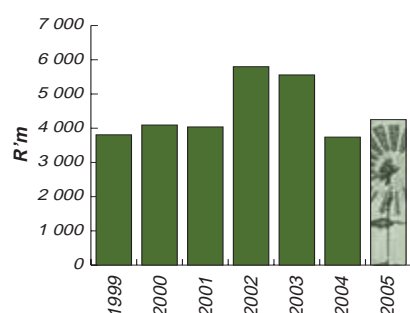


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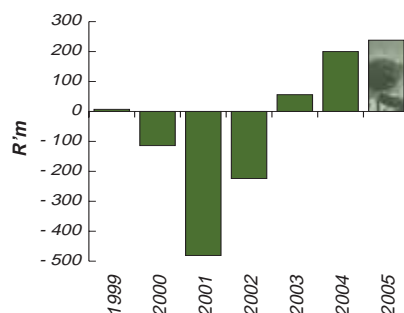
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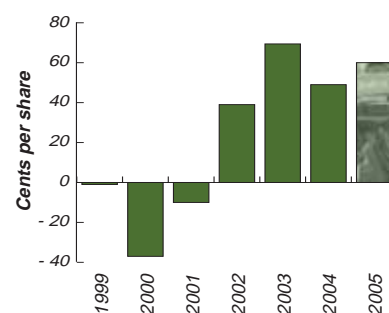
# Financial highlights



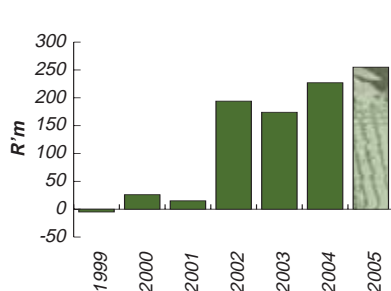
Revenue -  
from continuing activities



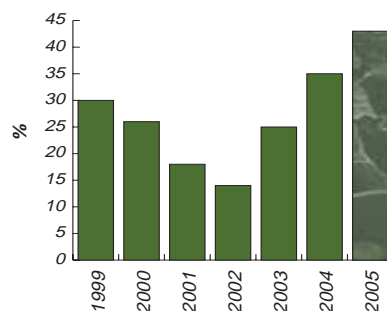
Net profit before tax



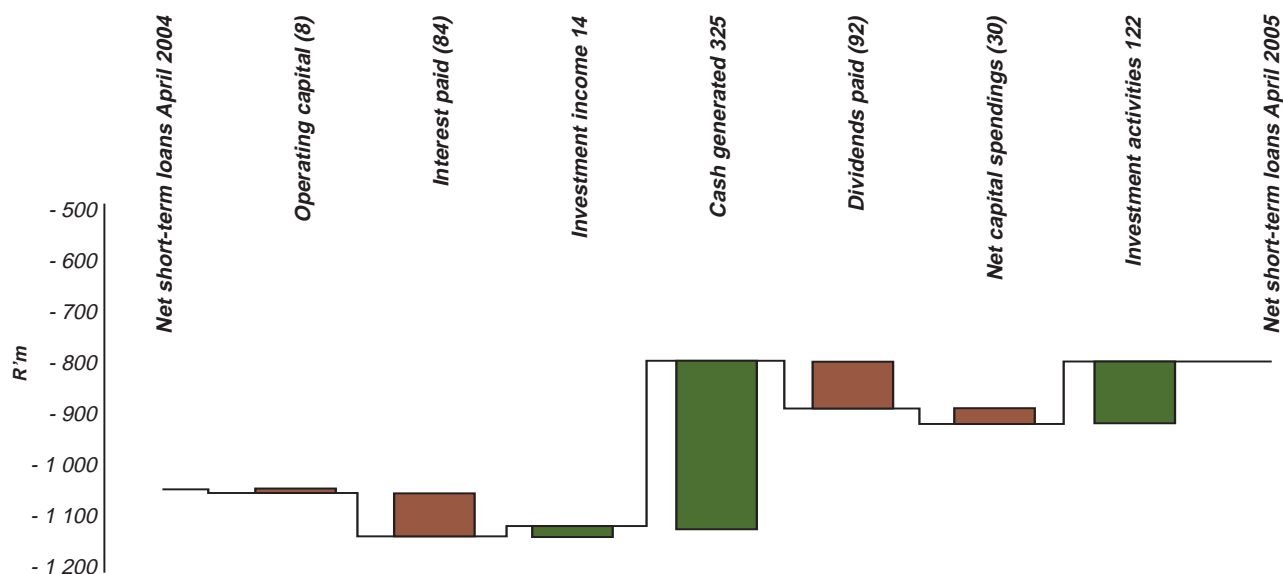
Headline earnings per share -  
before abnormal items



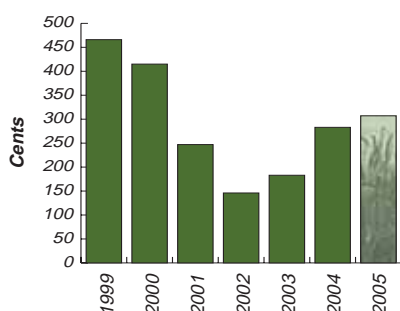
Cash profit



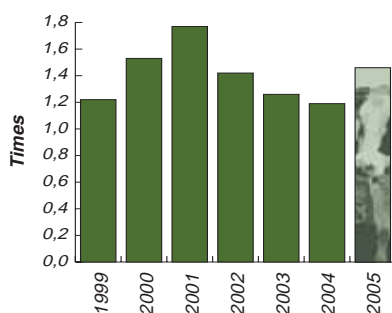
Own capital ratio



Cash flow 2005 vs net short-term loan position



Net asset value per share



Quality of earnings

Total dividends paid  
**47,5 c**

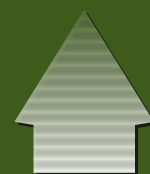
Cents per share

Year-end dividend 2004	5,5	100% ↑
Interim dividend	4,5	100% ↑
Special dividend	37,5	100% ↑

Final dividend declared

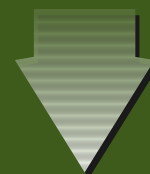
Cents per share

**5,5 c** 0% →



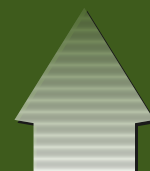
**17%**

Earnings  
97 c per share



**21%**

Headline earnings  
50 c per share



**21%**

Headline earnings  
before abnormal items  
60 c per share



**9%**

Net asset value  
307 c per share  
(Senwesbel – 371 c per share)

Quality  
of earnings

**1,46**

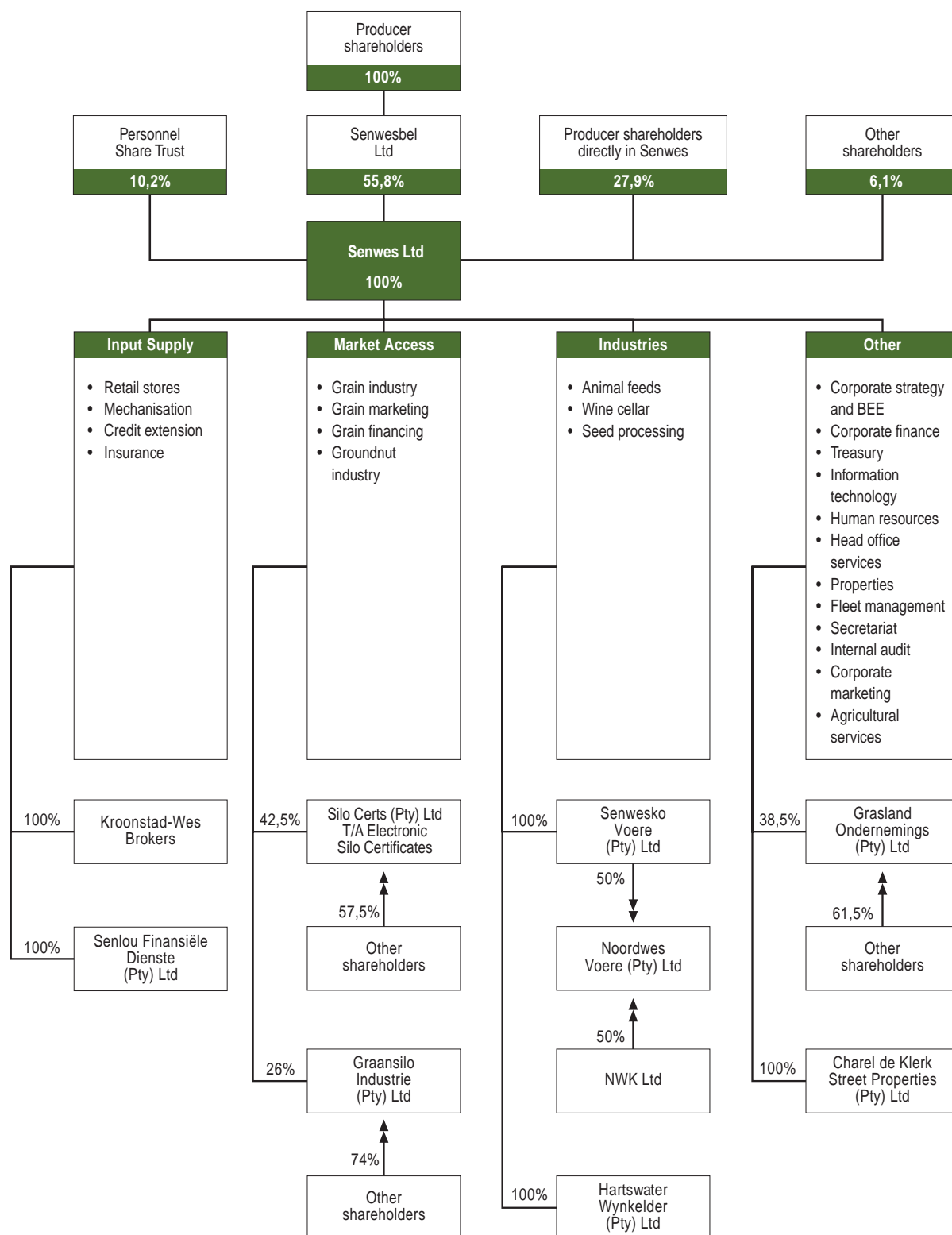
Return  
on average  
shareholders' interest

**33%**

Positive cash flow

**R246 m**

# Group structure



# Vision and Profile

## VISION

Senwes is an integrated agriculture-oriented enterprise that plays a leading role in input supply and market access for producers. With our people as cornerstone, a strong infrastructure and sound core values, Senwes focuses on sustainable value creation and profitability for all stakeholders.

