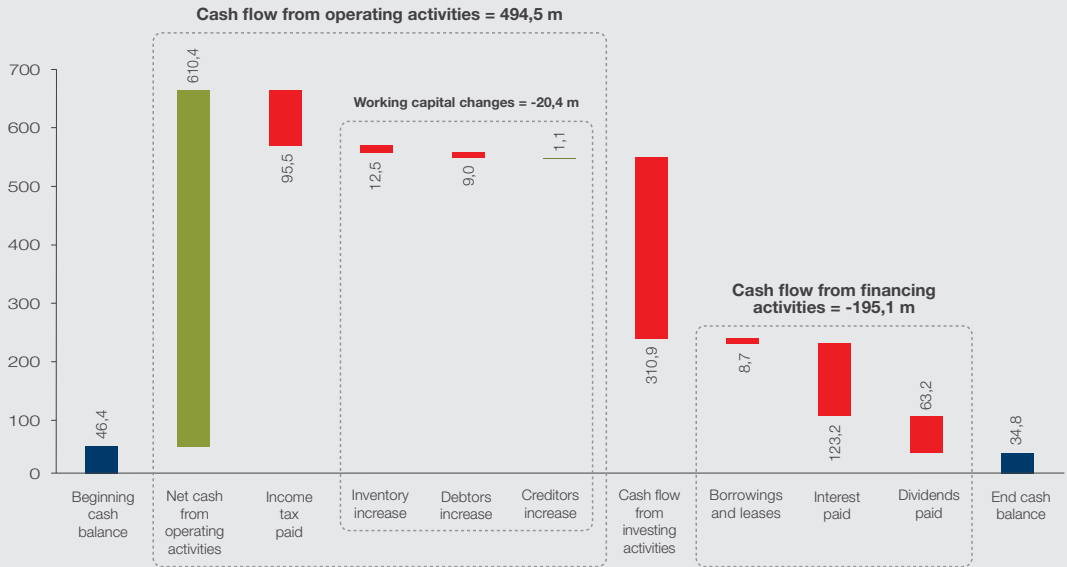
Working capital was exceptionally well controlled, increasing by only R20,4 million YoY. Debtors, however, grew above the increase in credit sales and out of terms debtors increased by 14,4%. Debtors turn on average 4,2 times per year (2019: 4,3 times). Excluding wheat debt out of terms, being carry over from the previous season's poor harvest, out of terms debtors have increased by only 4,4% (R6,5 million). Wheat overdues will be settled from the current good harvest and no current year carry over is expected. Securities are held where appropriate and we believe we are suitably provided for when considering the health of the debtors book.

Stock levels have been proactively managed throughout the Covid period and inventory days have remained constant YoY aided by the continued increased participation of our centralised distribution centre. Creditors days have increased slightly. Return on net assets has decreased to 8,4% from 9,0% last year, the result of subdued current year earnings growth and annualised investment in the business. Despite the YoY reduction in ROIC being exacerbated by Covid, ROIC remained above the weighted average cost of capital in the business.

Net interest-bearing debt increased by 1,8% to R1,3 billion. The Group's debt-to-equity ratio, calculated on average balances, increased to 64,9% (2019: 62,5%) with net debt to EBITDA reducing to 2,3 times (2019: 2,4 times) and interest cover of 5,0 times (2019: 5,0 times). Gearing remains at acceptable levels with sufficient headroom available to meet the coming year's requirements. ROE decreased to 13,8% (2019: 14,6%).

The following graph illustrates the Group cash flow waterfall over the period, with emphasis on the main areas of cash generation and utilisation:

2020 CASH FLOW WATERFALL (RM)



During the year, the Group continued to generate strong cash flows from operations. Investment was made back into the business to support growth, in terms of increased capital expenditure and acquisitions, albeit at a lower rate than the prior year. This trend will continue into the new year.



SHAREHOLDER VALUE CREATED

Kaap Agri aims to create sustainable shareholder value. The volume of shares traded increased significantly after listing, however, the lack of liquidity and price volatility off low volumes remain a challenge. The past year has seen a significant weakening of share prices across the retail sector as Covid impacted an already suppressed economic environment and hampered consumer spending and business confidence. The market capitalisation of Kaap Agri decreased by 34,4% since September 2019.

We measure sustainable performance in terms of investor return over time, with a focus on per share wealth creation. When evaluating Kaap Agri's performance over the long term, we use the total return index ("TRI") as a measurement tool. The TRI is the compound annual growth rate of an investment and is calculated by taking into consideration share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

Given the reduced 90-day volume weighted average share price and the decision not to pay an interim dividend, Kaap Agri's TRI at 30 September 2020 was -2,5% per annum over the past five years. This is the first time since listing that the TRI has returned a negative position.

At year-end, the Kaap Agri share traded at a 90-day volume weighted average share price of R21,96 per share. The closing share price of R20,50 per share represents a price earnings ratio of 5,2.

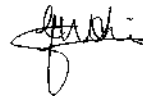
OUTLOOK

Agricultural conditions in the Western Cape have largely improved YoY. However, certain areas remain under pressure, particularly the Northern regions of the country. Good rainfall throughout the wheat season resulted in an increase in the anticipated wheat harvest when compared to that of last year, with all indications pointing to an above average yield across the whole Swartland region. Farm dam levels have largely recovered in the areas we do business,

while conditions in KwaZulu-Natal are also encouraging. The agricultural environment is, however, cautious given erratic climatic conditions, as well as policy uncertainty around land rights.

Covid has severely impacted consumer spend patterns and we anticipate that general retail performance will be subdued in the short term. A number of supply chain interventions were implemented which will improve procurement and logistics efficiencies going forward and contribute to enhanced retail margins. It is expected that pressure will remain on fuel volume sales with a longer recovery period anticipated in business and leisure travel. However, in addition to the annualisation of existing sites, we will continue to capitalise on convenience store and quick service restaurant revenue and margin opportunities at current sites. Kaap Agri will be focusing on driving returns on capital already invested in the Retail Fuel & Convenience segment, but remains open to executing value enhancing transactions.

Despite the challenges of a constrained consumer environment and the additional impact of Covid, business performance has been encouraging and the Group delivered results ahead of expectation under the current circumstances. Our balance sheet remained strong throughout and we implemented initiatives that not only saved costs and conserved cash resources but also saved livelihoods. Despite the many obstacles, we embraced the opportunities that Covid presented to better serve our customers and to enhance our various digital engagement platforms to improve customer safety and convenience. Our diversification strategy reduced our overall Group risk position and we believe we are well positioned to capitalise on any improvement in trading conditions. We remain committed to all our stakeholders and to our strategy of growth, underpinned by an improvement in value creation.



GW Sim
Group Financial Director



CUSTOMERS



The app is easy to use and transactions are a lot faster at the tillpoint than the previous card. Being a contactless solution in the current Covid environment, enforces our commitment to the well-being of both our employees and customers."

*– Graeme Sim,
KaaP Agri Group
Financial Director*



Additional innovation features include:

- > Real-time account information available immediately
- > Invoices emailed directly to the customer upon purchase
- > Comprehensive transaction history to help monitor transactions
- > Full visibility of accounts, even to subaccount level
- > Management of account users without paperwork
- > Location technology to find any store within the Kaap Agri network

#InThisTogether: CARE amid Covid

In August, Kaap Agri launched its account management and transaction app to account holders. The Agrimark app is based on four simple principles: Cashless, Cardless, Costless, Contactless. It is a free, secure, self-service mobile application that allows account holders to manage their account, anytime, anywhere. The app also acts as a digital card and payment device enabling contactless, safe transactions in-store.

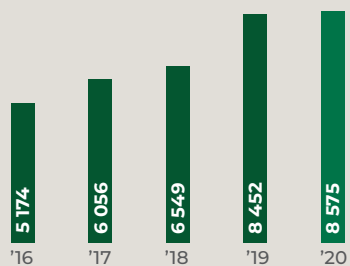
Five-year financial review

| | GROUP | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2020 R'000 | 2019 R'000 | 2018 R'000 | 2017 R'000 | 2016 R'000 |
| Income statement | | | | | |
| Revenue | 8 574 668 | 8 451 520 | 6 548 793 | 6 055 721 | 5 173 559 |
| Direct business | 2 256 274 | 2 347 209 | 2 237 658 | 2 146 981 | 1 972 705 |
| Value of transactions | 10 830 942 | 10 798 729 | 8 786 451 | 8 202 702 | 7 146 264 |
| Profit before tax | 381 514 | 379 841 | 344 904 | 332 622 | 290 798 |
| Income tax | (102 336) | (98 562) | (95 947) | (91 497) | (80 376) |
| Profit after tax | 279 178 | 281 279 | 248 957 | 241 125 | 210 422 |
| Headline earnings adjustment | (2 069) | 1 995 | (578) | 2 074 | (118) |
| Headline earnings | 277 109 | 283 274 | 248 379 | 243 199 | 210 304 |
| Non-recurring items | 3 344 | (14 721) | 3 604 | 4 470 | - |
| Recurring headline earnings | 280 453 | 268 553 | 251 983 | 247 669 | 210 304 |
| Attributable to shareholders of the holding company | 275 810 | 263 428 | 249 273 | 247 669 | 210 304 |
| Non-controlling interest | 4 643 | 5 125 | 2 710 | - | - |
| EBITDA | 587 544 | 550 016 | 477 816 | 446 796 | 370 349 |
| Interim | - | 23 338 | 22 548 | 20 716 | 18 672 |
| Final | 35 141 | 63 416 | 59 681 | 58 201 | 47 914 |
| Dividend paid | 35 141 | 86 754 | 82 229 | 78 917 | 66 586 |
| Gross dividend | 37 085 | 91 600 | 86 557 | 83 071 | 70 091 |
| Dividend on treasury shares | (1 944) | (4 846) | (4 328) | (4 154) | (3 505) |
| Statement of financial position | | | | | |
| Non-current assets | 2 345 689 | 1 785 701 | 1 304 896 | 1 076 812 | 802 807 |
| Current assets | 2 927 774 | 3 002 041 | 2 622 335 | 2 333 025 | 2 222 387 |
| Liabilities and loans | 5 273 463 | 4 787 742 | 3 927 231 | 3 409 837 | 3 025 194 |
| | (3 146 760) | (2 861 494) | (2 184 485) | (1 827 856) | (1 619 517) |
| Total shareholders' equity | 2 126 703 | 1 926 248 | 1 742 746 | 1 581 981 | 1 405 677 |
| Net interest bearing debt | 1 328 006 | 1 304 259 | 987 538 | 755 300 | 797 115 |
| Statement of cash flows | | | | | |
| Cash flow from operating activities | 494 477 | 353 979 | 237 025 | 489 704 | 100 462 |
| Cash profit after tax from operations | 514 892 | 451 747 | 364 175 | 386 542 | 304 966 |
| Working capital changes | (20 415) | (97 768) | (127 150) | 103 162 | (204 504) |
| Cash flow from investment activities | (310 892) | (437 378) | (283 503) | (272 985) | (213 746) |
| Cash flow from financing activities | (195 137) | 89 554 | 51 604 | (198 614) | 106 765 |
| Net cash flows | (11 552) | 6 155 | 5 126 | 18 105 | (6 519) |
| Ratios | | | | | |
| Total shareholders' equity: Total assets employed | 40,3% | 42,1% | 45,3% | 46,4% | 47,1% |
| Net interest bearing debt: Total assets employed | 26,2% | 26,3% | 23,8% | 24,1% | 25,3% |
| Net interest bearing debt: Total shareholders' equity | 64,9% | 62,5% | 52,4% | 52,0% | 53,7% |
| Recurring headline earnings: Shareholders' interest | 13,8% | 14,6% | 15,2% | 16,6% | 15,8% |
| EBITDA: Net assets | 25,0% | 26,1% | 25,2% | 26,4% | 24,7% |
| RONA | 8,4% | 9,0% | 9,6% | 10,5% | 9,9% |
| Interest cover (times) | 5,0 | 5,0 | 5,5 | 6,9 | 8,1 |
| Per share | | | | | |
| Shares issued (number – '000) | 70 281 | 70 237 | 70 162 | 70 462 | 70 462 |
| Weighted average shares issued (number – '000) | 70 266 | 70 211 | 70 396 | 70 462 | 70 462 |
| Recurring headline earnings per share (cents) | 392,52 | 375,19 | 354,10 | 351,49 | 298,46 |
| Dividend per share (cents) | 50,00 | 123,50 | 116,70 | 112,00 | 94,50 |
| Net asset value per share | R28,86 | R27,42 | R24,84 | R22,45 | R19,95 |

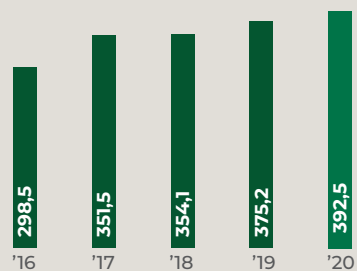
Ratios calculated on average balances.

Non-recurring items consists of non-recurring expenses associated with acquisitions of new businesses as well as the revaluation of put options.

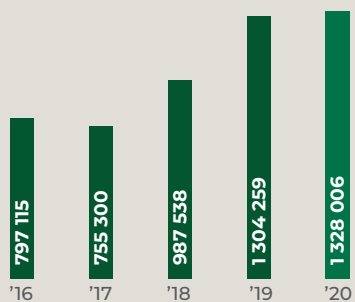
REVENUE (R'000)



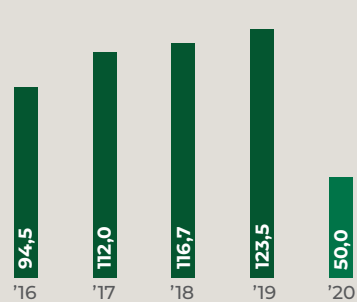
RECURRING HEADLINE EARNINGS PER SHARE (CENTS)



INTEREST-BEARING DEBT (R'000)



DIVIDEND PER SHARE (CENTS)



Pro forma financial information

To the Directors of Kaap Agri Limited

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE INTEGRATED REPORT

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Kaap Agri Limited (the “company”) and its subsidiaries (the “Group”) by the directors. The *pro forma* financial information, as set out on page 30 of the Kaap Agri Limited integrated report, consists of the impact of the reversal of the implementation of IFRS 16 on the consolidated income statement for the year ended 30 September 2020, *pro forma* financial effects and related notes (“*pro forma* financial information”). The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Limited (“JSE”) Listings Requirements and described on page 30 of the 2020 integrated report.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the reversal of the implementation of IFRS 16 on the Group’s consolidated income statement for the year ended 30 September 2020, *pro forma* financial effects and related notes. As part of this process, information about the Group’s financial performance has been extracted by the directors from the Group’s financial statements for the year ended 30 September 2020, on which an audit report has been published.

Directors’ responsibility

The directors of the company are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described on page 30 of the integrated report of Kaap Agri Limited for the year ended 30 September 2020.

Our independence and quality control

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

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

Reporting accountant’s responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described on page 30 of the integrated report of Kaap Agri Limited for the year ended 30 September 2020 based on our procedures performed.

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

For purposes of this engagement, we are not responsible for updating or re-issuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

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

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

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

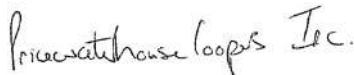
The procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described on page 30 of the integrated report of Kaap Agri Limited for the year ended 30 September 2020.



PricewaterhouseCoopers Inc.

Director: JA Hugo
Registered Auditor

Stellenbosch
25 November 2020

Effect of IFRS 16

For comparative purposes, the 30 September 2020 results are also presented on a pre-IFRS 16 basis. Below is a detailed reconciliation of the opening balance to provide detail of the impact of IFRS 16 on the annual financial statements and a more meaningful comparison of the current year's financial performance to the prior year to illustrate the impact should IFRS 16 not have been applied (removal of IFRS 16 and the reinstatement of IAS 17). The adjustments below regarding IFRS 16 are shown for illustrative purposes only and, because of their nature, may not fairly present Kaap Agri's financial position, changes in equity, results of operations or cash flows.

The *pro forma* financial effects are presented in accordance with the JSE Listings Requirements, the Guide on Pro Forma Financial Information issued by SAICA and the measurement and recognition requirements of IFRS. The accounting policies applied in quantifying *pro forma* adjustments are consistent with Kaap Agri's accounting policies at 30 September 2020. The *pro forma* financial information is the responsibility of the directors.

An assurance report (in terms of ISAE 342 – Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the *pro forma* financial information included in this integrated report.



The table below illustrates the impact of reversing IFRS 16 from the reported results for the year ended 30 September 2020 and reinstating the impact of IAS 17:

| | Notes | As reported for year ended 30 September 2020* R'000 | Adjustment for IFRS 16 30 September 2020 R'000 | Pro forma after IFRS 16 adjustment for year ended 30 September 2020 R'000 | As reported for year ended 30 September 2019* R'000 | % change on prior year |
|--|-------|--|---|--|--|------------------------|
| Group financial results summary | | | | | | |
| EBITDA | 1 | 587 544 | 32 017 | 555 527 | 550 016 | 1,0 |
| Profit after tax | 2 | 279 178 | (7 029) | 286 207 | 281 279 | 1,8 |
| Attributable to shareholders of the holding company | | 275 081 | (6 266) | 281 347 | 277 320 | 1,5 |
| Non-controlling interest | | 4 097 | (763) | 4 860 | 3 959 | 22,8 |
| Headline earnings | 2 | 277 109 | (7 029) | 284 138 | 283 274 | 0,3 |
| Attributable to shareholders of the holding company | | 273 012 | (6 266) | 279 278 | 279 332 | (0,0) |
| Non-controlling interest | | 4 097 | (763) | 4 860 | 3 942 | 23,3 |
| Recurring headline earnings | 2 | 280 453 | (7 029) | 287 482 | 268 553 | 7,0 |
| Attributable to shareholders of the holding company | | 275 810 | (6 266) | 282 076 | 263 428 | 7,1 |
| Non-controlling interest | | 4 643 | (763) | 5 406 | 5 125 | 5,5 |
| Earnings per share (cents) | 3 | 391,49 | | 400,40 | 394,98 | 1,4 |
| Headline earnings per share (cents) | 3 | 388,54 | | 397,46 | 397,85 | (0,1) |
| Recurring headline earnings per share (cents) | 3 | 392,52 | | 401,44 | 375,19 | 7,0 |

* Extracted without modification from the Group's annual financial statements for the year ended 30 September 2020.

¹ EBITDA was adjusted with the actual lease payments (R32,0 million) to reinstate the lease payments in terms of IAS 17.

² Profit after tax, headline earnings and recurring headline earnings were adjusted with the reinstatement of actual lease payments (R32,0 million) in terms of IAS 17 and the reversal of depreciation (R20,9 million) and interest expense (R20,8 million) and the relating tax effect (R2,7 million) in terms of IFRS 16.

³ Pro forma earnings per share, headline earnings per share and recurring headline earnings per share are calculated on the same basis and using the same weighted average number of ordinary shares as per the Group's annual financial statements. Refer to the ratios in note 34 of the annual financial statements.

Governance and sustainability

BOARD OF DIRECTORS

Chairman

GM Steyn^{2,6,4}

Non-Executive

I Chalumbira

BS du Toit^{1,4}

D du Toit^{1,2,4}

JH le Roux⁵

EA Messina^{3,4,6}

WC Michaels^{3,4}

CA Otto^{1,2,6,4}

HM Smit^{3,5,4}

JH van Niekerk[@]

Executive

S Walsh – Chief Executive Officer

GW Sim – Group Financial Director⁵

¹ Audit and Risk committee

² Remuneration committee

³ Social and Ethics committee

⁴ Independent

⁵ Finance committee

⁶ Nomination committee

[@] Retired as a Board member on 13 February 2020

EXECUTIVE MANAGEMENT

| | |
|------------------------------|-----------------------------|
| JL Abrams | The Fuel Company |
| DW Beukes | Financing Services |
| J de Lange | Grain Services |
| DC Gempies | Human Resources |
| C Graham | Information Management |
| AJ Griesel | Operations |
| RH Köstens* | Company Secretary |
| CO Matthew | Agriplas |
| I Robertson | Forge |
| GW Sim | Group Financial Director |
| HJ Smit | Procurement and Logistics |
| T Sulaiman-Bray ³ | Corporate Affairs |
| WA van Zyl | Enterprise Asset Management |
| GC Victor | Finance |
| S Walsh | Chief Executive Officer |

³ Social and Ethics committee

* Retired 30 November 2020

Remuneration report

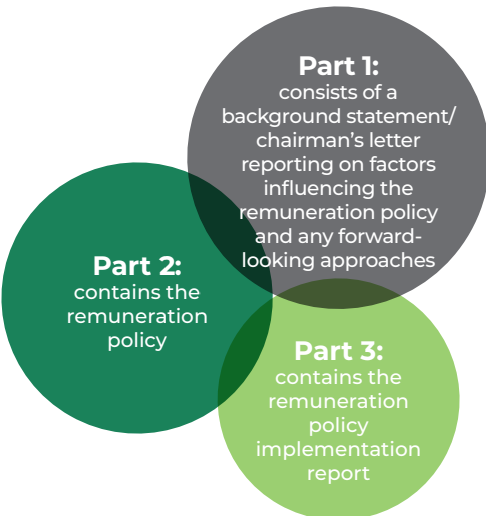
PART 1: BACKGROUND STATEMENT

Letter from the chairman of the Remuneration committee ("Remcom")

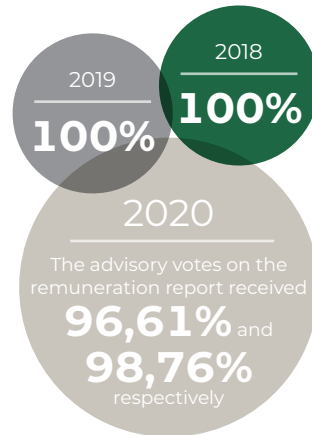
We present the remuneration report for the year ended 30 September 2020 with great pleasure. Our remuneration philosophy complies with the recommendations of King IV and other legislative requirements. We are continuously monitoring any changes in legislation that might impact our human capital and remuneration policies and practices.

This report was compiled in the shadow of the Covid pandemic, a random international phenomenon that deteriorated the trading environment and affected every part of the business. Accordingly, we had to closely monitor our human capital cost.

We adopted the three-part remuneration report approach:



The remuneration policy ("policy") and implementation report will be put to shareholders at the upcoming annual general meeting ("AGM") for non-binding advisory votes. This aligns with the JSE Listings Requirements. The following are the results of the non-binding advisory votes at the AGM for the past three years:



Context

We experienced a slow start to the year with the results of the first six months being hampered by constrained retail consumer spending, adverse weather conditions, suppressed GDP growth and increased competitor activity. The second six months of the financial year bore the brunt of the Covid impact with the effects having been felt across the entire organisation. Despite a difficult trading environment, and although our targets were not achieved, through hard work and commitment of the leadership and their teams, the company was still able to achieve respectable results.

The Board believes the Group is well positioned for growth, although cautiously optimistic about what the new year may herald, and we believe that with the Group already having shown a high degree of resilience, the future looks promising.

Activities of the Remcom

During the year, the activities of the Remcom included the following:

- > Approval of annual increases for FY20
- > Approval of remuneration interventions due to Covid
- > Approval of annual increases for FY21
- > Approval of directors' fees, for final approval at AGM
- > Approval of the non-payment of short-term incentives ("STIs") for FY20 due to the non-achievement of Group performance targets
- > Review and approval of the long-term incentive ("LTI") scheme allocations and vestings
- > Noted the Employment Equity plan ("EEP") (2018 – 2020) with the EE report for 2020
- > Noted the Covid impact report

We consider the policy aligned with and supportive of the Group's long-term business strategy. We look forward to receiving your support for the policy and implementation report at the AGM.

Factor influencing the policy

Covid pandemic

The Covid pandemic with the unprecedented economic shutdown impacted our organisation at all levels, our employees and work practices. A Covid task-team was established to ensure compliance with various legislative gazetted frameworks in respect of Covid and to provide guidance and guidelines on safe work practices to the organisations and its employees.

Notwithstanding the uncertainty presented by the Covid pandemic, it provides the organisation an opportunity to refocus and align its human capital practices, which should contribute to sustainable value adding.

As we continue to navigate our current landscape, the dilemma facing most organisations is how to preserve as many jobs as possible. Fortunately Kaap Agri does not find itself in this space, as a result of our pro-active remuneration interventions that we have implemented. The biggest concern is how to effectively manage reward, implement pay adjustments and contain the salary and wage bill in these unprecedented times.

The Remco approved the following special Covid remuneration interventions:

- > Monthly remuneration sacrifice for three (3) months at all levels of the organisation ranging from seven (7%) to fifteen (15%) percent. Non-executive directors made the same percentage fee sacrifice as executive directors of the company and directors of subsidiaries.
- > Employees sacrificed 7,5 statutory annual leave days.
- > Implemented a 0% annual salary increase for FY20.
- > Moved the annual salary increase date from 1 July 2020 to 1 February 2021.
- > No Short-Term Incentive ("STI") is payable.
- > A fund contribution holiday for the Kaap Agri Pension Contribution.
- > Salary increase applied for employees falling within the respective bargaining council where increase percentages were negotiated and or gazetted.

The manning levels within the organisation were reviewed during this period where several budgeted vacancies were not filled. To combat the impact on employees' various work practices were implemented, ranging from working remotely, flexible working hours, work shifts and shift rotations. Our information management infrastructure was fully utilised which enabled our employees to work remotely.

PART 2: OVERVIEW OF THE POLICY

Remuneration philosophy

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

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

Our remuneration framework, underpinned by our philosophy, meets the following requirements:

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

Organisation-wide remuneration approach and the wage gap

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

1. Remuneration arrangements for all employees, particularly the level of annual increases
2. Salary benchmark recommendations for Peromnes grades P1 to P10*

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

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

* Peromnes grade refers to the rank order of positions within the organisation, P1 being the highest position and P18 the lowest.

Components of remuneration for employees

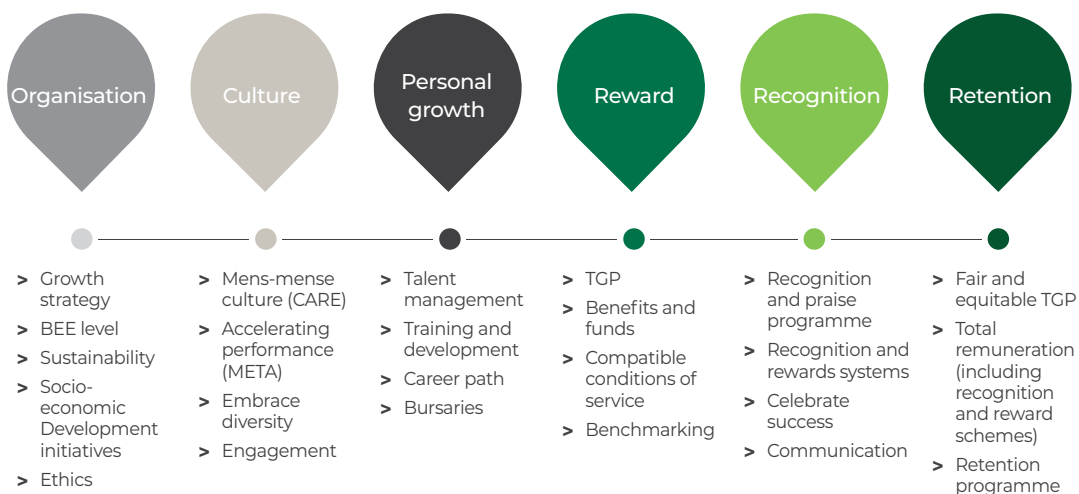
The remuneration framework for employees is as follows:

| Remuneration framework | | | |
|------------------------|---|---|--|
| Guaranteed pay | | Variable pay | |
| Basic pay | Benefits | Incentives | Allowances |
| Cash salary | Vehicle benefit, medical aid, cellphone allowance, annual bonus and retirement scheme | Recognition and praise, performance bonus, marketer's commission, and STI and LTI schemes based on individual and company performance | Monthly allowances not limited to those prescribed by the bargaining council and sectoral determination agreements |

Employee value proposition ("EVP")

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

The EVP framework is described below:

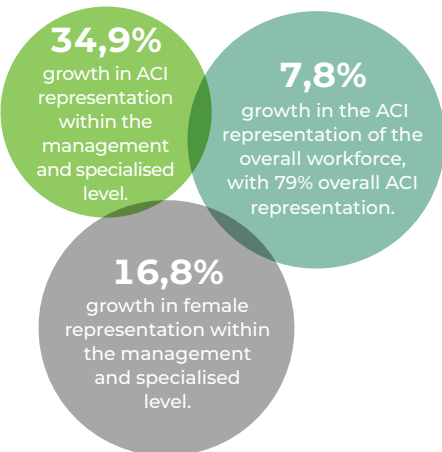


Organisation

Employment equity and work skills actions were implemented to contribute to sustainable transformation. The score for the management control and skills development elements of the BEE assessment for the past three (3) years is illustrated below



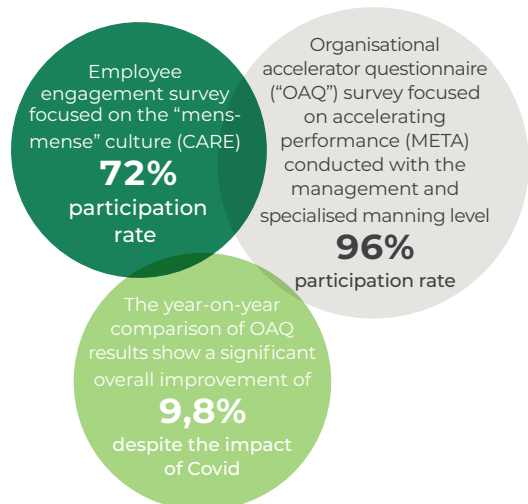
The Group's employment equity three-year (3) plan for the period 2018 to 2020, with yearly progress reports, was accepted by the Department of Labour. The following progress in African, coloured, and Indian ("ACI") and female employee representation within management was made:



Culture

The Group developed a DNA leadership framework with supporting development and coaching programmes. The programmes embrace our accelerating performance philosophy, which is built on our CARE (Communicate, Alignment, Relationship, Empowering) values and underpinned by the META (Mobilise, Execute, Transform, Agility) methodology of acceleration. The programmes are being rolled out to all management levels.

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



The Group accelerating performance culture is built on CARE and underpinned by META, and can be described as:

C



COMMUNICATE

Focus:

Open, clear, honest

A



ALIGNMENT

Focus:

Shared services, shared results

R



RELATIONSHIP

Focus:

Authentic, recognition, time

E



EMPOWERING

Focus:

Development, better off, ownership, grow

M



MOBILISE

... inspire aligned action based on a compelling ambition and purpose and a simple set of strategic priorities

E



EXECUTE

... fully harness and streamline resources to consistently deliver excellence in the core business

T



TRANSFORM

... experiment and innovate to create new growth engines and to reinvent existing businesses ahead of the market

A



AGILITY

... spot opportunities and threats, adapt and pivot at a faster pace than competitors to create competitive advantage

Personal growth

The Group's priority training focused on the internal META leadership development programme, bursaries and learnership development, with the biggest impact on skills development in terms of talent development and BEE score.

298

employee beneficiaries of these interventions

65,7%

ACI participation rate

Reward

Our remuneration philosophy is based on a TGP approach, which includes basic pay and benefits that are more favourable than prescribed conditions as per the applicable sectoral determination and/or bargaining council agreements. The company utilises an average two-year rolling TGP market benchmark as a yardstick to evaluate the TGP paid to employees, to ensure equitable and fair remuneration practice.

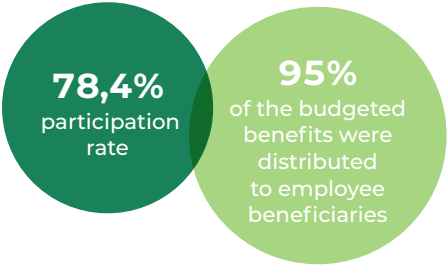
We continuously assess our current conditions of service against market trends.

