



OCTOBER 2010

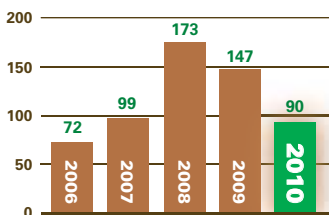
## INTERIM RESULTS

*Senwes* 

## FINANCIAL OVERVIEW

### NET PROFIT AFTER TAX

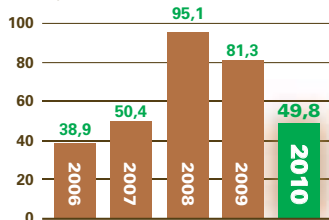
R'm



R90 m

### HEADLINE EARNINGS PER SHARE

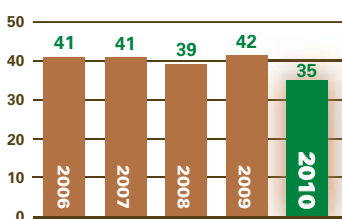
Cents/share



49,8 cents

### OWN CAPITAL RATIO EQUITY ÷ TOTAL ASSETS

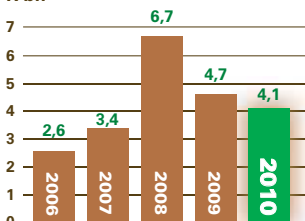
%



35%

### REVENUE CONTINUING OPERATIONS

R'bn



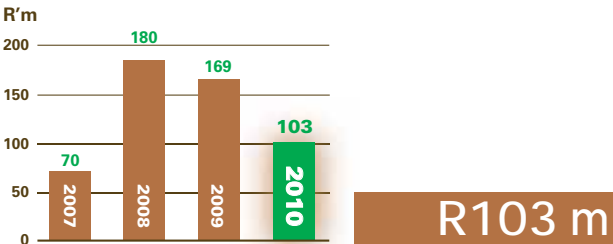
R4,1 billion

## NOTABLE OPERATIONAL INDICATORS

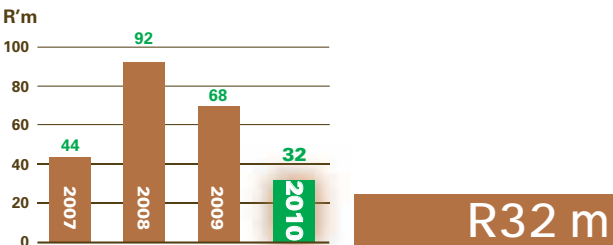
- High summer grain intake and stock levels vested a good business base
- Lower margins due to the change of silo tariff structures to maintain sustainability
- Maize commodity price trade below export parity
- Low activity on whole goods and input supply
- Higher investment in commodity trading future book

## SEGMENTAL RESULTS – BEFORE TAX

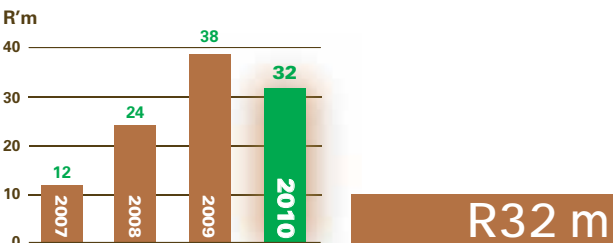
### MARKET ACCESS



### INPUT SUPPLY



### CREDIT EXTENSION



## OPERATIONAL REVIEW

### PROFILE

Senwes is an agri-business positioned in the grain value chain between the farm gate (grain producer) and the grain market (processors, traders etc). Senwes supplies production inputs and capital goods mainly to the grain producer, after which access to the market for the customer's crop is brought about. Financing and logistical services offer value-adding financial and agricultural services to customers. Business is done mainly in the Free State, Northwest, Gauteng and Northern Cape, as well as internationally in the SADC region. The company is verified as a level six contributor to Black Economic Empowerment.

### BUSINESS REVIEW – INTERIM RESULTS

Below-average agricultural and business conditions were experienced for the first six months of the financial year. Commodity prices were under pressure and even traded below export parity levels for nearly the whole semester. Producers postponed the selling of their grain in anticipation of possible price increases for the second successive season. In order to accommodate them, extension arrangements were put in place, which resulted in production debt becoming moderately in arrears. The ability of producers to do early purchases of inputs and capital goods was therefore limited, which resulted in a negative impact on the input supply and mechanisation business results. Despite good summer grain yields, producers who liquidated their grain at low commodity prices realised low farming margins. Due to the high uncertainty regarding the next season, producers held back on anticipated input purchases and postponed their capital replacement programmes.