## PROFILE

Senwes focuses on:

- The supply of input products to the agricultural producer;
- The development of access to markets for agricultural produce; and
- Adding value to role-players in this chain.

Founded 96 years ago, Sentraalwes played a leading role in the South African agricultural industry. The business has grown steadily and diversified, and on 10 April 1997 the old co-operative business form made way for a new public company, Senwes.

Senwes conducts extensive activities in sectors such as the grain industry, trade and retail, the mechanisation market, agricultural services and as insurance brokers in the Free State, North West, Northern Cape and Gauteng Provinces.

Our well-deployed silo infrastructure has a capacity of 4,6 million tons and constitutes more than 25% of the total South African commercial storage capacity. Senwes silos handle about 32% of the country's grain and oil-seeds.

On the retail and mechanisation side of the business the Company's structures are aimed at providing agricultural producers with exclusive and competitive value and service packages. The extension of relevant input cost financing also results in added value for producers. The industries comprise the production and processing of animal feeds, seed and wine.

Senwes supports the development and establishment of the emerging farmer by applying its agricultural expertise in projects identified in the Senwes service area.

With integrity, accountability, innovation, business orientation, self motivation and loyalty to Senwes as core values, the business is focused on sustainable value-adding and delivering a competitive products and services package.





# Non-executive Directors



**JAPIE GROBLER (53)**  
(Chairman)  
Bluris, LLB  
Thirteen years on the Board



**DANIE MINNAAR (40)**  
(Vice Chairman)  
BCom  
Six years on the Board



**JOHAN ALBERTS (62)**  
SSAF, BCom (Econ), CTA, CA(SA)  
Five years on the Board



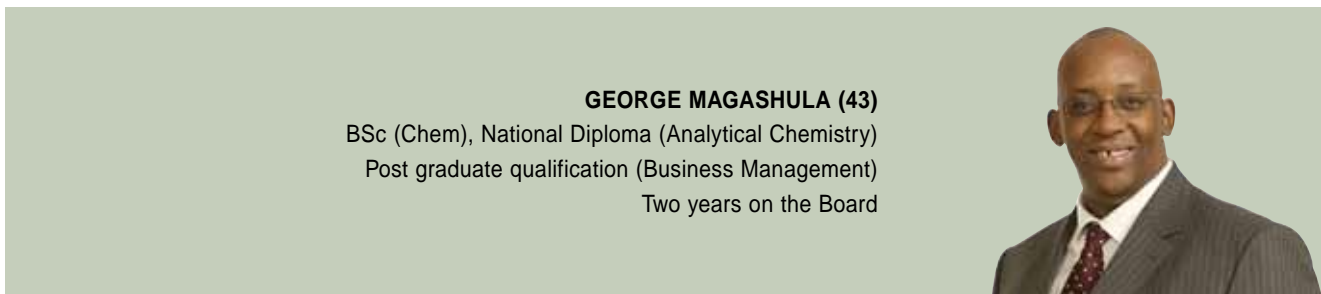
**JAN BOTMA (38)**  
Five years on the Board



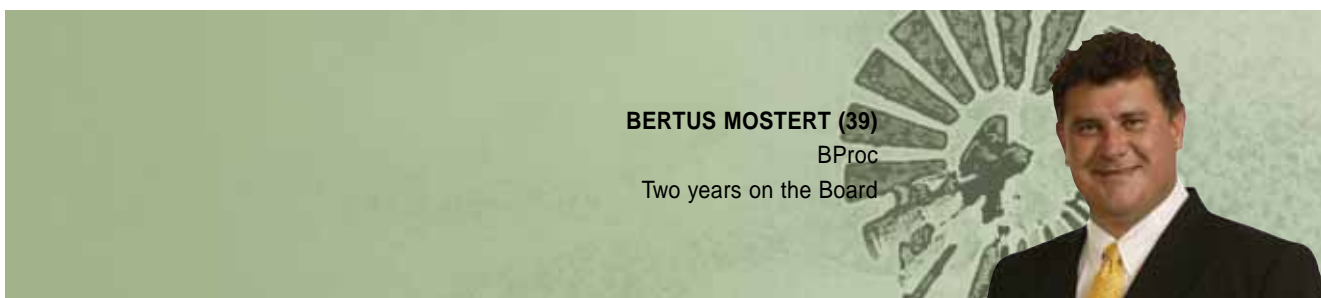
**JANNIE ELS (59)**  
Diploma in Agriculture  
Five years on the Board



**THYS LOURENS (57)**  
BScAgric  
Five years on the Board



**GEORGE MAGASHULA (43)**  
BSc (Chem), National Diploma (Analytical Chemistry)  
Post graduate qualification (Business Management)  
Two years on the Board



**BERTUS MOSTERT (39)**  
BProc  
Two years on the Board



**JIMMY SHAHIM (47)**  
BAgric Farming Management  
Five years on the Board



**WH VAN ZYL (63)**  
Three years on the Board

# Chairman's report

The success of the Board's strategy to create and unlock value is reflected in the excellent results achieved for the year under review. Net profit after taxation of the Senwes Group amounts to R195 million compared to the previous year's R168 million, a 16% increase in net profit.

## BUSINESS REVIEW

The economic landscape within which South African agricultural businesses operate is known for its variable conditions, which demand innovation, ingenuity and focus in order to create and maintain business momentum.

Senwes had to face these realities at a time when the company reached its lowest turning point in financial terms a few years ago. The vision to rebuild Senwes into the most respected agricultural business, committed to a process whereby value is created and value unlocked for its shareholders, has not just remained a dream.

Hands were put to the plough and strategies and plans of action to implement the three-year turnaround and growth strategies are bearing fruit, while the process of aligning Senwes's point-of-service network with its risk profile will continue in the current year.

The profit scoreboard indicates that a return to core business, with an approach of input supply and market access, is a successful strategy. The next challenge is to push ahead with the planned growth strategy. Senwes is well-positioned to meet future challenges although it is unlikely that the performance for the year under review will be repeated if grain prices remain at their current low levels. This applies to both Senwes and producers. In this regard Senwes has made

great strides in planning new-season options for producers.

A more effective Senwes, committed to long-term survival, has the ability to triumph over existing circumstances and has the agility to adjust to new and changing circumstances. Senwes now has to focus on those characteristics that distinguish our business from that of our competitors. Irrespective as to whether organic growth or transactions are considered: they should be appropriate, feasible and beneficial to Senwes's growth strategy.

Senwes's commitment to a process whereby value is created and unlocked for its shareholders has led to the disposal of the investment in Pioneer Foods Ltd. This resulted in the special dividend distributed to shareholders, which improved many producers' financial position and cash flow during difficult agricultural circumstances.

Given the depressed commodity prices, the coming year will be even more challenging for both producers and Senwes to maintain their profit targets. Innovation, but also caution, will be of paramount importance for success in the coming year.

## FUTURE STRATEGY

The future strategy of Senwes affords preference to the following aspects:

### OPERATING EFFICIENCY

A sound balance between price, quality and customer service is pursued throughout, with the main focus still on input supply and market access.

### GROWTH

Potential partnerships, alliances and potential consolidations are being investigated. Well-considered expansion into other geographical areas is also inevitable.

## BLACK ECONOMIC EMPOWERMENT (BEE)

During the year under review the Board adopted a policy document on BEE at Senwes. An internal scoreboard was accepted and measuring against it is already taking place. The annual report contains relevant information in this regard for the first time. Finalizing a BEE transaction in the near future will receive priority focus. It would give Senwes' scoreboard a good push that would, together with other elements, take Senwes to the position of a good contributor to BEE. This is necessary in order to secure Senwes' position in the market within the socio political environment and it ensures that its products and services qualify.

## COMPANY STRUCTURES AND SHARE TRADING

Profitability was achieved and a new dividend policy was formulated. The control mechanism and unlimited share trading should also receive attention. A strategy for the unlocking of value by Senwes has been adopted by the Board and will be discussed with shareholders at a series of information meetings later in the current year in preparation for the annual general meeting.

A number of decisions have to be made at the annual general meeting in order to implement this strategy.

## ACKNOWLEDGEMENTS

During the past year our customers, financiers, suppliers, trading partners, management team and employees once again demonstrated their commitment to Senwes through their support, loyalty and dedicated work.

The Board and I are heartened by this, because unless we as partners are able to



co-operate with one another, Senwes as an agricultural business will certainly not be able to look forward to a rosy future.

I would like to thank my co-directors for their sense of purpose and belief in the future and potential of Senwes.

Johan Dique and his management team deserve special mention for the value they added. The efficiency of a team depends on its leadership, and the progress made by Senwes with regard to finances and our customers' experience of the business at ground level reflect efficiency at all levels.

We acknowledge with gratitude and reliance that our individual and collective achievements are blessings from our merciful Heavenly Father. May all of us, including Senwes, achieve the objectives set for us by the Creator.