Recognition

As the cornerstone of our CARE values, the recognition and praise programme act as a platform to acknowledge star performers,

motivate discretionary effort and deliver ongoing business results. It motivates employees to achieve branch performance targets that contribute to overall Group performance targets.

The programme was well received by employees and management, and despite the impact of Covid, it received a respectable participation rate:



Employees are nominated by management according to the following categories:

Employee champion – META (employee)

This category recognises employees who excel in their jobs and go beyond the call of duty to get the job done.

CARE ambassador (employee)

This category embodies the CARE values; evident in employees' interactions with others. It recognises employees who positively influence others and are examples of our culture.

Operations excellence (team)

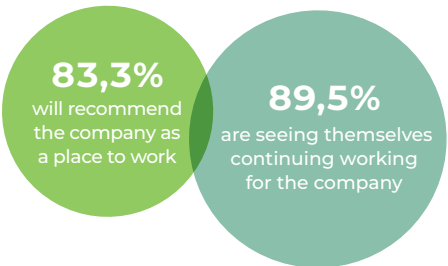
This category recognises employees for adding value affecting or contributing to the business's overall bottom line. Note: The best shared service department will be nominated via a survey conducted by the business.

Accelerating performance (team)

This category recognises employees for adding value in the business (most improved).

Retention

The EVP, with its continuous focus on the "mens-mense" culture, and the retention policy contributed to the retention of key talent and core critical skills. This contributed to a decline in management level turnover rate. The OAQ survey conducted with employees within the management and specialised level results in evidence that supports the EVP.



Recognition and reward schemes for the year

We implemented the revised recognition and reward schemes approved in 2019, illustrated below:

Framework of recognition and reward schemes

| Element | Participants | Performance period and measures | Operation and delivery |
|-------------------------------|---|---|--|
| Recognition and praise | Skilled (P10 to P18), semi-skilled and unskilled, and employees within specialised supporting roles (P8 and P9) not responsible for a profit centre | Based on monthly and/or quarterly performance by employees | Paid monthly and quarterly to winning employees per category based on performance criteria set by the business |
| Performance bonus | Shared service managers within P6 to P7, branch managers within P6 to P9 and management accountants and/or operations controllers | The performance period is annually reviewed with quarterly targets | Paid quarterly and/or annually based on specific performance targets |
| STI | CEOs; directors; Managing Directors ("MDs") of subsidiaries; Group, executive, regional and senior managers within P1 to P5 | Performance is annually evaluated against growth in recurring headline earnings ("RHE") | Paid in December based on specific performance targets All bonuses are self-funded based on financial targets |
| LTI | CEOs, directors, MDs of subsidiaries and Group managers within P1 to P3 | Performance conditions are inherent in the award, as there must be an increase in the Group's share price before a participant receives any value | Annual award of rights entitling an individual to shares calculated regarding the increase in share price between the grant date and vesting date Vesting occurs in equal tranches in the second, third, fourth and fifth years |

Performance bonus

Performance bonuses motivate business unit managers to achieve performance targets contributing to overall Group targets.

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

Shared service managers would qualify for a performance bonus if the Group achieved predetermined PBT growth.

Commission earners

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

STI scheme

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

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

Year-on-year performance growth target calculation

| CPI (example) | 5,00% | Average 12-month annual inflation in June | | | | | | Cap for STI |
|----------------|-------|---|--------|--------|--------|--------|--------|-------------|
| CPI + % growth | 0,00% | 5,00% | 6,25% | 7,50% | 8,75% | 10,00% | 11,25% | 12,50% |
| Target | 5,00% | 10,00% | 11,25% | 12,50% | 13,75% | 15,00% | 16,25% | 17,50% |

The maximum STI is capped at CPI + 12,5% for the financial year. The Remcom has discretion to award any further STI when appropriate.

LTI scheme

The LTI scheme is an equity-settled management share incentive scheme implemented from 1 October 2016. Executive directors of the company, directors of subsidiaries and Group managers participate in the LTI scheme. The Remcom annually reviews the TGP multiple factors used for the calculation of grants awarded, to ensure they remain appropriate.

The scheme is designed to:

- > Align the interests of Group management with shareholders
- > Promote and enable the retention and attraction of exceptional talent
- > Motivate and recognise contributions at top management level
- > Subject to certain performance criteria, give participants an opportunity to acquire shares in the Group through granting options to future shares

Components of remuneration for executive directors, directors and Group managers

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

Total remuneration for executive directors, directors and Group managers (P1 to P3)

| Element | TGP | STI | LTI |
|---------|--|-----|-----|
| | <i>Includes fixed salary and benefits (e.g. vehicle benefit, medical aid, and retirement scheme)</i> | | |

STIs

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

The maximum amounts earned under STIs are as follows:

- > CEO maximum cap is 120% of annual TGP
- > Director: finance maximum cap is 100% of annual TGP
- > Other directors and subsidiary MDs maximum cap is 100% of annual TGP
- > Group, executive and regional manager maximum cap ranges between 75% and 25% of annual TGP

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

LTIs

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

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

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

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

Cessation of employment and effect on unvested LTIs

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

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

Performance measurement

At the Remcom of 23 November 2020, changes to both the STI and LTI were discussed and approved. As such, with effect from 1 October 2020:

- > The STI will remain a cash settled scheme, however, to better recognise how the business has evolved over the past years and to take into consideration the impact of the non-controlling interest in earnings, the growth target of RHE will be updated to reflect RHE per share (calculated based on RHE attributable to holding company shareholders)
- > The LTI will remain as an equity settled incentive scheme, however, future rights vestings will include a ROIC hurdle whereby non-achievement of this hurdle will result in a partial sacrifice of the vesting. These hurdles and the impact on vestings are illustrated in the table below:

| | % of rights granted | % of vested rights sacrificed | % of rights vested |
|----------------------------------|---------------------|-------------------------------|--------------------|
| Current position – no hurdle | 100 | 0 | 100 |
| Proposed vesting hurdles | | | |
| ROIC achieved <75% of WACC | 100 | 50 | 50 |
| ROIC achieved >75% <90% of WACC | 100 | 20 | 80 |
| ROIC achieved >90% <100% of WACC | 100 | 10 | 90 |
| ROIC achieved >100% of WACC | 100 | 0 | 100 |

Executive director and key management contracts

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

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

On cessation of employment, STIs are forfeited. Unvested LTIs are treated under the LTI policy above.

Non-executive directors' fees

Non-executive directors' fees consist of a fixed annual fee for services as a director and a fixed fee for duties on committees. Non-executive

directors are reimbursed for travelling and other costs relating to their duties. The Group also carries these costs directly.

Non-executive directors do not qualify for any STIs or LTIs.

The Group reviews market best practice and leadership publications by reputable remuneration consulting firms to assess the reasonability and level of non-executive directors' fees. Comparison analyses are done regarding similar companies and committees with similar responsibilities.

Proposed 2021 non-executive directors' fees

Fees for the 2021 year will be submitted for approval by shareholders at the Group's AGM to be held on 11 February 2021, in compliance with the Companies Act. Refer to special resolution number 1 on page 7 in the notice of AGM.

The proposed fees* are as follows:

| Directors' fees | 2021 |
|---------------------|------------------|
| Director – base fee | R187 400 |
| Board Chairman | +R409 000 |

| Committee | Member | Chairman |
|-----------------------------|------------------|------------------|
| Audit and Risk committee | +R140 200 | +R279 800 |
| Finance committee | +R58 300 | +R140 200 |
| Remuneration committee | +R117 100 | +R233 600 |
| Social and Ethics committee | +R29 900 | +R88 200 |

* The proposed fees are VAT exclusive.

Remuneration governance

The Remcom is a Board committee primarily responsible for overseeing the remuneration and incentives of executive directors and key management (collectively “executives”). Committee members are annually appointed by the Board. Members consist of at least three non-executive directors, the majority of whom are independent. The chairman is annually appointed by the Board and is an independent non-executive director.

The Remcom has three members, all of whom are independent non-executive directors:

- > CA Otto (chairman)
- > GM Steyn
- > D du Toit

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

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

The Remcom has the following functions and responsibilities:

- > Determines the CEO's remuneration
- > Determines executive directors' remuneration as recommended by the CEO
- > Determines non-executive directors' remuneration
- > Considers senior managers' remuneration
- > Ensures the remuneration philosophy and principles are aligned with the Group's business strategy
- > Ensures performance-based incentive schemes and performance criteria are developed and implemented
- > Determines the annual average increase for staff remuneration

PART 3: IMPLEMENTATION REPORT

The Remcom is satisfied Kaap Agri complied with the policy during the year.

TGP

The following table sets out TGP increases for executive directors:

| Executive directors | 2020 R'000 | 2019 R'000 | Change % |
|---------------------|---------------|---------------|-------------|
| S Walsh | 4 901 | 4 890 | 0,2% |
| GW Sim | 3 213 | 3 200 | 0,4% |

The salary increases dates for executive directors have been moved from 1 July 2020 to 1 February 2021 due to Covid-related remuneration interventions. These dates align with the increase dates of the wider business.

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

The Covid pandemic impact on the annual salary increase percentage implemented during the year is illustrated below:

| Peromnes broadband | Employee group | Percentage increase 2020 |
|--------------------|------------------------------|--------------------------------|
| P1 to P4 | Senior and top management | 0% |
| P5 to P9 | Middle and junior management | 0% |
| P10 to P14 | Admin and senior store staff | 0% |
| P15 to P18 | General workers | 7% |
| Overall | | 0,009% |

The only implemented increase relates to the Motor Industry Bargaining Council ("MIBCO") annual increase effective 1 September 2020. The annual increase percentage expressed above is only for The Fuel Company.

STI performance outcomes

The STI is calculated based on a fixed percentage of a participant's TGP. This includes achieving specific performance conditions as defined below:

| Performance condition | Weighting | Threshold performance level | Stretch performance level | Actual performance level | Achievement (% maximum) |
|-----------------------------------|-----------|-----------------------------|---------------------------|--------------------------|-------------------------|
| Growth in recurring profitability | 100% | CPI | CPI + 12,5% | CPI + 0,7% | +27,4% |

Given that the achievement of a 4,4% growth in RHE was achieved with significant support of the Group-wide salary sacrifice, the decision was made to not pay any STI incentives.

LTI performance outcomes

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

Single figure remuneration

The following table sets out the remuneration paid to executive directors in 2020 year:

| 30 September 2020 | | | | | | |
|----------------------------|---------------------------|--------------------------------|--|-------------------------------------|------------------------------|--------------------|
| Executive directors | Basic salary R'000 | Travel allowances R'000 | Retirement fund contributions R'000 | Bonuses and incentives R'000 | LTI[*] R'000 | Total R'000 |
| S Walsh | 4 548 | 72 | 281 | – | 960 | 5 903 |
| GW Sim | 2 879 | 96 | 238 | – | 439 | 3 668 |

^{*} These values are based on the cash value of the LTI awards vested during 2020.

Voting at 2020 AGM

At the AGM held on 13 February 2020, the Kaap Agri shareholders endorsed the policy and implementation report of the company by way of separate non-binding advisory votes of 96,61% and 98,76% in favour, respectively. As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

Voting at the upcoming AGM

Kaap Agri's policy and implementation report will be presented to shareholders for separate non-binding advisory votes thereon at the company's upcoming AGM on Thursday, 11 February 2021.

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

For comparison, the following table sets out the remuneration paid to executive directors in 2019:

| Executive directors | | | | | | |
|----------------------------|---------------------------|--------------------------------|--|-------------------------------------|------------------------------|--------------------|
| 30 September 2019 | Basic salary R'000 | Travel allowances R'000 | Retirement fund contributions R'000 | Bonuses and incentives R'000 | LTI[*] R'000 | Total R'000 |
| S Walsh | 4 468 | 80 | 342 | 211 | 2 088 | 7 190 |
| GW Sim | 2 791 | 96 | 313 | 138 | 955 | 4 293 |

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

LTIs awarded in 2020

The following section sets out the options granted to executive directors under the equity-settled management share incentive scheme during 2020:

| Executive director | Date awarded | Number of options awarded | Face value of options at grant* R'000 | Fair value of options at grant** R'000 | Final vesting date |
|--------------------|--------------|---------------------------|---------------------------------------|--|--------------------|
| S Walsh | 15/1/2020 | 194 232 | 5 304 462 | 844 266 | 1/10/2021 |
| | 15/1/2020 | 194 232 | 5 304 462 | 1 025 706 | 1/10/2022 |
| | 15/1/2020 | 194 232 | 5 304 462 | 1 157 510 | 1/10/2023 |
| | 15/1/2020 | 194 232 | 5 304 462 | 1 257 929 | 1/10/2024 |
| GW Sim | 15/1/2020 | 77 378 | 2 113 180 | 336 337 | 1/10/2021 |
| | 15/1/2020 | 77 378 | 2 113 180 | 408 618 | 1/10/2022 |
| | 15/1/2020 | 77 378 | 2 113 180 | 461 126 | 1/10/2023 |
| | 15/1/2020 | 77 378 | 2 113 180 | 501 131 | 1/10/2024 |

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

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

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

Termination/hiring

There were some changes at the non-executive directors' level. The most noticeable was the retirement of JH van Niekerk as a non-executive director of the Board and a member of various committees, on which he served since November 2011. His retirement was effective 13 February 2020.

WC Michaels resigned as a member of the Social and Ethics committee effective 21 February 2020 due to other personal commitments. We decided not to replace her on this committee.

D du Toit was appointed as a member of the Remcom effective 13 February 2020.

Non-executive directors

The table below sets out fees paid to each non-executive director during the year. Non-executive directors receive no other remuneration or benefits besides directors' fees. The table also indicates directors who resigned or were appointed during the year.

| Name of NED | Appointed to the Board | Resigned from the Board | Directors' fees |
|----------------|------------------------|-------------------------|-----------------|
| GM Steyn | May 2012 | – | R654 018 |
| CA Otto | November 2011 | – | R642 468 |
| JH van Niekerk | November 2011 | 13 February 2020 | R176 458 |
| EA Messina | March 2017 | – | R252 657 |
| WC Michaels | August 2017 | – | R183 662 |
| HM Smit | November 2011 | – | R256 657 |
| D du Toit | March 2017 | – | R361 162 |
| JH le Roux | April 2014 | – | R267 800 |
| BS du Toit | November 2011 | – | R300 300 |
| I Chalumbira | September 2018 | – | R171 807 |



CA Otto

Chairman: Remcom

Corporate governance report

APPROACH TO ETHICAL AND EFFECTIVE GOVERNANCE

Kaap Agri is committed to responsible and effective corporate governance. There is a range of mechanisms, policies, procedures, committee structures and core values enabling this. The most material of these are described in this summary governance report.

Our full governance report is available on our website, www.kaapagri.co.za. Information supplementary to this summarised report is clearly referenced.

KING IV PRINCIPLES DISCLOSURE

The Group explains its application of appropriate King IV principles and is transparent in areas of non-compliance. High-level disclosure against King IV principles is included in a disclosure map available on Kaap Agri's website, www.kaapagri.co.za, along with a King IV compliance report. The full online governance report details how the Kaap Agri Board creates an ethical culture, tracks good performance, ensures effective control and promotes legitimacy.

A separate remuneration policy and implementation report were developed. These will be subject to non-binding advisory votes by shareholders at the upcoming AGM. If 25% or more of shareholders votes exercised are against either or both the remuneration policy and implementation report, Kaap Agri will engage with dissenting shareholders. The precise method of shareholder engagement and its timing will be communicated to shareholders on the JSE Stock Exchange News Service ("SENS").

GOVERNANCE STRUCTURE

The Board determines the strategies and strategic objectives of the Group. It monitors the implementation of approved strategies, decisions, values and policies. The Board is satisfied it fulfilled the responsibilities required by its mandate during the year.

The Board is chaired by an independent non-executive director. It has 11 members and is supported by five Board committees as well as the Executive committee. These committees have clear terms of reference to help execute their duties and the due governance required in each area of the business.

The roles of the Chairman and CEO are clear and separate. The CEO is tasked with the day-to-day operations of the business in line with the Group's decision-making framework. The CEO is supported by the Executive committee, two members of which are Board members. The Board is satisfied the decision-making framework provides a clear basis for the exercising of duties. This framework contributes to clarity and accountability. Additionally, the Board charter ensures there is an appropriate balance of power in the deliberations of the Board and no single director has unlimited or unfettered powers of decision-making.

The Board is satisfied that the current composition enables ethical and effective leadership. It will strive to further improve diversity.

BOARD

Audit and Risk
committee

Remuneration
committee

Nomination
committee

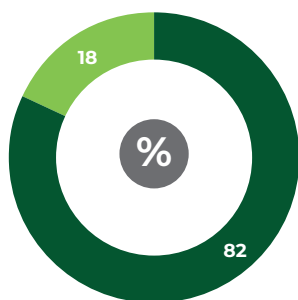
Social and
Ethics
committee

Finance
committee

Executive
committee

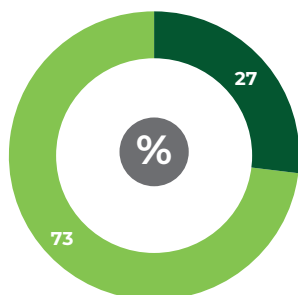
BOARD STRUCTURE

COMPOSITION AND EXPERTISE



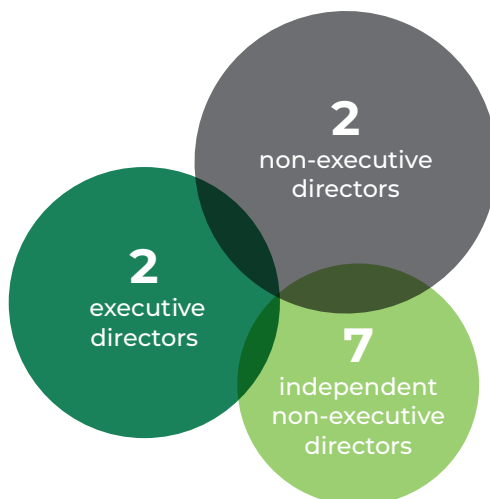
Male

Female



Black¹

White



¹ The Board continuously strives to improve Board composition to reflect the demographics of South Africa, focusing on black and female representation.

Board meeting attendance

| Member | Meetings attended |
|-----------------------------|-------------------|
| I Chalumbira | 5/5 |
| BS du Toit | 5/5 |
| D du Toit | 5/5 |
| JH le Roux | 4/5 |
| EA Messina | 5/5 |
| WC Michaels | 4/5 |
| CA Otto | 5/5 |
| GW Sim ¹ | 5/5 |
| HM Smit | 5/5 |
| GM Steyn | 5/5 |
| JH van Niekerk ² | 2/5 |
| S Walsh ¹ | 5/5 |

¹ Executive.

² Retired 13 February 2020.

Board profiles as at 30 September 2020

I Chalumbira (49) Non-executive director

| | | |
|--------------------------|---|--|
| Appointment date: | September 2018 | |
| Qualifications: | BSc (Industrial Psychology) MBA (Strategy) | |
| Committee membership: | N/A | |
| Other board memberships: | <div> <div> AIH Properties (Pty) Ltd Amber Cascades Trading 202 (Pty) Ltd Arlozone (Pty) Ltd Border Auto Centre (Pty) Ltd C-Max Investments 71 (Pty) Ltd Kebraware (Pty) Ltd Lionsecurity (Pty) Ltd Lionshare Developments (Pty) Ltd Lionshare Financial Services (Pty) Ltd Lionshare Holdings (Pty) Ltd Lionshare Logistics (Pty) Ltd Lionshare Management Services (Pty) Ltd Lionshare New Properties 2 (Pty) Ltd Lionshare Properties (Pty) Ltd Lionshare Property Management (Pty) Ltd Lionshare Trading (Pty) Ltd </div> <div> Lionshare Venture Holdings (Pty) Ltd Matoppi Investments (Pty) Ltd Mezibase (Pty) Ltd Musina Intermodal Terminal (Pty) Ltd Nabuphase (Pty) Ltd Proc Corp 27 (Pty) Ltd Thovela Welkom Hospitality (Pty) Ltd Tungsten Bay (Pty) Ltd TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd </div> </div> | |

| BS du Toit (63) | | Independent non-executive director |
|--------------------------|---|------------------------------------|
| Appointment date: | November 2011 | |
| Qualification: | BAgric (Management) | |
| Committee membership: | Audit and Risk | |
| Other board memberships: | Freshgold SA Exports (Pty) Ltd Langrivier Boerdery (Pty) Ltd 32 Degrees South Fruit (Pty) Ltd Langrivier Beleggings (Pty) Ltd Wydekloof (Pty) Ltd | |
| D du Toit (44) | | Independent non-executive director |
| Appointment date: | March 2017 | |
| Qualification: | BComm (Hons) | |
| Committee membership: | Audit and Risk Remuneration (effective 13 February 2020) | |
| Other board memberships: | De Keur Beherend (Pty) Ltd Witzenberg Pals (Partners in Agri De Keur Berries (Pty) Ltd Land Solutions) PBO De Keur Agri (Pty) Ltd De Keur Marketing (Pty) Ltd Tipmar (Pty) Ltd De Keur Verpakking (Pty) Ltd De Keur Landgoed (Pty) Ltd | |
| JH le Roux (45) | | Non-executive director |
| Appointment date: | April 2014 | |
| Qualifications: | BAcc (CTA), CA(SA), HDip (Tax) | |
| Committee membership: | Finance (chairman effective 13 February 2020) | |
| Other board memberships: | Zeder Financial Services (Pty) Ltd Zaad Holdings Limited Zeder Corporate Services (Pty) Ltd Zeder Management Services (Pty) Ltd Zeder Investments Limited The Logistics Group (Pty) Ltd Clean Air Nurseries Agri Global (Pty) Ltd Bakenskraal Investments (Pty) Ltd Zeder Africa (Pty) Ltd Capespan Group Limited Cerula 23 (Pty) Ltd | |
| EA Messina (62) | | Independent non-executive director |
| Appointment date: | March 2017 | |
| Qualifications: | BA (Hons), MA (Southern African Studies), MA (History), DPhil (History) | |
| Committee membership: | Social and Ethics (chairman) Nomination (effective 13 February 2020) | |
| Other board memberships: | Du Toit Group (Pty) Ltd Cape Town Radio Groot Constantia Trust TFC Properties (Pty) Ltd TFC Operations (Pty) Ltd Bridge House School NPC | |

WC Michaels (47) Independent non-executive director

| | |
|--------------------------|--|
| Appointment date: | August 2017 |
| Qualifications: | BSc (Hons), MSc, PhD (Polymer Chemistry) |
| Committee membership: | N/A |
| Other board memberships: | N/A |

CA Otto (71) Independent non-executive director

| | |
|--------------------------|---|
| Appointment date: | November 2011 |
| Qualifications: | BComm, LLB |
| Committee membership: | Audit and Risk (chairman) Remuneration (chairman) Nomination |
| Other board memberships: | <div> PSG Financial Services Limited Zeder Financial Services Ltd PSG Group Limited Capitec Bank Limited Capitec Bank Holdings Limited </div> <div> Zeder Investments Limited Distell Group Holdings Limited Mercantile Bank Limited Rational Expectations (Pty) Ltd </div> |

GW Sim (50) Group Financial Director (executive)

| | |
|--------------------------|--|
| Appointment date: | August 2015 |
| Qualifications: | BComm (Acc) (Hons), CA(SA) |
| Committee membership: | Finance |
| Other board memberships: | <div> KaaP Agri Bedryf Limited KaaP Agri (Namibia) (Pty) Ltd KaaP Agri (Aussenkehr) (Pty) Ltd Tego Plastics (Pty) Ltd Empowerment and Transformation Investments (Pty) Ltd </div> <div> TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd Mirage Motors (Pty) Ltd Agriplas (Pty) Ltd KAL Corporate Services (Pty) Ltd </div> |

HM Smit (57) Independent non-executive director

| | |
|--------------------------|---|
| Appointment date: | November 2011 |
| Qualifications: | BEcon, MA (Town and Regional Planning) |
| Committee membership: | Finance Social and Ethics |
| Other board memberships: | HH Smit Boerdery (Pty) Ltd FG Farms (Pty) Ltd B&B Farms (Pty) Ltd |

GM Steyn (61)**Independent non-executive director (chairman)**

| | | |
|--------------------------|--|---|
| Appointment date: | May 2012 | |
| Qualifications: | BA (Law), LLB | |
| Committee memberships: | Remuneration Nomination (chairman) | |
| Other board memberships: | Du Toit Group (Pty) Ltd (Chairman) GMS Beleggings (Pty) Ltd RCL Foods Limited NS Beleggings (Pty) Ltd | Leopard Creek 21 (Beleggings) (Pty) Ltd Neusberg Boerdery (Pty) Ltd George & Miets Beleggings (Pty) Ltd Stellenkaro (Pty) Ltd Agristar Holdings (Pty) Ltd |

JH van Niekerk (64)¹**Independent non-executive director**

| | | |
|--------------------------|---|--|
| Appointment date: | November 2011 (retired February 2020) | |
| Qualification: | SADF pilot | |
| Committee memberships: | Finance (chairman) ¹ Remuneration ¹ Nomination ¹ | |
| Other board memberships: | Kosie van Niekerk Boerdery (Edms) Bpk | |

S Walsh (54)**CEO (executive)**

| | | |
|--------------------------|---|--|
| Appointment date: | November 2011 | |
| Qualification: | BEcon (Hons) | |
| Committee membership: | N/A | |
| Other board memberships: | Newco Water (Pty) Ltd Kaap Agri Bedryf Limited Agriplas (Pty) Ltd | Tego Plastics (Pty) Ltd Kaap Agri (Namibia) (Pty) Ltd |

RH Köstens (63)²**Company Secretary**

| | | |
|-------------------|--|--|
| Appointment date: | November 2011 (retired November 2020) | |
| Qualifications: | BA (Law), LLB, LLM, post-graduate diploma in Taxation, MBA | |

¹ JH van Niekerk retired as a Board and committee member on 13 February 2020.

² RH Köstens retired as Company Secretary at the end of November 2020, and a juristic person, KAL Corporate Services (Pty) Ltd, has been appointed to hold the office of Company Secretary.

APPROACH TO COMPLIANCE

The Group recognises its responsibility to comply with all applicable laws, and adheres to industry charters, codes and standards.

There were no contraventions of agricultural law, penalties or fines reported during the year. To the Group's knowledge, there are no material legal, arbitration or pending proceedings in progress. For more information on our compliance approach (including the roles of the Compliance Officer, Audit and Risk committee and internal audit), refer to the risk report on page 62, and our full online governance report at www.kaapagri.co.za.

The Kaap Agri directors have confirmed that, to the best of their knowledge, Kaap Agri (i) complied with the provisions of the Companies Act, and (ii) operated in accordance with its MOI, during the year under review.

CONFLICTS OF INTEREST

All Board members are required to state any possible conflicts of interest, financial or otherwise, at the start of each Board meeting. These include members with interests in periphery businesses interacting with the Group. Refer to pages 78 and 114.

All Board members are prohibited from gaining any undue benefit from their position as outlined in the Board mandate subscribed to by each member.

The Kaap Agri dealings in securities policy has an annexure stating directors and the company secretary must obtain permission to deal in securities. Details of any dealings must be disseminated on SENS. Certain employees, including prescribed officers as identified by the CEO, also have to obtain permission to deal in securities. Employees are further directed by policies on private interests, extramural activities and external remuneration to avoid conflicts of interest. The Group has a gift register for registering tangible and intangible gifts.

More information is available in our full governance report at www.kaapagri.co.za.

COMMITTEES AND THEIR ROLES IN THE GOVERNANCE STRUCTURE

The Group's various committees facilitate discharging certain Board responsibilities with oversight, guidance and governance application in specific mandated areas. Each committee chairman reports to the Board to ensure comprehensive insight and appropriate decision-making at Board level. See pages 51 to 54 for a profile on each Board member.



SUPPLIERS



“

We appreciate Kaap Agri's support very much. For a smaller BEE business to be able to supply a big company and be paid on a weekly basis is a big, big plus for us! The relationship we have with Kaap Agri is very important, because it makes you feel like someone has your back. You feel comfortable and supported.” – Osbonita Siebert, Lawrence Timbers

#InThisTogether: CARE amid Covid

During the year, one area of value creation focused on Kaap Agri's payment terms and routines with suppliers, and in particular support to black-owned businesses. As Covid's far-reaching effects became clear, our supplier relationships were critical to the health of our business. Early payments for suppliers that are part of our supply chain is important, and we understand smaller operations depend on reliable cash flow to run their business.

We support Lawrence Timbers, a pallet supplier and 100% black-owned business, which has been part of our supplier base for the past decade,

by maintaining payment terms of eight days from invoice. This way we can help it maintain a healthy cash flow that ensures ongoing business expenses and employees' salaries are always taken care of.

Committee summary

| Committee | Members ¹ | Meetings attended |
|---|---|-------------------|
| Audit and Risk committee ("the committee") | <ul style="list-style-type: none"> > Chairman: CA Otto² > BS du Toit³ | 2/2 |
| Total meetings: 2 | <ul style="list-style-type: none"> > D du Toit⁴ <p>Invitees</p> <ul style="list-style-type: none"> > GM Steyn – Independent non-executive director > S Walsh – Executive director (CEO) > GW Sim – Executive director (Group Financial Director) > GC Victor – Group Manager: finance > P Steyl – Executive Manager: internal audit > A Hugo – External auditor, PwC > H Zeelie – External⁵ auditor, PwC | 2/2 |

Mandate

The committee assists the Board by providing an objective and independent view of the Group's finance, accounting and control mechanisms.

During the year, the following was actioned:

- > The Group's accounting policies were reviewed and the committee is satisfied the policies are in line with generally accepted accounting principles.
- > The external auditor was appointed and its effectiveness monitored. This included ensuring the use of the external auditor for non-audit services was kept to a minimum.
- > The IR and the annual financial statements included therein were reviewed and approved.
- > The committee considered the following as significant regarding the annual financial statements: credit risk (in particular debtors), management of stock and business combinations. The committee also focuses on ethics and governance, controls, provisioning, impairment, tax compliance, correctness and accuracy. The Group addressed these considerations through proper provisioning in terms of existing policies.
- > The Group's internal audit plan was approved.
- > The committee considered presentations by internal audit on ethics, governance and controls, and management reports on operational and financial matters. The committee deems the Group's internal financial controls adequate.
- > The committee reviewed the Group's risk, controlled environment and governance assessments. This was done to ensure risks are properly addressed and the level of compliance, with proper governance, is aligned with expectations. The committee is satisfied with the outcome of these evaluations.
- > The external auditor's reports were reviewed and appropriate actions were taken.
- > The committee considered the JSE report on the activities of the Financial Reporting Investigation Panel in 2019.

Committee Mandate

Audit and Risk committee (continued)

- > The Group confirmed its going concern status, compliance with applicable legislation and requirements of regulatory authorities.
- > In terms of risk management (through consultation with the external auditor), the committee ensured management's processes and procedures are adequate to identify, assess, manage and monitor Group-wide risks.
- > The committee recommended the external auditor's reappointment and determined its compensation. The external auditor, PwC, has provided audit services to the Group for 83 years. The committee is satisfied that the external auditor is independent of Kaap Agri, as set out in section 94(8) of the Companies Act, and suitable for reappointment by requesting and considering, among other things, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.
- > The audit partner used by PwC is regularly rotated and the committee is satisfied with the arrangements for the external audit, and the effectiveness of JA Hugo, the designated auditor. The committee deemed the quality of the audit performed this year satisfactory and the independent auditor's report indicates the Group's financial statements fairly reflect the company's financial state according to IFRS and Companies Act requirements. In compliance with legislative and JSE requirements, the Group rotates to a new audit partner every five years.
- > The committee appraised and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the Financial Director and Group finance function have the appropriate expertise and experience. The Financial Director drives the overall effectiveness of the Group's finance function.
- > The committee is satisfied in accordance with paragraph 3.84 (g)(ii) of the JSE Listings Requirements, that appropriate financial reporting procedures are implemented and operating.
- > The Group's combined assurance model provides assurance that actions are aligned with good governance management. The committee deems it effective.