As far as the market access business is concerned – and in contrast to the previous year – the market offered specific spread opportunities and larger grain trading positions in future months were taken. This resulted in grain income also being deferred to future months and the income basis of the two years can therefore not be compared as such. Senwes also reviewed its tariff structure and specific margins were lost in order to be able to service the customer more economically.

The turnover of the group amounted to R4,1 billion compared to R4,7 billion during the previous period (12% decrease), which is comparable with the corresponding period. The net profit after tax amounted to R90,2 million against the comparative figure of R146,7 million, which represents a 39% decrease. However, the Board is satisfied that the results are reflective of the current cycle and a sound business basis.

Given the opportunities in the future months, a larger investment was made in the grain commodity book, which represents an additional investment of R448,6 million since 30 April 2010. The own capital ratio of 35% is still within the set capital maintenance guidelines while the

net asset value since the previous year-end increased from R5,86 to R6,19 per share.

## PROGNOSIS

An expected downscaling in plantings of 10% was predicted by the National Crop Estimates Committee (NCEC). Moderate rainfall, the relatively low commodity prices, the strong rand, the current maize surplus and the large retention of the previous season's production, support the view of the NCEC and predict a more challenging season for the input supply pillar. On the other hand, and despite the lower margins due to decreased silo tariffs, the expectation is that the Grain Division will experience a good second semester due to high volumes, better than expected offtaker premiums and improved stock management practices. The Mechanisation business will remain under pressure and is expected to return to normal only after completion of two business cycles. The more difficult agricultural conditions will, in all probability, create opportunities for consolidation and mergers, a situation which seems unavoidable in the agricultural sector. The Senwes balance sheet is expected to strengthen further as future grain positions are liquidated, high mechanisation stock is managed out and the debtor book normalises.

## DIVIDEND

An interim dividend of 10 cents per share (2009: 25 cents per share) has been declared. Dividends will be paid on approximately 17 December 2010 to shareholders registered as such in the shares register on 3 December 2010.

By proxy of the Board



JE Grobler  
**Chairman**

3 December 2010



F Strydom  
**Managing Director**



CF Kruger  
**Financial Director**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		6 months ended 31 October		12 months ended 30 April
		2010 Un- audited R'm	2009 Un- audited R'm	2010 Audited R'm
	% change			
<b>Revenue</b>	- 12,0%	<b>4 120</b>	4 694	9 039
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	- 20,4%	<b>211</b>	265	451
Depreciation and amortisation		<b>(19)</b>	(18)	(38)
<b>Operating profit before finance charges (EBIT)</b>	- 22,3%	<b>192</b>	247	413
Finance charges		<b>(64)</b>	(38)	(85)
Profit after finance charges	- 38,8%	<b>128</b>	209	328
Investment income		-	-	2
Profit after investment income	- 38,8%	<b>128</b>	209	330
Share of profit from associates		<b>2</b>	4	2
Profit before tax		<b>130</b>	213	332
Tax		<b>(40)</b>	(66)	(123)
<b>Net profit for the period</b>	- 38,8%	<b>90</b>	147	209
Other comprehensive income				
Fair value adjustment on available for sale financial assets net after tax		<b>(2)</b>	4	-
<b>Total comprehensive income net after tax</b>		<b>88</b>	151	209
Attributable to:				
Shareholders		<b>88</b>	151	209
<b>Reconciliation: Headline earnings</b>				
Profit attributable to shareholders		<b>90</b>	147	209
Profit on disposal of property, plant and equipment		-	-	(1)
Provision for actuary profit on pensionfund contributions		-	-	(1)
<b>Headline earnings</b>		<b>90</b>	147	207
Weighted average number of shares in issue ('000)		<b>180 789</b>	180 789	180 789
<b>Earnings</b>				
Earnings per share (cents)		<b>49,8</b>	81,3	115,6
Headline earnings per share (cents)		<b>49,8</b>	81,3	114,4
<b>Dividends</b>				
Interim dividend per share (cents)		<b>10,0</b>	125,0	125,0
Normal		<b>10,0</b>	25,0	25,0
Special		-	100,0	100,0
Final dividend per share (cents)		-	-	15,0
Total dividend per share (cents)		<b>10,0</b>	125,0	140,0
<b>Net asset value</b>				
Net asset value per share (cents)		<b>619</b>	677	586