**Japie Grobler**  
Chairman



# Executive Directors



**Johan Dique**  
*Managing Director*



**Francois Strydom**  
*Director Operations*



**Steven Alberts**  
*Director Finance*

# Executive Management



**JOHAN DIQUE (49)**  
Managing Director  
from August 2001  
BCom(Hons), CA(SA)



**FRANCOIS STRYDOM (45)**  
Director Operations  
from June 2002  
BScAgric(Hons)  
(Veterinary Science)  
Responsible for Grain,  
Retail and Industries



**STEVEN ALBERTS (39)**  
Director Finance  
from March 2005  
BAcc, BCompt(Hons), CA(SA)  
Responsible for Finances,  
Information Systems and  
Producer Financing



**JOE MASWANGANYI (39)**  
General Manager Corporate  
Services from March 2004  
BCom, Post-graduate diploma  
(Business management), MDP  
Responsible for Group Strategy,  
Human Resources, Corporate  
Marketing, Agricultural Services  
and Head Office Services



**ANTON LUBBE (54)**  
General Manager Grain from 1997  
BCom, Bus Admin(Hons), MBA,  
MCom, PhD



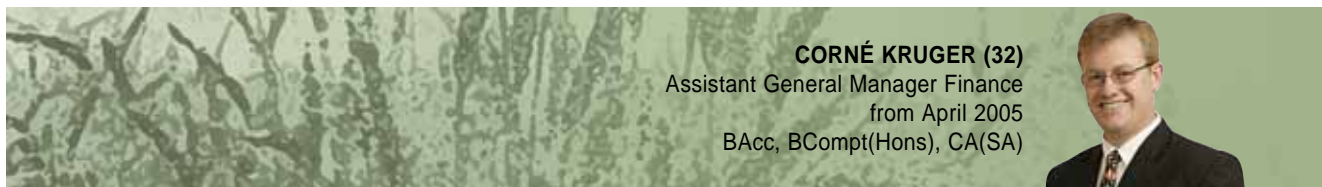
**FRANS DU PLESSIS (42)**  
General Manager Retail  
from September 2003  
BCom



**ELMARIE JOYNT (35)**  
Group Secretary and Legal Adviser  
from February 2002  
BCom Law (LLB), Attorney of the  
High Court, Aff. CIBM



**ANDRÉ ERASMUS (42)**  
Group Internal Auditor  
from January 2002  
MCom



**CORNÉ KRUGER (32)**  
Assistant General Manager Finance  
from April 2005  
BAcc, BCompt(Hons), CA(SA)

# Review of operations

## INTRODUCTION

Notwithstanding difficult agricultural circumstances and external factors such as exchange rate movements Senwes succeeded in effectively meeting the challenges and produced an excellent result due to timeous action and appropriate restructuring initiatives.

As a leading role-player in the South African agricultural industry Senwes's position has been strengthened in various ways during the year under review and an increased focus on the two main pillars, namely Input Supply and Market Access, resulted in the exploitation of new business opportunities.

With effect from 1 February 2005 Senwes became the sole agent for John Deere products in the western summer grain production areas of South Africa. In line with a package approach Senwes's expansion into new areas presents an opportunity to offer producers and consumers other products and services in the value chain.

Senwes Grain is widely acknowledged as one of the leading role-players in grain trading. The Grain Marketing division aims to ensure increased market access, which implies more options as well as an expansion of operations. This expansion is evident in Mpumalanga and further expansions will follow shortly.

Through service and innovation Senwes Financial Services provide the necessary support to complete the value chain.

While some of the Industry businesses are experiencing pressures on profitability, great strides were made in increasing the profitability of the businesses such as the seed plant, wine cellar and certain

animal feed operations. This process of improvement receives ongoing attention.

Senwes is committed to a process of value creation and unlocking of value for its shareholders. The commitment has led to the disposal of the investment in Pioneer Foods Ltd. This enabled Senwes to pay its shareholders a special dividend, which contributed to the financial capacity of many producers in difficult agricultural circumstances.

Given the depressed commodity prices, the coming year will be even more challenging for both producers and Senwes if they are to maintain their profit goals.

Innovation, but also caution, will be of paramount importance for success in the coming year. In this regard Senwes has made great strides in planning new-season options for producers.

## INPUT SUPPLY TO PRODUCERS

Input supply to agricultural producers comprises trading in input goods, general farming requisites, mechanisation, insurance and finance. These businesses are operated as divisions of Senwes Ltd.

## RESULTS AND STRATEGY

### *The results for the past year*

The Retail division showed a substantial improvement on the previous year, the loss of the previous year having been more than halved.

It is attributable to the timeous and successful implementation of the first phase of a restructuring plan as well as improved margin and balance sheet management. The establishment of a direct marketing business unit also contributed to the

improved results. Revenue was lower than the previous year, partly as a result of the disposal and the closure of certain operating points, but the effect of deflation on the mechanisation industry, low grain prices and increased competition by competitors in the traditional service area also contributed significantly.

The market environment necessitated the conversion of the mechanisation business into a single agency by Retail. The choice of John Deere resulted in further expansion of the agency into other non-traditional Senwes service areas.

In this regard the John Deere agency was established successfully at Lichtenburg, Delareyville and Hoopstad through new operating points during the past year. The abovementioned decision led to the termination of the New Holland agency.

During the year under review Senwes's debtors book was normalised. Although the book decreased somewhat against the previous year due to a lower level of debt in arrears and the lower turnover of the Input Supply division, net finance income showed an improvement as a result of better margins and risk management practices. In addition expenses and bad debt provisions were maintained at nearly the same level as the previous year, which led to an improvement in the net result.

The comprehensive specialist service provided by the Insurance division to insure our customers' risks was expanded during the year under review with the appointment of the division as the administrator of the Senwes portfolio.

This appointment enables the division to also provide other broking firms with administrative services and to develop







# Review of operations

continued...

into a fully fledged underwriting agency. The traditional insurance business delivered a disappointing result in spite of expansion activities and will be the focus of increased attention in the future. It is expected that the new management in this division will have a positive effect.

## **Future strategy**

The agricultural circumstances at present will have a material impact on the results of all the relevant divisions that focus on input supply.

Retail is faced by a major challenge to achieve its budget in the new year in spite of the implementation of a new business model, the optimisation of operations and the exploitation of opportunities for growth. In light of low grain prices and expected decreased planting rates this division's business model is being reviewed in order to increase profitability to acceptable levels in the long term.

The optimisation of operating systems and processes as well as further employee training programmes should improve operating efficiency. In the coming year Retail's growth strategy will also find shape through further expansion of the John Deere agency into the other non-traditional areas. Various other opportunities for growth are being pursued, which will lead to diversification and will render the business less dependent on agriculture.

As for the credit extension division it is expected that production credit extended will not nearly reach the levels of previous years. Products and services have been refined to be highly competitive with banks and other financiers.

The strategy of the Insurance division is to position the business unit as the foremost comprehensive financial services provider

in agriculture. The necessary strategy and business model is in place to provide the required structure in the next twelve months.

## **CORPORATE CITIZENSHIP**

### **Customers**

The customer base mostly comprises producers in the grain production areas of North West, the Free State, Gauteng and the Northern Cape. Non-agricultural customers are, however, also served and form a significant part of the business. Market share varies according to product and area. The market share is 55% on average and consequently provides considerable scope for improvement. Given the wide variety of products and services, combined with friendly and expert advice, the customer base continues to grow.

### **Products and services**

Production input goods, such as seed, fertiliser, fuel, agricultural chemicals, mechanisation, farming implements and parts, workshops, precision farming, irrigation equipment and parts, general farming requisites, household consumer items and insurance, are offered. A wide variety of products and trademarks are marketed.

This product range is underpinned by agricultural value-added and market-related financing products. Production accounts and contract growing packages for summer and winter planting of crops, hire-purchase agreements, monthly accounts and various other options with attractive terms are available to customers who purchase input goods through Senwes.

### **Suppliers**

Preferential suppliers of goods and services are businesses of good standing that meet certain requirements and norms. Most of them are suppliers of the best

known trademarks in agriculture. Business relationships with suppliers are sound and contractual terms for the various parties are fair. Terms of payment vary but suppliers are mostly paid 30 days from date of statement. Negotiations take place on an ongoing basis and suppliers provide the necessary support through guarantees and product liability.

### **Risks and management and control structures**

The greatest macro-economic risk is the effect of unfavourable agricultural circumstances, which directly impact sales. This includes a strong rand and deflationary circumstances, low grain prices, decreased planting rates and unfavourable climatic conditions. There are operational risks such as increased competition and fixed-cost structures that are too high while management risks such as margin and inventory management similar to those in a retail environment also occur.

The management risks are obviated through a system of adequate management and control measures as well as an effective procurement policy. The new business model, improved customer service and opportunities for growth are also employed to address operating risks.

It is estimated that a significantly smaller area than the long-term average area in hectares will be put under crops. Customers are experiencing cash flow pressure, which will impact negatively on credit extension. The low grain prices could also result in a decline in the security values of agricultural land. However, credit is only extended to customers who are in a financial position to make repayments and who provide the necessary security to hedge the risk. Differentiated interest rates apply, depending on the extent of the risk.

## MARKET ACCESS FOR PRIMARY AGRICULTURAL CROPS

The Senwes Market Access division focuses on the handling and storing of grain as well as the marketing of agricultural products to the major buyers in Southern Africa.

### RESULTS AND STRATEGY

#### *The results for the past year*

The volume of grain produced in the service area was lower than the previous year. Nevertheless, satisfactory results were produced for the period under review due to wide-ranging processes to improve profitability, an expanded service package and the implementation of a structure aimed at optimising added-value grain.

The division's capital expenditure of R26 million enables it to maintain operational readiness at high levels and to meet the expectations of role-players in the grain market in terms of technological development.

#### *Future strategy*

The next financial year is expected to yield better results than this year. The improved yields realised by producers following favourable agricultural production conditions are resulting in higher throughput levels and consequently higher revenue.

The activities of the Grain Marketing division are still aimed at the provision of a competitive one-stop service to our customer base.

Sharp price decreases of grain commodities since January 2005 will make great financial demands on our producer customers during the next year or two. Grain Marketing is positioned as such that

producers who are unwilling to sell their grain at current price levels are able to postpone their decision regarding price.