¹ All committee members are independent non-executive directors.

² Re-appointed to the committee at the AGM held on 13 February 2020, and chairman from 4 May 2017.

³ Re-appointed to the committee at the AGM held on 13 February 2020.

⁴ Re-appointed to the committee at the AGM held on 13 February 2020.

⁵ H Zeelie was the previous designated audit partner.

| Committee | Members ¹ | Meetings attended |
|--|--|-------------------|
| Remuneration committee ("the committee") | <ul style="list-style-type: none"> > Chairman: CA Otto > GM Steyn > JH van Niekerk² | 2/2 |
| Total meetings: 2 | <ul style="list-style-type: none"> > D du Toit³ <p>Invitees</p> <ul style="list-style-type: none"> > S Walsh – Executive director (CEO) > GW Sim – Executive director (Group Financial Director) > DC Gempies – Director: HR (subsidiary – Kaap Agri Bedryf Limited) | 1/2 |

Mandate

- > The committee reviews and approves executive director and senior management's remuneration. The committee is also responsible for succession planning.
- > The committee assisted the Board in reviewing non-executive directors' remuneration recommendations in line with local and international best practice. This was done to ensure such remuneration is fair and reasonable to the directors and the Group.
- > More information about the committee and remuneration is available in the remuneration report from page 34.

¹ Committee members are independent non-executive directors.

² Retired as a member of the committee effective 13 February 2020.

³ Appointed as a member of the committee effective 13 February 2020.

| Committee | Members ¹ | Meetings attended |
|--|---|-------------------|
| Nomination committee ("the committee") | <ul style="list-style-type: none"> > Chairman: GM Steyn > CA Otto > JH van Niekerk² | 1/1 |
| Total meetings: 1 | <ul style="list-style-type: none"> > EA Messina³ <p>Invitee</p> <ul style="list-style-type: none"> > S Walsh – executive director (CEO) | 0/1 |

Mandate

The committee assists the Board in ensuring it has the appropriate composition in terms of structure, size, diversity, skills and independence for it to effectively execute its duties.

When identifying suitable candidates for appointment to the Board, the committee considers candidates on merit against objective criteria and with due regard for the potential benefits of gender and race diversity. The Board regards race and gender diversity as extremely important and has adopted a race and gender diversity policy. The Board will continue to work towards a more representative Board and committee composition. No new appointments were made during the year. JH van Niekerk resigned during the 2020 AGM, and his position has not been filled. D du Toit was appointed to the Remuneration committee effective 13 February 2020 and EA Messina was appointed to the Nomination committee, effective 13 February 2020, which resulted in a more representative and balanced composition of the committees regarding race and gender.

¹ Committee members are independent non-executive directors.

² Retired as a member of the committee effective 13 February 2020.

³ Appointed as a member of the committee effective 13 February 2020.

| Committee | Members ¹ | Meetings attended |
|---|---|-------------------|
| Social and Ethics committee ("the committee") | <ul style="list-style-type: none"> > Chairman: EA Messina > WC Michaels² > T Sulaiman-Bray | 2/2 |
| Total meetings: 2 | <ul style="list-style-type: none"> > HM Smit <p>Invitees</p> <ul style="list-style-type: none"> > S Walsh – Executive director (CEO) > P Steyl – Executive Manager: internal audit > DC Gempies – Director: HR (subsidiary – Kaap Agri Bedryf Limited) | 1/2 2/2 2/2 |

Mandate

The committee monitors the Group's activities concerning its social and economic standing and development; good corporate citizenship; SHEQ ; consumer relationships; labour and employment; and compliance with applicable laws set out in the Companies Act and other regulations.

The committee reported on matters within its mandate and brought matters of relevance to the Board's attention.

Read more about social and community investments in the Social and Ethics committee report on page 67.

The committee's work plan focus areas included:

- > B-BBEE and employment equity
- > Consumer relations, including the company's advertising policy, protection of its brands and relations with stakeholders
- > Labour and employment matters regarding decent work and working conditions, and the company's contribution towards the educational development of its employees
- > SHEQ, including monitoring existing policies within its mandate, the 10 principles set out in the United Nations ("UN") Global Compact, corruption and ethics

The following matters received particular attention:

- > The company's whistleblowing process was discussed and evaluated
- > The new Agri BEE codes and steps to improve the Group's B-BBEE score were considered
- > BEE recognition levels and appointments regarding employment equity received attention
- > A comprehensive advertising and brand strategy was developed
- > A more comprehensive compliance framework was developed, given the highly regulated environment in which Kaap Agri operates
- > Working conditions applying to Kaap Agri employees and regarding applicable laws and regulations were received
- > A socio-economic development policy was developed and approved
- > The committee reviewed legislation, regulations, compliance with policies and training relevant to SHEQ
- > Transformation and ethics will remain core focus areas in future

¹ A majority of the committee members are independent non-executive directors.

² WC Michaels retired from the committee effective 22 February 2020.

| Committee | Members ¹ | Meetings attended | Mandate |
|-------------------------------------|---|--------------------------|---|
| Finance committee ("the committee") | <ul style="list-style-type: none"> > Chairman²: JH le Roux² > GW Sim > HM Smit > JH van Niekerk³ | 2/2 2/2 2/2 0/1 | The committee ensures the Group's financing activities are efficiently managed. |
| Total meetings: 2 | <ul style="list-style-type: none"> > NS Loubser⁴ > HS Louw⁴ | | The committee is responsible for approving and refining the credit policy and exercises final authority over certain high-value applications where the amount exceeds the authority of the officials. |
| | Invitees <ul style="list-style-type: none"> > DW Beukes – Group Manager: financing services > S Walsh – Executive director (CEO) > Other members of the financing services department as and when needed | | The committee also establishes a decision-making framework for the financing services department. In terms of the credit policy, the financing services department has the authority to obtain underlying securities from individuals who apply for credit. Accordingly, it is the committee's task to conduct credit screenings, evaluate credit risks and register underlying securities aligned with its approved credit policy. |

¹ Two committee members are non-executive directors, one of whom is independent.

² Appointed as committee chairman effective 13 February 2020.

³ JH van Niekerk retired with effect from 13 February 2020.

⁴ NS Loubser and HS Louw are not Board directors, and retired from the Board in 2017. Both are still members of the committee.

The Group's committees are satisfied they have fulfilled their responsibilities according to their respective mandates.

Board efficiency

Ethical and effective leadership rests on the appropriate recruitment, evaluation, training and rotation of Board members. The most significant challenge for the business is formalising and documenting practices effective in governing Kaap Agri. This includes our approach to recruitment, evaluation, training and rotation.

| | |
|-------------|--|
| Recruitment | The Nomination committee provides clear policies on recruitment and criteria for selecting appropriate candidates in line with the provisions of the Memorandum of Incorporation ("MOI") of the company. Directors are nominated by the Board and elected at the AGM for three years. One-third of the directors must retire by rotation at each AGM (or other general meeting held on an annual basis). |
| Rotation | The Nomination committee is responsible for reviewing the Board's composition in terms of race and gender diversity, tenure, expertise, skills and independence. |
| Induction | The Nomination committee approved an induction policy detailing the principles applicable to the formal induction of new directors. |

More information about our approach to training and evaluation is available in our full governance report at www.kaapagri.co.za.

Company Secretary

The Company Secretary co-ordinates the functioning of the Board and its committees. This includes advising the Board on matters of legal and regulatory compliance. The Group is satisfied these arrangements are effective, and that the Company Secretary has unencumbered access to the Board. Kaap Agri believes an appropriate arm's length relationship exists between the Company Secretary and the Board.

RH Köstens retired as Company Secretary at the end of November 2020, and a juristic person, KAL Corporate Services (Pty) Ltd, has been appointed to hold the office of Company Secretary. The Board ensured the provisions of section 87(1)(a) and 87(1)(b) were adhered to.

The Board's mandate allows professional corporate governance training to be accessed independently or through the Company Secretary.

The Board considered and satisfied itself on the competence, qualifications and experience of the individuals employed by the Company Secretary.

Executive committee

Kaap Agri's Executive committee meets bi-monthly. The committee is responsible for assisting the CEO in implementing the Group's strategy. The CEO is further responsible for operational planning, control and implementation. The CEO is appointed by the Board on the recommendation of the Nomination committee.

Risk report

The Board is accountable for governance and risk management and is supported by the Audit and Risk committee.

The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets. The Audit and Risk committee meets twice a year. The committee monitors and reports on the effectiveness of the risk identification, assessment and management process.

The Group considers governance of top business risks a high priority. It focuses on risks with a significant impact on the business and/or high probability of occurrence, taking in consideration the Group's risk appetite. Our risk appetite refers to the nature and extent of risks we are willing to incur to achieve our strategic objectives. Among others, the risk appetite considers revenue growth, earnings sustainability, environmental impact, employee well-being, health and safety, and value creation for all stakeholders. Risk appetite and tolerance are regularly reviewed by

considering the potential impact of key risks and mitigating actions and controls.

The implementation of risk management lies with management and staff. The business has a Group-wide risk assessment process escalating material risks to a Group risk register. The Group risk register includes a detailed list of risks that could impact the business.

Top business risks were identified, assessed and prioritised by the executive team including senior management. This was done according to risk ratings that considered the inherent (with no controls) and residual (with mitigating actions) nature of the risks.

Risks are ranked according to a combination of impact and probability. Risks that may potentially have the most significant impact on Kaap Agri's ability to achieve its strategic objectives, are described in more detail below.

The Group's strategic focus areas, aimed at improving value creation, are:

G



GROWTH



OPTIMISATION



**LEVERAGING
CULTURE AND
DIVERSITY**



**DIGITAL
TRANSFORMATION**

Through upgrades and expansions, footprint expansions, strategic alliances, and mergers and acquisitions

Of all business segments, supply chain and corporate support services, and customer relationship management






Leveraging people and B-BBEE






Through e-commerce, and online account and payment solutions using new concepts and technologies

The strategic focus areas are impacted by the top risks indicated below.

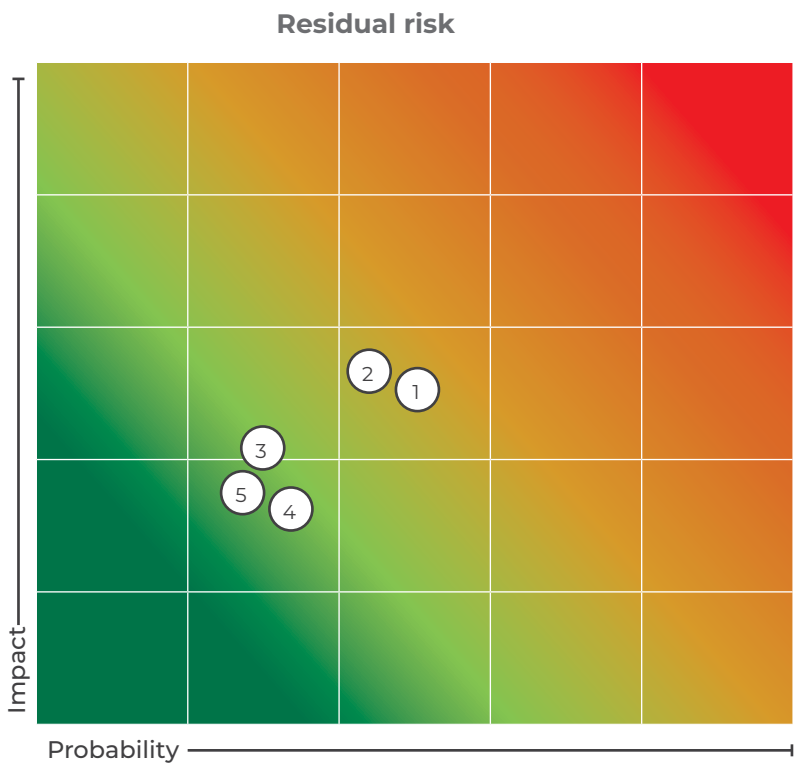
The risk movement from the prior year is reflected as:

↑ Increased risk ↔ No change ● New risk ↓ Decreased risk

| Number | Risk | Description | Mitigating actions | Strategic focus area |
|---------------|--|---|--|--|
| 1 ↔ | Adverse political conditions and regulatory pressure | <p>Political uncertainty and the influence on the macro-economy.</p> <p>Onerous B-BBEE accreditation requirements could have a negative impact, especially within the fuel environment.</p> <p>Land expropriation without compensation could have a significant and devastating impact on our agricultural customer base.</p> | <ul style="list-style-type: none"> > Proactive engagement with stakeholders to understand new proposed regulatory amendments. > Continuous monitoring and implementation of dedicated plans to improve empowerment status. The Group is a verified level 3 contributor to B-BBEE. > Monitoring of compliance with laws and regulations. > Product and customer diversification. > Member of the Agricultural Business Chamber ("Agbiz"). |   |
| 2 ● | Extended impact of a major health pandemic | <p>Extension and/or resurgence of Covid or a similar pandemic that could have a significant impact on financial performance, social stability and consumer behaviour.</p> | <ul style="list-style-type: none"> > Covid task team formed, led by Group SHEQ Manager, to assist management with health and regulatory compliance and business continuity. > New and improved standard operating procedures and Covid protocols, including all remote work practices where appropriate, to protect stakeholders and ensure business continuity. > Strict working capital curtailment through the implementation of cash preservation initiatives. > Accelerating the digital transformation process, to enable remote work practices and enhance cashless, card-less and contactless customer engagements. > Reviewing capital expenditure and delaying non-critical capital spend. |    |

| Number | Risk | Description | Mitigating actions | |
|--------|-----------------------------------|---|--|---|
| 3 ↓ | Constrained financial performance | <p>Inability to meet strategic financial targets due to economic pressures, constrained consumer confidence and higher fuel prices.</p> <p>Climate conditions negatively impacting performance and financial position of agricultural customers.</p> | <ul style="list-style-type: none"> > Monitoring key economic indicators in our operating markets. > Expansion and upgrade of existing stores, and new acquisitions and mergers, to increase market share. Detailed pre-acquisition feasibility modelling and post-acquisition performance reviews. > Geographic, customer and product diversification. > Investment into central procurement and logistics to support and optimise our retail offering. > Focus on operational efficiencies and cost management. |  |
| 4 ○ | Bad debts | Material default of one or more significant debtors due to natural causes, drought, crop failure, fraud or sequestration. | <ul style="list-style-type: none"> > Appropriate credit policies and risk evaluation processes. > Regular review of debtors by Finance committee, consisting partly of independent members with expert knowledge on financial and agricultural conditions within our geographical operating areas. > Wide product range and geographical spread of debtors. > Experienced and knowledgeable centralised credit vetting staff with decentralised credit relationship managers. > Appropriate securities. > Credit default insurance on selected debtors. > Customised digital processes and computer platform to facilitate effective credit vetting and management |  |
| 5 ↓ | IT-related risk | <p>As a retailer and trader, we heavily depend on our computer systems to facilitate trade and maintain security of personal information.</p> <p>Disruption of our IT environment would have a major influence on our ability to service customers.</p> | <ul style="list-style-type: none"> > Detailed IT governance framework. > Access to systems, infrastructure and the network is restricted and protected. > Disaster recovery programmes. > Key systems are monitored for uptime, performance and capacity. > Third-party data centre used, compliant with industry good practices. > Offline servers at certain retail sites to enhance service. > Redundant network communication channels exist for certain branches. > Automated data backups. |    |

After considering the impact of mitigating measures, we believe none of the top risks fall within a high-risk category. This is reflected in the residual risk heat map below.



Average risk ratings showed a slight increase and reflected our challenging economic and political operating environment and the impact of the Covid pandemic, which had a negative effect on most business risks. Our largest risk remains unchanged and relates to the threat of adverse political conditions and regulatory pressure. This is expected given regulatory challenges experienced by TFC, political changes and policy uncertainty within South Africa, and the ongoing debate around land rights and usage.

The second-largest risk is linked to the uncertainty and possible prolonged economic impact resulting from the Covid pandemic. This risk specifically refers to an extended major health pandemic period.

The Company Secretary and legal counsel are responsible for guiding the Board in discharging its regulatory responsibilities. The Audit and Risk committee monitors the process to ensure legal compliance.

Kaap Agri had no instances of significant non-compliance to legislation during the year.

The Board, via the Audit and Risk committee, considered the effectiveness of the risk assessment and management process, policies and procedures. The Board is satisfied with the effectiveness thereof.

CA Otto
Chairman: Audit and Risk committee

Report of the Social and Ethics committee

COMPOSITION AND ATTENDANCE OF MEETINGS

The composition of the Social and Ethics committee ("the committee") and attendance of meetings are set out on page 60.

KEY FUNCTIONS AND RESPONSIBILITIES

The committee's role, function and responsibilities are prescribed by the Companies Act and are further detailed in a formal charter regularly reviewed by the Board. The committee has free access to the Board Chairman and is empowered to consult independent experts at company cost. In the execution of its duties according to its mandate the committee is responsible for monitoring:

- > Social and economic development
- > Good corporate citizenship
- > The SHEQ
- > Consumer relations
- > Labour and employment

The committee considered the Group's performance as a responsible corporate and social role player in terms of its operations, specific legislation, legal requirements and best practice, as determined by its mandate. We refer shareholders to the Social and Ethics report on page 67.

OPINION

The committee is of the opinion that the Group's compliance with social and ethical requirements conforms to all legislation, as well as to society's expectations of a good corporate citizen.



EA Messina

Chairman: Social and Ethics committee



Social and Ethics report

INTRODUCTION

We exist because our stakeholders should benefit from our existence. This is the premise of our approach to corporate social investment ("CSI").

We are attuned to the economic, social and environmental needs of the communities we operate in.

As "mens-mense", we place equal value on our responsibility to the environment, society, shareholders and employees.

At Kaap Agri, we firmly believe education is the most powerful weapon for societal upliftment. Education and community development are key pillars of our CSI strategy, evidenced by three of our major community interventions: the Kaap Agri Academy, the Young Stars programme and the Kaap Agri bursary programme.

We support various community outreach programmes in our operating areas. We also endeavour to fulfil other ad hoc requests as they arise. Our employees are encouraged to participate in community initiatives.

During the year, we embarked on numerous projects at branch level and invested approximately R3,256 million in social upliftment programmes. Employees also participated in causes they identified with.

Kaap Agri Academy

The Kaap Agri Academy ("the Academy") is our flagship CSI programme celebrating its 12th year of empowering emerging farmers and farmworkers. We are a key player in the agricultural sector and our main focus for community upliftment is education. Therefore, the Kaap Agri Academy's strategic approach is aligned to our core business.

During 2020, the Academy presented the learnership programme in mixed farming at National Qualifications Framework ("NQF") level 2.

The programme is a farming development programme and includes theoretical and practical training. The programme runs annually over several months and is attended by a maximum of 20 students per class. It aims to

fully equip existing and prospective farmers with practical and management skills to become commercial farmers.

The first Academy class commenced in March 2020, after which the Covid pandemic resulted in a state of disaster. As a result of various levels of lockdown, the balance of the classes was suspended. Options such as online training were considered, however, most learners did not have access to computer devices or uninterrupted access to data. Upon the relaxation of the lockdown levels, the Academy classes recommenced in their traditional format in September 2020, subject to all learners and facilitators observing strict hygiene protocols and practising social distancing.

The Academy also trains farmworkers in a range of regulatory short courses, such as welding, chemical handling, first aid, maintenance of tractors and implements, pruning, forklift training, identification of diseases and productivity management.

Our investment in the Academy for 2020 amounted to R979 681.

Young Stars programme

The Young Stars programme ("the programme") is run in partnership with the TechnoGirl Trust. The programme is an initiative of the Department of Women, Youth and Persons with Disabilities and is supported by the UN Children's Fund.

The programme is aimed at young female learners. It runs over three years during school holidays. Learners enrol at the beginning of Grade 9 and complete the programme at the end of Grade 11. Learners gain valuable experience in the working world, with exposure to different career options. They also receive coaching on personal development and financial management.

Due to the Covid pandemic, no traditional classes were held in 2020, which is the third and last year of the programme for this cohort. With the relaxation of lockdown levels, and clarity from the Department of Basic Education regarding school term dates, virtual contact sessions have been planned from October 2020

to December 2020. They will focus on how to prepare for employment, career guidance and the development of a personal growth plan which will comprise the following:

- > Action plan with goals, action steps and career timelines
- > A list of at least three career study choices with minimum entry requirements
- > A list of organisations to apply to, with application deadline dates
- > Funding options available, minimum requirements and closing dates for applications

In addition to the time spent on mentoring the learners, Kaap Agri invested financial capital amounting to R285 000.

Kaap Agri bursary programme

We believe education breaks the cycle of poverty for learners and their families. Supporting our youth through funding bursaries was a key focus during 2020. In total, 43 secondary school learners benefited from this programme. We also extended financial support to three promising tertiary students who are furthering their studies. Two students (one of whom will be completing his degree at the end of 2020) are pursuing a degree in BCom Marketing, one at the University of the Western Cape and the other at North-West University. A third student is pursuing a degree in law at the University of Stellenbosch.

The gender split for existing bursaries is 52% female and 48% male. However, Kaap Agri aims to have at least 55% female bursary beneficiaries. The transition towards 55% will be a gradual process. Due to our commitment to existing beneficiaries, new female learners will only be awarded bursaries once existing beneficiaries have matriculated or have left the school. Should additional funds be allocated towards bursaries, these will be allocated to female learners as a first priority.

The 2020 investment in educational bursaries for secondary and tertiary education amounted to R1,44 million.

Nelson Mandela Children's Fund

In 2019, Kaap Agri committed to donating R100 000 for three consecutive years to the Nelson Mandela Children's Fund ("Fund"). The Fund focuses on childhood development, youth leadership and education. These areas are aligned with Kaap Agri's CSI ideals.

The Fund, through its Child Safety and Protection programme, partnered with the Goedgedacht Trust and Women on Farms to reduce young people's vulnerability to violence by empowering them with education. With the support of funding from Kaap Agri, the two organisations implemented afterschool programmes in Path onto Prosperity (POP) centres and Saturday mathematics and literacy classes at Soetendal Primary School.

POP centres

Kaap Agri's funding provided support to two POP centres in Riebeeck Kasteel and Riebeeck West. These centres commenced operation on 1 February 2020 and followed a weekly plan including homework support, reading activities, mathematics lessons, life skills development, sports and music training.

As part of the weekly plan, learners received a nutritious meal three times a week when attending classes at the POP centre.

There are 74 children who regularly attend the Riebeeck Kasteel POP centre and 114 children attend the POP centre in Riebeeck West. These children consist of Grade R to Grade 12 learners.

The Goedgedacht Trust purchased mathematics and language educational material in March 2020 for these two POP centres. The learners' progress is monitored to ensure the interventions yield positive results and that the material supplemented and enhanced the learning experience. With the commencement of level 5 lockdown, the POP centres were only open for purposes of feeding the community. As the lockdown levels were relaxed and the school terms adjusted, the POP centres accommodated learners after school and when school was closed on alternate days.

Saturday mathematics and literacy classes

Saturday mathematics and literacy classes commenced at Soetendal Primary School at the beginning of February 2020. A facilitator/teacher was appointed for the classes to teach a group of Grade 6 and 7 learners. Learners are given mathematics and reading lessons, and are provided with a hearty meal after the lessons are completed. Twenty four learners attended these classes in 2020. With the commencement of lockdown level 5, all classes ceased and only resumed after the relaxation of the lockdown alert levels. This programme was adapted in accordance with the amended school calendar and to comply with Covid protocols.

School support project

The Kaap Agri Corporate Office embarked on several community projects.

There are many rural schools around Kaap Agri's branches attended by underprivileged children. Many of them walk up to 5 km from their farm residence to school and back. Some even walk barefoot or with broken shoes on busy, arterial roads. These children's parents work on the farms in our operating areas and struggle financially. Some cannot afford a pair of school shoes, much less reliable transport for their children.

Weltevreden Primary School in Riebeeck West is one such rural school, where Grade R to 6 classes are offered. There are 120 learners at the school of which 50% are female. All the learners are children of farmworkers from neighbouring farms in the area and most of them walk to school. Our donation to the school comprised school shoes and uniforms, stationery, cloth masks and hand sanitiser for each learner.

The total spend on this project amounted to R66 517.

Covid initiatives

President Cyril Ramaphosa, on behalf of the National Coronavirus Command Council, instituted various nation-wide lockdown levels since March 2020. The way forward for many businesses was unknown. However, during these unprecedented and uncertain times, Kaap Agri believed many of the imposed lockdown provisions would continue indefinitely in some manner or form. Kaap Agri fully supported the lockdown levels and all ancillary interventions put in place to flatten the curve and reduce the spread of the virus. The pandemic's significant impact on South African businesses and the economy in general is clear. The comprehensive regulations issued by government in terms of the Disaster Management Act, 57 of 2002 to combat the spread of the virus, resulted in many businesses, including ours, finding new ways of working to continue serving our customer base, while mitigating the pandemic's impact. This approach enabled us to continue our contribution to identified socio-economic development programmes for the most vulnerable in our communities. Our contributions included:

- As part of the initiatives to help reduce the infection rate, the President identified water storage capabilities in informal settlements and townships as an immediate need. Clean running water is scarce in these areas, and

it was important for residents to wash their hands and appropriately sanitise themselves during the pandemic. The Gift of the Givers Foundation embarked on this project, which fed into flattening the curve of the spread of Covid. The Group (including TFC) collaborated with the Gift of the Givers Foundation and donated 69 water storage tanks (together with the required fittings for dispensing water). The tanks have a storage capacity of 138 000 litres. The total donation amounted to R216 191. The tanks were distributed to informal settlements and townships in areas such as Garies, Calvinia, Sutherland and Graaff Reinet, as well as to the Tygerberg Hospital in Cape Town. These areas are close to the operating areas of the Group's Agrimark branches.

- Kaap Agri, in collaboration with other agri-businesses and industry organisations, assisted needy communities in the Swartland region. With the help of grain producers in the region, more than 52 tonnes of bread flour were donated to families in dire need and to relief and support organisations to help those impacted by Covid. Kaap Agri provided the grain that the producers donated in advance of their 2020 harvest. The milling and packaging thereof into 10 kg bags was done by a local mill in Riebeeck West. The Swartland, Saldanha and Bergriver municipalities as well as the Durbanville Agricultural Organisation were identified as distribution partners. This donation collectively amounted to R500 000.
- As many communities continue to fight the spread of the virus, four Agrimark stores joined hands with the Goedgedacht Trust, a farm-based community support organisation in Malmesbury, to create a self-isolation facility for local residents infected with Covid. With the help of the Agrimark stores and other sponsors, the Goedgedacht Trust converted its premises into a Covid recovery centre to accommodate infected patients under quarantine. The centre has been able to accommodate up to 34 patients at a time.

The Agrimark branches in Malmesbury, Darling and Riebeeck West, as well as Kaap Agri Mechanisation and Agrimark Grain, donated building material towards the erection of a security gate and fencing around the recovery centre. This donation ensured the necessary security arrangements around the isolation units were in place. Our relationship with the Goedgedacht Trust is an example of how collaboration can assist in combating the Covid virus in communities.

Porterville community project

The Porterville Community Association has supported people in dire need for 17 years. Kaap Agri was a founding member of the association and we play a major role in ensuring the sustainability of the project. The association's wheat cultivation project has made a difference to the local community since its inception in 2003. The local municipality supports this initiative by availing 25 hectares of land to plant wheat.

Kaap Agri's representatives serve on the association's committee. To ensure the project runs smoothly, they provide support for detailed co-ordination and administrative duties. Several local suppliers are also involved in the project. The suppliers contribute seeds, chemicals, fertiliser, services and implements, among other things.

The 2020 beneficiaries were the Porterville primary and high schools, a local old age home, the Western Cape Department of Social Services and Poverty Alleviation, ACVV Huis Nerina and Badisa, a social services organisation. The total profits generated from this grain project amounted to approximately R200 000.

For the past 17 years, funds amounting to R1 434 370 were distributed.

Kaap Agri supplier's golf day

Kaap Agri hosts an annual golf day at which our suppliers are keen participants. This is aligned with our approach of viewing our suppliers as business partners. The proceeds of these golf days are donated to underprivileged schools selected within Kaap Agri's operating areas. The contributions are valued and go towards much needed projects initiated at the schools.

During the year, a total of R75 000 was raised and distributed to three beneficiaries. These included a special needs school in Paarl; an organisation providing all-inclusive services accessible to the deaf and persons with hearing loss in Worcester; and to a halfway home (place of safety) for babies available for adoption, abandoned babies and babies with special needs younger than two years old in Upington.

Community projects

In addition to programmes run by the Corporate Office, the Agrimark retail branches regularly reached out to their respective communities and focused on grassroots needs. Projects were completed in Citrusdal, Franschhoek, Paarl, Philippi, Malmesbury, Bredasdorp and Bonnievale.

A few of these community projects are highlighted below:

| Beneficiary | Region | Value | Initiative |
|----------------------------|---------------|---------|---|
| Hope@Swartland | Swartland | R30 000 | TFC supported five Grade 12 learners to receive extra mathematics and science education, facilitated by the University of Stellenbosch. |
| CANSA Foundation | National | R15 520 | Kaap Agri supported the breast cancer awareness campaign. |
| Movember Foundation | National | R7 000 | Kaap Agri supported the testicular cancer awareness campaign. |
| Weltevreden School Project | Riebeeck West | R66 517 | Kaap Agri donated school shoes and clothing, stationery, masks and sanitiser to 120 learners. |

The total spend for 2020 on community projects at branch level amounted to R196 826.

Kaap Agri Bedryf Employee and Farm Worker BEE Trust

During the year, the Kaap Agri Bedryf Employee and Farm Worker BEE Trust distributed R726 606 to various underprivileged beneficiaries. This amount included loans to employees for home and security-related improvements, and bursaries for employee dependants.

B-BBEE TRANSFORMATION REPORT

Leveraging transformation remains a key strategic imperative and differentiator for the Group.

Kaap Agri measures its B-BBEE status against the Agri BEE sector codes determined by the Department of Trade, Industry and Competition.

Kaap Agri's objective is to maintain a level 3 B-BBEE status with a procurement recognition of 110%.

We achieved more accurate monitoring and reporting by developing a forecasting tool to render a consolidated and scorecard element view. This resulted in improved planning and more effective decision-making regarding proposed financial investments.

Kaap Agri's B-BBEE goals

Kaap Agri has maintained a level 3 contributor status in terms of the sector codes. An overview of the Group's progress is outlined below.

Ownership

Kaap Agri has achieved 25,14 % for black ownership and 9,39% for black women ownership.

The Kaap Agri Bedryf Employee and Farm Worker BEE Trust

Five percent of Kaap Agri's shares were issued to the Kaap Agri Bedryf Employee and Farm Worker BEE Trust ("Trust"). The income beneficiaries are Kaap Agri employees, farmworkers, their families and local communities. Five trustees are appointed to manage the Trust, three of whom are independent. Of the income received from dividends, 90% is used to repay Trust debt. The 10% balance of the dividend amount is distributed among beneficiaries.

The Trust makes funds available to qualifying employees of the designated group through a revolving home loan fund. During 2020, 66 employees benefited from this fund. Of these employees, 45% were female. The Trust also supported four children of qualifying employees with funding for tertiary education, all of whom were female learners.

Management control (including employment equity)

The Board is structured to ensure the collective skills and experience of directors are suitable to carry out their responsibilities and to achieve the company's objectives. At Board level, three of the 11 members are black, one of whom is a black female member.

Employment equity is a significant focus area for transformation. We have implemented several employment equity plans, and submit annual progress reports to the Department of Employment and Labour.

Some of these plans include recruitment strategies which attract previously disadvantaged individuals. Career and skills development are aligned with the Group's employment equity plans.

Recruiting and developing previously disadvantaged individuals improved, with 22% and 53% for junior managers and black female junior managers respectively.

Skills development

The Group is an active participant in the Agricultural Sector Education and Training Authority ("AgriSETA"). Accreditation with the AgriSETA is a priority for service providers providing skills development training across the Group. We also comply with the Skills Development Act, 97 of 1998.