Grain Marketing also offers innovative marketing transactions in support of producers to generate cash flow, minimise carrying costs and purchase grain instead of producing grain.

Regarding purchasers of grain, a custom-made service is offered to individual clients. This service includes, inter alia, mill-door transactions, base transactions, swaps and contract production. In order to meet our customers' needs the Grain Marketing division expanded its activities to include Mpumalanga and the Western Cape. Continuous research and investment in our systems, market information processes, logistical ability and finance basis are undertaken to ensure that our customers receive optimum service.

### CORPORATE CITIZENSHIP

#### *Customers*

Commercial producers served by this division produce an estimated 32% of South Africa's total summer grain harvest, the greater part of which is handled and stored through the Senwes network of silos. In addition, a specialised grain marketing service is provided. This value package is supplied to customers in the traditional service area and, increasingly, to customers in other production regions in South Africa.

Dealers in maize, wheat and other grain products also form part of the division's customer base.

#### *Products and services*

The division has an extensive and well-spread infrastructure for handling and storing grain as well as miscellaneous grain services. An important focus area is the maintenance, innovative technological

upgrading, operational readiness and effective utilisation of the infrastructure.

The infrastructure is used widely by producers, grain dealers and end-users of grain in the normal course of the grain market. The Marketing division completes the Senwes grain market access channel by providing a comprehensive grain information process, procurement service, marketing channel, hedging service, grain financing and a logistical service.

The involvement of the division in groundnut processing comprises local marketing of the product and the provision of seed for planting.

#### *Suppliers*

Grain producer customers are this division's most important suppliers of commodities. Other important suppliers are local authorities, grain transporters, financial institutions and Safex.

#### *Risks and management and control structures*

The division's focus, controls and general management are mainly directed at operational, market, credit and control risks. Senwes has the necessary policies and risk management processes in place to manage risk areas. A risk committee evaluates the results of these processes on a bi-monthly basis and takes the necessary steps for improvement. The division complies with generally accepted and legal grading regulations and occupational safety legislation as well as the requirements of South African Generally Accepted Accounting Practice applicable to the recording of transactions.

## INDUSTRIES

The industrial interests of Senwes are housed in Senwesko Voere (Pty) Ltd,

# Review of operations

continued...

a wholly-owned subsidiary of Senwes and a manufacturer of animal feeds, which in turn has a 50% interest in Noordwes Voere (Pty) Ltd. The wholly-owned subsidiary Hartswater Wynkelder (Pty) Ltd, which operates a wine-cellar, and a seed-processing plant which functions as a separate division within Senwes also forms part of the industries portfolio. Notwithstanding pressure on the net result of Senwesko, the other units operated on an extremely profitable basis.

## RESULTS AND STRATEGY

### *The results for the past year*

Senwesko Voere was unable to continue the profit performance of the two previous financial years. Its poor performance is attributable to excess capacity in the animal feeds market, which impacts negatively on the ratio between sales and margins and led to a local price war with regard to broiler rations. However, the investment by Senwesko Voere in Noordwes Voere produced a good return.

Hartswater Wynkelder recorded a sound profit for the year. This positive performance is mainly attributable to cost savings, improved price realisations and an increase in revenue.

The seed-processing plant again delivered an excellent result due to greater than expected volumes processed.

### *Future strategy*

A trademark programme, aimed in particular at ruminant and dairy business, is a top priority of Senwesko Voere. However, this is a long-term process with relatively slow growth compared with the risk inherent in dependence on broiler rations.

Hartswater Wynkelder is giving serious consideration to shareholding for producers

and involvement with a view to motivate producers to re-establish vineyards, plant new ones and to develop products that meet the market demand, such as an easily drinkable wine in a lighter style and with a lower alcohol content. The replacement of the traditional wine-in-a-bag with smaller, approved plastic containers, is also envisaged.

The seed-processing plant made great progress in concluding longer-term processing contracts with the major seed companies in order to ensure future volumes.

## CORPORATE CITIZENSHIP

### *Customers*

Senwesko Voere supplies animal feeds directly, or through the retail structures of Senwes and other agents, to broiler and livestock producers. The customers of Hartswater Wynkelder are mainly liquor dealers in the Northern Cape, Free State and North West Province. The customers of the seed plant are major tradenames in the seed industry.

### *Products and services*

The products and services offered by Senwesko Voere cover a range of feeds for broilers and laying hens as well as for dairy and beef cattle, sheep and pigs. Hartswater Wynkelder supplies a range of wines in a variety of packaging to customers in line with market demand. Seed-processing services are supplied by the seed plant.

### *Suppliers*

The main raw materials used in the feeds manufacturing processes are maize, soybean and sunflower products. The suppliers of maize are mainly Senwes producers while other raw materials are sourced from national dealers. Negotiations with suppliers are conducted on the basis of market-related terms throughout.

In addition to some 50 producers in the Vaalharts area who supply the raw materials, Hartswater Wynkelder utilises various suppliers of products used in the wine processing, fermentation and packaging processes. Bulk wine is also secured from external sources from time to time.

### *Risks and management and control structures*

At Senwesko Voere the main risks are loss of volumes, uncompetitive raw material prices, product liability claims and occupational safety risks. These risks are addressed adequately through business strategies to manage volumes and unit costs, an appropriate raw material procurement policy and effective management control measures.

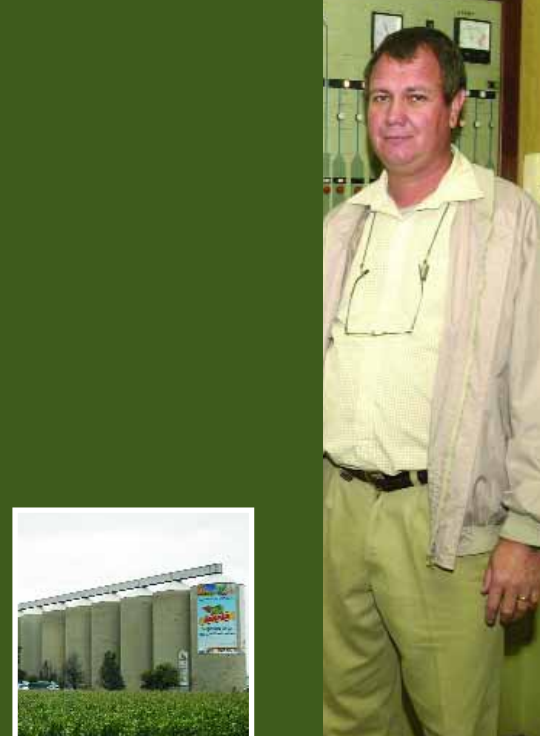
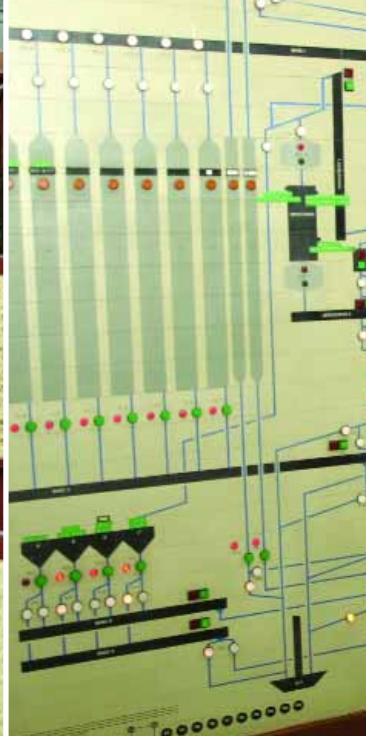
With regard to raw material procurement Hartswater Wynkelder is largely dependent on production by Vaalharts producers. Environmental factors, such as hail and excessive rain during the harvesting season, remain a risk that can cause throughput volatility.

## OTHER

Certain administrative functions in Senwes are treated as corporate services and are not allocated to divisions. This promotes good corporate governance and underpins the core operations of the Group. These divisions comprise Board Expenses, Strategic Development, Human Resources, Agricultural Services, Treasury, Corporate Finance, Secretariat, Internal Audit and Corporate Marketing.

Senwes also holds minority interests in certain businesses, the most important of which is a 38% interest in the lime producer Grasland Ondernemings (Pty) Ltd. The 6,6% interest in Pioneer Foods Ltd was disposed of during the financial year





# Review of operations

continued...

and the 27% interest in Sentra Beleggings Ltd (formerly Sentraoes Ltd) is still in the process of being realised.

## RESULTS AND STRATEGY

### *The results for the past year*

Corporate expenses declined against the previous year as a result of cost-saving initiatives, as well as strict controls, in particular in respect of IT expenses.

The prospects of further restructuring of post-retirement medical benefits indicated last year could not be realised because an interdict was brought for its prevention. Consequently significant additional provisions in respect of these potential liabilities had to be raised.

The interest in Pioneer Foods Ltd was disposed of and an after-tax profit of R100 million was realised. Dividends of R5,4 million were received from Sentra Beleggings Ltd during the past year arising from the realisation of certain assets of the company.

A dividend of R2 million was also received from Pioneer Foods Ltd before the interest in this company was disposed of.

### *Future strategy*

Corporate Services will maintain its keen focus on specialisation, service delivery and efficiency. Intensive cost-saving programmes focusing in particular on information technology and marketing are being introduced.

However, legal costs could come to a sizeable expense as a result of the unconcluded court cases with regard to the post-retirement medical benefits as well as legal proceedings instituted by Senwes against PricewaterhouseCoopers (previous auditors) and former members of Management.

## CORPORATE CITIZENSHIP

### *Customers*

The customers of Agricultural Services are producers that transact business with Senwes related to core activities, namely Input Supply and Market Access. A substantial portion of resources is utilised in support of Senwes's black economic empowerment strategy.

### *Products and services*

Agricultural Services supply specialised agricultural advice to commercial producers and emerging farmers to limit their business risks and optimise their outputs. Administrative corporate services provide the necessary administrative, control and financial support to the core activities.

### *Suppliers*

The Land Bank, Absa and Rand Merchant Bank are the main suppliers to the Group's Treasury department while a wide variety of other services are provided by businesses with the required expertise, of which T-Systems and SAP are the most important service providers of information technology.

### *Risks and management and control structures*

The financial position of Senwes and its business relationship with financiers and suppliers improved to such a degree

during the past two years due to its financial performance and the successful turnaround initiatives that relationships have been normalised.

Changing legislation and trends require alignment in terms of black economic empowerment (BEE). While Senwes is committed to the implementation of BEE the attainment of objectives remains a challenge and the potential impact of non-compliance could pose a risk.

## EMPLOYMENT AND LABOUR PRACTICES

### EMPLOYEE PROFILE

The total number of permanent and temporary employees of the Group remained at about the same levels and stood at 2 548 at the year-end. The geographical distribution of employees is as follows: 49% are in the Free State, 34% in North West Province, 14% in the Northern Cape and 3% in Gauteng.

There were about 390 resignations and retrenchments during the past year, with 209 appointments, of which 120 were from the designated groups. Internal promotions numbered 221, of which 143 were from the designated groups. Employee turnover stood at 13% (permanent employees).

Suitable appointments are made by means of a recruitment and selection process. Positions are advertised inhouse and/or

Number of employees	30 April 2005			30 April 2004		
	Total	Permanent	Temporary	Total	Permanent	Temporary
Input Supply	1 183	1 048	135	1 285	1 180	105
Market Access	1 034	742	292	855	723	132
Industries	182	180	2	197	193	4
Corporate	149	130	19	156	138	18
Continuing operations	2 548	2 100	448	2 493	2 234	259
Discontinuing operations	-	-	-	47	47	-
Total	2 548	2 100	448	2 540	2 281	259



externally to attract suitable candidates. The necessary interviewing, corroboration of references and information supplied by applicants, psychometric evaluation and similar relevant methods are applied to ensure appropriate appointments.

### EMPLOYMENT EQUITY

Senwes is committed to the principle of transformation through the appointment of individuals from the designated groups and suitable candidates from these groups enjoy priority when vacancies are filled. In order to facilitate a consultative approach in managing employment equity, a co-ordinating employment equity forum (EEF), which represents all interest groups, was established.

In support of the functions and purpose of the EEF, a spirit of mutual trust is of paramount importance and subjects for discussion, joint decision-making and information-sharing are therefore identified. This vehicle will be used as an employment equity programme by which employees are empowered to make positive contributions to Senwes as a dynamic and respected enterprise.

An employment equity progress report submitted to the Department of Labour

EMPLOYMENT EQUITY		
Position or job grade	Total number	Number from Designated Group
Non-executive directors	11	1
Executive directors	3	0
E band	10	1
D band	107	6
C band	432	96
B band	733	586
A band	818	810
Total	2 114	1 500

Skills development spending patterns according to race and gender

	Black		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Training man-days	1 833	450	103	40	9	19	1 410	1 714
Cost of training	666 580	103 872	37 300	11 705	3 150	17 435	752 104	417 228

was approved by the Department. The total number of promotions forms 89% of the goal for permanent employees. The distribution of the designated employees is indicated in the Employment Equity table.

### SKILLS DEVELOPMENT

Training occurs through ongoing on-the-job training as well as internal and external needs-based training programmes. Learnerships are developed at SETA level to further equip employees. In total 39 staff members were registered with SETASA for formal learnership programmes. A Silo Academy was established in support of the accelerated training and development of silo operators and managers.

The skills development spending table (at the top of this page) sets out the spending patterns according to race and gender but excludes the skills levy.

### CONDITIONS OF EMPLOYMENT

Conditions of employment comply with legal requirements (specifically the Basic Conditions of Employment Act) and in many instances exceed the requirements of the Act. A grievances procedure exists by which internal complaints and problems may be reported and solved. Disciplinary measures are applied in accordance with fair principles for transgression of rules or in the case of irregularities or misconduct.

Performance remuneration schemes are aimed at creating economic profit. Measured against the achievement of specific objectives, Senior Management,

middle management and marketing personnel in particular can benefit from incentive and commission schemes.

Formally structured performance measurement processes, based on certain criteria, are carried out at least once a year in respect of all employees. This provides a basis for remuneration adjustments and identifies deficiencies and development areas that need attention.

### WELLNESS PROGRAMME

An employee wellness programme was introduced to address specific health risks and employees received training in HIV/Aids awareness. The programme will address the following diseases: diabetes, hypertension, heart disease and obesity.

### LABOUR AND EMPLOYEE RELATIONS

About 35% of employees are members of trade unions, namely FAWU, NUFBSAW and Solidarity.

Negotiations and consultations with the relevant stakeholder groups and trade unions are conducted in respect of remuneration adjustments, conditions of employment as well as restructuring and rationalisation exercises.

## BLACK ECONOMIC EMPOWERMENT

### BACKGROUND

Senwes takes the view that black economic empowerment (BEE) as an economic and social necessity for sustainable growth and increased shareholder value.

# Review of operations

continued...

Therefore Senwes follows a proactive approach to BEE whereby our business agenda in the workplace and community is in step with the national transformation agenda.

## THE SENWES BEE TRANSFORMATION CHARTER

While the BEE Charter for the agricultural sector, generally known as the AgriBEE Charter, has not been finalised, Senwes has voluntarily prepared and adopted a BEE transformation charter for the Group during the period under review. The charter underpins the transformation objectives, principles, goals and target dates of the Group up to and including the year 2010.

The transformation charter was formulated through a process of broad consultation and is supported by employees, Management and the Board. It is a broad-based transformation charter and scorecard, supported by a critical self-assessment process. The BEE transformation charter was formulated on the basis of the framework, scorecard and weights of the BEE targets of the Department of Trade and Industry.

## AGRI-BEE

Senwes played a significant role in the promotion of BEE in the agricultural sector through workshops and conferences with producers to discuss the role of

The Senwes BEE scorecard

commercial producers in the economic transformation of our country. Senwes also played a very important role in the Agri-BEE steering committee on which it is represented.

The role of the steering committee is to guide the consultation process in the formulation of the charter for the agricultural sector. At the time of preparing this report the charter was ready to undergo the process of consultation. We also supported emerging black producers by providing them with technical and advisory services and assisted in establishing contact and mentorship partnerships between established commercial farmers and emerging farmers.

Senwes provided advice, models and frameworks to established commercial producers who wished to implement BEE in their agricultural businesses. Assistance with regard to BEE implementation is also offered.

## FUTURE STRATEGY

Given the successes achieved during the year under review Senwes is enthusiastic about the continued roll-out of the BEE strategy. In the coming year the focus will be on the finalisation of the BEE equity transaction, aggressive implementation of plans with regard to human resources,

and economic development. The process concerning the efficient implementation of high-impact and innovative social responsibility programmes will also be completed.

## COMMUNITY

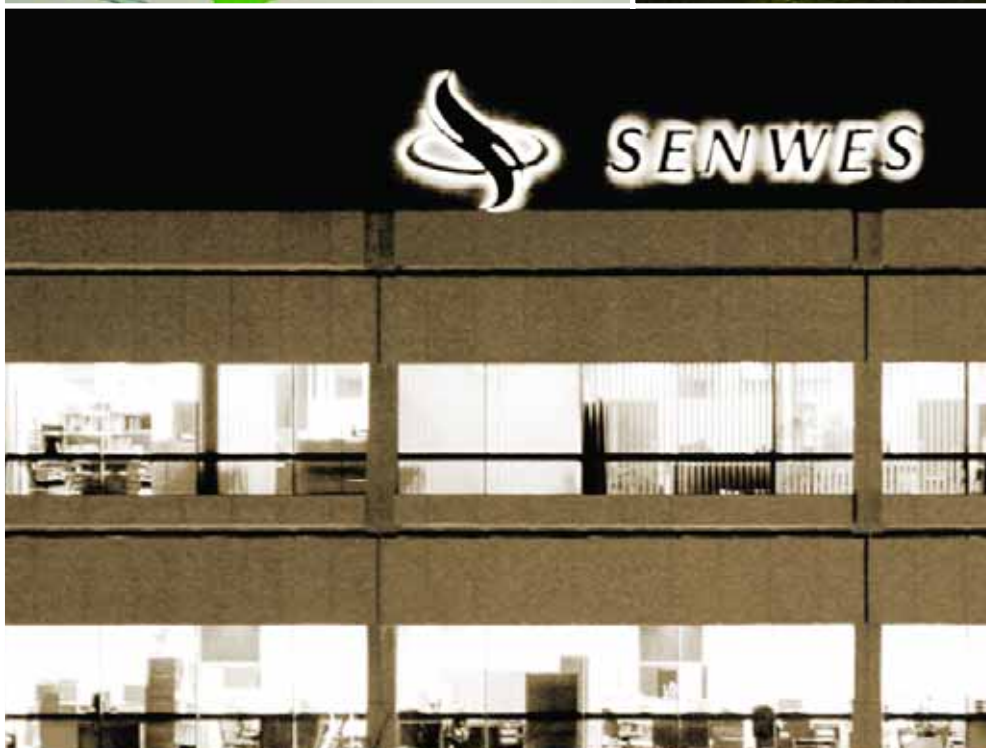
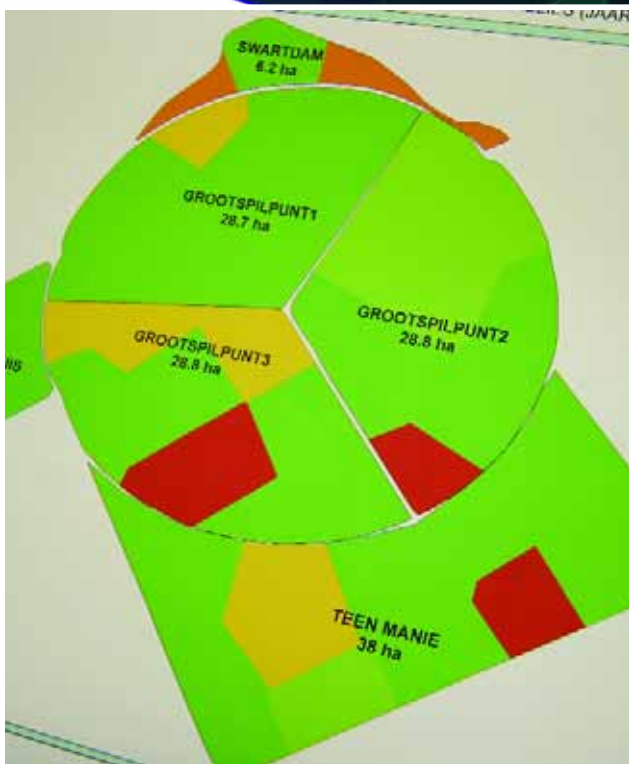
Senwes does not function in isolation from the community within which it conducts its business. As a widely respected agriculture-oriented business Senwes is one of the major role-players in rural and certain urban centres in regional terms.