Several learnerships are conducted on an ongoing basis under the AgriSETA. In 2020, 114 learnerships were completed. Eleven of the 21 unemployed learners of 2019 were absorbed into the business in 2020.

We also focused on skills development for persons with disabilities and supported seven learnerships.

Approximately 84,5% of the total training budget was spent on employees from the designated group for the year. In terms of payroll, training levies are paid over to the South African Revenue Service.

Preferential procurement

Kaap Agri is a retail services group which supplies products and services not only to our bedrock agricultural customer, but also to the homeowner, pet lover, building contractor and DIY enthusiast. In 2020, the Group increased its products purchased from B-BBEE-accredited suppliers to more than 81,86%.

Supplier development

Our supply chain is the backbone of our operations. In 2019 we focused on ensuring the identified supplier development programme is value adding and aligned to our business needs. The initiative centres around developing a supplier portal and database to ensure the integrity of master data.

In 2020, this supplier development initiative was further developed. We utilised time and resources to upload and maintain accurate supplier information onto the portal for future implementation. This initiative revolves around creating a subscription-based e-commerce web portal where suppliers from all over South Africa can offer their services to existing and potential agri-sector clients within the critical framework of B-BBEE and statutory compliance. The portal gives buyers the opportunity to access vetted suppliers to fulfil their supply chain management requirements, while suppliers gain access to markets. The portal will develop a sector marketplace for the agri-sector (accommodating fuel and retail configuration), that enables buyers and suppliers to find each other, to drive growth opportunities.

Enterprise development

Enterprise development entails monetary and non-monetary contributions to the development and sustainability of the financial and operational independence of black-owned enterprises.

The Fruit Workers' Development Trust ("Trust"), along with Empowerment and Transformation Investments (Pty) Ltd, are Kaap Agri's enterprise development beneficiaries. In support of the work the Trust does, the initial repayment date for the loan afforded by Kaap Agri to the Trust was extended for an additional five years. The value of the loan is R2 million.

We also focus on developing small and micro-enterprises. Through the TFC subsidiary, we supported a local transport company through the provision of an interest-free loan, which enabled the company to purchase a vehicle to start a delivery service. This transport company has been onboarded and contracted as a first-time supplier in Kaap Agri's supply chain, providing transport and logistical services for the delivery of dry stock to various Expressmark branches.

Socio-economic development

Kaap Agri's main focus areas for socio-economic development programmes are education and community development.

Kaap Agri's employees are "mens-mense" who CARE and want to make a significant contribution in their communities. We encourage employees to participate in local community initiatives. This upholds the reason for Kaap Agri's existence that all its stakeholders should be better off because of its existence.

Kaap Agri's CARE initiative makes a difference in local communities where our stores are located, and is a top priority. During 2020, we embarked on numerous projects at corporate and branch level. We invested donations, sponsorships and contributions of R3,256 million in education, educational support programmes and various community upliftment programmes in our operating areas.

STAKEHOLDER RELATIONS

Our core CARE values (communicate, alignment, relationships and empowering) direct our engagement with stakeholders.

We believe our reputation rests on our responsiveness and contribution to our neighbouring communities and society at large. This allows us to deliver value to our stakeholders.

Kaap Agri's relationship with its stakeholders is entrenched and underpinned by its code of ethics.

Kaap Agri strives to have a positive economic impact on its stakeholders. This is achieved through creating wealth, employment, competitive remuneration and socio-economic development.

Stakeholder engagement is entrenched in the business through, among other things, regular direct engagements with customers, hosting and attending industry events and seminars, media relations and investor relations.

We ensure communication with stakeholders is unambiguous, balanced, trustworthy and transparent.

Key stakeholders are government departments and regulatory authorities, customers, employees, investors/shareholders, suppliers, communities and the media.

Stakeholder groups that have a definite impact on Kaap Agri's ability to create value are listed in the table below. It also outlines stakeholders' interests pertaining to Kaap Agri's business activities.

| Relationships | Means of engagement | Interests |
|--|---|---|
| Government and regulators | | |
| <ul style="list-style-type: none"> > Provide access to markets through operating and other licences – the basis of creating value > Regulatory measures are imposed and have potential cost implications > Provide business opportunities through tenders, networking and stakeholder engagement | <ul style="list-style-type: none"> > Consultation and participation in public forums > Active engagement and submissions on draft regulations, white papers and bills > Engagement with industry consultative bodies > Publication of policy engagement and discussion papers | <ul style="list-style-type: none"> > Supporting valuable opportunities for job creation and socio-economic development, including transformation > Protecting consumer interests in cost-effectiveness, quality, privacy of information and world-class service > Regulatory compliance on issues such as price, SHEQ > Diligent contribution to the tax fiscus |
| Customers | | |
| Purchase our products and services – the basis for growth in revenue | <ul style="list-style-type: none"> > Online – Kaap Agri website > Social media – Facebook and Instagram > Retail outlets > Print media and advertising on various platforms | <ul style="list-style-type: none"> > Improved value proposition in offerings to the customer > Living the “mens-mense” culture of CARE and allowing the customer to experience it > Streamlining business processes for greater customer efficiency |
| Investors and shareholders | | |
| Provide the capital necessary for sustainability and growth | <ul style="list-style-type: none"> > Annual and interim results publications > Investor relations information on Kaap Agri website > SENS announcements > Two yearly investor roadshows > AGM | <ul style="list-style-type: none"> > Strategy to ensure a sustained financial performance and growth > Responsible investment to ensure growth, manage risks and explore opportunities in various markets > Transparent remuneration policy > Responsible allocation of capital for investment and future growth > Sound corporate governance practices > Responsible dividend policy |
| Employees | | |
| Their skills, involvement, loyalty and “mens-mense” culture of CARE make realising the reason for our existence possible – we exist because our stakeholders should benefit from our existence so we can become a leading role player in the retail sector | <ul style="list-style-type: none"> > Internal website > Internal publications and electronic communication > Visual communication boards > CEO roundtable | <ul style="list-style-type: none"> > Clear career paths and opportunities for career development > CARE programme > Mobilising, executing and transforming with agility > Competitive remuneration and recognition of talent > Profit-sharing scheme |

| Relationships | Means of engagement | Interests |
|---|--|---|
| Suppliers | | |
| Impact our ability to provide quality products at market-related prices | <ul style="list-style-type: none"> > Technology solutions for vendor management > Regular visits to suppliers > Audits > Supplier information days and networking opportunities > Supplier awards | <ul style="list-style-type: none"> > Timely payment and fair repayment terms > B-BBEE compliance in line with latest codes and measurements > Improving SHEQ |
| Media | | |
| <ul style="list-style-type: none"> > Regulatory: provides capital for sustainability and growth > Voluntary: crucial role in keeping stakeholders informed of our business, including our products and services | <ul style="list-style-type: none"> > Publication of financial results > Face to face, telephonic and electronic engagement > Interviews with CEO and key executives > Media releases and product-related publicity | <ul style="list-style-type: none"> > Transparency > Keeping stakeholders informed of key activities and offerings |
| Communities | | |
| Ensure the long-term viability of our business and that others are better off because of our existence, by nurturing and strengthening our socio-economic operating context | <ul style="list-style-type: none"> > “Mens-mense” approach to socio-economic development programme > Bursary programme > Kaap Agri Academy > Young Stars programme | <ul style="list-style-type: none"> > Employee participation in socio-economic development programmes > Access to education and training > Investment in infrastructure and community upliftment |

ENVIRONMENTAL IMPACT REPORT

We strongly believe corporate sustainability starts with our value system and a principles-based approach to doing business. We incorporate the 10 principles of the UN Global Compact and a culture of integrity into our strategies, policies and procedures. This upholds our basic responsibilities to people and the planet, and sets the stage for long-term success.

Kaap Agri firmly embraces, supports and enacts the UN Global Compact's set of core human rights, labour, environment and anti-corruption principles. Kaap Agri is also committed to an ethical code of conduct. We have a health, safety and environmental policy and other codes and guidelines. These may be issued from time to time, as required by applicable law.

Co-operation and dialogue with stakeholders are essential for Kaap Agri. We seek to be good neighbours and valuable community

members wherever we operate. Many of Kaap Agri's Agrimark branches are cornerstone employers and are of great importance to the local community. They contribute to the fiscus through tax income, jobs, infrastructure and community development. Kaap Agri values open dialogue with neighbours, local governments and other partners including research institutions, customers and suppliers. This is because we consider ourselves a long-term partner.

The following sustainability initiatives were maintained during the year:

Plastic to paper straws

There is a global shift to changing behaviour to dramatically reduce single-use plastic products ending up in our oceans. These products cause immense harm to the planet. Kaap Agri decided to no longer stock plastic straws and, as a retailer, is trying to make a small contribution to this cause. We now stock paper straws.

Kaap Agri committed to donating a portion of the proceeds received for every straw sold to an organisation called Sea the Bigger Picture, which runs ocean and beach clean-up initiatives.

Energy conservation initiatives

During the past year, to further reduce electricity consumption and become less reliant on electricity produced from fossil fuels, Kaap Agri identified solar photovoltaic panels for the purposes of small-scale embedded power generation. This presents possible opportunities to utilise renewable energy sources. The panels were installed at selected Agrimark branches during the year as a pilot to establish their viability.

During the year, we invested in two solar plants, one at each of the Paarl and Worcester Agrimark branches. Due to various delays caused by the Covid pandemic, both of these sites were only commissioned in August 2020, thus there is insufficient data to test against various cost saving assumptions. This data will be monitored in the new financial year.

Water, electricity and paper usage, and fuel consumption

Our focus areas for the future are water, electricity and paper usage and fuel consumption. This forms part of Kaap Agri's contribution to reducing its environmental impact. Kaap Agri will consider sustainable measures to reduce usage and consumption. We have forecast a three to five-year horizon on the percentage of reduction we aspire to achieve. This is our vision going forward and forms part of energy conservation initiatives already embarked on.

Kaap Agri is committed to developing its business to support the ambitions of the 10 UN Global Compact principles. We will endeavour to continue our work in implementing these principles.

As part of Kaap Agri's efforts to reduce its environmental impact, last year we commenced baseline tracking and continue to monitor key areas of water, electricity and paper usage, and fuel consumption.

Safety, health, environment, and quality ("SHEQ")

Kaap Agri is committed to complying with industry-specific standards for SHEQ. The Group's integrated management system is in the final stages of development. It will assist us to better manage compliance and implement industry best practice.

We constantly review our policies and procedures to align with legislative developments, industry standards and to ensure effectiveness of controls.

At each operating unit, safety hazards, environmental impacts and aspects, occupational health, and product quality hazards and risks are identified and control measures are devised and implemented to eliminate or mitigate risks. Reporting near misses and minor incidents, combined with tool box talks and learnings from previous incidents, assist in proactively mitigating and reducing repeat incidents.

Occupational hygiene surveys are conducted to ensure employees are not exposed to harmful levels of hazardous substances, noise or other health stressors. Where there might be exposure to, for example, grain dust at our silos, measures were implemented to reduce dust. These measures included installing a dust removal system and dust bags.

Proper personal protective equipment and training are also provided. In addition, annual medical tests are conducted to monitor employees' health (applicable to silos, the Malmesbury engineering workshop and Manufacturing).

Employee training is one of our key focus areas. It helps employees better understand hazards in the workplace and take leading roles in building a SHEQ culture which resonates with our "mens-mense" culture of CARE. Covid taught us that digitisation is not something of the far future, but is here. We are therefore making concerted efforts to ensure training is done digitally where possible. Our e-learning modules for managers and senior staff proved to be helpful in the implementation of standard operating procedures during the lockdown period.

Regular assurance is vital to such diverse operations as Kaap Agri's, thus different levels of SHEQ audits are conducted at each branch. Checklists and self-assessment audits are conducted monthly by branch operating teams. The Group SHEQ department conducts comprehensive legal compliance audits every six months, while Group internal audit conducts high-level assurance audits.

SHEQ due diligence audits were conducted for all newly acquired operating units.



OUR COMMUNITIES



The global shutdown due to the Covid pandemic has impacted the lives of every global citizen differently. At home we have our own set of challenges unique to our circumstances, pushing us to define and seek local solutions. Kaap Agri, through its extremely generous donation of water tanks, has helped combat the main weapon against Covid – the ability to keep clean. This fundamental right will help thousands of our most vulnerable citizens to have a better quality of life.”– Badr Kazi, Director: Gift of the Givers



#InThisTogether: CARE amid Covid

Agrimark and TFC provided 69 water tanks to the disaster response NPO Gift of the Givers, to ramp up protection efforts in poor and drought-stricken communities in the fight against Covid. The tanks were allocated to communities in the Western Cape and Northern Cape where access to clean water is limited due to drought conditions and where residents find it difficult to follow basic hygiene protocols to protect themselves from the virus.

Additional material information

Group structure



Shareholder information

SHAREHOLDERS' PROFILE

| | Number of shareholders | Number of shares | Percentage held |
|--|------------------------|-------------------|-----------------|
| Spread | | | |
| 1 to 1 000 shares | 1 816 | 679 080 | 0,9% |
| 1 001 to 10 000 shares | 1 514 | 5 247 814 | 7,1% |
| 10 001 to 100 000 shares | 356 | 9 509 723 | 12,8% |
| 100 001 to 1 000 000 shares | 25 | 6 007 414 | 8,1% |
| More than 1 000 000 shares | 4 | 52 726 246 | 71,1% |
| Total | 3 715 | 74 170 277 | 100,0% |
| Type of shareholder | | | |
| Public | 3 704 | 23 755 875 | 32,0% |
| Non-public | 11 | 50 414 402 | 68,0% |
| Directors and associates of the company | 7 | 483 258 | 0,7% |
| Zeder Financial Services Limited | 1 | 31 286 956 | 42,2% |
| Plurispac (Pty) Ltd | 1 | 14 834 056 | 20,0% |
| Empowerment and Transformation Investments (Pty) Ltd | 1 | 3 708 514 | 5,0% |
| The Fruit Workers Development Trust | 1 | 101 618 | 0,1% |
| Total | 3 715 | 74 170 277 | 100,0% |
| Major beneficial shareholders | | | |
| The following shareholders have a holding equal to or greater than 5% of the issued shares of the company: | | | |
| Zeder Financial Services Limited | | 31 286 956 | 42,2% |
| Plurispac (Pty) Ltd | | 14 834 056 | 20,0% |
| Empowerment and Transformation Investments (Pty) Ltd | | 3 708 514 | 5,0% |
| Total | | 49 829 526 | 67,2% |

| | NUMBER | |
|--|----------------|----------------|
| | 2020 | 2019 |
| Shareholding of directors (direct and indirect) | | |
| BS du Toit | 29 729 | 29 729 |
| EA Messina | 14 500 | – |
| WC Michaels | 5 250 | 2 750 |
| CA Otto | 269 176 | 163 546 |
| GW Sim | 32 342 | 24 020 |
| HM Smit | 3 461 | 3 461 |
| JH van Niekerk* | – | 249 674 |
| S Walsh | 128 800 | 103 500 |
| Total | 483 258 | 576 680 |
| Percentage of issued shares | 0,7% | 0,8% |

* Retired as a member of the Board effective 13 February 2020.

There has been no change in the directors' interest from the financial year-end of the company on 30 September 2020 up until the approval of the financial statements.

Annual financial statements

Contents

| | |
|---|-----|
| Declaration of directors' responsibility and approval | 80 |
| Declaration by the Company Secretary | 81 |
| Report of the Audit and Risk Committee | 82 |
| Independent auditor's report | 84 |
| Directors' report | 91 |
| Consolidated statement of financial position | 92 |
| Consolidated income statement | 93 |
| Consolidated statement of comprehensive income | 93 |
| Consolidated statement of changes in equity | 94 |
| Consolidated statement of cash flows | 95 |
| Notes to the consolidated annual financial statements | 96 |
| Kaap Agri Limited – annual financial statements and notes | 142 |
| Accounting policies to the financial statements | 147 |

Declaration of directors' responsibility and approval

The directors are responsible for the fair presentation of the annual Company financial statements and annual Group financial statements of Kaap Agri Limited. In conducting this responsibility they rely on the information, assessments and estimates of management. The fair presentation and integrity of the Company and Group financial statements are also evaluated on the basis of accounting systems and internal financial control measures which are monitored on an ongoing basis during the financial period.

The Company and Group annual Financial Statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These financial statements incorporate accounting policies that have been consistently applied to all periods presented and are consistent with those applied in the previous financial year, with the exception of the adoption of the IFRS 16: Leases. The impact of the implementation of this standard is disclosed in note 46.

The Board of Directors ("Board") will continue to monitor the impact of the COVID-19 pandemic on the company's operations and its financial position. The impact of COVID-19 has been limited to certain areas of the business as mentioned above and while concerning, has not materially impacted the Group results. The business has been able to partially mitigate lost income via a range of cost and working capital initiatives, thus ensuring a lower overall financial impact. Liquidity has remained within the various banking covenants and no relaxation of covenants or additional facilities have been required. Revenue has largely recovered and although footfall remains down, the business is performing in line with expectation. The balance sheet has remained strong throughout the various lockdown levels. Kaap Agri remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control. Management is comfortable to conclude that the business will continue as a going concern and is very satisfied with the results the Group has delivered during a very challenging period.

Based on the Group and Company financial statements, the present position of the Company and the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Company and Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the Group and Company financial statements.

The independent auditing firm PricewaterhouseCoopers Inc. audited the Group and Company financial statements to comply with the relevant requirements of the Companies Act. The auditors had unrestricted access to all financial records and related information, minutes of shareholders, directors and Board committee meetings. The directors are of the opinion that all submissions and management declarations presented to the auditors were correct, valid and relevant.

The unqualified report of the auditors appears on pages 84 to 90.

The Company and Group annual financial statements on pages 92 to 160 were compiled by GC Victor CA (SA) under supervision of GW Sim CA (SA) and approved by the Board of directors on 25 November 2020 and signed on their behalf by:



GM Steyn
Chairman



S Walsh
Chief Executive Officer

Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, the Company Secretary hereby certifies that all returns of the company and its subsidiaries, as prescribed by the said Act, have been submitted to the Companies and Intellectual Property Commission (CIPC) and that the said returns are true, correct and up to date.



RH Köstens

Company Secretary

25 November 2020

Report of the Audit and Risk committee

to the shareholders of Kaap Agri Limited

COMPOSITION AND ATTENDANCE OF MEETINGS

The composition of the Audit and Risk Committee and attendance of meetings are set out on pages 57 and 58 of this integrated report.

KEY FUNCTIONS AND RESPONSIBILITIES

The responsibilities of the audit committee are set out in a formal charter which is revised annually by the Board. The committee has free access to the Chairman of the Board of directors and is empowered to consult independent experts unlimited at company cost. In the execution of its duties according to its mandate and requirements of the Companies Act, the committee is responsible for the discussion and assessment of:

- > the effectiveness of internal control systems and risk management as well as of management information;
- > the internal auditor's audit plan, reports and recommendations;
- > the independence, conditions of appointment, audit plan and remuneration of the external auditors;
- > the effectiveness and reports of the external auditors;
- > the Group's conformance to corporate management rules, risk management and statutory requirements;
- > the appropriateness of accounting policies and any matters related to financial reporting;
- > the separate and consolidated annual financial statements, before these annual financial statements are approved by the board for release;
- > ensuring that the external auditor is independent of Kaap Agri Limited, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements;
- > ensuring that the group chief financial officer, as well as the group finance function, has the appropriate expertise and experience in terms of paragraph 3.84(g)(i) of the JSE Ltd Listings Requirements.
- > any other prescribed functions the committee is required to perform.

INTERNAL AUDIT

The internal audit function fulfils an important role to give assurance to the Audit Committee that sufficient control measures are in place and are functioning correctly so that the committee can form an opinion on key functions and key responsibilities. Therefore, the internal auditors have direct access to the chairman of the Audit Committee, and the Audit Committee is also responsible to ensure that the internal audit function is independent and that it has the necessary resources, status and authority to perform its duties. The internal and external auditors attend Audit Committee meetings. The committee also regularly meets together and separately with the internal and external auditors to create the opportunity to exchange confidential information. The Audit Committee also oversees the co-operation between internal and external auditors and serves as a link between the Board and these functions.

EXTERNAL AUDIT

The board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the audit committee for all non-audit services. In determining the independence of the external auditors, the committee considers the level and types of non-audit services provided as well as other enquiries and representations. The prospect of mandatory audit firm rotation was also considered by the committee during the current financial year. As required by the Companies Act, the committee has satisfied itself that Kaap Agri Limited's external auditor, PricewaterhouseCoopers Inc.,

was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and is thereby able to conduct its audit functions without any undue influence from the company.

The committee has considered the relevant audit quality indicators. The committee was satisfied with the quality of the audit concluded and has nominated, for re-appointment at the annual general meeting, PricewaterhouseCoopers Inc. as the external auditor of Kaap Agri Limited for the financial year ending 30 September 2021 and Mr A Hugo as the designated individual registered auditor who will undertake the audit of Kaap Agri Limited on behalf of PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc., being the audit firm, as well as Mr A Hugo, being Kaap Agri's individual auditor for the 2020 financial year, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee has satisfied itself that PricewaterhouseCoopers Inc. and Mr A Hugo are suitable for reappointment as audit firm and appointment as individual auditor for the 2020 financial year, respectively, by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

ANNUAL REPORT

The committee has evaluated the annual report of the Company and Group for the year ended 30 September 2020, with specific consideration of the following significant financial reporting matters during the year:

- > the provision for doubtful debts recognised on trade receivables;
- > the business combinations in the current year; and
- > the provision for damaged, old and slow moving stock
- > renewal of lease periods
- > consideration of control in management agreements
- > goodwill impairment testing

The committee reviewed the estimates used and judgements made by management and determines whether they are reasonable in terms of the current macroeconomic climate and in line with assumptions utilised by comparable third parties.

Based on the information provided to the committee, the committee considers that the Group complies, in all material respects, with the requirements of the Companies Act, as amended, and IFRS.

OPINION

Given the functions and responsibilities of the committee, as well as the procedures referred to above, the Audit Committee is of the opinion that:

- > the Group's internal control measures and risk management are sufficient;
- > the experience and expertise of the Financial Director and the finance function was appropriate;
- > appropriate financial reporting procedures are in place and are operating in accordance with paragraph 3.84(ii) of the JSE Listings Requirements;
- > the audit was performed with the necessary independence and competence;
- > the Company and Group annual financial statements were prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and
- > there are no other matters which are to be revealed to shareholders which have not been covered in the annual financial statements.



CA Otto

Chairman: Audit and Risk committee

25 November 2020

Independent auditor's report

To the shareholders of Kaap Agri Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Kaap Agri Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Kaap Agri Limited's consolidated and separate financial statements set out on pages 92 to 160 comprise:

- > the consolidated and company statements of financial position as at 30 September 2020;
- > the consolidated income statement for the year then ended;
- > the consolidated and company statements of comprehensive income for the year then ended;
- > the consolidated and company statements of changes in equity for the year then ended;
- > the consolidated and company statements of cash flows for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

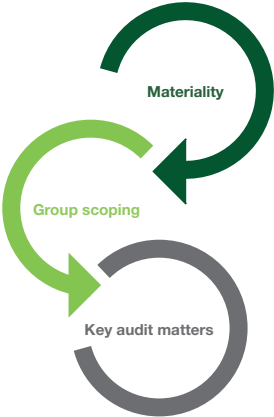
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach
Overview



Overall group materiality

- > Overall group materiality: R19 million, which represents 5% of consolidated profit before tax.

Group audit scope

- > Full scope audits were performed for all five individually significant components; and
- > Analytical procedures were performed over the remaining non-significant components.

Key audit matters

- > Acquisition of fuel sites;
- > Goodwill impairment assessment; and
- > Adoption of IFRS 16, Leases.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|--|
| Overall group materiality | R19 million. |
| How we determined it | 5% of consolidated profit before tax. |
| Rationale for the materiality benchmark applied | We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit orientated companies in this sector. |

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included five components, which were either financially significant components, based on contribution to consolidated profit before tax, or components of which an identified financial statement line item or items were considered to be significant. Full scope audits were performed on these components. The remainder of the components were considered to be non-significant, individually and in aggregate. We performed analytical procedures on these remaining non-significant components.

All work was performed by the centralised engagement team (group engagement team) and our audit did not require the involvement of component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Acquisition of fuel sites</p> <p><i>(Refer to notes 43 (Business combinations) and note 4 of the accounting policies to the consolidated financial statements)</i></p> <p>During the current financial year, the Group acquired seven separate fuel sites and one Quick Service Restaurant for a total consideration of R257 million. The acquisition resulted in the recognition at fair value of total net assets amounting to R84 million and goodwill of R174 million. Total assets assumed at fair value consisted mainly of land and buildings, including the site licence, of R91 million. Management performed the purchase price allocation as required by IFRS 3, Business Combinations.</p> <p>We considered the accounting for the acquisition of fuel sites to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none">> the judgement and estimates involved in allocating the purchase price to the net assets identified in the business combinations; and> the valuation of the assets requiring specialist skills and knowledge. | <p>We obtained the purchase price allocation prepared by management. Based on discussions with management, reading the purchase agreements and applying our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired, including assessment of the completeness thereof.</p> <p>We made use of our understanding of the industry to assess whether the properties related to the fuel sites can operate without the required site licenses and found that it is not the case. Where applicable, we inspected the relevant site licenses to evaluate whether these have been obtained as required. We assessed the useful lives of site licenses based on our understanding of the industry and inspection of the relevant contractual agreements, and based on our work performed, we accepted management's conclusion that these licenses have indefinite useful lives. As these licenses were found to have similar useful lives as the land that it relates to (being indefinite) we accepted management's view that it is appropriate for the site licenses to be recognised together with the land that it relates to.</p> <p>Utilising our valuation expertise, we assessed the valuation performed by management in determining the fair value of the properties, including the site license. We tested the valuation of the buildings by independently agreeing the inputs used to external sources. Based on our work performed, we noted that the methodology followed is consistent with industry norms and accepted the inputs and assumptions used by management, taking into account the historical performance of the individual fuel sites.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Goodwill impairment assessment</p> <p><i>(Refer to note 5 (Intangible assets) and note 4 of the accounting policies to the consolidated financial statements)</i></p> <p>The Group's net assets include goodwill amounting to R455 million as at 30 September 2020.</p> <p>Management performs annual impairment tests to assess the recoverability of the carrying value of goodwill. The assessment in the current year was performed using value-in-use calculations for the relevant fuel clusters and for Partridge Building Supplies cash generating unit (CGU).</p> <p>Management performed a sensitivity analysis on the goodwill balance by varying the key assumptions used (i.e. discount rates and growth rates) to assess the impact on the valuation and the available headroom.</p> <p>We considered the impairment assessment of goodwill to be a matter of most significance to our audit due to the following:</p> <ul style="list-style-type: none"> > The estimates and assumptions applied by management in their impairment assessment; > The magnitude of the goodwill balance. | <p>We held discussions with management to obtain an understanding of the methodology applied in performing its impairment test for each of the relevant CGUs and we found the approach adopted by management in the valuation models to be consistent with market practice and the applicable requirements of IAS 36: Impairment of assets.</p> <p>We tested management's calculation for each model by:</p> <ul style="list-style-type: none"> > Tested the mathematical accuracy of management's impairment calculations, and noted no exceptions. > Using our valuation expertise, we challenged management's key assumptions by comparing terminal growth rates and discount rates to industry benchmarks and economic forecasts. Management's assumptions fell outside our independent range, however we noted no material impairment when using our independent inputs. > We agreed cash flows to the business plans approved by the respective boards. No inconsistencies were noted. > In assessing management's forecasts for reasonableness, we considered the historical accuracy of forecasts by comparing the actual results for the current year to the original forecasts. Where variances were noted, we followed up with management and assessed the reasonability of the variances. We noted no aspects in this regard requiring further consideration. <p>We performed independent sensitivity calculations on the impairment assessments in order to ascertain the impact of changes to the key assumptions on the available headroom. The results of our sensitivity analyses were consistent with management's conclusions.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Adoption of IFRS 16, Leases</p> <p><i>(Refer to note 4 (Leases), note 44 (Change in accounting policies) and note 20 of the accounting policies to the consolidated financial statements)</i></p> <p>The balance of the right-of-use assets as at 1 October 2019 is R163 million and the lease liability is R184 million.</p> <p>IFRS 16, Leases became effective in the current accounting period. The Group adopted IFRS 16 with effect from 1 October 2019 and elected not to restate its comparative information, as permitted by this standard. Accordingly, using the modified retrospective approach, the impact of IFRS 16 has been applied retrospectively with an adjustment to the Group's opening retained earnings on 1 October 2019.</p> <p>The adoption of IFRS 16 was performed based on a number of estimates and judgements, which primarily included determination of the appropriate discount rates (incremental borrowing rates) and the lease term for each lease. The Group's lease contracts may include extension options which are included in the lease term if it is reasonably certain that the Group will exercise the extension option.</p> <p>We considered the adoption of IFRS 16 to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> ➤ The level of estimation and judgement applied in the adopting the new standard; and ➤ The magnitude of the balances. | <p>We performed the following audit procedures:</p> <p>Through discussions with management, we obtained an understanding of the judgements and assumptions used by management in the adoption of IFRS 16.</p> <p>We obtained an understanding of the method followed by management in determining the incremental borrowing rate used in the calculation. We compared the rate used by management to third party resources and noted no material differences.</p> <p>For a sample of leases, we tested the accuracy of the underlying lease data by agreeing the leases to original contracts or other underlying information. No material differences were noted.</p> <p>For a sample of leases, we evaluated the lease terms, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation with reference to historical store performance and management's future plans for the stores. We noted no aspects in this regard requiring further consideration.</p> <p>We tested the completeness of the lease data by reconciling the data available in the Group's prior year operating lease commitments schedule, as well as the lease expenses recognised in the current year, to the lease data underpinning the IFRS 16 calculations. We further inspected significant service contracts previously not considered to be leases, and noted that these contracts did not fall within the scope of IFRS 16.</p> <p>We recalculated the right-of-use asset and lease liability calculations for a sample of leases and tested the mathematical accuracy of the calculations. We compared our results to that of management, noting no material exceptions.</p> <p>We tested management's impairment calculation of the right-of-use asset on adoption by consideration of the value-in-use calculations performed by management. We assessed the cash flow forecasts used by management for reasonableness by comparing historical actuals to the budgeted forecasts. Based on our work performed, we accepted management's forecasts.</p> <p>Utilising our valuation expertise, we further tested the reasonableness of the discount rate used in the value-in-use calculations, by calculating a range of independent discount rates based on relevant market data at year end. We compared management's discount rate used to our range of discount rates determined and found that management's rate fell within our range.</p> |

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Kaap Agri Limited and its Subsidiaries Annual Financial Statements – 30 September 2020*", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "2020 – Integrated report", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- > Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- > Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

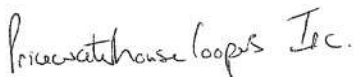
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Kaap Agri Limited for 84 years.



PricewaterhouseCoopers Inc.

*Director: JA Hugo
Registered Auditor*

Cape Town
25 November 2020

Directors' report

for the year ended 30 September

NATURE OF ACTIVITIES

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

FINANCIAL RESULTS

The profit after tax of the Group amounted to R279,2 million (2019: R281,3 million) while the gross assets increased to R5,273 billion (2019: R4,788 billion). The results of the Group are presented in detail in the financial statements.

The Board will continue to monitor the impact of the COVID-19 pandemic on the company's operations and its financial position. The impact of COVID-19 has been limited to certain areas of the business as mentioned above and while concerning, has not materially impacted the Group results. The business has been able to partially mitigate lost income via a range of cost and working capital initiatives, thus ensuring a lower overall financial impact. Liquidity has remained within the various banking covenants and no relaxation of covenants or additional facilities have been required. Revenue has largely recovered and although footfall remains down, the business is performing in line with expectation. The balance sheet has remained strong throughout the various lockdown levels. Kaap Agri remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control. Management is comfortable to conclude that the business will continue as a going concern and is very satisfied with the results the Group has delivered during a very challenging period.