The extensive economic influence of the Senwes Group on its interest groups during the past financial year is illustrated by the distribution of wealth to each of these groups. Employee remuneration put R258 million in the hands of these households, payments in the form of VAT and skills development levies to the state, as well as RSC levies and municipal payments to local authorities, amounted to R47 million in total and payments to external suppliers of capital totalled R84 million.

Furthermore R195 million was retained for expansion and growth, dividends amounting to R95 million were paid and R44 million was set aside for the replacement and impairment of assets. Total wealth created amounted to R723 million overall.

Category	Achievements	Future strategy
<ul style="list-style-type: none"> <li>Equity ownership and Management control</li> </ul>	<ul style="list-style-type: none"> <li>8% of Board members are black</li> </ul>	<ul style="list-style-type: none"> <li>The process of negotiation and engaging with a black economic empowerment partner is in progress.</li> </ul>
<ul style="list-style-type: none"> <li>Employment equity</li> </ul>	<ul style="list-style-type: none"> <li>10% of top and senior management are black</li> <li>2% of middle management are black</li> <li>9% of junior management and specialised employees are black</li> <li>51% of employees in total are black</li> </ul>	<ul style="list-style-type: none"> <li>Goals have been set and strategies are being implemented to increase the number of blacks at all levels of management</li> </ul>





# Review of operations

continued...

The Senwes BEE scorecard (continued)

Category	Achievements	Future strategy
<ul style="list-style-type: none"> <li>Skills development</li> </ul>	<ul style="list-style-type: none"> <li>The company spent an additional 1% of its total salary account on skills development, over and above the 1% skills levy paid in terms of the Skills Development Act</li> <li>More than 40% of the skills development expenditure was applied in the training of black employees</li> <li>A Silo Academy was established to train black employees in the area of silo management</li> <li>To date 35 blacks entered the Academy and 11 members completed the technical courses</li> <li>An accelerated management development programme was developed to give momentum to the career progress of individuals with high potential</li> </ul>	<ul style="list-style-type: none"> <li>Broaden the scope of the Silo Academy to include other aspects of the Group's business in order to increase the pool of black talent across the full spectrum of the Group's business</li> </ul>
<ul style="list-style-type: none"> <li>Preferential procurement</li> </ul>	<ul style="list-style-type: none"> <li>R535 million of procurement by Senwes was from BEE companies during the year under review</li> </ul>	<ul style="list-style-type: none"> <li>Programmes were developed to raise the levels of business transacted with black SME's</li> </ul>
<ul style="list-style-type: none"> <li>Enterprise development</li> </ul>	<ul style="list-style-type: none"> <li>Senwes spent R1,3 million in total for the development of emerging black farmers</li> </ul>	<ul style="list-style-type: none"> <li>Support initiatives to build capacity at SME's that do not meet the Group's trading criteria in respect of procurement opportunities</li> </ul>
<ul style="list-style-type: none"> <li>Corporate social investment</li> </ul>	<ul style="list-style-type: none"> <li>A bursary scheme was established to support black students at university</li> </ul>	

Social contributions and support were focused on sports and cultural events, in particular with regard to secondary and tertiary institutions, as well as agriculture-related events and organised agriculture. At provincial level Senwes supported the Northwest Cricket Association.

Various training events for emerging farmers were also held. The total value of these social investment initiatives approximated R300 000.

## ENVIRONMENT

In the nature of the business of Senwes the demand for water and energy is mainly confined to non-industrial consumption. Senwesko Voere and Hartswater Wynkelder can be considered as industrial

consumers because electricity and water form part of the production processes at both businesses. At Senwesko Voere coal is used for generating steam.

The supply of water and electricity is mainly handled by local authorities and Eskom. In some instances water is supplied by boreholes at the business premises.

At present Senwes uses about 147 000 kilolitres of water and 26 million units of electricity per annum. It is estimated that 30% and 20% respectively is used by the two Industrial subsidiaries. Senwesko Voere consumes about 12 000 tons of steam annually.

During the past year another project was launched at the Senwes silos to improve

the quality of run-off water. Based on the results of laboratory tests various initiatives were undertaken to purify run-off water to eliminate any threat to humans and animals. Results are monitored continuously and corrective steps taken where necessary.

Currently all John Deere tractors comply with the emission standards set by the South African government as well as international TIER2 standards.

Therefore, as sole agent for John Deere in the western summer grain production areas of South Africa, Senwes makes an indirect contribution to a cleaner South Africa by doing business with suppliers who have the interests of a cleaner environment at heart.

## RISKS

The risks and obviating control mechanisms with regard to each of the industries are outlined above. A summary of long- and short-term risks is set out below.

The long-term risk profile indicates that the following risks need to be addressed: Infrastructure, competition from aggressive competitors, legislation and governmental actions, environmental impact, empowerment goals and the reputation of the enterprise.

These risks mainly arise from external sources and take a long time before they manifest themselves. Subsequently there normally is sufficient time to identify and successfully address these risks. In the past such incidents were dealt with successfully by Senwes and Management has adequate capacity to continue to manage them in the future.

With regard to short-term risks, operating risks may develop which would require the existence of management practices to manage these risks on a regular basis. Senwes believes that adequate attention and capacity exist to address operating risks to a high degree through the implementation of the Cura risk management system, combined with the diligence with which Management focuses on these aspects through regular and structured risk management meetings.

At present the greatest operating risks in Senwes are the potential impact of the low grain prices on the business, specifically on input supply in the coming year and market access in the year after that; the potential legal action involving pensioners and the potential impact of two successive

years of drought. The latter risk was effectively mitigated by the buying of a weather-derivative hedging instrument while the afore-mentioned risks are being addressed through Management actions. It is not expected that any one of these risks will threaten the continued existence of Senwes.

## GENERAL

The remarkable turnaround of Senwes over the past three years is widely known. Value creation and unlocking of value was adopted as a strategic direction as was largely evidenced during the year under review by a special dividend distribution. Organic growth and expansion into non-traditional areas as the cradle of Senwes's growth strategy also began to take shape during the year.

In terms of the strategy the potential of partnerships, alliances and possible consolidations is being investigated, in particular in cases where the input operations of agricultural organisations are affected by large infrastructures that are too expensive and by the impact of low grain prices.

The result produced by Senwes for the past year is remarkable and the highest in its history. Given the perceived negative trend at competitors with regard to input supply business, the improvement at Senwes's comparative business is excellent due to timeous action. It is not expected that the performance for the year under review will be repeated in the next two years if grain prices maintain at their current low levels.

Proposals in the industry that could lead to an additional demand for grain are potential long-term solutions, which are

unlikely to have an immediate impact. Plans to curtail production could lead to higher prices if the curtailment takes place on a sufficiently large scale but this will inevitably have a depressing impact on the results of Senwes.

However, Senwes's balance sheet is geared to manage normal operating risks and to pursue any potential opportunities.

Notwithstanding the prevailing uncertainty in the industry, Senwes is optimistic with regard to the future and any challenges that may arise.



**Johan Dique**  
Managing Director



# Financial review

## INTRODUCTION

The excellent results achieved for the year under review are attributable to the strategy of value creation and value unlocking adopted by the Board. This was largely the result of the focus on core operations and the repeated performance of the Market Access division. The improvement achieved by the Input Supply division over the previous year is a positive development that resulted mainly from restructuring and optimisation initiatives. The achievement was also accomplished in a period when most of the competitors reported negative trends due to market factors and the effect of deflationary circumstances in particular in the mechanisation industry. It is envisaged to maintain the focus in the coming year to render this part of the business sustainable. The unlocking of value as a result of the disposal of the interest in Pioneer Foods Ltd also had a significant positive impact on the result.

## GROUP RESULTS

The net profit of the Group amounts to R238 million (2004 – R200 million) before tax and R195 million (2004 – R168 million) after tax. Therefore the latter figure increased by R27 million (16%). The net result translates into a return on average shareholders' interest of 33% (2004 – 36%). Earnings per share amount to 97 cents compared to 83 cents for the previous year. After eliminating abnormal items, headline earnings before abnormal items reflect an increase of 21% (60 cents against 49 cents in the previous year).

Improved results were recorded by most of the divisions, including the Input Supply division. Finance charges decreased to R84 million (2004 – R135 million). The realisation of the interest in Pioneer Foods Ltd had a positive effect of

R100 million and additional negative provisions in respect of post-retirement medical costs for pensioners amounted to R19 million. In the previous year income amounting to R23 million from discontinuing industries as well as R28 million in respect of post-retirement medical provisions were added to net profit.

The value of business transacted decreased and amounts to R9 516 million against R9 655 million in 2004. Included in these amounts are hedging transactions as well as direct transactions of R5 266 million (2004 – R5 176 million). Revenue decreased by 5% to R4 250 million (2004 – R4 479 million). This was mainly attributable to the impact of lower grain prices and exchange rate movements.