SHARE CAPITAL

The authorised share capital consists of 1,000,000,000 ordinary shares with no par value of which 74,170,277 shares are currently issued, of which 3,708,514 shares are issued to Empowerment and Transformation Investments (Pty) Ltd and 180,768 issued to Kaap Agri Bedryf Limited. These shares are accounted for as treasury shares.

DIVIDENDS

A gross final dividend of R37,1 million (2019: R66,7 million) has been approved and declared by the Board from income reserves, which represents 50,0 cents (2019: 90,0 cents) per share. The dividend is payable on 15 February 2021 to shareholders registered on 12 February 2021 (the record date) as shareholders of the company. The last date of trade *cum* dividend will be 10 February 2021.

The total dividend for the year amounts to R37,1 million (2019: R91,6 million), representing 50,0 cents (2019: 123,5 cents) per share.

SUBSIDIARIES AND JOINT VENTURE

The interests in subsidiaries and Joint Venture are presented in note 44 of the financial statements.

DIRECTORS

Full details of the directors appear on page 51 to 54.

DIRECTORS' INTERESTS

The directors' interest in shares of the company appears on page 78.

EVENTS AFTER REPORTING DATE

The directors are not aware of matters or circumstances that occurred between the end of the financial year and the date on which the financial statements were approved that have not been dealt with in the Group and Company financial statements and which may have a significant influence on the activities of the Group and Company or results of those activities. For further information, refer to note 49.

Consolidated statement of financial position

at 30 September

| | | GROUP | |
|---|-------|------------------|------------------|
| | Notes | 2020 R'000 | 2019 R'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 1 525 678 | 1 375 392 |
| Right-of-use assets | 4 | 236 302 | – |
| Intangible assets | 5 | 471 012 | 298 169 |
| Investment in joint venture | 6 | 6 542 | 8 901 |
| Financial assets at fair value through other comprehensive income | 7 | 5 580 | 5 580 |
| Trade and other receivables | 11 | 43 039 | 38 700 |
| Loans | 8 | 54 764 | 58 959 |
| Deferred taxation | 9 | 2 772 | – |
| | | 2 345 689 | 1 785 701 |
| Current assets | | | |
| Inventory | 10 | 1 104 191 | 1 083 930 |
| Trade and other receivables | 11 | 1 782 355 | 1 869 860 |
| Derivative financial instruments | 12 | 1 385 | 1 882 |
| Short-term portion of loans | 8 | 5 026 | – |
| Cash and cash equivalents | 15 | 34 817 | 46 369 |
| | | 2 927 774 | 3 002 041 |
| Total assets | | 5 273 463 | 4 787 742 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Stated capital | 16 | 446 571 | 444 901 |
| Other reserves | 17 | 10 112 | 9 797 |
| Retained profit | | 1 571 475 | 1 371 364 |
| Equity attributable to shareholders of the holding company | | 2 028 158 | 1 826 062 |
| Non-controlling interest | | 98 545 | 100 186 |
| Total equity | | 2 126 703 | 1 926 248 |
| Non-current liabilities | | | |
| Deferred taxation | 9 | 100 271 | 72 778 |
| Financial liability at fair value through profit or loss | 13 | 76 600 | 79 100 |
| Financial liability at amortised cost | 14 | 14 213 | 14 800 |
| Lease liabilities | 4 | 220 642 | – |
| Instalment sale agreements | 19 | 79 975 | 23 694 |
| Employee benefit obligations | 20 | 15 380 | 15 924 |
| Borrowings | 22 | 418 750 | – |
| | | 925 831 | 206 296 |
| Current liabilities | | | |
| Trade and other payables | 21 | 1 330 472 | 1 319 209 |
| Short-term portion of instalment sale agreements | 19 | 32 371 | 16 120 |
| Short-term portion of Employee benefit obligations | 20 | 2 223 | 2 028 |
| Short-term portion of lease liabilities | 4 | 14 499 | – |
| Short-term borrowings | 22 | 830 039 | 1 309 447 |
| Income tax | | 11 325 | 8 394 |
| | | 2 220 929 | 2 655 198 |
| Total liabilities | | 3 146 760 | 2 861 494 |
| Total equity and liabilities | | 5 273 463 | 4 787 742 |

Consolidated income statement

for the year ended 30 September

| | Notes | GROUP | |
|--|-------|--------------------|---------------------------|
| | | 2020 R'000 | Restated 2019 R'000 |
| Revenue | 27 | 8 574 668 | 8 451 520 |
| Cost of sales | | (7 263 775) | (7 199 183) |
| Gross profit | | 1 310 893 | 1 252 337 |
| Other operating income | 28 | 177 918 | 202 373 |
| Selling and distribution costs | 29 | (93 005) | (110 384) |
| Administrative expenses | 29 | (644 703) | (607 612) |
| Movement on expected credit loss allowance | 11 | (6 406) | (2 805) |
| Other operating expenses | 29 | (236 261) | (240 727) |
| Operating profit | | 508 436 | 493 182 |
| Finance costs | 32 | (124 563) | (111 014) |
| Share in loss of joint venture | 6 | (2 359) | (2 327) |
| Profit before tax | | 381 514 | 379 841 |
| Income tax | 33 | (102 336) | (98 562) |
| | | 279 178 | 281 279 |
| Profit attributable to shareholders of the holding company | | 275 081 | 277 320 |
| Non-controlling interest | | 4 097 | 3 959 |
| Earnings per share – basic (cents) | 34 | 391,49 | 394,98 |
| Earnings per share – diluted (cents) | 34 | 391,49 | 393,48 |

Consolidated statement of comprehensive income

for the year ended 30 September

| | GROUP | |
|--|----------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Profit for the year | 279 178 | 281 279 |
| Other comprehensive income/(loss): | | |
| Cash flow hedges (can be classified to profit and loss) | (1 340) | 1 462 |
| Gross | (1 861) | 2 031 |
| Tax | 521 | (569) |
| | 277 838 | 282 741 |
| Total comprehensive income attributable to shareholders of the holding company | 273 741 | 278 782 |
| Non-controlling interest | 4 097 | 3 959 |

Consolidated statement of changes in equity

for the year ended 30 September

| GROUP | | | | | | | |
|---|-------------------------|---|---------------------------|-----------------------------|----------------|--|--------------------------|
| Notes | Stated capital R'000 | Share-based payment reserve R'000 | Hedge reserve R'000 | Retained profit R'000 | Total R'000 | Non- controlling interest R'000 | Total equity R'000 |
| Balance | | | | | | | |
| 1 October 2018 | 443 921 | 9 459 | (287) | 1 285 415 | 1 738 508 | 2 710 | 1 741 218 |
| Gross shares issued | 480 347 | | | | | | |
| Treasury shares | (36 426) | | | | | | |
| Partial disposal of subsidiaries | – | – | – | 5 471 | 5 471 | – | 5 471 |
| Non-controlling interest on asset-for-share transaction | – | – | – | – | – | 78 578 | 78 578 |
| Non-controlling interest on acquisition of subsidiary | – | – | – | – | – | 17 198 | 17 198 |
| Redemption liability – part of business combination | 13, 14 | – | – | (113 823) | (113 823) | – | (113 823) |
| Total comprehensive income | – | – | 1 462 | 277 320 | 278 782 | 3 959 | 282 741 |
| Share-based payments | 980 | (837) | – | – | 143 | – | 143 |
| Dividends paid | – | – | – | (83 019) | (83 019) | (2 259) | (85 278) |
| Balance | | | | | | | |
| 30 September 2019 | 444 901 | 8 622 | 1 175 | 1 371 364 | 1 826 062 | 100 186 | 1 926 248 |
| Gross shares issued | 480 347 | | | | | | |
| Treasury shares | (35 446) | | | | | | |
| Initial recognition of IFRS 16 | – | – | – | (11 721) | (11 721) | (638) | (12 359) |
| Total comprehensive income | – | – | (1 340) | 275 081 | 273 741 | 4 097 | 277 838 |
| Share-based payments | 1 670 | 1 655 | – | – | 3 325 | – | 3 325 |
| Dividends paid | – | – | – | (63 249) | (63 249) | (5 100) | (68 349) |
| Balance | | | | | | | |
| 30 September 2020 | 446 571 | 10 277 | (165) | 1 571 475 | 2 028 158 | 98 545 | 2 126 703 |
| Gross shares issued | 480 347 | | | | | | |
| Treasury shares | (33 776) | | | | | | |

Consolidated statement of cash flows

for the year ended 30 September

| | | GROUP | |
|---|-------|------------------|---------------|
| | Notes | 2020 R'000 | 2019 R'000 |
| Cash flow from operating activities | | 494 477 | 353 979 |
| Net cash profit from operating activities | 36 | 483 458 | 417 257 |
| Interest received | | 126 956 | 118 991 |
| Working capital changes | 37 | (20 415) | (97 768) |
| Income tax paid | 38 | (95 522) | (84 501) |
| Cash flow from investment activities | | (310 892) | (437 378) |
| Purchase of property, plant and equipment | | (138 845) | (241 473) |
| Proceeds on disposal of property, plant and equipment | | 7 996 | 1 666 |
| Deposits made during the year | 11 | (4 500) | (106 419) |
| Acquisition of financial asset at fair value through other comprehensive income | | – | (5 580) |
| Gross increase in loans | 8 | (5 931) | (34 821) |
| Acquisition of operations | 43 | (169 612) | (50 751) |
| Cash flow from financing activities | | (195 137) | 89 554 |
| Increase/(decrease) in short-term borrowings | 40 | (425 445) | 293 938 |
| Increase in long-term borrowings | 22 | 450 000 | – |
| Repayment of instalment sale agreements | 41 | (22 063) | (14 277) |
| Lease payments | 42 | (11 149) | – |
| Interest paid | | (123 231) | (107 088) |
| Dividends paid | | (63 249) | (83 019) |
| Net increase/(decrease) in cash and cash equivalents | | (11 552) | 6 155 |
| Cash and cash equivalents at the beginning of the year | | 46 369 | 40 214 |
| Cash and cash equivalents at the end of the year | | 34 817 | 46 369 |
| Comprising of: | | | |
| – Bank and cash on hand | 15 | 34 817 | 46 369 |

Notes to the consolidated annual financial statements

for the year ended 30 September

1 ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 147 to 160. These policies have been consistently applied to all the years presented, unless stated otherwise.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom precisely equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

Properties

Properties are depreciated over their useful lives, taking into account their residual values at the end of their useful lives. The residual values and useful lives are estimated and assessed based on industry knowledge and past experience with similar assets, taking into account the location and current condition of the properties. Properties are continuously maintained and kept up to standard. Refer to note 6 of the Group's accounting policy.

Loss allowance on trade receivables

In estimating the loss allowance on trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors. This includes an assessment of current and expected future payment profiles and customer specific risk factors such as economic circumstances, geographical location and the value of security held. Refer to note 11 and 24 for more information.

Financial liabilities related to put options

The measurement of these financial instruments is based on various valuation calculations requiring estimated inputs and assumptions as disclosed in notes 13 and 14.

Judgements

Inventory provisions for slow-moving and obsolete stock

The Group makes certain judgements relating to the provision of inventory, based on the frequency of movement in different inventory types. This determines the rates applied per age bucket in calculating the inventory provision to be recognised.

Management agreements

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

Purchase, price allocations

Judgement is used in identifying intangible assets within a purchase price allocation and determining the fair value of the identified assets. Properties are valued by using experts through doing the net income capitalised approach, which is dependent on volumes and capitalisation rates. Refer to note 43 for the synergies listed that results in the recognition of goodwill in the business combination transactions as well as the considerations applied to other intangible assets.

Goodwill

The Group makes certain judgements relating to the impairment testing of goodwill, based on projections and assumed growth rates in income, expenses and terminal growth rates while using a pre-tax discount rate determined by management. These judgements are used to determine if an impairment of goodwill is applicable. Refer to note 5.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements (continued)

Extension periods with regards to lease contracts

The Group makes certain judgements relating to the extension periods of leases during the IFRS 16 right-of-use asset and lease liabilities calculations. If it is more likely than not that the lease will be extended based on all the available factors, the extension option is taken into account in determining the lease. Most of the rent paid is for Agrimark stores and based on the history of the relationship with lessors and the Group's strategies with the stores, the contracts will be extended. Most of the store leases are renewed based on the fact that the stores are at strategic locations and most have been there for some time. It will disrupt business if moved to different locations. Where the lease is not beneficial to the Group, the extension option will not be applied. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. As at 30 September 2020, future cash outflows of R29,9 million are not included in the lease liability because it is not reasonably certain that it will be extended.

COVID-19 – considerations and potential impact

The COVID-19 ("Covid") outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. Except for, specifically, quick service restaurants ("QSR") and liquor sales, most of the remainder of the business of the Kaap Agri Group was categorised as a supplier of essential goods and services and remained open for trade, albeit under certain limitations during the lockdown. The move to levels 4, 3, 2 and 1 lockdown allowed the Group to gradually start trading in more retail product categories and opened all levels of offerings.

Fuel sales were significantly impacted by the lockdown-related reduction in travel and road transport, and despite restaurants reopening under level 3, QSR trade has been suppressed. Convenience store sales have been impacted by reduced footfall, as well as the inability to sell tobacco and related products. Fuel litre sales were down during the higher levels of lockdown. Management expects the recovery of the fuel business to continue with a gradual improvement in litres during the first quarter of the 2021 Financial Year. We expect normal levels to be achieved and maintained from February 2021.

The Group has taken a number of measures to monitor and prevent the effects of the COVID-19 virus, such as safety and health measures for our people and managing costs of the business. Refer to note 29 for COVID-19-related expenses disclosed.

Property, plant and equipment and right-of-use assets

The Group has assessed the impact of COVID-19 on the assumptions and significant judgements made in the valuation of items of property, plant and equipment and right-of-use assets. Kaap Agri has a robust Response Plan in place to mitigate the pandemic's effects on its people and businesses as far as practically possible to do so. In this context, management does not anticipate that the effects of COVID-19 will have a lasting impact on the productivity of the Group's property, plant and equipment. In assessing the potential future impact of COVID-19 on the value of the items of property, plant and equipment, the following factors were considered:

- most of the Group's different segments continued to provide goods and services to customers in essential services. Those businesses that were significantly impacted by restrictions on the movement of people and goods (namely Retail Fuel & Convenience) are resuming their activities as the restrictions ease. Given the anticipated benefits of optimisation initiatives undertaken and the expected return to normal trading in the medium term, no adverse effects on the present value of future cash flows of property, plant and equipment are foreseen, and
- the Group is a going concern and plans to continue using items of property, plant and equipment to support its revenue-generating activities. Owing to this planned use of the assets, therefore, there has been no significant negative impact on the planned productivity of the assets.

Management expects that any changes in the carrying amounts of items of property, plant and equipment and right-of-use assets will be immaterial in the medium term.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

COVID-19 – considerations and potential impact (continued)

Property, plant and equipment and right-of-use assets (continued)

Given the substantial capital investment into the business over the past three years, both into expansions and acquisitions, a decision was made in January 2020, prior to COVID-19, to limit the amount of capital being spent on projects and acquisitions in the process of completion as well as those that had been committed to. The Group has heightened its focus on driving the desired returns from capital already invested in the business. This decision was reinforced by the outbreak of COVID-19. The Group has also subsequently committed to reduced capital spend in the period till 30 September 2021.

Goodwill

Goodwill is tested for impairment by calculating the value-in-use of the CGU. The goodwill in the fuel division is monitored at a cluster level, refer to note 5 for more information regarding this.

Value-in-use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU or cluster and was based on key assumptions. The short-term and long-term impact of Covid, has been incorporated in the impairment assessment of goodwill by taking it into account in the forecasts and cash flows figures in the discounted cash-flow models.

For each of the sensitive inputs, management provided the possible impact of decreased profitability on the headroom by testing different scenarios in the impairment calculation of goodwill.

A significant change in the assumptions used to calculate the value-in-use is not likely to cause the recoverable amount to fall below the carrying value of the CGUs.

Trade receivables

The assessment for the specific loss allowance takes into account security held, reputation and expected payments in the future to determine the value of the specific loss allowance. Based on the information gathered regarding the debtors, no material impact of COVID-19 was identified as the majority of the debtors book relates to customers classified as essential services. The expected credit loss rate was adjusted for the possible COVID-19 effect and applied to the outstanding group of debtors not specifically provided for. To arrive at the amount provided for expected credit loss allowance steps and considerations were taken by management as part of the forward-looking assessment to determine if the expected credit loss was affected specifically by the impact of COVID-19.

Loans receivable

Based on the information gathered going through the assessment of the COVID-19 effect on the loans receivable, no material impact was identified as the counterparty was also classified as essential service. For the remaining balance of the loans receivable sufficient security is held and no concern identified.

Inventories

Inventories consist of merchandise, raw materials, packaging materials and other consumable goods.

The following considerations were taken by management as part of the forward-looking assessment to determine if inventories were affected specifically by the impact of COVID-19:

- the risk of inventory write-downs to net realisable value due to reduced movement in inventory or inventory obsolescence due to possible lower than expected sales were assessed, but not deemed to have a material effect on the business.

Going concern

The Board will continue to monitor the impact of the COVID-19 pandemic on the company's operations and its financial position. The impact of COVID-19 has been limited to certain areas of the business as mentioned above and while concerning, has not materially impacted the Group results. The business has been able to partially mitigate lost income via a range of cost and working capital initiatives, thus ensuring a lower overall financial impact. Liquidity has remained within the various banking covenants and no relaxation of covenants or additional facilities have been required. Revenue has largely recovered and although footfall remains down, the business is performing in line with expectation. The balance sheet has remained strong throughout the various lockdown levels. Kaap Agri remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control. Management is comfortable to conclude that the business will continue as a going concern and is very satisfied with the results the Group has delivered during a very challenging period.

3 PROPERTY, PLANT AND EQUIPMENT

| | GROUP | |
|---|------------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Cost | | |
| Land and buildings | 1 114 954 | 966 878 |
| Grain silos | 65 032 | 64 664 |
| Machinery and equipment | 320 028 | 192 171 |
| Vehicles | 103 277 | 94 235 |
| Office furniture and equipment | 218 785 | 198 862 |
| Leasehold properties | – | 36 574 |
| Assets under construction | 48 776 | 118 650 |
| | 1 870 852 | 1 672 034 |
| Accumulated depreciation | | |
| Land and buildings | (21 996) | (19 791) |
| Grain silos | (40 295) | (37 642) |
| Machinery and equipment | (108 464) | (89 943) |
| Vehicles | (58 949) | (48 063) |
| Office furniture and equipment | (115 470) | (95 579) |
| Leasehold properties | – | (5 624) |
| | (345 174) | (296 642) |
| Total carrying value | 1 525 678 | 1 375 392 |
| Depreciation has been allocated in the income statement as follows: | | |
| Cost of sales | (8 735) | (5 727) |
| Other operating expenses | (50 640) | (53 727) |
| | (59 375) | (59 454) |
| Refer note 50 for reconciliation of movements in carrying value. | | |
| Vehicles include the following amounts where the Group has instalment sale agreements: | | |
| Cost | 66 250 | 64 092 |
| Accumulated depreciation | (30 173) | (25 114) |
| Total carrying value | 36 077 | 38 978 |
| Machinery and equipment include the following amounts where the Group has instalment sale agreements: | | |
| Cost | 107 548 | – |
| Accumulated depreciation | (1 552) | – |
| Total carrying value | 105 996 | – |

Properties to the value of R524.5 million serve as security for the first-ranking covering mortgage bonds. Refer to note 22.

The capitalisation rate used to determine the amount of borrowing costs capitalised is the Group's borrowing rate range: 7,9% – 8,4%.

The leasehold improvements fall under the scope of IAS 16, but for presentation purpose, from the current year onwards, these are being presented as part of right of use assets.

No impairment noted as a result of COVID-19 – refer to note 2 for more information.

4

RIGHT-OF-USE ASSETS AND LEASE LIABILITY**Amounts recognised in the statement of financial position****Right-of-use assets**

| | 2020 R'000 | 2019 R'000 |
|-----------|---------------|---------------|
| Buildings | 235 095 | – |
| Vehicles | 1 207 | – |

236 302 –

Reconciliation of movements in carrying value:

| | | |
|--|----------|---|
| Initial recognition of IFRS 16 | 166 395 | – |
| Additions | 60 051 | – |
| Leasehold improvements reclassified to right-of-use assets | 31 357 | – |
| Modification of lease contracts | 3 487 | – |
| Cancellations of lease contracts | (848) | – |
| Depreciation charge of Right-of-use assets | (24 140) | – |
| Buildings | (23 522) | – |
| Vehicles | (618) | – |

Carrying value at end of year **236 302** –

Lease liabilities

| | | |
|-------------|----------------|---|
| Current | 14 499 | – |
| Non-current | 220 642 | – |
| | 235 141 | – |

| | |
|---|----------|
| Interest expense (included in finance costs) | 20 868 |
| Expense relating to short-term leases and low value assets (included in administrative expenses) | 12 169 |
| Cash flow expense for leases and low-value and short-term leases | (23 318) |

The group's leasing activities and how these are accounted for

The group leases various retail stores, storage sites and forklifts. Rental contracts are typically made for fixed periods of three to eight years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The leasehold improvements fall under the scope of IAS 16, but for presentation purpose, from the current year onwards, these are being presented as part of right of use assets.

5

INTANGIBLE ASSETS

| | GROUP | |
|---|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Goodwill | 455 532 | 281 337 |
| Tradename | 12 480 | 12 740 |
| Cost | 13 000 | 13 000 |
| Accumulated amortisation | (520) | (260) |
| Customer relationships | 3 000 | 4 092 |
| Cost | 5 556 | 8 619 |
| Accumulated amortisation | (2 556) | (4 527) |
| | 471 012 | 298 169 |
| Reconciliation of movements in carrying value: | | |
| Carrying value at beginning of year | 298 169 | 168 165 |
| Additions through business combinations | 174 196 | 133 892 |
| Goodwill written off | - | (2 250) |
| Amortisation recognised in profit and loss | (1 353) | (1 638) |
| | 471 012 | 298 169 |

To assess for impairment of goodwill, a value-in-use calculation was done per cash-generating unit ("CGU"). Using the budget as base data, income was increased with between 6% and 9,5% (2019: 6%) and expenses were increased between 5% and 9% (2019: 5%) for five years and a pre-tax discount rate of 9% to 11% (2019: 12% to 15%) was used. The pre-tax discount rate is lower as a result of a lower cost of capital. The growth rate is higher compared to the previous year based on strategic plans in place to focus on the growth of the sites in the clusters as well as having a lower base as a starting point with the 2020 results of the clusters. The expenses were grown with a higher rate than in the prior year as a result of agreed regulatory costs increases, high increases in municipal tariffs, as well as consistent maintenance spend to maintain high standards of all facilities. No indicators were noted that the calculation is sensitive to a reasonable change in assumptions which would indicate impairment. The most significant clusters to which goodwill has been allocated include the Eastern Cape cluster (carrying value of goodwill: R42,4 million) (2019: R42,4 million) and the Northern Province cluster (carrying value of goodwill: R254,9 million) (2019: R199,5 million) and Northern Cape cluster (carrying value of goodwill: R133,7 million) (2019: R15,0 million) calculated with a terminal growth rate of 6% (2019: 6%). The remaining clusters were also assessed for goodwill impairment and sufficient headroom noted. If the pre-tax discount rate is increased with 6% (2019: 10%), a portion of goodwill will be impaired. Even if the terminal growth rate is zero, no impairment is identified. The TFC acquisition strategy is cluster based, focusing on increasing scale in identified geographic locations, thus the goodwill is monitored for impairment based on these clusters. The fuel clusters are included in the Retail Fuel & Convenience segment.

The goodwill raised through the business combination with Partridge Building Supplies was tested for impairment using a value-in-use calculation. Using the budget as base data, income was increased between 9% to 12% (2019: 7% to 9%) and expenses were increased at 6% (2019: 6%) for five years and a discount rate of 10% (2019: 23%) and terminal growth rate of 6% (2019: 6%) were used. The pre-tax discount rate is lower as a result of a lower cost of capital. The growth rate is higher compared to the previous year based on strategic plans in place to focus on the growth of the business as well as having lower base as starting point with the 2020 results. No impairment was noted. There is sufficient headroom and an impairment only becomes applicable when the discount rate is increased to 33%.

No impairment noted as a result of COVID-19 – refer to note 2 for more information.

6 INVESTMENT IN JOINT VENTURE

| | GROUP | |
|--|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Beginning of the year | 8 901 | 11 941 |
| Share in total comprehensive income | (2 359) | (2 327) |
| Effect of adopting IFRS 9 – Financial instruments | – | (713) |
| End of the year | 6 542 | 8 901 |
| The nature of the business is supplying of farming requisites, general retail and fuel. The company is incorporated in Namibia. | | |
| Kaap Agri (Namibia) (Pty) Ltd | | |
| Number of issued shares: 500 (2019: 500) | | |
| Shareholding: 50% (2019: 50%) | | |
| 250 (2019: 250) Shares at fair value at date of acquisition | 15 156 | 15 156 |
| Share in post-acquisition accumulated loss | (8 614) | (6 255) |
| | 6 542 | 8 901 |
| Summarised Statement of financial position as prepared under IFRS | | |
| Non-current assets | 94 748 | 65 242 |
| Current assets | 146 546 | 163 853 |
| Cash and cash equivalents | 5 016 | 2 389 |
| Other current assets | 141 530 | 161 464 |
| Total assets | 241 294 | 229 095 |
| Non-current liabilities | | |
| Loans and lease liabilities | 86 436 | 63 107 |
| Current liabilities | 139 098 | 149 169 |
| Short-term borrowings | 42 988 | 59 631 |
| Other current liabilities | 96 110 | 89 538 |
| Total liabilities | 225 534 | 212 276 |
| Net assets | 15 760 | 16 819 |
| Group's share in percentage | 50% | 50% |
| Group's share in Net assets of joint venture at fair value | 7 880 | 8 410 |
| Summarised Income statement | | |
| Revenue | 696 741 | 614 842 |
| Depreciation | 11 195 | 9 255 |
| Interest income | 6 746 | 5 787 |
| Interest expense | 14 271 | 13 319 |
| Loss before taxation | (6 939) | (6 843) |
| Income tax | 2 220 | 2 190 |
| Loss attributable to ordinary shareholders | (4 719) | (4 653) |
| Guarantee for bank overdraft facility of subsidiary | | |
| Kaap Agri (Namibia) (Pty) Ltd | 42 200 | 42 200 |
| The company provides a limited guarantee (limited to R42,2 million) for the bank overdraft facility of Kaap Agri (Namibia) (Pty) Ltd at Bank Windhoek. | | |
| Guarantee for suppliers of subsidiaries | | |
| Vivo Energy Namibia Ltd | 9 797 | 8 574 |
| The company provides a limited guarantee (limited to R10 million) for the supply of fuel to Kaap Agri (Namibia) (Pty) Ltd | | |

| | | GROUP | |
|----------|--|----------------|---------------|
| | | 2020 R'000 | 2019 R'000 |
| 7 | FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | | |
| | Signafi Capital (Pty) Ltd – unlisted | 5 580 | 5 580 |
| | Information about the group's exposure to price risk is provided in note 24. For information about the methods and assumptions used in determining the fair value also refer to note 24. | | |
| 8 | LOANS | | |
| | Kaap Agri (Namibia) (Pty) Ltd | 34 764 | 32 066 |
| | Opening balance | 32 066 | 26 398 |
| | Increase in loan | 2 698 | 5 668 |
| | Lionshare Holdings (Pty) Ltd | 25 026 | 26 893 |
| | Opening balance | 26 893 | – |
| | Increase in loan | 3 233 | 29 152 |
| | Repayment through dividend – non-cash | (5 100) | (2 259) |
| | | 59 790 | 58 959 |
| | Short-term portion carried over to current assets | (5 026) | – |
| | | 54 764 | 58 959 |

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

Kaap Agri (Namibia) (Pty) Ltd

The loan is unsecured and bears interest at the Namibian prime rate. There are no specific repayment terms. Repayment is determined by the shareholders as and when funds are available. Repayment of the loan will take place before any dividends are declared.

The expected credit loss allowance was assessed based on the exposure, probability of default and loss given default. The general model is followed in terms of IFRS 9. Strategies are in place to improve profitability and will lead to improved cashflows. As such, no expected credit loss provision has been created as this loan is considered fully recoverable in the future. A 12-month expected credit loss was considered, and no material loss allowance was identified. Refer to accounting policy note 8.

Lionshare Holdings (Pty) Ltd

The loan bears interest at prime plus 1,5%. The loan is repayable in yearly instalments after payment of a dividend by TFC Operations (Pty) Ltd, with final repayment on 28 February 2029.

The loan is secured by:

- A first-ranking mortgage bond over the immovable property of C-Max Investments 71 (Pty) Ltd, held under Deed of Transfer T19459/2012.
- A second-ranking mortgage bond over the immovable property of C-Max Investments 71 (Pty) Ltd, held under Deed of Transfer T51438/2014.
- A suretyship agreement, binding itself, by C-Max Investments 71 (Pty) Ltd.
- A suretyship agreement, binding itself, by Mezibase (Pty) Ltd.

The expected credit loss allowance was assessed based on the exposure and probability of default and loss given default, but based on the security value the expected credit loss allowance was considered immaterial. Refer to accounting policy note 8.

| | GROUP | |
|--|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| 9 DEFERRED TAXATION | | |
| Movement of deferred taxation | | |
| Balance beginning of year | (72 778) | (40 671) |
| Balance through business combinations | (25 606) | (23 092) |
| Income statement debit | (3 883) | (7 303) |
| Initial recognition of IFRS 16 | 4 847 | – |
| Credit against reserves | (79) | (1 712) |
| Balance end of year | (97 499) | (72 778) |
| Due to the following temporary differences: | | |
| Property, plant and equipment | (141 821) | (91 757) |
| Intangible assets | 353 | (4 713) |
| Currency translation differences | 64 | (457) |
| Tax loss | 13 427 | 53 |
| IFRS 16 Right-of-use asset and liability | 7 625 | – |
| Provisions and accrued expenses | 22 853 | 24 096 |
| | (97 499) | (72 778) |
| Movements for the year | | |
| Opening balance | (72 778) | (40 671) |
| Property, plant and equipment | (50 064) | (25 830) |
| Intangible assets | 5 066 | (4 582) |
| Currency translation differences | 521 | (568) |
| Tax loss | 13 374 | 53 |
| IFRS 16 Right-of-use asset and liability | 7 625 | – |
| Provisions and accrued expenses | (1 243) | (1 180) |
| | (97 499) | (72 778) |
| The tax loss for the year is R47,9 million and has no expiry date. | | |
| For the purposes of the statement of financial position deferred taxation is presented as follows: | | |
| Non-current assets | 2 772 | – |
| Non-current liabilities | (100 271) | (72 778) |
| | (97 499) | (72 778) |
| 10 INVENTORY | | |
| Merchandise | 1 071 680 | 1 074 461 |
| Raw materials | 30 760 | 7 325 |
| Consumable goods | 1 751 | 2 144 |
| | 1 104 191 | 1 083 930 |
| Inventory carried at lower of cost or net realisable value | 49 071 | 52 800 |
| Provision for slow-moving and obsolete stock included in inventory | 34 279 | 30 947 |
| Inventory written off during the year | 5 396 | 5 062 |

The inventory is encumbered as security as set out in note 22.

No impairment noted as a result of COVID-19 – refer to note 2 for more information.

| | GROUP | |
|---|------------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| 11 TRADE AND OTHER RECEIVABLES | | |
| Trade receivables | 1 769 806 | 1 756 212 |
| Expected credit loss allowance | (50 631) | (44 225) |
| | 1 719 175 | 1 711 987 |
| VAT | 34 780 | 38 759 |
| Deposits | 4 500 | 106 419 |
| Other debtors | 66 939 | 51 395 |
| | 1 825 394 | 1 908 560 |
| Trade and other receivables – current | 1 782 355 | 1 869 860 |
| Trade and other receivables – non-current | 43 039 | 38 700 |
| | 1 825 394 | 1 908 560 |

Included in the non-current portion of trade and other receivables are long term facilities granted to producers to assist in capital expansion related to the establishment and/or expansion of production. The nature of these accounts are the same as normal trade debtors. These facilities vary in duration between 2 and 5 years, are suitably secured and bear interest in line with the policies regarding interest for all trade receivables and are considered to be market related.

Deposits are early payments made on Retail Fuel & Convenience site acquisitions awaiting regulatory approval.

No expected credit loss allowance recognised on the deposits as these will be deducted from the final payment, thus fully recoverable.

Trade and other receivables are categorised as debt instruments at amortised cost.

The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables, the general model was used to identify any expected credit losses for other receivables and no loss allowance identified. No history of defaults on the other debtors and none expected in future as these balances carry very low credit risk. The majority is deposits paid to a reputable institution, SAFEX, in the Grain Services segment.

No impairment noted as a result of COVID-19 – refer to note 2 for more information.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

| | GROUP | |
|--|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Movement in the expected credit loss allowance | | |
| Opening balance | (44 225) | (39 909) |
| Adjustment to the expected credit loss allowance on adoption of IFRS 9 | – | (815) |
| Movement in the expected credit loss allowance | (6 406) | (2 805) |
| Bad debts written off | 2 829 | 5 050 |
| Additional provision raised | (9 235) | (7 855) |
| Balance with acquisition of subsidiary | – | (696) |
| Balance at the end of the year calculated under IFRS 9 | (50 631) | (44 225) |
| The loss allowance is made up of | | |
| – specific loss allowance | (43 440) | (38 001) |
| – contingency loss allowance | (7 191) | (6 224) |
| Balance at the end of the year calculated under IFRS 9 | (50 631) | (44 225) |

A loss allowance is recognised for all receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. Refer to note 24 for the detail regarding the process for identifying the specific and contingency loss allowance. In addition to the loss allowance, receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Receivables which have been written off are not subject to enforcement activities.

The carrying value of trade and other receivables approximates its fair value at the reporting date.

The trade debtors are encumbered as security as set out in note 22.

12 DERIVATIVE FINANCIAL INSTRUMENTS

| | GROUP | |
|--|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| The Group enters into back-to-back transactions whereby firm commitments on physical positions are hedged with derivative instruments. These hedges are classified as fair value hedges. | | |
| The fair value derivative financial instruments on reporting date are: | | |
| Derivative | | |
| Firm commitment – Grain purchases | | |
| Assets/(Liabilities) | | |
| – Forward purchase contracts | 1 411 | (396) |
| – Options | (26) | 2 278 |
| | 1 385 | 1 882 |

The forward purchase contracts and options represent contracts with producers for the acquisition of physical commodities in the future, which will be delivered within the next twelve months after year-end.

13

FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS**Written Put Option***C-Max Investments (Pty) Ltd**Opening balance*

Initial recognition at 1 October 2018

Remeasurement through profit or loss

| | GROUP | |
|--|-----------------------|-----------------------|
| | 2020 R'000 | 2019 R'000 |
| | (79 100) | – |
| | – | (70 200) |
| | 2 500 | (8 900) |
| | (76 600) | (79 100) |

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

The value of the put option is based on the lower of the market value of TFC Operations (Pty) Ltd (which has been calculated with reference to the enterprise value to EBITDA ("EV/EBITDA") multiple of comparable listed companies, adjusted for company specific risk) and a value determined based on a recurring headline earnings multiple of the Kaap Agri Group (which has been performed by applying the current price to recurring headline earnings ("Price/RHEPS") multiple of Kaap Agri, to the forecasted profit after tax). In the current year valuation, a multiple of between 4 and 6 times (2019: 4 and 6 times) was used and a discount rate of 8% – 9% (2019: 10%).

The market value of the shares in TFC Properties (Pty) Ltd is determined using a market related capitalisation rate based on the underlying properties held. In the current year valuation, a capitalisation rate of 10% (2019: 10%) was used and a discount rate of 8% – 9% (2019: 10%).

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

The financial liability has been designated at fair value through profit or loss because the put option obligation varies with changes in TFC's share price. Any changes in the future fair value of the liability will be accounted for in the income statement. A 1% change in the discount rate will change the liability and profit before tax by R2,6 million (2019: R3 million). A 0.5 change in the multiple will change the liability and profit before tax by R12 million (2019: 13.7 million).

14 FINANCIAL LIABILITY AT AMORTISED COST

Written Put Option

Partridge Building Supplies (Pty) Ltd

Opening balance

Initial recognition at 1 October 2018

Interest (refer to note 32)

Remeasurement through profit or loss

| GROUP | |
|---------------|---------------|
| 2020 R'000 | 2019 R'000 |
| (14 800) | – |
| – | (43 623) |
| (1 332) | (3 926) |
| 1 919 | 32 749 |
| (14 213) | (14 800) |

Through the acquisition of the 60% shareholding in Partridge Building Supplies (Pty) Ltd in the prior year, the Group entered into a once-off written put agreement over the remaining 40% interest in the afore-mentioned company. The option is exercisable after the finalisation of the Financial Statements for the year ending 30 September 2021 and the consideration on exercise will be determined based on the growth ratio (determined as the actual/forecasted EBITDA divided by the targeted EBITDA over the period determined), net debt value and EBITDA figures of Partridge Building Supplies (Pty) Ltd at that time. The exercise price is formula based. In the current year valuation, a growth ratio of between 60% and 65% (2019: 60% – 65%) was used and an EBITDA multiple of 6.5 times (2019: 6.5 times).

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

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

A 10% increase in the growth ratio will change the liability and profit before tax by R3,9 million (2019: R4,2 million).

At year end, the value of the Put Option Liability of Partridge Building Supplies (Pty) Ltd decreased as the revised forecast up to the date that the option becomes exercisable was lower at year end than initially anticipated. The goodwill raised through the business combination was tested for impairment and no impairment noted, refer to note 5 for more information.

15 CASH AND CASH EQUIVALENTS

Cash on hand

Bank balances

| GROUP | |
|---------------|---------------|
| 2020 R'000 | 2019 R'000 |
| 1 688 | 1 367 |
| 33 129 | 45 002 |
| 34 817 | 46 369 |

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

ABSA Bank Limited – counterparty risk rated Baa3 by Moody's

FNB Limited – counterparty risk rated Baa3 by Moody's

Standard Bank – counterparty risk rated Baa3 by Moody's

Nedbank – counterparty risk rated Baa3 by Moody's

| | | GROUP | |
|---|-----------------------|--------------------------|------------------|
| | | 2020 R'000 | 2019 R'000 |
| 16 | STATED CAPITAL | | |
| Authorised: 1 000 000 000 (2019: 1 000 000 000) ordinary shares with no par value | | | |
| Issued: 74 170 277 (2019: 74 170 277) ordinary shares with no par value | | | |
| Ordinary shares | | 480 347 | 480 347 |
| Treasury shares | | (33 776) | (35 446) |
| | | 446 571 | 444 901 |
| | | | |
| Total number of ordinary shares – issued | | Number 74 170 | Number 74 170 |
| Treasury shares – issued | | (3 888) | (3 933) |
| | | 70 282 | 70 237 |
| | | | |
| | | R'000 | R'000 |
| 17 | OTHER RESERVES | | |
| Hedge reserve Derivative financial instruments that are designated and qualify as cash flow hedges are shown in the statement of financial position at fair value. This includes foreign exchange contracts pertaining to imports of inventory. The effective portion of changes in the fair value are recognised in other comprehensive income in the Hedge reserve. | | (165) | 1 175 |
| Share-based payment reserve The equity impact in relation to the management share incentive scheme is shown in the Share-based payment reserve. | | 10 277 | 8 622 |
| | | 10 112 | 9 797 |

18 EQUITY SETTLED MANAGEMENT SHARE INCENTIVE SCHEME

| | 2020 | | 2019 | |
|-------------------------|---|-------------------|---|-------------------|
| | Average exercise price per share option | Number of options | Average exercise price per share option | Number of options |
| Granted during the year | 27,31 | 1 787 893 | 36,72 | 266 189 |

The expense recognised in profit and loss is R5 110 601 (2019: R3 848 343).

Share options outstanding at the end of the year have the following vesting dates and exercise prices:

| Grant date | Vesting date | Exercise price | Fair value at grant date | Share options 2020 | Share options 2019 |
|-----------------|----------------|----------------|--------------------------|--------------------|--------------------|
| 1 October 2016 | 1 October 2019 | 23,88 | 9,53 | – | 310 651 |
| 1 October 2016 | 1 October 2020 | 23,88 | 10,21 | 310 651 | 310 651 |
| 1 October 2016 | 1 October 2021 | 23,88 | 10,75 | 310 651 | 310 651 |
| 20 March 2018 | 1 October 2019 | 48,27 | 9,55 | – | 30 095 |
| 20 March 2018 | 1 October 2020 | 48,27 | 12,29 | 30 095 | 30 095 |
| 20 March 2018 | 1 October 2021 | 48,27 | 14,43 | 30 095 | 30 095 |
| 20 March 2018 | 1 October 2022 | 48,27 | 16,18 | 30 095 | 30 095 |
| 15 January 2019 | 1 October 2020 | 36,72 | 10,37 | 66 547 | 66 547 |
| 15 January 2019 | 1 October 2021 | 36,72 | 12,58 | 66 547 | 66 547 |
| 15 January 2019 | 1 October 2022 | 36,72 | 14,14 | 66 547 | 66 547 |
| 15 January 2019 | 1 October 2023 | 36,72 | 15,29 | 66 547 | 66 547 |
| 15 January 2020 | 1 October 2021 | 27,31 | 4,35 | 446 973 | – |
| 15 January 2020 | 1 October 2022 | 27,31 | 5,28 | 446 973 | – |
| 15 January 2020 | 1 October 2023 | 27,31 | 5,96 | 446 973 | – |
| 15 January 2020 | 1 October 2024 | 27,31 | 6,48 | 446 973 | – |

Fair value of options granted

The fair value of the grant is determined using the Black-Scholes-Merton model using six different inputs that would have an effect on the fair value of the grant. The inputs are the exercise price of the option, the share price at grant date, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate. During the year, the second tranche of the 1 October 2016 and first tranche of the 20 March 2018 grants vested. No share options were forfeited.

18

EQUITY SETTLED MANAGEMENT SHARE INCENTIVE SCHEME (CONTINUED)**Model inputs:**

| | GROUP | |
|----------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| | R'000 | R'000 |
| Exercise price (rand) | 27,31 | 36,72 |
| Share price at grant date (rand) | 27,31 | 36,72 |
| Expected life of option (years) | 2 to 5 | 2 to 5 |
| Expected volatility (%) | 36,3 – 55,3 | 36,3 – 55,3 |
| Expected dividend yield (%) | 4,00 – 5,00 | 2,55 – 3,65 |
| Risk-free interest rate (%) | 3,55 – 4,95 | 6,63 – 7,00 |

The purpose of the Equity Settled Management Share Incentive Scheme ("the scheme") is to provide employees with the opportunity to acquire shares in the Company through the grant of rights, in order to promote and enable the retention and attraction of exceptional talent and to align the interests of the management of the company and group companies more closely with the shareholders of the Company. In terms of the scheme, grants are allocated to participants taking into account each participants annual cost to company ("CTC"), a factor of CTC based on the nature and level of their position and the share price. The number of shares that a participant will become eligible for at vesting date will be calculated at the time of vesting based on the growth in the share price between the date of grant and the entitlement date, less employee tax. A participants entitlement to settlement in the ordinary shares in the company in terms of the rights granted shall be in equal 25% annual tranches from the first day of the second financial year commencing after date of grant onwards. During the current year 1 787 893 new grants were issued and 340 746 grants vested. The number of shares that may be utilised for the purposes of the scheme shall not exceed 3 700 000 shares with no single individual being entitled to more than 1 235 000 shares.

19

INSTALMENT SALES AGREEMENTS

| | GROUP | |
|--|-----------------|----------|
| | 2020 | 2019 |
| | R'000 | R'000 |
| Instalment sales agreements liability | 112 346 | 39 814 |
| Short-term portion of Instalment sales agreements liabilities | (32 371) | (16 120) |
| | 79 975 | 23 694 |
| Commitments in relation to Instalment sales agreements payable are as follows: | | |
| Within one year | 38 124 | 19 357 |
| Later than one year but not later than five years | 87 992 | 25 890 |
| Minimum instalment payments | 126 116 | 45 247 |
| Future finance charges | (13 770) | (5 433) |
| Recognised as liability | 112 346 | 39 814 |
| The present value of Instalment sales agreements liabilities is as follows: | | |
| Within one year | 32 371 | 16 120 |
| Later than one year but not later than five years | 79 975 | 23 694 |
| Minimum instalment payments | 112 346 | 39 814 |

The nature of the instalment sale agreements is that the ownership of assets is already transferred to the Group.

20 EMPLOYEE BENEFIT OBLIGATIONS

| | GROUP | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2020 R'000 | 2019 R'000 | | | |
| EMPLOYEE BENEFIT OBLIGATIONS | | | | | |
| Post-retirement medical benefits | | | | | |
| Balance beginning of year | 17 952 | 18 281 | | | |
| Interest costs recognised in the income statement | 1 966 | 1 698 | | | |
| Actuarial gain recognised in the income statement | (161) | – | | | |
| Employer contributions | (2 154) | (2 027) | | | |
| | 17 603 | 17 952 | | | |
| Short-term portion carried over to current liabilities | (2 223) | (2 028) | | | |
| | 15 380 | 15 924 | | | |
| Amounts recognised in the income statement are shown under other operating expenses. | | | | | |
| Existing provisions are based on the following important assumptions: | | | | | |
| Post-retirement medical benefits | | | | | |
| Cost of medical inflation (%) | 7,00 | 7,75 | | | |
| Discount rate (%) | 9,25 | 9,25 | | | |
| Average retirement age (years) | 65 | 65 | | | |
| Expected membership continuance at retirement (%) | 100 | 100 | | | |
| Post-retirement mortality | 2 years +1% | 2 years +1% | | | |
| Weighted average duration of obligation (years) | 7,54 | 8,00 | | | |
| Total expected contributions for the coming year (R'000) | 2 084 | 2 145 | | | |
| Sensitivity analysis: | | | | | |
| The method of calculation remains unchanged. | | | | | |
| Effect of a 1% movement in the assumed cost of medical inflation and discount rate: | | | | | |
| | + 1% R'000 | - 1% R'000 | | | |
| Cost of medical inflation | | | | | |
| Aggregate of current service cost and interest cost – increase/ (decrease) | 98 | (89) | | | |
| Liability – increase/(decrease) | 1 062 | (960) | | | |
| Discount rate | | | | | |
| Liability – (decrease)/increase | (1 038) | 1 169 | | | |
| | 2020 R'000 | 2019 R'000 | 2018 R'000 | 2017 R'000 | 2016 R'000 |
| Trend information: | | | | | |
| Present value of liabilities | 17 603 | 17 952 | 18 281 | 19 474 | 19 642 |
| Present value of obligations above plan assets | 17 603 | 17 952 | 18 281 | 19 474 | 19 642 |
| Experience adjustments | | | | | |
| Present value of liabilities | (947) | – | (174) | – | (1 387) |
| Actuarial loss before changes in assumptions | (947) | – | (174) | – | (1 387) |

| | | GROUP | |
|-----------|---------------------------------|------------------|---------------|
| | | 2020 R'000 | 2019 R'000 |
| 21 | TRADE AND OTHER PAYABLES | | |
| | Trade creditors | 1 218 752 | 1 235 009 |
| | Employee accruals | 46 740 | 37 523 |
| | Other creditors | 64 980 | 46 677 |
| | | 1 330 472 | 1 319 209 |

The carrying value of trade and other payables approximates its fair value at the reporting date.

22 BORROWINGS

| | | |
|---|-----------------|---|
| Long-term bank borrowings | 418 750 | – |
| Borrowings | 450 000 | – |
| Short-term portion of long-term bank borrowings | (31 250) | – |

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

This is new funding obtained in the current year to assist with the acquisitions in the Retail Fuel & Convenience segment.

The current bank facilities bear interest from JIBAR plus 2,00% to JIBAR plus 2,15%. The borrowings are repayable based on a schedule as set out in the agreement between the company and the bank and will be fully repaid by 31 March 2025.

| | | |
|---|----------------|-----------|
| Short-term bank borrowings | 830 039 | 1 309 447 |
| Overdraft facility | 798 789 | 1 309 447 |
| Short-term portion of long-term bank borrowings | 31 250 | – |

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

The bank facilities are renewed annually and the current facilities bear interest from prime less 1,75% to prime less 2,00%. The borrowings are repayable on demand.

Securities held:

The bank facilities of R1 753 million are secured by:

- > a pledge and cession of all shares, securities and other ownership interests in any Affiliate, associate company or another person in which it is invested.
- > first-ranking covering mortgage bonds over certain immovable property of which that Kaap Agri is the registered owner.
- > a cession of all its rights and claims in respect of bank accounts maintained in South Africa
- > A general notarial bond over the stock and moveable assets of Kaap Agri Bedryf Limited to the value of R100 million for the facility of Kaap Agri Bedryf Limited.
- > A cession of trade debtors and stock of Kaap Agri Bedryf Limited for the facility of Kaap Agri Bedryf Limited (limited to R1 410 million).
- > A cession of trade debtors of Agriplas (Pty) Ltd as well as a limited guarantee by Kaap Agri Bedryf Limited (limited to R27,3 million) for the facilities of Agriplas (Pty) Ltd.
- > A general notarial bond over the moveable assets of Partridge Building Supplies (Pty) Ltd to the value of R51 million for the facility of Partridge Building Supplies (Pty) Ltd.
- > First-ranking covering mortgage bonds over certain immovable property of Kaap Agri Bedryf Limited.

23 RELATED PARTY TRANSACTIONS

Transactions with related parties and outstanding balances:

Income

| | | |
|--|--------------|-------|
| Sales of goods – Capespan SA (Pty) Ltd | 373 | 3 630 |
| Interest received – Lionshare Holdings (Pty) Ltd | 2 526 | 1 893 |

Expenses

| | | |
|---|--------------|-------|
| Purchases of goods – Capespan SA (Pty) Ltd | 1 249 | 121 |
| Purchases of goods – M Pupkewitz & Sons (Pty) Ltd | 1 723 | 1 869 |
| Services – PSG Capital (Pty) Ltd | 526 | 341 |

Balances

| | | |
|---------------------------------------|---------------|--------|
| Trade debtors – Capespan SA (Pty) Ltd | 33 | 1 491 |
| Loan – Lionshare Holdings (Pty) Ltd | 25 026 | 26 893 |

Transactions with directors and outstanding balances

| | | |
|-------------------|---------------|--------|
| Sales | 69 918 | 66 137 |
| Purchases | 539 | – |
| Trade receivables | 9 708 | 12 365 |

Transactions with joint venture and outstanding balances

Income

| | | |
|---|--------------|-------|
| Services – Kaap Agri (Namibia) (Pty) Ltd | 5 798 | 5 239 |
| Sales of goods – Kaap Agri (Namibia) (Pty) Ltd | 1 660 | 1 723 |
| Interest received – Kaap Agri (Namibia) (Pty) Ltd | 2 998 | 2 965 |

Expenses

| | | |
|--|------------|-----|
| Purchases of goods – Kaap Agri (Namibia) (Pty) Ltd | 113 | 101 |
|--|------------|-----|

Balances

| | | |
|---|---------------|--------|
| Trade debtors – Kaap Agri (Namibia) (Pty) Ltd | 234 | 952 |
| Trade creditors – Kaap Agri (Namibia) (Pty) Ltd | 18 | 59 |
| Loan – Kaap Agri (Namibia) (Pty) Ltd | 34 764 | 32 066 |

Also refer to note 6 and 8.

The relationships between the various companies in the Group are disclosed in note 44.

Capespan SA (Pty) Ltd, Grayston Elliot (Pty) Ltd and PSG Capital (Pty) Ltd are all subsidiaries/ fellow subsidiaries of shareholders of the group.

M Pupkewitz & Sons (Pty) Ltd holds the other 50% shareholding in the Joint Venture. Refer to note 6.

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

Refer to executive directors' remuneration as disclosed in note 30 for key management compensation.

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

24 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks like market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The accounting policy for financial instruments are applied to the following line items according to the statement of financial position: trade and other receivables, financial assets at fair value through other comprehensive income, financial liabilities at amortised cost, derivative financial instruments, cash and cash equivalents, loans, trade and other payables and borrowings, finance lease liabilities and financial liabilities at fair value through profit and loss.

The carrying value according to the statement of financial position differs from the values disclosed in this note because of items included in the carrying value according to the statement of financial position which do not meet the definition of a financial instrument or which are excluded from the scope of IFRS 7: Financial instruments: Disclosures. These items include statutory receivable (VAT) amounts of R34,8 million (2019: R38.8 million), statutory liabilities of R11,4 million (2019: R9,4 million) and liabilities in respect of employee benefits of R23,1 million (2019: R24,1 million).

Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk primarily arises from inventory and asset purchases in other countries. Forward exchange contracts are used to manage the foreign exchange risk.

Kaap Agri (Aussenkehr) (Pty) Ltd is currently the only foreign subsidiary within the Group. The functional currency of Kaap Agri (Aussenkehr) (Pty) Ltd is the Namibian dollar. The exchange rate between the Namibian dollar and South African rand is fixed at 1 Namibian dollar for 1 South African rand. Consequently no foreign exchange rate differences arises due to the translation of this foreign subsidiary.

All imports in foreign currency are hedged with corresponding foreign exchange contract asset and liability and reserves addressed. No effect on profit and loss, thus foreign currency risk is managed through hedge accounting.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Cash flow interest rate risk

The Group finances its operations through a combination of shareholders' funds and bank borrowings. The Group's interest rate exposure and the effective interest rates can be summarised as follows:

| AT FLOATING RATES | | | | |
|---|-------------------|-------------------------|-------------------|-------------------------|
| | Rate 2020 % | Amount 2020 R'000 | Rate 2019 % | Amount 2019 R'000 |
| Assets: | | | | |
| Trade receivables | 7,00 – 12,00 | 1 786 145 | 10,00 – 15,00 | 1 763 288 |
| Loan Kaap Agri (Namibia) (Pty) Ltd | 7,50 | 34 764 | 10,25 | 32 066 |
| Lionshare Holdings (Pty) Ltd | 8,50 | 25 026 | 11,50 | 26 893 |
| Cash and cash equivalents | – | 34 817 | – | 46 369 |
| Liabilities: | | | | |
| Short-term borrowings | 5,00 – 5,25 | 830 039 | 8,00 – 8,25 | 1 309 447 |
| Finance lease liabilities | 5,00 – 8,02 | 112 346 | 8,00 – 11,00 | 39 814 |
| Borrowings | 6,01 – 6,06 | 418 750 | – | – |
| | | | | |
| AT NO RATES | | | | |
| | | Amount 2020 R'000 | | Amount 2019 R'000 |
| Assets: | | | | |
| Other receivables | | 66 970 | | 51 301 |
| Liabilities: | | | | |
| Trade and other payables | | 1 295 942 | | 1 278 152 |
| | | | | |
| GROUP | | | | |
| | | 2020 R'000 | | 2019 R'000 |
| To illustrate the Group's exposure to interest rate changes, the influence of interest rate changes on the carrying values of interest-bearing financial assets and financial liabilities and resulting profit before taxation, are illustrated as follows: | | | | |
| Interest bearing assets | | 1 880 752 | | 1 868 616 |
| Interest bearing liabilities | | (1 361 135) | | (1 349 261) |
| Net interest bearing assets | | 519 617 | | 519 355 |
| | | | | |
| Increase/(decrease) in profit before tax | | | | |
| Half a percentage point increase in interest rates | | 1 871 | | 1 870 |
| Half a percentage point decrease in interest rates | | (1 871) | | (1 870) |

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

Price risk

The Group is involved in the trading of grain commodities in order to optimise the utilisation of its silo infrastructure. It is the Group's intent to hedge any price risk arising from fluctuations in commodity prices during the trading of grain commodities. The Group uses commodity contracts, option contracts or other derivative financial instruments to hedge the commodity price risk. Commodities are hedged within the limits approved by the Board of directors. The hedging policy is sufficiently flexible to allow management to rapidly adjust hedges following possible changes in the commodity market.

Equity price risk

The equity price risk exposure arises from the investment made in Signafi Capital (Pty) Ltd shares. Equity price risk is the risk that the fair values of equities decrease or increase as a result of changes in the levels of equity indices and the value of individual stocks. During the current year the investment was purchased at year end, thus the value paid is treated as the fair value of the investment. Refer to note 7 for the investment. A 10% difference in the share price could effect other comprehensive income with R558 000.

Credit risk

Potential concentrations of credit risk consist mainly within cash and cash equivalents, deposits, all other receivables, loans receivables and trade debtors.

In terms of IFRS 9: Financial Instruments, all financial assets at amortised cost need to be assessed for expected credit losses. Refer to the accounting policy note 8 for more information.

The Group limits its counter party exposures arising from cash current accounts by only dealing with well-established financial institutions of high-quality credit standing. Refer to note 15.

Expected credit loss allowances on cash and cash equivalents, deposits and all other receivables were assessed based on the general model and no expected credit loss allowance was created as this was immaterial.

Trade receivables

Trade debtors consist of a large number of clients, the majority of whom are long standing reputable clients with strong trading history with the business. Clients are well diversified across geographical regions as well as product types, thus lowering the concentration risk. The cash flows are also spread throughout the year as the clients are well diversified and the different product types results in different seasons with the cash flows, not happening all at one point in time, thus lowering the concentration risk. Credit is granted to customers in the form of facilities to purchase from Kaap Agri outlets and not in the form of loan funding. The terms of credit is monthly to seasonal accounts plus limited establishment credit (longer term).

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade receivables (continued)

Credit terms, interest rates and other applicable terms are determined based on the calculated risk profile of the credit taker(s). A strict credit policy is followed which includes the ongoing revision of credit limits, security assessments and credit evaluations of the financial position of clients. The credit policy is approved by the finance committee, which meets three times per year to review the credit positions. The largest credit default risks are associated with natural causes or sequestration and are mitigated through these actions. The Group is of the opinion that these measures reduce residual credit risk to acceptable levels. Considering that the vast majority of the trade debtors are associated with the agricultural sector, the recoverability of these financial assets can be negatively influenced by natural disasters, consecutive poor production seasons and lower than expected commodity prices. These factors have been taken into consideration on an individual and collective basis when determining the recoverability of debtors. Steps for collection are immediately implemented if a debtor does not conform to his limit or repayment terms.

The Group has a specific expected credit loss allowance and a contingency expected credit loss allowance. Refer to note 8 in the accounting policy for more information.

| | 2020 R'000 | 2019 R'000 |
|---|-----------------|-----------------|
| The total expected credit loss allowance is made up of | | |
| – specific expected credit loss allowance | (43 440) | (38 001) |
| – contingency expected credit loss allowance | (7 191) | (6 224) |
| Balance at the end of the year calculated under IFRS 9 | (50 631) | (44 225) |

The credit risks related to trade debtors are further limited by taking up a wide range of securities as shown below. The nature of the security held is a determining factor in the size of the facility granted, as well as to the value attributed to such security in the credit risk assessment. The amount of securities are determined based on the type of security. The securities that are readily convertible into cash, are for example bank guarantees, deed of pledge, cessions and bonds.

The spread across the different forms of security:

| | Surety | Guarantee/ indemnity | Bond | Cession | General |
|----------------------|--------|-------------------------|------|---------|---------|
| Security type – 2020 | 54% | 9% | 14% | 19% | 4% |
| Security type – 2019 | 53% | 11% | 15% | 18% | 3% |

General securities include bank guarantees and credit guarantees.

The default rate of bad debt written off was 0.16% in 2020, 0.29% in 2019 and 0.10% in 2018.

Trade debtors are presented net of the loss allowance recognised. Interest on trade debtors is calculated on a base rate plus a factor for the risk associated with each client. Overdue debtors incur a penalty interest charge.