From the segmental analysis it is evident that the most significant contribution to the profitability of the Group was made by the Market Access division. Notwithstanding a great improvement, Input Supply does not yet operate at profitable levels and further restructuring is necessary to achieve sustainability.

## BALANCE SHEET

The own capital ratio reflected a further improvement from 35% in the previous year to 43% currently. This is due to positive operating results and active balance sheet management. The improvement was accomplished notwithstanding the substantial dividend distributions of R95 million.

Cash advance transactions in respect of grain required a substantial investment but operating capital levels remained constant because of the reduction in the normal debtors book.

The sustained profitability resulted in a positive contribution to the improvement in net asset value. Net asset value per share improved from R2,83 to R3,07 after taking into account dividend payments during the year of 47,5 cents. Before the dividends the increase in net asset value would have been 72 cents per share.

## CASH FLOW

The Group again achieved an excellent cash profit of R255 million (2004 – R227 million) for the year under review. Net cash flow was R246 million (2004 – R22 million) after the cash dividend paid of R92 million. This was facilitated by the cash proceeds of R120 million on the Pioneer Foods shares. Due to the positive cash flow net external short term interest-bearing debt was reduced to R800 million.

## DIVIDENDS

As both the capital structure and profitability levels were restored to more acceptable levels, a final dividend of 5,5 cents per share (2004 – 5,5 cents) is proposed. An interim dividend of 4,5 cents was paid and a special dividend of 37,5 cents per share was paid in April. This translates into a normal dividend yield (interim and final) of about 6,1% at current share price levels. Including the special dividend, this reflects a yield of 28,8%.



**SH Alberts**

*Director Finance*



# Corporate governance

## CORPORATE GOVERNANCE STATEMENT

Corporate governance and compliance form part of the responsibility framework of the Group and establishes a balance between accountability and compliance as well as the creation of value and utilisation of resources.

## INTRODUCTION

The Senwes Group and the Board are committed to best practice corporate governance and compliance with the King Committee's Report on Corporate Governance (King II). The Board believes that the requirements of King II have been complied with in all material respects.

Compliance with King promotes accountability and responsibility as well as successful utilisation of resources and enables the Board to provide strategic guidance, manage risks, drive performance and identify the key principles in decision-making.

While compliance with King II is a regulatory requirement for listed companies, the Group recognises the responsibilities as well as the benefits flowing from its application and assurances provided to stakeholders. Apart from the focus on financial reporting and compliance with accounting standards, attention is given on an ongoing basis to social, environmental and other economic considerations.

## GROUP STRUCTURE

A centralised business model with supporting functions forms the basis of the Group's activities. The divisions have their own control and reporting structures with

concomitant delegated powers. The Group and the subsidiaries form a unit.

## THE BOARD CHARTER

The Board functions in terms of an approved charter, which lays down legislative, fiduciary and best practices. The main functions of the Board are controlled as follows by the Charter:

- Stipulation of the overall objectives of the Group;
- Development of strategies to achieve these objectives in co-operation with Management;
- Formulation of company policies;
- Evaluation of the Group's performance;
- Acceptance of responsibility for risk management;
- Appointment of the Managing Director; and
- Evaluation of the Company's directors.

The Charter also formalises aspects concerning procedures at Board meetings, the roles of the Chairman and Vice Chairman, the composition of the Board, induction and ethical conduct.

Board committees assist the Board in the discharge of its responsibilities and play a vital role in the execution of strategies and the handling of aspects such as risks, human resources management and compliance with accepted accounting reporting requirements.

The principles of good corporate governance practices find expression in the Board, which evaluates and examines itself on an ongoing basis in regard to potentially conflicting interests, continuous disclosure of share transactions, decision-making in regard to risks, whether positive or negative, as well as close

liaison with stakeholders through information meetings with customers, shareholders and employees.

## BOARD OF DIRECTORS

The Board has been entrusted with the management and control of the Group.

The Board formulates the overall strategy and policy of the Group and, as the highest authority, is responsible for the identification and definition of material opportunities and risks, the allocation of resources, financial or otherwise, opportunities for growth, black economic empowerment, the creation of value for shareholders, the setting of objectives and their attainment as well as the discharging of delegated responsibility and compliance with legislation.

The Board evaluates the financial results, progress of the adopted strategy, reporting of results, communication with stakeholders, and the inherent market environment and operating risks. Having regard for the foregoing, the most appropriate strategy can be determined.

## COMPOSITION

The Board comprises eight elected members, three executive directors and two independent non-executive directors (full details of the directors are set out on page 26). The roles of the Chairman and Managing Director are separated. Continuity at Board level is ensured in that the term of office of elected non-executive directors is four years. Longest-serving directors are required to retire by rotation from time to time.

Executive directors have service contracts and independent non-executive directors are appointed annually by the Board.

# Corporate governance

continued...

Name of director	Gender	White (W) Black (B)	Independent (I) Executive (E) Non-executive (N)	Standards Committee (S) Chairman (C)	Risk Management Committee (R) Chairman (C)	Human Resources Committee (H) Chairman (C)	Audit Committee (A) Chairman (C)
<b>JE Grobler *</b>	M	W	N	C			
<b>JDM Minnaar</b>	M	W	N	S		C	A
<b>JPL Alberts</b>	M	W	I				C
<b>JP Botma</b>	M	W	N			H	
<b>JAE Els</b>	M	W	N				
<b>MJ Lourens</b>	M	W	N		R		
<b>GNV Magashula</b>	M	B	I			H	
<b>JA Mostert</b>	M	W	N		R		A
<b>JV Roberts</b> Resigned 28 February 2005	M	W	I		C		
<b>JD Shahim</b>	M	W	N				A
<b>WH van Zyl</b>	M	W	N	S		H	
<b>JJ Dique</b>	M	W	E	S	R	H	A
<b>JD Gouws</b> Resigned 14 February 2005	M	W	E		R		A
<b>F Strydom</b>	M	W	E		R		
<b>SH Alberts</b> Appointed 3 March 2005	M	W	E		R		A
<b>Independent advisers:</b>							
<b>PA le R van Zyl</b>	M	W	I				
<b>CE Kahan</b> (retired 12 August 2004)	M	W	I				

\* Ex officio member of all the Committees

During the year under review Messrs John Roberts and Japie Gouws resigned as non-executive external director and executive director, respectively. Mr Steven Alberts was appointed in Mr Gouws' stead while the Board decided not to fill Mr Roberts' vacancy for the present. The majority of the members of the Board are non-executive directors.

## MEETINGS AND ATTENDANCE

The Board met nine times during the year under review. It is the policy of the Board to meet regularly and additional meetings are scheduled when required by strategic and urgent matters.

Except for the undermentioned individuals (refer to table), who were unable to attend meetings due to other obligations and/or exceptional circumstances, all the directors attended the Board and Board committee meetings.

Director apology	Number of Board meetings not attended in 2004/2005
<b>JA Mostert</b>	2
<b>GNV Magashula</b>	2

## ADVICE AND INFORMATION

Documentation for the purposes of

meetings are distributed in time before every meeting so as to enable the Board to function adequately and effectively.

Results and material operational matters are also reported to the Board on a monthly basis between meetings. The directors have unrestricted access to Management and information to ensure that they are fully informed of the business of the Group. The Chairman and Executive Management team are able to fully inform other non-executive directors regarding proposed decisions. Thus a complete process of consultation can be followed and, if required, access to relevant advice is ensured.

## Remuneration

Name of director	Months employed during the year	As a Director/ Adviser R'000	Committees R'000	Management services R'000	Bonuses R'000	Conversion and termination of bonus scheme* R'000	Other allowances R'000
<b>Non-executive:</b>							
JE Grobler	12	223	12	-	-	-	4
JDM Minnaar	12	158	43	-	-	-	32
JPL Alberts	12	108	29	-	-	-	24
JP Botma	12	91	8	-	-	-	9
JAE Els	12	91	-	-	-	-	25
MJ Lourens	12	91	16	-	-	-	6
GNV Magashula	12	108	8	-	-	-	16
JA Mostert	12	91	24	-	-	-	11
JV Roberts	10	90	26	-	-	-	15
JD Shahim	12	91	16	-	-	-	8
WH van Zyl	12	91	20	-	-	-	19
<b>Executive:</b>							
JJ Dique	12	158	48	2 369	1 783	1 783	49
F Strydom	12	91	16	1 436	1 070	535	62
JD Gouws	10	76	24	1 414	1 070	1 070	26
SH Alberts	2	15	4	167	-	-	31
<b>Independent advisers:</b>							
PA le R van Zyl	12	178	-	-	-	-	-
CE Kahan	4	36	4	-	-	-	4

\* Payment on conversion of schemes into share-based schemes as well as payment on termination of service.



# Corporate governance

continued...

All directors have access to the services and advice of the Group Secretary, who provides guidance with regard to their duties and responsibilities. In addition every director is entitled to seek professional legal advice or otherwise, if that course of action is deemed by such director to be in the interests of the Company, at the expense of the Company.

Furthermore the Board has unrestricted access to the legal adviser of the Board who has been contracted as such.

## BOARD COMMITTEES

The Board is supported in the discharge of its duties by various Board committees. These committees function within the framework of formally approved mandates and delegation of powers. The effectiveness of the committees as well as the extent of their compliance with the various mandates are measured periodically and reported to the Board. The Chairman of the Board has unrestricted access to meetings of the Board committees. The members of the various committees are elected annually by the Board. (Details of the existing members of the various committees are set out on page 26).

### HUMAN RESOURCES COMMITTEE

This committee consists of four non-executive directors and the Managing Director and is responsible for managing the Company's intellectual capital and for the transformation of the workforce regarding affirmative action. It also deals with the remuneration of the executive and senior management, including incentive schemes, recommendations regarding fees and remuneration for non-executive directors, determining and measuring of the performance of executive directors

and senior management, retention measures, training and other related human resources aspects. Management does not participate in and is not present when their remuneration is being determined.

The chairman is a non-executive director and three meetings were held by the committee during the year under review. The Managing Director and the Assistant General Manager Human Resources attend these meetings and provide appropriate inputs.

### AUDIT COMMITTEE

The Audit Committee consists of six members, namely four non-executive directors and two executive directors. The chairman is an independent non-executive director who is also a chartered accountant. The external and internal auditors, as well as the Assistant General Manager Finance, attend the meetings of the committee. The Audit Committee is the link between the Board and the external auditors and enables the Board to supervise the integrity of financial reporting, the Company's financial controls and reporting system.

The Audit Committee focuses on and reviews the functioning of internal control systems and the Internal Audit department, risk areas with regard to operations as identified by internal and external audits, accounting standards, and the Company's level of compliance with statutory aspects.

During the year under review three meetings were held by the Audit Committee.

### RISK MANAGEMENT COMMITTEE

The committee comprises three non-executive directors and three executive directors. The General Managers of Grain and Retail as well as the Group Internal Auditor also attended the meetings of the

committee. During the year four meetings were held.

It is the task of this committee to assist the Board with risk management and the safeguarding of the business and its resources.

During the year under review further progress was made in that a risk management system was obtained and implemented. Material risks are continuously identified, limited or effectively mitigated. Controls and control measures are upgraded and addressed by Management on an ongoing basis. In addition opportunities are identified timeously via the process. The daily risk management process has been formalised and the committee reports to the Board on a regular basis.

The Board received the following assurances from the Risk Committee:

- All material and known risks arising from the daily operational activities of the Group have been addressed and are at satisfactory and manageable levels through control measures and ongoing attention by Management. This is accommodated within budget and operating results.
- Potential external risks attributable to factors such as the environment, competition and reputation may, in a worst-case scenario, only have a slow impact in the long term. Many of these risks have have been challenged and the necessary management and intellectual capital is in place for it to be dealt with effectively.
- There is a strong correlation between the operating results of the Group in its current form and climatic and market conditions that impact it materially. Accumulated reserves and insurance

provide an important buffer against such circumstances.

- The ability to cope with droughts and changing market conditions is further strengthened by the roll-out of the business strategy of expansion into other high potential agricultural areas without expensive cost structures, as well as national expansion of business functions that do not rely on infrastructure or follow the agricultural cycle very directly.

#### STANDARDS COMMITTEE

The Standards Committee comprises three non-executive directors and the Managing Director. The committee met twice during the year under review.

This committee determines and makes recommendations regarding the composition of the Board in general, the needs and expertise required at Board and Board committee level, the setting of guidelines for candidates for Board vacancies, and the evaluation and performance of the Board as a whole and of individual directors.

#### EXECUTIVE MANAGEMENT

The Executive Management team comprises the Managing Director, the Financial Director, the Director Operations and other members of senior management. The Executive Management team meets twice a month and assists the Managing Director in the day-to-day management of the Company.

The Managing Director, together with the Executive Management team, is responsible for the practical implementation of the strategy and direction of the Company as determined by the Board, the prioritising of resources, the establishment of best management practices and standards, as well

#### Composition

Name of officer	Portfolio	Months employed during the year	White (W) / Black (B)	Male (M) / Female (F)
JJ Dique	Managing Director	12	W	M
F Strydom	Director Operations	12	W	M
SH Alberts	Director Finance	2	W	M
	General Manager Finance	10		
JMB Maswanganyi	General Manager Corporate Services	12	B	M
AM Lubbe	General Manager Grain	12	W	M
FJ du Plessis	General Manager Retail	12	W	M
EM Joynt	Group Secretary	12	W	F
AJ Erasmus	Group Internal Auditor	12	W	M
CF Kruger	Assistant General Manager Finance	1	W	M
AC Morrison	Assistant General Manager Business Development and Risk Management	12	W	M
HJ de Jager	Assistant General Manager Human Resources	12	W	M
J Grobler	Assistant General Manager Corporate Marketing	12	W	M

# Corporate governance

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as recommendations and submissions to the Board. The powers of the members and the committee are restricted to the powers delegated to them by the Board.

## GROUP SECRETARY

The Group Secretary is appointed by the Board. This person is the compliance officer and information officer of the Group and is responsible for the execution of all statutory requirements applicable to the Group. The directors have unrestricted access to the services of the Secretary, who also arranges appropriate training and orientation of directors, where necessary.

## INTERNAL CONTROL AND INTERNAL AUDIT

The Group maintains systems of internal control focused on critical risk areas. These systems and controls are designed to provide reasonable assurance with regard to the integrity and reliability of the financial statements and to ensure adequate safeguarding and control of assets.

Organisational structure, trained and selected employees, separation of duties and established procedures ensure that the policy is implemented and adhered to. There are inherent limitations that influence the effectiveness of any system of internal control, including the possibility of human error and the circumvention of control measures due to collusion.

Therefore even an effective internal control system can only provide reasonable assurance with regard to the preparation of financial statements and the safeguarding of assets. Remedial steps are taken to effect improvements where deficiencies are identified.

The Internal Audit division, comprising appropriately qualified employees, functions in terms of a charter of the Board with responsibility for reporting and has unrestricted access to the Audit Committee.

## EMPLOYEES

Senwes utilises various structures where employees are involved with regard to negotiation, affirmative action, skills development, safety and the improvement of productivity. The Group is committed to creating a work environment conducive to ownership and productive participation in the activities of the business. During the year under review a health awareness programme was launched to improve the physical and psychological wellness of employees.

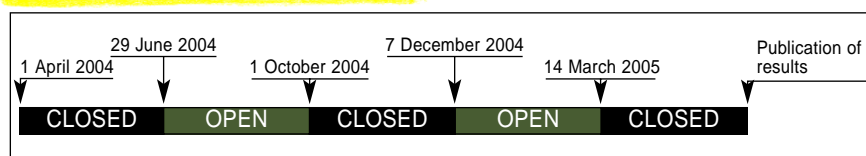
## RELATIONSHIPS WITH STAKEHOLDERS

The Board endeavors to accommodate and weigh up the needs of stakeholders in the best interests of the Company.

The code of ethics controls the Group's responsibility to all stakeholders and requires that the Board, Management and other employees commit themselves to adhere to high moral and ethical standards as well as statutory requirements.

The operations of the Group attract various stakeholders and it is endeavored to

The open and closed trading periods, which was strictly adhered to, were as follows during the year:



accommodate their needs by way of non-financial reporting. This promotes a more integrated approach to reporting.

The corporate marketing department and the office of the Group Secretary play an important role to ensure ongoing communication with stakeholders.

The Senwes website, [www.senwes.co.za](http://www.senwes.co.za), contains the latest information on, inter alia, financial performance, industries, and grain and share trading, and is a valuable aid in external communication.

Shareholders are invited to attend the annual general meeting and to avail themselves of the opportunity to communicate with the Board at a personal level.

## INSIDER TRADING AND SHARE TRADING

In accordance with good practice the Group adopted a policy whereby trading in the Company's shares is regulated during certain periods. During particular periods, the so-called "closed periods", directors and employees are prohibited from trading in the Company's shares. These closed periods extend from one month before the year-end or one month before the half-year end until the relevant financial results are published. The Board may also, from time to time, determine periods when trading is prohibited because the Board and/or Management has price sensitive information not in the public domain.



Shares are available on a free-trading mechanism whereto all shareholders and potential investors have access.

Directors' interests in share capital at year-end

(Own name or through another entity)

DIRECTORS' SHAREHOLDINGS								
	2005				2004			
	SENWES		SENWESBEL		SENWES		SENWESBEL	
NAME OF DIRECTOR	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
<b>Non-executive:</b>								
JPL Alberts	-	-	48 681	0,06%	-	-	-	-
JE Grobler	114 694	0,06%	1 922 738	2,17%	139 694	0,07%	1 443 874	1,57%
JP Botma	136 429	0,07%	454 094	0,51%	136 429	0,07%	158 796	0,17%
Jan Botma Trust	17 969	0,01%	27 557	0,03%	17 969	0,01%	27 557	0,03%
JAE Els	1 245	-	807 864	0,91%	18 130	0,01%	400 000	0,44%
MJ Lourens	43 848	0,02%	128 118	0,14%	43 848	0,02%	55 561	0,06%
GNV Magashula	-	-	-	-	-	-	-	-
JDM Minnaar	6 812	-	2 000 000	2,26%	6 812	-	8 336	0,01%
JDM Minnaar (Lerna Boerdery)	145 011	0,07%	1 500 000	1,69%	328 820	0,16%	2 506 169	2,73%
JDM Minnaar (Robyn Trust)	-	-	230 000	0,26%	-	-	-	-
JA Mostert	5 907	-	21 110	0,02%	5 907	-	21 110	0,02%
JD Shahim (Maizefield Trust)	164 952	0,08%	200 579	0,23%	164 952	0,08%	96 161	0,10%
WH van Zyl	400 733	0,20%	1 807 094	2,04%	355 732	0,18%	402 947	0,44%
<b>Executive:</b>								
JJ Dique	1 000 000	0,50%	-	-	128 803	0,06%	-	-
F Strydom	295 731	0,15%	-	-	100 000	0,05%	-	-
JD Gouws (resigned 14/02/2005)	-	-	-	-	100 000	0,05%	-	-
SH Alberts	31 487	0,01%	-	-	-	-	-	-
Subtotal of directors	2 364 818	1,17%	9 147 835	10,32%	1 547 096	0,77%	5 120 511	5,57%
Non-directors	198 983 014	98,83%	79 526 647	89,68%	199 800 736	99,23%	86 821 427	94,43%
<b>TOTAL</b>	<b>201 347 832</b>	<b>100,00%</b>	<b>88 674 482</b>	<b>100,00%</b>	<b>201 347 832</b>	<b>100,00%</b>	<b>91 941 938</b>	<b>100,00%</b>



EM Joynt  
Secretary