Trade debtors are divided into the following categories: Debtors within terms and not credit impaired, Debtors outside terms but not credit impaired and Debtors which are credit impaired. The identification of the respective risk categories is based on the agricultural commodity sectors in which the respective debtors operate. Debtors within a specific agricultural commodity sector are considered to have similar risk characteristics.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Grain R'000 | Fruit R'000 | Other Agri R'000 | Non- Agri R'000 | Total R'000 |
|--|----------------|----------------|------------------------|-----------------------|----------------|
| 30 September 2020 | | | | | |
| Debtors within terms | | | | | |
| Balance | 427 737 | 550 317 | 291 128 | 182 547 | 1 451 729 |
| Debtors for which collateral are held | (341 780) | (353 150) | (181 685) | (20 531) | (897 146) |
| Exposure to credit risk | 85 957 | 197 167 | 109 443 | 162 016 | 554 583 |
| Debtors outside terms but not credit impaired | | | | | |
| Balance | 68 135 | 84 539 | 92 970 | 3 592 | 249 236 |
| Debtors for which collateral are held | (65 110) | (52 931) | (68 397) | (762) | (187 200) |
| Exposure to credit risk | 3 025 | 31 608 | 24 573 | 2 830 | 62 036 |
| Debtors which are credit impaired | | | | | |
| Balance | 15 707 | 11 725 | 24 206 | 17 203 | 68 841 |
| Debtors for which collateral are held | (2 725) | (565) | (2 894) | (853) | (7 037) |
| Exposure to credit risk | 12 982 | 11 160 | 21 312 | 16 350 | 61 804 |

The contingency loss allowance per category (included in the total expected credit loss allowance as disclosed below) is as follows:

| | Grain R'000 | Fruit R'000 | Other Agri R'000 | Non- Agri R'000 | Total R'000 |
|---|------------------|------------------|------------------------|-----------------------|--------------------|
| Balance of debtors not specifically provided for Expected credit loss risk factor | 495 872 0,35% | 634 855 0,38% | 384 098 0,38% | 186 139 0,85% | 1 700 965 0,42% |
| Total contingency loss allowance as at 30 September | 1 731 | 2 425 | 1 444 | 1 591 | 7 191 |
| Total specific loss allowance as at 30 September | 9 309 | 6 565 | 21 356 | 6 211 | 43 441 |
| Total expected credit loss allowance | (11 040) | (8 990) | (22 800) | (7 802) | (50 632) |
| Balance beginning of year | (9 079) | (7 590) | (21 189) | (6 367) | (44 225) |
| Provision written back/ (created) | (1 961) | (1 400) | (1 611) | (1 435) | (6 407) |
| Total balance | 511 579 | 646 581 | 408 304 | 203 342 | 1 769 806 |
| Total collateral held | (409 615) | (406 646) | (252 976) | (22 146) | (1 091 383) |
| Total loss allowance | (11 040) | (8 990) | (22 800) | (7 802) | (50 632) |

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Grain R'000 | Fruit R'000 | Other Agri R'000 | Non- Agri R'000 | Total R'000 |
|--|----------------|----------------|------------------------|-----------------------|----------------|
| 30 September 2019 | | | | | |
| Debtors within terms | | | | | |
| Balance | 463 847 | 569 080 | 303 010 | 177 930 | 1 513 867 |
| Debtors for which collateral are held | (354 698) | (314 886) | (169 352) | (11 014) | (849 950) |
| Exposure to credit risk | 109 149 | 254 194 | 133 658 | 166 916 | 663 917 |
| Debtors outside terms but not credit impaired | | | | | |
| Balance | 27 869 | 85 350 | 64 849 | 6 384 | 184 452 |
| Debtors for which collateral are held | (24 005) | (66 942) | (36 893) | – | (127 840) |
| Exposure to credit risk | 3 864 | 18 408 | 27 956 | 6 384 | 56 612 |
| Debtors which are credit impaired | | | | | |
| Balance | 10 538 | 8 948 | 29 033 | 9 374 | 57 893 |
| Debtors for which collateral are held | (850) | (204) | (3 000) | – | (4 054) |
| Exposure to credit risk | 9 688 | 8 744 | 26 033 | 9 374 | 53 839 |

The contingency loss allowance per category (included in the total expected credit loss allowance as disclosed below) is as follows:

| | Grain R'000 | Fruit R'000 | Other Agri R'000 | Non- Agri R'000 | Total R'000 |
|---|----------------|----------------|------------------------|-----------------------|----------------|
| Balance of debtors not specifically provided for | 302 493 | 491 476 | 284 474 | 225 358 | 1 303 801 |
| Expected credit loss risk factor | 0,37% | 0,52% | 0,54% | 0,44% | 0,48% |
| Total contingency loss allowance as at 30 September | 1 134 | 2 565 | 1 542 | 983 | 6 224 |
| Total specific loss allowance as at 30 September | 7 945 | 5 025 | 19 647 | 5 384 | 38 001 |
| Total expected credit loss allowance | (9 079) | (7 590) | (21 189) | (6 367) | (44 225) |
| Balance beginning of year | (4 273) | (6 927) | (23 412) | (5 297) | (39 909) |
| Balance with acquisition of subsidiary | – | – | (696) | – | (696) |
| Effect of adopting IFRS 9 – Financial instruments | (93) | (151) | (510) | (61) | (815) |
| Provision written back/ (created) | (4 713) | (512) | 3 429 | (1 009) | (2 805) |
| Total balance | 502 254 | 663 378 | 396 892 | 193 688 | 1 756 212 |
| Total collateral held | (379 553) | (382 032) | (209 245) | (11 014) | (981 844) |
| Total loss allowance | (9 079) | (7 590) | (21 189) | (6 367) | (44 225) |

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

In order to mitigate any liquidity risk that the Group may face, the Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity. The Group tends to have significant fluctuations in short-term borrowings due to seasonal factors. Consequently the Group policy requires that sufficient borrowing facilities are available to exceed projected peak borrowings.

| | GROUP | |
|---|----------------|----------------|
| | 2020 R'000 | 2019 R'000 |
| The Group's unutilised borrowing facilities are as follows: | | |
| Total borrowing facilities | 1 864 922 | 1 651 619 |
| Interest bearing debt | (1 361 135) | (1 349 261) |
| | 503 787 | 302 358 |

The contractual periods of the Group's liabilities on reporting date are as follows:

| | Carrying amount R'000 | Contractual cash flows R'000 | 0 to 12 months R'000 | 13 to 60 months R'000 |
|--|-----------------------------|------------------------------------|----------------------------|-----------------------------|
| 30 September 2020 | | | | |
| Non-derivative financial liabilities | | | | |
| Trade and other payables | 1 295 942 | 1 295 942 | 1 295 942 | - |
| Financial liability at fair value through profit or loss | 76 600 | 99 200 | - | 99 200 |
| Financial liability at amortised cost | 14 213 | 15 200 | - | 15 200 |
| Short-term borrowings | 830 039 | 891 184 | 891 184 | - |
| Borrowings | 418 750 | 445 509 | - | 445 509 |
| Lease liabilities | 112 346 | 126 116 | 38 124 | 87 992 |
| | 2 747 900 | 2 873 161 | 2 225 250 | 647 901 |
| Derivative financial liabilities/(assets) | | | | |
| Derivative financial instruments | | | | |
| Outflow | 1 385 | 428 415 | 428 415 | - |
| Inflow | (1 385) | (428 415) | (428 415) | - |
| Forward exchange contracts | | | | |
| Outflow | (1 861) | 27 642 | 27 642 | - |
| Inflow | 1 861 | (27 642) | (27 642) | - |
| | - | - | - | - |

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Carrying amount R'000 | Contractual cash flows R'000 | 0 to 12 months R'000 | 13 to 60 months R'000 |
|---|-----------------------------|------------------------------------|----------------------------|-----------------------------|
| 30 September 2019 | | | | |
| Trade and other payables | 1 285 794 | 1 285 794 | 1 285 794 | – |
| Financial liability at fair value through profit or loss | 79 100 | 114 100 | – | 114 100 |
| Financial liability at amortised cost | 14 800 | 18 100 | – | 18 100 |
| Short-term borrowings | 1 309 447 | 1 435 794 | 1 435 794 | – |
| Instalment sale agreements | 39 814 | 45 737 | 19 845 | 25 892 |
| | 2 728 955 | 2 899 525 | 2 741 433 | 158 092 |
| Derivative financial liabilities/(assets) | | | | |
| Derivative financial instruments | | | | |
| Outflow | 1 882 | 250 454 | 250 454 | – |
| Inflow | (1 882) | (250 454) | (250 454) | – |
| Forward exchange contracts | | | | |
| Outflow | (2 031) | 58 580 | 58 580 | – |
| Inflow | 2 031 | (58 580) | (58 580) | – |
| | – | – | – | – |

Fair value estimation

Investments and derivative financial instruments

Level 1

- Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2

- Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3

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

Please refer to the equity risk disclosure for more information regarding the investment in Signafi Capital (Pty) Ltd at fair value. The investment in Signafi Capital (Pty) Ltd is a level 3 financial instrument as the shares are not listed and unobservable. The financial liability at fair value through profit and loss comprising the redemption obligation for a written put option is recorded at fair value, refer to note 13 for the inputs used in determining the fair value.

| | GROUP | |
|--|-----------------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Level 2 – Financial instruments for hedging: | | |
| Financial instruments at fair value through profit or loss | 1 385 | 1 882 |

Trade debtors and trade creditors

The nominal value of trade receivables, less expected credit losses, and trade payables are assumed to approximate their fair values.

Financial liabilities

The nominal value of financial liabilities for disclosure purposes are assumed to approximate their fair values.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital maintenance

The company considers total equity, which includes share capital, reserves and treasury shares, as capital. The ratio between capital and debt is the capital ratio. Debt includes short-term borrowings. The Group's objective with the management of the capital ratio is to ensure that the Group continues to trade as a going concern and to create wealth for its shareholders and other stakeholders. The influence on the capital ratio is considered with decisions on the declaration of dividends, repurchase of shares, issue of shares, purchase and disposal of assets and investments and the acquiring or repayment of debt. The movement in capital is presented in the Statement of changes in equity.

| | GROUP | |
|---|---------------|--------|
| | 2020 | 2019 |
| Ratios | | |
| Total shareholders' equity: Total assets employed | 40,28% | 42,10% |
| Net interest bearing debt: Total assets employed | 26,16% | 26,30% |
| EBITDA: Net assets | 24,99% | 26,12% |
| <i>Net interest bearing debt includes bank borrowings and cash balances.</i> | | |
| <i>EBITDA is the headline earnings before interest, tax, depreciation and amortisation.</i> | | |
| <i>Net assets are total assets less total liabilities.</i> | | |
| Financial covenants | | |
| Asset cover ratio (required to be above 1.25 times) | 2,4 | 2,9 |
| Interest cover ratio (required to be above 2.5 times) | 5,0 | 5,0 |
| | R'000 | R'000 |

25 LOW VALUE AND SHORT TERM LEASE COMMITMENTS

The Group has entered into various lease agreements on premises and vehicles. On 1 October 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low value leases (refer to note 4 and note 46). The amounts disclosed in the current year is the low-value and short term leases left to be treated as low value and short term lease commitments.

Lease payments:

| | | |
|-------------------------------------|--------------|---------|
| Payable within one year* | 3 802 | 29 624 |
| Payable between one and five years* | 3 508 | 75 847 |
| Payable after five years | – | 29 362 |
| | 7 310 | 117 888 |

* The prior year figures were restated to include Partridge Building Supplies (Pty) Ltd – refer to note 46.

Within various lease contracts, the Group has the option to renew.

| | | GROUP | |
|--|--|------------------|---------------|
| | | 2020 R'000 | 2019 R'000 |
| 26 | CAPITAL COMMITMENTS | | |
| Contracted | | 9 821 | 89 382 |
| <p>These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds. The Group remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control.</p> | | | |
| 27 | REVENUE FROM CONTRACTS WITH CUSTOMERS | | |
| Sale of goods | | 8 362 714 | 8 244 792 |
| – Trade | | 5 091 062 | 4 848 407 |
| – Retail Fuel & Convenience | | 2 317 237 | 2 457 152 |
| – Grain Services | | 759 681 | 754 906 |
| – Manufacturing | | 194 734 | 184 327 |
| Sale of services | | 109 593 | 101 238 |
| – Trade | | 32 321 | 26 065 |
| – Grain Services | | 77 272 | 75 173 |
| Margin on direct transactions | | 102 361 | 105 490 |
| – Trade | | 100 788 | 94 739 |
| – Grain Services | | 1 573 | 10 751 |
| | | 8 574 668 | 8 451 520 |
| <p>Refer to the accounting policy and note 45 for details regarding the different revenue streams.</p> | | | |
| 28 | OTHER OPERATING INCOME | | |
| Interest received | | 123 848 | 125 694 |
| – Trade debtors that are not impaired | | 109 221 | 108 465 |
| – Trade debtors that are impaired | | 2 814 | 4 732 |
| – Other | | 11 813 | 12 497 |
| Profit on sale of property, plant and equipment | | 2 874 | 354 |
| Revaluation of Redemption liability | | 4 420 | 23 849 |
| Foreign exchange differences | | – | 3 |
| Transport income | | 6 162 | 8 328 |
| Rent received | | 9 525 | 8 951 |
| Bad debts recovered | | 16 | 62 |
| Manufacturing income | | 3 111 | 6 093 |
| Information technology income | | 5 798 | 5 239 |
| AgriSETA and ETI income | | 3 750 | 2 220 |
| Training income | | 324 | 688 |
| Weighbridge income | | 836 | 880 |
| Commission received | | 6 135 | 5 582 |
| Management fees | | 4 496 | 4 929 |
| Other income | | 6 623 | 9 501 |
| | | 177 918 | 202 373 |

29 EXPENSES BY NATURE

| | GROUP | |
|---|------------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Cost of products sold | 7 163 920 | 7 108 723 |
| Foreign exchange differences | 91 | – |
| Depreciation | 83 515 | 59 454 |
| Amortisation of intangible assets | 1 353 | 1 638 |
| Directors' emoluments | 11 729 | 12 143 |
| Staff costs | 621 005 | 592 906 |
| – Salaries, wages and bonuses | 562 808 | 536 066 |
| – Equity settled management share incentive scheme | 5 111 | 3 848 |
| – Employer's contribution to pension fund (defined contribution plan) | 42 432 | 38 706 |
| – Employer's contribution to medical benefits | 2 154 | 2 028 |
| – Increase/(decrease) in provision for post-retirement medical benefits | (349) | (329) |
| – Training expenses | 8 849 | 12 587 |
| Skills development levy | 3 665 | 5 123 |
| Auditor's remuneration | 6 642 | 5 625 |
| – For audit | 5 919 | 4 623 |
| – Other services | 119 | 25 |
| – Under provision previous year | 604 | 977 |
| Rent paid | 12 169 | 42 842 |
| – Buildings | 53 | 31 680 |
| – Vehicles | 2 257 | 2 893 |
| – Machinery and equipment | 9 859 | 8 269 |
| Other occupancy costs | 97 663 | 81 108 |
| Information technology expenses | 51 185 | 41 641 |
| Marketing costs | 50 182 | 56 656 |
| Transport/distribution | 67 315 | 77 145 |
| COVID-19 related expenses | 3 465 | – |
| Other administrative expenses | 46 778 | 43 923 |
| Acquisition related costs | 6 432 | 5 202 |
| Expected credit loss allowance raised | 9 235 | 7 855 |
| Goodwill written off | – | 2 250 |
| Other expenses | 7 806 | 16 477 |
| | 8 244 150 | 8 160 711 |
| | Number | Number |
| Number of employees in service at year-end | 3 500 | 3 244 |

30 REMUNERATION PAID TO DIRECTORS

| | Salary R'000 | Bonuses R'000 | Share Incentive Scheme vested R'000 | Pension contri- butions R'000 | Directors' fees R'000 | Expense allowance R'000 | Total R'000 |
|--------------------------------|-----------------|------------------|---|--|-----------------------------|-------------------------------|----------------|
| 2020 | | | | | | | |
| Executive directors | | | | | | | |
| GW Sim | 2 976 | – | 439 | 238 | – | 15 | 3 668 |
| S Walsh | 4 620 | – | 960 | 281 | – | 42 | 5 903 |
| | 7 596 | – | 1 399 | 519 | – | 57 | 9 571 |
| Non-executive directors | | | | | | | |
| BS du Toit | | | | | 300 | 1 | 301 |
| D du Toit | | | | | 361 | 1 | 362 |
| JH le Roux* | | | | | 268 | 1 | 269 |
| EA Messina | | | | | 605 | 1 | 606 |
| W Michaels | | | | | 184 | 1 | 185 |
| CA Otto | | | | | 642 | 1 | 643 |
| HM Smit | | | | | 253 | 3 | 256 |
| GM Steyn | | | | | 654 | 1 | 655 |
| JH van Niekerk | | | | | 176 | 1 | 177 |
| I Chalumbira | | | | | 172 | 6 | 178 |
| | | | | | 3 615 | 17 | 3 632 |
| Total | | | | | | | 13 203 |
| 2019 | | | | | | | |
| Executive directors | | | | | | | |
| GW Sim | 2 886 | 138 | 955 | 314 | – | 14 | 4 307 |
| S Walsh | 4 548 | 212 | 2 088 | 342 | – | 50 | 7 240 |
| | 7 434 | 350 | 3 043 | 656 | – | 64 | 11 547 |
| Non-executive directors | | | | | | | |
| BS du Toit | | | | | 297 | 4 | 301 |
| D du Toit | | | | | 297 | 4 | 301 |
| JH le Roux* | | | | | 223 | 3 | 226 |
| EA Messina | | | | | 583 | 3 | 586 |
| W Michaels | | | | | 197 | 2 | 199 |
| CA Otto | | | | | 636 | 1 | 637 |
| HM Smit | | | | | 250 | 8 | 258 |
| GM Steyn | | | | | 647 | 1 | 648 |
| JH van Niekerk | | | | | 403 | 5 | 408 |
| I Chalumbira | | | | | 170 | 19 | 189 |
| | | | | | 3 703 | 50 | 3 753 |
| Total | | | | | | | 15 300 |

The terms of service of the executive directors are coupled to their terms of service as employees, while the non-executive directors rotate on a three-year basis. No director or employee has a fixed-term contract with the Group. The remuneration of the non-executive directors consists of a fixed annual remuneration for services as a director, an additional fixed remuneration for duties on committees and reimbursement for travelling and other costs. The remuneration of executive directors consists of remuneration as employees and they receive no additional remuneration as directors.

There are no further prescribed officers in the view of the Board.

* Payable to Zeder Corporate Services (Pty) Ltd.

31 DIRECTORS' EQUITY SETTLED SHARE INCENTIVE SCHEME OPTIONS

| | Grant date | Vesting date | Exercise price | Fair value at grant date | Share options 2020 | Share options 2019 |
|---------|-----------------|----------------|----------------|--------------------------|--------------------|--------------------|
| S Walsh | 1 October 2016 | 1 October 2019 | 23,88 | 9,53 | – | 113 187 |
| | 1 October 2016 | 1 October 2020 | 23,88 | 10,21 | 113 187 | 113 187 |
| | 1 October 2016 | 1 October 2021 | 23,88 | 10,75 | 113 187 | 113 187 |
| | 20 March 2018 | 1 October 2019 | 48,27 | 9,55 | – | 3 360 |
| | 20 March 2018 | 1 October 2020 | 48,27 | 12,29 | 3 360 | 3 360 |
| | 20 March 2018 | 1 October 2021 | 48,27 | 14,43 | 3 360 | 3 360 |
| | 20 March 2018 | 1 October 2022 | 48,27 | 16,18 | 3 360 | 3 360 |
| | 15 January 2019 | 1 October 2020 | 36,72 | 10,37 | 22 593 | 22 593 |
| | 15 January 2019 | 1 October 2021 | 36,72 | 12,58 | 22 593 | 22 593 |
| | 15 January 2019 | 1 October 2022 | 36,72 | 14,14 | 22 593 | 22 593 |
| | 15 January 2019 | 1 October 2023 | 36,72 | 15,29 | 22 593 | 22 593 |
| | 15 January 2020 | 1 October 2021 | 27,31 | 4,35 | 194 232 | – |
| | 15 January 2020 | 1 October 2022 | 27,31 | 5,28 | 194 232 | – |
| | 15 January 2020 | 1 October 2023 | 27,31 | 5,96 | 194 232 | – |
| | 15 January 2020 | 1 October 2024 | 27,31 | 6,48 | 194 232 | – |
| GW Sim | 1 October 2016 | 1 October 2019 | 23,88 | 9,53 | – | 51 775 |
| | 1 October 2016 | 1 October 2020 | 23,88 | 10,21 | 51 775 | 51 775 |
| | 1 October 2016 | 1 October 2021 | 23,88 | 10,75 | 51 775 | 51 775 |
| | 20 March 2018 | 1 October 2019 | 48,27 | 9,55 | – | 5 465 |
| | 20 March 2018 | 1 October 2020 | 48,27 | 12,29 | 5 465 | 5 465 |
| | 20 March 2018 | 1 October 2021 | 48,27 | 14,43 | 5 465 | 5 465 |
| | 20 March 2018 | 1 October 2022 | 48,27 | 16,18 | 5 465 | 5 465 |
| | 15 January 2019 | 1 October 2020 | 36,72 | 10,37 | 10 602 | 10 602 |
| | 15 January 2019 | 1 October 2021 | 36,72 | 12,58 | 10 602 | 10 602 |
| | 15 January 2019 | 1 October 2022 | 36,72 | 14,14 | 10 602 | 10 602 |
| | 15 January 2019 | 1 October 2023 | 36,72 | 15,29 | 10 602 | 10 602 |
| | 15 January 2020 | 1 October 2021 | 27,31 | 4,35 | 77 378 | – |
| | 15 January 2020 | 1 October 2022 | 27,31 | 5,28 | 77 378 | – |
| | 15 January 2020 | 1 October 2023 | 27,31 | 5,96 | 77 378 | – |
| | 15 January 2020 | 1 October 2024 | 27,31 | 6,48 | 77 378 | – |

For more information on the equity settled share incentive scheme, refer to note 18.

| | GROUP | |
|---|----------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Banks and other | 102 363 | 107 088 |
| Lease liabilities | 20 868 | – |
| Redemption liabilities (refer to note 14) | 1 332 | 3 926 |
| | 124 563 | 111 014 |

32 FINANCE COSTS

33

INCOME TAX

| | GROUP | |
|---|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Tax expenditure: | | |
| Current taxation – current year | 98 785 | 91 259 |
| Current taxation – previous year overprovided | (332) | – |
| Deferred taxation – current year | 3 883 | 7 303 |
| Taxation for the year | 102 336 | 98 562 |
| | % | % |
| The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate, as follows: | | |
| Statutory tax rate | 28,00 | 28,00 |
| Adjusted for: | | |
| Non-deductible expenses of a capital nature | 0,19 | 0,17 |
| Non-taxable Employment Tax Incentive income | (0,32) | (0,10) |
| Non-taxable revaluation of Put Option | (0,23) | (1,17) |
| Learnership allowances | (0,94) | (0,77) |
| Venture Capital Investment Sec 12(J) | – | (0,41) |
| Share in loss of joint venture | 0,16 | 0,23 |
| Effective rate | 26,86 | 25,95 |

Non-deductible expenses of a capital nature include legal and consultation fees relating to acquisitions of new businesses and other restructuring costs.

34 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Reconciliation between earnings and headline earnings:

| | GROUP | |
|---|-----------------------|-----------------------|
| | 2020 R'000 | 2019 R'000 |
| Net profit | 279 178 | 281 279 |
| Attributable to shareholders of the holding company | 275 081 | 277 320 |
| Non-controlling interest | 4 097 | 3 959 |
| Net profit on disposal of assets | (2 069) | (255) |
| Gross | (2 874) | (354) |
| Tax effect | 805 | 99 |
| Goodwill written off | – | 2 250 |
| Headline earnings | 277 109 | 283 274 |
| Attributable to shareholders of the holding company | 273 012 | 279 332 |
| Non-controlling interest | 4 097 | 3 942 |
| Non-recurring items | 3 344 | (14 721) |
| Non-recurring expenses | 6 432 | 5 202 |
| Revaluation of Put Options | (3 088) | (19 923) |
| Recurring headline earnings | 280 453 | 268 553 |
| Attributable to shareholders of the holding company | 275 810 | 263 428 |
| Non-controlling interest | 4 643 | 5 125 |

| | Number | |
|---|---------------|--------|
| Weighted average number of ordinary shares ('000) | 70 266 | 70 211 |
| Weighted average number of diluted ordinary shares ('000) | 70 266 | 70 479 |

| | Cents | |
|---------------------------------------|---------------|--------|
| Earnings per share | 391,49 | 394,98 |
| Diluted Earnings per share | 391,49 | 393,48 |
| Headline earnings per share | 388,54 | 397,85 |
| Diluted headline earnings per share | 388,54 | 396,33 |
| Recurring headline earnings per share | 392,52 | 375,19 |

Headline earnings are calculated based on Circular 1/2019 issued by the South African Institute of Chartered Accountants.

Non-recurring expenses consists predominantly of costs associated with acquisitions of new businesses.

| | | GROUP | |
|---|--|------------------|---------------|
| | | 2020 R'000 | 2019 R'000 |
| 35 | DIVIDEND PER SHARE | | |
| Interim | | | |
| 0,00 cents per share (2019: 33,50 cents per share) | | – | 23 338 |
| Final | | | |
| 50,00 cents per share (2019: 90,00 cents per share) | | 35 141 | 63 416 |
| | | 35 141 | 86 754 |
| Dividends payable are not accounted for until they have been declared by the Board of directors. The Statement of Changes in Equity does not reflect the final dividend payable in respect of the current year. The final dividend for the year ended 30 September 2020 will be accounted for as an appropriation of retained profit in the year ended 30 September 2021. | | | |
| 36 | NET CASH PROFIT FROM OPERATING ACTIVITIES | | |
| Operating profit per income statement | | 508 436 | 493 182 |
| Adjusted for: | | | |
| – Interest received | | (123 848) | (125 694) |
| – Depreciation | | 83 515 | 59 454 |
| – Amortisation of intangible assets | | 1 353 | 1 638 |
| – Profit on disposal of property, plant and equipment | | (2 874) | (354) |
| – Revaluation of Put Options | | (4 420) | (23 849) |
| – Increase in share based payment reserve | | 3 925 | 1 286 |
| – Goodwill written off | | – | 2 250 |
| – Decrease/(increase) in provisions | | 17 371 | 9 344 |
| | | 483 458 | 417 257 |
| 37 | WORKING CAPITAL CHANGES | | |
| Increase in inventory | | (12 485) | (134 867) |
| Increase in trade and other debtors | | (9 016) | (146 942) |
| Increase in trade and other creditors | | 1 086 | 184 041 |
| | | (20 415) | (97 768) |
| 38 | INCOME TAX PAID | | |
| Balance owing at the beginning of the year | | 8 394 | 1 636 |
| Income tax expense in income statement | | 98 453 | 91 259 |
| Balance owing at the end of the year | | (11 325) | (8 394) |
| | | 95 522 | 84 501 |
| 39 | ACQUISITION OF BUSINESSES | | |
| Non-current assets | | 272 106 | 213 253 |
| Current assets | | 11 252 | 85 062 |
| Non-current liabilities | | (25 606) | (33 074) |
| Current liabilities | | – | (59 754) |
| Non-controlling interest | | – | (17 198) |
| Purchase consideration | | 257 752 | 188 289 |
| – paid in cash (current period) | | 169 612 | 50 751 |
| – paid in cash (previous period) | | 88 140 | 53 489 |
| – paid through issue of subsidiary shares | | – | 84 049 |

Refer note 43 for more information.

| | | GROUP | |
|-----------|--|---------------------|---------------|
| | | 2020 R'000 | 2019 R'000 |
| 40 | INCREASE/(DECREASE) IN SHORT-TERM BORROWINGS | | |
| | Opening balance | 1 309 447 | 1 000 907 |
| | Business combination short term loans (non-cash) opening balance | – | 14 602 |
| | | 1 309 447 | 1 015 509 |
| | New instalment sale agreement – asset purchased prior year* | (85 213) | – |
| | Cash flow movements | | |
| | Purchases | 10 280 780 | 8 723 212 |
| | Repayments | (10 788 407) | (8 519 127) |
| | Interest | 82 182 | 89 853 |
| | Closing balance | 798 789 | 1 309 447 |
| | * Asset purchased in the prior year and formed part of assets under construction. Asset was financed after completion in the current financial year. | | |
| 41 | REPAYMENT OF INSTALMENT SALE AGREEMENTS | | |
| | Opening balance | 39 814 | 25 944 |
| | New instalment sale agreements | 94 595 | 18 165 |
| | Additions through business combinations | – | 9 982 |
| | Net Repayment | (22 063) | (14 277) |
| | Instalments | (25 346) | (18 473) |
| | Interest | 3 283 | 4 196 |
| | Closing balance | 112 346 | 39 814 |
| 42 | LEASE PAYMENTS | | |
| | Initial recognition of IFRS 16 | 183 601 | – |
| | New leases | 60 051 | – |
| | Modifications and cancellations | 2 638 | – |
| | Net repayment | (11 149) | – |
| | Lease expense | (32 017) | – |
| | Interest | 20 868 | – |
| | Closing balance | 235 141 | – |

43 BUSINESS COMBINATIONS

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and in some instances accompanying retail fuel properties were acquired. If no property was acquired, the retail licence was obtained and thus the operations were acquired and still treated as business combinations under IFRS 3. Goodwill on acquisition was paid on these businesses which represent synergies within the Group and have future earnings potential.

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

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

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

43 BUSINESS COMBINATIONS (CONTINUED)

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

Kathu QSR's – October 2019

Kimberley Ranch Motors service station – January 2020

Ventersdorp service station – February 2020

Elegant Kathu service station – June 2020

Engen Akasia Kathu service station – June 2020

Caltex Autostar Motors service station – July 2020

Caltex Gabros Motors service station – July 2020

Caltex Nova Motors – September 2020

The assets and liabilities at the date of acquisition can be summarised as follows:

| | Total R'000 | Kathu QSR's R'000 | Kimberley Ranch Motors R'000 | Venters dorp R'000 | Elegant Kathu R'000 | Engen Akasia Kathu R'000 | Caltex Autostar R'000 | Caltex Gabros R'000 | Caltex Nova R'000 |
|----------------------------------|----------------|-------------------------|---------------------------------------|--------------------------|---------------------------|-----------------------------------|-----------------------------|---------------------------|-------------------------|
| Carrying value | | | | | | | | | |
| Assets | | | | | | | | | |
| Land and buildings | 82 600 | – | – | 14 000 | 32 600 | 22 000 | 14 000 | – | – |
| Plant and Equipment | 6 460 | 618 | 559 | 1 280 | 2 036 | 985 | 471 | 188 | 323 |
| Inventory | 11 252 | 274 | 2 011 | 1 557 | 1 917 | 3 040 | 874 | 489 | 1 090 |
| | 100 312 | 892 | 2 570 | 16 837 | 36 553 | 26 025 | 15 345 | 677 | 1 413 |
| Fair value | | | | | | | | | |
| Assets | | | | | | | | | |
| Land and buildings | 91 450 | – | – | 17 150 | 36 200 | 23 600 | 14 500 | – | – |
| Plant and Equipment | 6 460 | 618 | 559 | 1 280 | 2 036 | 985 | 471 | 188 | 323 |
| Goodwill | 174 196 | 9 382 | 37 441 | 17 872 | 35 900 | 36 023 | 11 089 | 12 812 | 13 677 |
| Inventory | 11 252 | 274 | 2 011 | 1 557 | 1 917 | 3 040 | 874 | 489 | 1 090 |
| Liabilities | | | | | | | | | |
| Deferred taxation | (25 606) | – | – | (4 802) | (10 136) | (6 608) | (4 060) | – | – |
| Purchase consideration | 257 752 | 10 274 | 40 011 | 33 057 | 65 917 | 57 040 | 22 874 | 13 489 | 15 090 |
| – paid in cash (current period) | 169 612 | 1 274 | 2 011 | 14 157 | 59 577 | 51 640 | 20 474 | 9 589 | 10 890 |
| – paid in cash (previous period) | 88 140 | 9 000 | 38 000 | 18 900 | 6 340 | 5 400 | 2 400 | 3 900 | 4 200 |

43 BUSINESS COMBINATIONS (CONTINUED)

The land, inclusive of the site licence are valued using the Net Income Capitalised Approach.

Buildings at the value of R24,1 million in the current year's PPA are valued at the replacement cost method and have a finite useful life. Depreciation is recognised over the useful live of the buildings.

Acquisition-related costs are disclosed in note 29.

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

| | Total R'000 | Kathu QSR's R'000 | Kimberley Ranch Motors R'000 | Venters dorp R'000 | Elegant Kathu R'000 | Engen Akasia Kathu R'000 | Caltex Autostar R'000 | Caltex Gabros R'000 | Caltex Nova R'000 |
|--|----------------|-------------------------|---------------------------------------|--------------------------|---------------------------|-----------------------------------|-----------------------------|---------------------------|-------------------------|
| Revenue | | | | | | | | | |
| – since acquisition date | 250 073 | 13 302 | 68 300 | 39 353 | 47 585 | 50 226 | 10 748 | 13 902 | 6 657 |
| – as if from the beginning of the year | 662 502 | 13 302 | 100 348 | 66 907 | 143 799 | 151 847 | 45 522 | 56 575 | 84 202 |
| Profit/(loss) before tax | | | | | | | | | |
| – since acquisition date | 7 580 | 839 | (913) | 877 | 2 948 | 2 235 | 471 | 1 049 | 74 |
| – as if from the beginning of the year | 29 039 | 839 | (178) | 1 871 | 13 922 | 7 773 | 2 559 | 2 823 | (570) |

44 INTEREST IN RELATED ENTITIES

| | NUMBER OF ISSUED SHARES | | SHAREHOLDING (%) | |
|---|-------------------------|------------|------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Name of subsidiary | | | | |
| Directly held: | | | | |
| Shares held by Kaap Agri Limited | | | | |
| Kaap Agri Bedryf Limited | 74 170 277 | 74 170 277 | 100,00 | 100,00 |
| Shares held by Kaap Agri Bedryf Limited | | | | |
| Kaap Agri (Aussenkehr) (Pty) Ltd | 100 | 100 | 100,00 | 100,00 |
| Agriplas (Pty) Ltd | 7 000 | 7 000 | 100,00 | 100,00 |
| TFC Properties (Pty) Ltd | 51 736 | 51 736 | 70,50 | 70,50 |
| TFC Operations (Pty) Ltd | 66 824 749 | 66 824 749 | 70,50 | 70,50 |
| Partridge Building Supplies (Pty) Ltd | 14 400 | 14 400 | 60,00 | 60,00 |
| Tego Plastics (Pty) Ltd | 1 000 | 1 000 | 100,00 | 100,00 |
| Indirectly held: | | | | |
| Shares held by Empowerment and Transformation Investments (Pty) Ltd | | | | |
| TFC Properties (Pty) Ltd | 51 736 | 51 736 | 6,00 | 6,00 |
| TFC Operations (Pty) Ltd | 66 824 749 | 66 824 749 | 6,00 | 6,00 |
| Name of joint venture | | | | |
| Shares held by Kaap Agri Bedryf Limited | | | | |
| Kaap Agri (Namibia) (Pty) Ltd | 500 | 500 | 50,00 | 50,00 |

The shares indirectly held are held by an empowerment trust which, for accounting purposes, is considered to be controlled by the Group as the Group has the ability to direct the relevant activities of the Trust and, as such, it is consolidated by the company.

Details of non-wholly-owned subsidiaries that have material non-controlling interests ("NCI"):

| | 2020 R'000 | 2019 R'000 |
|--|------------------|---------------|
| TFC Operations (Pty) Ltd | | |
| Ownership held by NCI (%) | 23,50 | 23,50 |
| Accumulated NCI interest in statement of financial position | 40 416 | 38 847 |
| Profit allocated to NCI | 1 191 | 3 079 |
| Summarised financial information in respect of the Group's subsidiaries that have material NCI is set out below. | | |
| The summarised financial information below represents amounts before inter-group eliminations. | | |
| Non-current assets | 801 369 | 211 089 |
| Current assets | 109 268 | 213 149 |
| Non-current liabilities | (400 677) | - |
| Current liabilities | (363 106) | (245 826) |
| Revenue | 2 317 237 | 2 398 837 |
| Profit/(loss) for the year | (2 827) | 13 104 |
| Net cash inflow from operating activities | 96 754 | 67 792 |
| Net cash outflow from investing activities | (102 177) | (105 343) |
| Net cash inflow/(outflow) from financing activities | (3 665) | 38 747 |
| Net increase in cash and cash equivalents | (9 088) | 1 196 |
| Dividend paid | (2 701) | (2 259) |

44 INTEREST IN RELATED ENTITIES (CONTINUED)

TFC Properties (Pty) Ltd

Ownership held by NCI (%)

Accumulated NCI interest in statement of financial position

Profit allocated to NCI

2020
R'000

2019
R'000

23,50
39 349
782

23,50
40 182
784

Summarised financial information in respect of the Group's subsidiaries that have material NCI is set out below.

The summarised financial information below represents amounts before inter-group eliminations.

Non-current assets

Current assets

Non-current liabilities

Current liabilities

546 982
1 189
(71 390)
(326 183)

362 866
6 916
(45 180)
(166 722)

Revenue

Profit/(loss) for the year

27 555
(716)

29 638
(13 106)

Net cash inflow from operating activities

Net cash outflow from investing activities

Net cash inflow/(outflow) from financing activities

Dividends paid

23 062
(152 110)
129 048
(2 399)

16 389
(13 680)
(2 709)
–

Partridge Building Supplies (Pty) Ltd

Ownership held by NCI (%)

Accumulated NCI interest in statement of financial position

Profit allocated to NCI

40%
18 780
1 487

40%
17 293
95

Summarised financial information in respect of the Group's subsidiaries that have material NCI is set out below.

The summarised financial information below represents amounts before inter-group eliminations.

Non-current assets

Current assets

Non-current liabilities

Current liabilities

37 702
126 507
(25 179)
(103 226)

18 072
89 819
7 141
69 569

Revenue

Profit/(loss) for the year

493 819
5 651

337 732
1 145

Net cash inflow/(outflow) from operating activities

Net cash outflow from investing activities

Net cash outflow from financing activities

Net decrease in cash and cash equivalents

2 929
(1 102)
(11 100)
(9 274)

(8 214)
(3 625)
(478)
(12 317)

45 INFORMATION ABOUT OPERATING SEGMENTS

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

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

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

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

Manufacturing, manufactures and sells dripper pipe, other irrigation equipment, food grade plastic bulk bins for the agricultural market and distributes other irrigation parts.

Corporate includes all assets and liabilities not specifically used by the other identified segments to generate income or expenses.

| | SEGMENT REVENUE | | SEGMENT RESULTS | |
|---------------------------------------|-----------------|---------------|-----------------|---------------|
| | 2020 R'000 | 2019 R'000 | 2020 R'000 | 2019 R'000 |
| Segment revenue and results | | | | |
| Trade | 5 312 682 | 4 969 211 | 287 475 | 248 098 |
| Retail Fuel & Convenience | 2 309 904 | 2 457 152 | 88 330 | 101 275 |
| Grain Services | 759 681 | 840 830 | 56 466 | 50 479 |
| Manufacturing | 192 401 | 184 327 | 14 402 | 26 118 |
| Total for reportable segments | 8 574 668 | 8 451 520 | 446 673 | 425 970 |
| Corporate | – | – | (109 723) | (102 736) |
| Treasury | – | – | 46 923 | 58 934 |
| Share in loss/profit of joint venture | – | – | (2 359) | (2 327) |
| Total external revenue | 8 574 668 | 8 451 520 | | |
| Profit before tax | | | 381 514 | 379 841 |
| Income tax | | | (102 336) | (98 562) |
| Profit after tax | | | 279 178 | 281 279 |

| | SEGMENT ASSETS | | SEGMENT LIABILITIES | |
|---------------------------------------|----------------|---------------|---------------------|---------------|
| | 2020 R'000 | 2019 R'000 | 2020 R'000 | 2019 R'000 |
| Segment assets and liabilities | | | | |
| Trade | 1 748 810 | 1 622 061 | 1 233 115 | 1 058 776 |
| Retail Fuel & Convenience | 1 214 656 | 900 710 | 194 875 | 152 759 |
| Grain Services | 96 842 | 105 100 | 41 692 | 47 660 |
| Manufacturing | 299 801 | 218 551 | 137 247 | 34 652 |
| Total for reportable segments | 3 360 109 | 2 846 422 | 1 606 929 | 1 293 847 |
| Corporate | 150 101 | 188 366 | 190 771 | 185 422 |
| Trade debtors | 1 719 175 | 1 711 987 | – | – |
| Investment in joint venture | 41 306 | 40 967 | – | – |
| Short-term borrowings | – | – | 830 039 | 1 309 447 |
| Borrowings | – | – | 418 750 | – |
| Deferred taxation | 2 772 | – | 100 271 | 72 778 |
| | 5 273 463 | 4 787 742 | 3 146 760 | 2 861 494 |

45 INFORMATION ABOUT OPERATING SEGMENTS (CONTINUED)

| | CAPITAL EXPENSES | | DEPRECIATION | |
|----------------------------------|------------------|---------------|---------------|---------------|
| | 2020 R'000 | 2019 R'000 | 2020 R'000 | 2019 R'000 |
| Other segment information | | | | |
| Trade | 21 329 | 94 725 | 47 924 | 27 751 |
| Retail Fuel & Convenience | 168 069 | 77 781 | 7 947 | 4 359 |
| Grain Services | 1 568 | 8 876 | 6 005 | 5 325 |
| Manufacturing | 36 265 | 128 405 | 7 967 | 5 953 |
| Total for reportable segments | 227 231 | 309 787 | 69 843 | 43 388 |
| Corporate | 18 907 | 29 212 | 13 672 | 16 066 |
| | 246 138 | 338 999 | 83 515 | 59 454 |

The loan receivable from Kaap Agri (Namibia) (Pty) Ltd is part of the Investment in Joint Venture.

Geographical revenue for the Group is attributed to countries on the basis of the customers' location. No single customer contributes to more than 10% of the Group's revenue.

Geographical revenue for the Group are as follows:

| | 2020 R'000 | 2019 R'000 |
|--|------------------|---------------|
| South Africa | 8 542 670 | 8 420 938 |
| Namibia | 31 998 | 30 582 |
| Total | 8 574 668 | 8 451 520 |
| Non-current assets (excluding deferred taxation) are located in the following countries: | | |
| South Africa | 2 332 046 | 1 784 275 |
| Namibia | 10 871 | 1 426 |
| Total | 2 342 917 | 1 785 701 |

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 October 2019. The new accounting policies are disclosed in note 21 of the accounting policies.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 October 2019 being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received. The Group also makes adjustments to the rate relating to the specific lease based on the term and security and nature of the asset. This was applied per asset to determine the value of the right-of-use asset and lease liability. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 were as follows and applied to assets of similar nature:

Range of rates used based on type of asset 8,75% to 9,35%

The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate measured at 1 October 2019. The right-of-use asset, for all leases, is measured using the IBR at the date of initial application, retrospectively as if IFRS 16 had always been applied with an adjustment to retained earnings.

46 CHANGES IN ACCOUNTING POLICIES

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- > Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- > Accounting for operating leases with a remaining lease term of less than 12 months at 1 October 2019 as short-term leases;
- > Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- > Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

1 October
2019
R'000

Measurement of lease liabilities (as at 1 October 2019)

| | |
|--|----------|
| Operating lease commitments disclosed as at 30 September 2019 | 134 833 |
| – As per Kaap Agri Group financials – Operating lease commitments as at 30 September 2019 | 117 888 |
| – As per Partridge Building Supplies financials – Operating lease commitments as at 30 September 2019* | 16 945 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 72 129 |
| Adjustments as a result of different treatment of extension periods | 122 689 |
| (Less): short-term and low-value leases recognised on a straight-line basis as expense | (11 217) |
| Lease liability recognised as at 1 October 2019 | 183 601 |
| Non-current lease liability | 161 237 |
| Current lease liability | 22 364 |

Measurement of right-of-use assets (as at 1 October 2019)

Right-of-use assets were measured fully retrospectively as if IFRS 16 has always been applied

The recognised right-of-use assets relate to the following type of assets:

| | |
|-----------|---------|
| Buildings | 164 198 |
| Vehicles | 2 198 |
| | 166 395 |

Adjustments recognised in the statement of financial position on

1 October 2019:

| | |
|-----------------------------|-----------|
| Right-of-use assets | 166 395 |
| Deferred tax assets | 4 847 |
| Lease liabilities | (183 601) |
| Impact on retained earnings | (12 359) |

* The operating lease commitments for Partridge Building Supplies were omitted in the prior year disclosure. The reconciliation was incorrectly disclosed in the unaudited condensed consolidated interim financial statements. The variance is due to a change in interpretation in applying the extension periods of lease values as well as. The updated discounted cash flows indicated that no impairment of the right-of-use assets is required. The incorrect transition method was also mentioned in the interim financial statements, but correctly applied namely that right-of-use assets were measured fully retrospectively as if IFRS 16 has always been applied.

47 RESTATEMENT OF COMPARATIVE AMOUNTS

Reclassification between operating expenses and cost of sales

Internal distribution costs incurred by the distribution centre, included under operating, administration, selling and distribution expenses instead of cost of sales in the prior year have been reclassified to cost of sales to better reflect the nature of these expenses. The classification error had no impact on the profit for the prior year or on the costing of inventory as these costs were correctly included in the build up of inventory.

The effect on the income statement for 2019 is set out below:

| | Original balance R'000 | Restatement R'000 | Restated balance R'000 |
|--|------------------------------|----------------------|------------------------------|
| Effect on Statement of comprehensive income | | | |
| Cost of sales | (7 142 281) | (56 902) | (7 199 183) |
| Selling and distribution costs | (119 582) | 9 198 | (110 384) |
| Administrative expenses | (641 415) | 33 803 | (607 612) |
| Other operating expenses | (254 628) | 13 901 | (240 727) |
| Profit before tax | 379 841 | – | 379 841 |

48 GOING CONCERN

Based on the financial statements, the present financial position of the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the financial statements.

Refer to note 2 for the impact of COVID-19.

49 EVENTS AFTER REPORTING DATE

A gross final dividend of 50,00 cents per share (2019: 90,00 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2020.

The directors are not aware of any matter or circumstance that occurred since the end of the financial year up to the date of this report that has not been dealt with in the report or financial statements and which may have a significant influence on the activities of the Group or the results of those activities.

RECONCILIATION OF MOVEMENTS IN CARRYING VALUE

30 September 2020

| | Total R'000 | Land and buildings R'000 | Grain silos R'000 | Machinery and equipment R'000 |
|---|----------------|-----------------------------------|-------------------------|--|
| Carrying value 1 October 2019 | 1 375 392 | 947 087 | 27 022 | 102 228 |
| Additions | 148 227 | 34 503 | 369 | 29 132 |
| Additions through business combinations | 97 911 | 91 450 | – | 3 864 |
| Transfers | – | 25 864 | – | 96 537 |
| Disposals | (5 122) | (3 742) | – | (400) |
| Depreciation | (59 372) | (2 204) | (2 654) | (19 797) |
| Reclassification to Right-of-use asset | (31 358) | – | – | – |
| Carrying value 30 September 2020 | 1 525 678 | 1 092 958 | 24 737 | 211 564 |

30 September 2019

| | | | | |
|---|-----------|---------|---------|----------|
| Carrying value 1 October 2018 | 1 097 159 | 807 595 | 21 636 | 95 877 |
| Additions | 259 638 | 63 270 | 2 795 | 21 011 |
| Additions through business combinations | 79 361 | 59 901 | – | 1 101 |
| Transfers | – | 17 935 | 5 016 | 2 785 |
| Disposals | (1 312) | (85) | – | (104) |
| Depreciation | (59 454) | (1 529) | (2 425) | (18 442) |
| Carrying value 30 September 2019 | 1 375 392 | 947 087 | 27 022 | 102 228 |

| | Vehicles R'000 | Office furniture and equipment R'000 | Leasehold properties R'000 | Assets under construction R'000 |
|---|-------------------|--|----------------------------------|--|
| 30 September 2020 | | | | |
| Carrying value 1 October 2019 | 46 172 | 103 283 | 30 950 | 118 650 |
| Additions | 10 228 | 9 047 | 408 | 64 540 |
| Additions through business combinations | 141 | 2 456 | – | – |
| Transfers | – | 12 013 | – | (134 414) |
| Disposals | (255) | (725) | – | – |
| Depreciation | (11 958) | (22 759) | – | – |
| Reclassification to Right-of-use asset | – | – | (31 358) | – |
| Carrying value 30 September 2020 | 44 328 | 103 315 | – | 48 776 |

30 September 2019

| | | | | |
|---|----------|----------|---------|----------|
| Carrying value 1 October 2018 | 28 915 | 87 116 | 22 568 | 33 452 |
| Additions | 15 376 | 16 748 | 10 264 | 130 174 |
| Additions through business combinations | 15 121 | 2 716 | 522 | – |
| Transfers | 19 | 18 324 | 897 | (44 976) |
| Disposals | (968) | (155) | – | – |
| Depreciation | (12 291) | (21 466) | (3 301) | – |
| Carrying value 30 September 2019 | 46 172 | 103 283 | 30 950 | 118 650 |

Kaap Agri Limited

Statement of financial position

at 30 September

| | | COMPANY | |
|-------------------------------------|-------|----------------|----------------|
| | Notes | 2020 R'000 | 2019 R'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Investment in subsidiary company | 2 | 634 708 | 634 708 |
| Current assets | | | |
| Loan to subsidiary company | 4 | – | 1 820 |
| Total assets | | 634 708 | 636 528 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Stated capital | 3 | 456 643 | 456 643 |
| Retained profit | | 178 058 | 179 885 |
| Total equity | | 634 701 | 636 528 |
| Current liabilities | | | |
| Loan to subsidiary company | 4 | 7 | – |
| Total equity and liabilities | | 634 708 | 636 528 |

Statement of comprehensive income

for the year ended 30 September

| | COMPANY | |
|--------------------------|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Revenue | 61 929 | 82 797 |
| Other operating expenses | (7) | (4) |
| Profit before taxation | 61 922 | 82 793 |
| Income tax | – | – |
| Net profit for the year | 61 922 | 82 793 |

Statement of changes in equity

for the year ended 30 September

| | COMPANY | |
|----------------------------------|-------------------------|--------------------------|
| | Stated capital R'000 | Retained profit R'000 |
| Balance 1 October 2018 | 456 643 | 180 816 |
| Net profit for the year | – | 82 793 |
| Dividends declared | – | (83 724) |
| Balance 30 September 2019 | 456 643 | 179 885 |
| Net profit for the year | – | 61 922 |
| Dividends declared | – | (63 749) |
| Balance 30 September 2020 | 456 643 | 178 058 |

The reason why the stated capital in Kaap Agri Limited differs from the Group's issued stated capital is as a result of shares repurchased by a subsidiary of Kaap Agri Limited.

Statement of cash flows

for the year ended 30 September

| | COMPANY | |
|---|-----------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Cash flow from operating activities | | |
| Net cash profit from operating activities | 61 922 | 82 793 |
| Operating profit per income statement | 61 922 | 82 793 |
| Cash flow from financing activities | | |
| Decrease in receivable loan to subsidiary company | 1 820 | 931 |
| Increase in payable loan to subsidiary company | 7 | – |
| Dividend paid | (63 749) | (83 724) |
| | (61 922) | (82 793) |
| Net increase in cash and cash equivalents | – | – |

Notes to the financial statements

for the year ended 30 September

1 ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these financial statements, are set out on pages 147 to 160, these are consistent with that of the Group unless otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements of the company.

| | COMPANY | |
|---|----------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| 2 INVESTMENT IN SUBSIDIARY COMPANY | | |
| Unlisted: | | |
| Kaap Agri Bedryf Limited | | |
| Number of issued shares | | |
| 74 170 277 (2019: 74 170 277) | | |
| Shareholding: 100% (2019: 100%) | | |
| Shares at cost | 634 708 | 634 708 |
| 3 STATED CAPITAL | | |
| Authorised: | | |
| 100 000 000 (2019: 100 000 000) ordinary shares with no par value | | |
| Issued : | | |
| 74 170 277 (2019: 74 170 277) ordinary shares with no par value | 456 643 | 456 643 |
| 4 LOAN TO SUBSIDIARY COMPANY | | |
| Kaap Agri Bedryf Limited | (7) | 1 820 |

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

The loan is unsecured, interest-free and there are no specific repayment terms.

The expected credit loss allowance was assessed based on the exposure and probability of default. The general model is followed in terms of IFRS 9. As the counter party generates significant cash flows, there is no indication that the loan will not be recoverable in the future. A 12-month expected credit loss was considered, and no loss allowance was identified. The gross movement in the loan is reflected in the cash flow statement. Although the company does not have its own bank account, Kaap Agri Bedryf Limited is considered to act as the agent of the company in administrating its cash flows.

5 RELATED PARTY TRANSACTIONS

Refer to notes 2, 4 and 7.

6 FINANCIAL RISK MANAGEMENT

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The company's interest rate exposure and the effective interest rates can be summarised as follows:

| | AT NO RATE | | | |
|--------------------------------|-------------------|-------------------------|-------------------|-------------------------|
| | Rate 2020 % | Amount 2020 R'000 | Rate 2019 % | Amount 2019 R'000 |
| Assets: | | | | |
| Loan: Kaap Agri Bedryf Limited | – | (7) | – | 1 820 |
| Fair value estimation: | | | | |
| Capital maintenance: | | | | |

The company considers total equity, which includes share capital and reserves, as capital. The ratio between capital and debt is the capital ratio. The company's objective with the management of the capital ratio is to ensure that the company continues to trade as a going concern and to create wealth for its shareholders and other stakeholders. The influence on the capital ratio is considered with decisions on the declaration of dividends, repurchase of shares, issue of shares, purchase and disposal of assets and investments and the acquiring or repayment of debt. The movement in capital is presented in the Statement of changes in equity.

| | COMPANY | |
|---------------------|---------------|---------------|
| | 2020 R'000 | 2019 R'000 |
| Dividends received | 61 929 | 80 973 |
| Dividends forfeited | – | 1 824 |
| | 61 929 | 82 797 |

Dividends are received from Kaap Agri Bedryf Limited a subsidiary of the company.

The revenue reflected is not considered to be Revenue from Contracts with Customers in terms of IFRS 15 considering the nature of the revenue earned (dividends received).

8 INCOME TAX

Tax expenditure:

| | | |
|---------------------------------|---|---|
| Current taxation – current year | – | – |
|---------------------------------|---|---|

The tax on the company's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:

| | % | % |
|-----------------------------|---------|---------|
| Statutory tax rate | 28,00 | 28,00 |
| Adjusted for: | | |
| Non-taxable dividend income | (28,00) | (28,00) |
| Effective rate | – | – |

9 GOING CONCERN

Based on the financial statements, the present financial position of the Company and budgets for the coming year, the directors have no reason to believe that the company will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the financial statements.

10 EVENTS AFTER REPORTING DATE

A gross final dividend of 50,00 cents per share (2019: 90,00 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2020.

The directors are not aware of any matter or circumstance that occurred since the end of the financial year up to the date of this report that has not been dealt with in the report or financial statements and which may have a significant influence on the activities of the company or the results of those activities.

Accounting policies to the financial statements

for the year ended 30 September

1 BASIS OF PREPARATION

The Annual Financial Statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These financial statements incorporate accounting policies that have been consistently applied to all periods presented and are consistent with those applied in the previous financial year, with the exception of the adoption of the IFRS 16: Leases. The impact of the implementation of these standards is disclosed in note 46. Various other changes in IFRS became effective for the financial year under review, but did not impact the Group. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the notes of the accounting policies.

2 NEW, AMENDED AND IMPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE DURING THE CURRENT FINANCIAL YEAR

The following standards, amendments and interpretations have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2019:

Amendments to Standards

> **Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)**

How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

> **IFRS 16 – Leases (effective 1 January 2019 – earlier application permitted if IFRS 15 is also applied)**

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2 NEW, AMENDED AND IMPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE DURING THE CURRENT FINANCIAL YEAR (CONTINUED)

Amendments to Standards (continued)

> Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement (effective 1 January 2019)

Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

> Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures (effective 1 January 2019)

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.

> Annual improvements cycle 2015 – 2017 (effective 1 January 2019)

These amendments include minor changes to:

IFRS 3, 'Business combination' – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11, 'Joint arrangements' – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12, 'Income taxes' – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

> IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019)

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12.

Other than for the adoption of IFRS 16, none of the new standards, amendments, improvements and interpretations of existing standards mentioned above, that have been published, had any material effect on the financial statements of the Group. For an analysis of the impact on adoption of IFRS 16, refer to note 46 of the Group financial statements.

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

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

Amendments to Standards

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

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

3 NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE (CONTINUED)

Amendments to Standards (continued)

> Amendment to IFRS 3, 'Business combinations' – Definition of a business (effective 1 January 2020)

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

Management assessed the change in IFRS 3 and expects no material change as the type of acquisitions currently entered into will still be treated as a business in the amended standard.

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

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 September 2020 but not yet effective on that date.

During this financial year, the group considered the significant accounting policies, including the implementation of IFRS 16. Please refer to note 4 and note 46 in the group financial statements.

4 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 – Financial Instruments either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

4 BASIS OF CONSOLIDATION (CONTINUED)

Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the stand-alone financial statements of the holding company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in equity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Treasury shares

The cost of treasury shares is presented as a deduction from equity. Shares under option already allocated to employees and unallocated shares are considered as treasury shares and are consolidated as such as part of the Group's results.

Joint ventures

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits and losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests, that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

4 BASIS OF CONSOLIDATION (CONTINUED)

Consolidation of Special Purpose Entities

The special purpose entities ("SPE's") established in terms of the B-BBEE equity transaction implemented in 2011 have been consolidated in the Group results. The substance of the relationship between the company and these entities has been assessed and the conclusion was made that they are controlled entities, mainly due to the fact that the Group retains residual or ownership risks relating to the SPE's.

Goodwill

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

Goodwill on acquisition of subsidiaries is included in Intangible assets. Goodwill on acquisition of associates/joint venture is included in investment in associated companies/joint ventures. Separately recognised goodwill is reviewed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Customer relations

Customer relations consist of non-contractual customer relationships. Customer relations acquired in a business combination are recognised at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated on the straight-line method to allocate the cost of customer relations over the estimated useful life of five years.

Tradenname

A tradenname has been recognised by the Group as part of a business combination. Tradenames are capitalised at the fair value initially identified and amortised on a straight-line basis over their estimated useful lives of 10 to 50 years. Tradenames are carried at cost less accumulated amortisation and accumulated impairment. Expenditure to maintain tradenames is accounted for against income as incurred.

5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee. The Executive Committee is responsible for allocating resources and assessing performance of the operating segments and is therefore considered to be the Chief Operating Decision Maker of the Group.

6 PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprise retail outlets, offices and silos. Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write off the cost to a value equal to the residual values over their estimated useful lives, as follows :

| | |
|--------------------------------|-----------------|
| Buildings | 50 years |
| Grain silos | 10 – 50 years |
| Machinery and equipment | 4 – 10 years |
| Injection moulding machines | 5 – 20 years |
| Vehicles | 4 – 5 years |
| Office furniture and equipment | 2 – 10 years |
| Leasehold improvements | Period of lease |

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

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

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

7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

8 FINANCIAL ASSETS

From 1 October 2018 (on adoption of IFRS 9), the Group classifies its financial assets in the following measurement categories: Financial assets measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL)); and Financial assets measured at amortised cost. The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. Management determines the classification of its investment at initial recognition. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in relation to the instrument held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through other comprehensive income (OCI) are recognised in OCI in the Statement of comprehensive income. Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these equity investments, any balance within the FVOCI reserve is reclassified to retained earnings. Dividends from such investments are recognised in profit or loss as other gains and losses when the Group's right to receive payments is established. Currently the Group has elected to designate equity instruments at FVOCI.

8 FINANCIAL ASSETS (CONTINUED)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

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

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in profit or loss and presented in the income statement as part of other gains and losses in the period in which it arises. Interest income from these financial assets is included in finance income. Debt instruments are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Impairment

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

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

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

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

Trade receivables

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

Credit terms, interest rates and other applicable terms are determined based on the calculated risk profile of the credit taker(s). A strict credit policy is followed which includes the ongoing revision of credit limits, security assessments and credit evaluations of the financial position of clients. These factors have been taken into consideration on an individual and collective basis when determining the recoverability of debtors. The Group has a specific loss allowance and a contingency loss allowance. The group defines "outside terms" debtors as all debtors more than 90 days outside terms. The specific loss allowance is determined on all "outside terms" debtors as their risks are different than the rest of the debtors book within terms and they are assessed individually. The assessment for the specific loss allowance takes into account security held, reputation and expected payments in the future to determine the value of the specific loss allowance. Regarding the contingency loss allowance, the group divides the rest of the debtors book (after taking into account the specific loss allowance) into different categories with risk factors applied to each category. The categories are based on different type of produce commodities mostly in the agricultural sector (grain, fruit, other agri and non-agri). The percentage expected credit loss applied to each category depends on the forward looking risk of default and expectations on macro-economic factors including; market share, competitor strength, industry risk, profitability, price volatility risks and climate changes.

8 FINANCIAL ASSETS (CONTINUED)

Other financial assets

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

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

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

9 DEFERRED TAXATION

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates/joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

10 INVENTORY

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

11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used, is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

12 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash includes cash on hand and positive bank balances. Bank borrowings are shown within borrowings in current liabilities on the statement of financial position.

13 BORROWINGS

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

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

14 STATED CAPITAL

Ordinary shares are classified as equity. Additional costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any company in the Group purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable additional costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable additional transaction costs and the related income tax effects, is included in equity attributable to the Group's shareholders.

15 EMPLOYEE BENEFITS

Pension scheme arrangements

The Group operates a pension fund consisting of a defined contribution plan registered in terms of the Pension Funds Act, 1956, and the assets are administered separately by trustees. Funding is in terms of conditions of employment by means of contributions by the participating subsidiaries in the Group as well as employees. The Group has no further obligations to the fund once the contributions have been paid. Contributions are recognised in the income statement when they are due.

Post-retirement medical benefits

Certain in-service members and retired employees are members of the post-retirement medical subsidy scheme of the Group. The Group pays the monthly contributions in respect of the retired members over to the medical fund. The valuation method used to value the liability is the projected unit method. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries. Any actuarially determined profits or losses are recognised in the income statement.

In terms of the Group's present policy the benefits are only available to certain in-service members and retired staff and not to future employees.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised under accounts payable when there is no realistic alternative but to settle the liability, and at least one of the following conditions is met:

- > there is a formal plan; or
- > past practice has created a valid expectation by employees that they will receive a bonus or profit share.

It is expected that the liability will be paid within 12 months.

Equity settled management share incentive scheme

The Group operates an Equity settled management share incentive scheme ("the scheme"). In terms of IFRS 2, the fair value of the equity instrument is determined at grant date and the corresponding expense is recognised over the vesting period. The fair value of the grant is determined using the Black-Scholes-Merton model using six different inputs that would have an effect on the fair value of the grant. The inputs are the exercise price of the option, the current share price, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate.

16 TRADE PAYABLES

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

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

17 OFFSETTING FINANCIAL INSTRUMENTS

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

18 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15) AND OTHER OPERATING INCOME

According to IFRS 15 applicable to the 2019 financial year, revenue is recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services. The Group's revenue consists mostly of sales of products delivered to customers at the point of sale and does not have multiple element arrangements included in it. Therefore the timing and measurement of the group's revenue will not change as a result of the implementation of IFRS 15.

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

Sales of goods

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

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

Payment terms for normal over the counter credit sales are mostly 30 days. Seasonal accounts are provided to agricultural debtors on longer terms, these terms do not exceed 12 months. Limited establishment accounts are also provided on longer terms (up to five years) with the purpose to assist the customer in establishing farming operations. Interest is charged on these accounts at market related rates and accounted for accordingly.

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

Sales of services

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

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

18 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15) AND OTHER OPERATING INCOME (CONTINUED)

Variable consideration

The Group assessed if the contracts entered into include variable consideration, but none were noted, other than trade discounts provided at the point-of-sale.

Margin on direct transactions

Direct sales relate to sales made, where goods purchased by clients are directly delivered to the client by the suppliers of the Group. Only the margin earned on direct sales is recognised as revenue. The margin is recognised on delivery of products by the supplier to the customer. The group assessed the treatment of these sales as agent or principal in terms of IFRS 15.

The supplier has the primary responsibility for providing the goods to the client.

Kaap Agri has no control before the product is delivered to the client, the Group does not recognise the inventory in their books.

The supplier takes the inventory risk up until inventory is delivered to the client.

All the indicators according to the standard indicate that the Group is acting as an agent, rather than a principal, thus the nett amount is recognised as revenue. Thus the treatment under IFRS 15 stays consistent to the prior year.

Other operating income is recognised as follows:

Interest income

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

Dividend income

Dividend income is recognised when the right to receive payment is established and is treated as revenue for the company, but is not considered to be revenue from contracts with customers (IFRS 15).

19 FOREIGN CURRENCY TRANSACTIONS

Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in rand, which is the holding company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

20 LEASES (ACCOUNTING POLICY APPLIED UNTIL 30 SEPTEMBER 2019)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Where assets are acquired under finance lease agreements that substantially transfer all the risks and rewards of ownership to the lessee, the finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the future minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

21 LEASES (ACCOUNTING POLICY APPLIED FROM 1 OCTOBER 2019)

The Group leases various retail stores, storage sites and vehicles. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

The Group is exposed to potential future increases in lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

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

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

21 LEASES (ACCOUNTING POLICY APPLIED FROM 1 OCTOBER 2019) (CONTINUED)

Extension and termination options are included in a number of leases across the Group. The majority of the extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered.

22 DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved.

23 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources which entail economic benefits will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

24 BORROWING COSTS

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

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

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

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

25 CURRENT INCOME TAX

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

26 RECURRING HEADLINE EARNINGS

The Group monitors headline earnings as earnings less non-recurring costs. Non-recurring costs are defined as once-off costs or transactions as a result of *ad hoc* transactions or IFRS valuations that do not form part of ordinary business operations and which causes fluctuations year-on-year.

Corporate information

KAAP AGRI LIMITED (“KAAP AGRI”)

Incorporated in the Republic of South Africa

Registration number : 2011/113185/06

Income tax number : 9312717177

Share code : KAL

ISIN code : ZAE000244711

Directors

GM Steyn (Chairman)*#

S Walsh (Chief Executive Officer)

CW Sim (Financial Director)

BS du Toit*#

D du Toit*#

JH le Roux*

EA Messina*#

WC Michaels*#

CA Otto*#

HM Smit*#

JH van Niekerk®

I Chalumbira*

* *Non-executive*

Independent

® *Retired as a member of the Board effective
13 February 2020*

Company Secretary

RH Köstens

Registered address

1 Westhoven Street, Paarl, 7646

Suite 110, Private bag X3041, Paarl, 7620

Telephone number : 021 860 3750

Fax number : 021 860 3314

Website : www.kaapagri.co.za

Auditors

PricewaterhouseCoopers Inc.

Transfer Secretaries

Computershare Investor Services (Pty) Ltd

Registration number : 2004/003647/07

Rosebank Towers, 15 Biermann, Avenue,

Rosebank, Johannesburg, 2196

Private Bag X9000, Saxonwold, 2132

Fax number : 086 636 7200

Sponsor

PSG Capital (Pty) Ltd

Registration number : 2006/015817/07

1st Floor, Ou Kollege Building, 35 Kerk Street,
Stellenbosch, 7600

PO Box 7403, Stellenbosch, 7599

and

2nd Floor, Building 3, 11 Alice Lane, Sandhurst,
Sandton, 2196

PO Box 987, Parklands, 2121

KAAP  AGRI



www.kaapagri.co.za