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at 31 October		As at 30 April
	2010 Unaudited R'm	2009 Unaudited R'm	2010 Audited R'm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	228	232	231
Profit from associates	10	9	7
Financial assets	3	4	4
Term debtors	230	175	227
Deferred tax	48	43	39
	<b>519</b>	<b>463</b>	<b>508</b>
<b>Current assets</b>			
Inventory	1 541	1 123	835
Trade and other debtors	1 078	1 074	1 316
Agency grain debtors	94	220	97
Cash and cash equivalents	10	10	40
	<b>2 723</b>	<b>2 427</b>	<b>2 288</b>
<b>Total assets</b>	<b>3 242</b>	<b>2 890</b>	<b>2 796</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	1	1	1
Share premium	67	67	67
Non-distributable reserve	-	43	-
Retained earnings	1 052	1 112	991
	<b>1 120</b>	<b>1 223</b>	<b>1 059</b>
<b>Non-current liabilities</b>			
Interest bearing long-term liability	350	350	350
Long-term employee benefits	8	10	7
Post-retirement liabilities	81	77	79
	<b>439</b>	<b>437</b>	<b>436</b>
<b>Current liabilities</b>			
Trade and other creditors	584	639	383
Interest bearing short-term loans	987	467	773
Loans from related parties	80	73	79
Provisions	32	53	66
	<b>1 683</b>	<b>1 230</b>	<b>1 301</b>
<b>Total equity and liabilities</b>	<b>3 242</b>	<b>2 890</b>	<b>2 796</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31 October		12 months ended 30 April
	2010 Un- audited R'm	2009 Un- audited R'm	2010 Audited R'm
Cash generated from operating activities	237	322	516
Investment income	-	-	2
Tax paid	(49)	(45)	(110)
Finance charges paid	(64)	(38)	(79)
Cash profit	124	239	329
Dividends paid	(27)	(53)	(280)
(Increase)/decrease in operating capital	(116)	(136)	52
Cash flow from operations	(19)	50	101
Net cash flow from investment activities	(13)	(40)	(46)
Net cash flow before financing activities	(32)	10	55
Net cash flow from long-term financing activities	2	-	-
Net (decrease)/increase in cash available	(30)	10	55
Net short-term loans and cash at beginning of period	40	-	(15)
Net short-term loans and cash at end of period	10	10	40

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital R'm	Non- distributable reserve R'm	Retained earnings R'm	Total R'm
<b>Balance at 30 April 2010 (Audited)</b>	<b>68</b>	<b>-</b>	<b>991</b>	<b>1 059</b>
Net profit	-	-	90	90
Dividends paid	-	-	(27)	(27)
Fair value adjustment	-	-	(2)	(2)
<b>Balance at 31 October 2010 (Unaudited)</b>	<b>68</b>	<b>-</b>	<b>1 052</b>	<b>1 120</b>
<b>Balance at 30 April 2009 (Audited)</b>	<b>68</b>	<b>66</b>	<b>992</b>	<b>1 126</b>
Net profit	-	-	147	147
Transfer from non- distributable reserve	-	(23)	23	-
Dividends paid	-	-	(54)	(54)
Fair value adjustment	-	-	4	4
<b>Balance at 31 October 2009 (Unaudited)</b>	<b>68</b>	<b>43</b>	<b>1 112</b>	<b>1 223</b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Senwes Group's financial statements are prepared according to and comply with the requirements of International Financial Reporting Standards (IFRS). In addition the financial statements comply with IAS34 (Interim Financial Reporting) and relevant sections of the South African Companies Act of 1973, as amended. The accounting policies and basis of presentation have been applied consistently with the previous financial statements.

### 2. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2010 the Group has acquired property, plant and equipment to the amount of R16 million. Property, plant and equipment of R2 million was disposed of during this period.

### 3. RELATED PARTY TRANSACTIONS

#### 3.1 Senwesbel and RBF Consortium

The boards of Senwesbel Ltd (39,2% shareholding) and RBF Consortium (34,7% shareholding) have significant influence over the control of the Company. Dividends of R10,6 million and R9,4 million were paid to Senwesbel and RBF respectively during the interim period. Interest of R2,5 million was paid during this period to Senwesbel on the loan account from Senwesbel.

#### 3.2 Trade debtors - directors

Trade debtors comprise production credit accounts for which customers of the company qualify. Credit extension, terms of repayment and interest rates in respect of loans are in line with company policy, which apply to all customers of the company. At 31 October 2010 R7,6 million (R1,4 million in arrears) was owed to the Group by directors on the above-mentioned accounts. This is covered by the relevant securities necessary in terms of the credit policy.

### 4. CONTINGENT LIABILITIES

#### 4.1 Contingent liability

**The Competition Commission of South Africa vs. Senwes Ltd**  
The Competition Commission ("the Commission") referred a complaint of alleged abuse of dominance, and particularly price discrimination, by Senwes Limited ("Senwes"), to the Competition Tribunal ("the Tribunal"). In a judgment on 3 February 2009, the Competition Tribunal ruled that Senwes is not guilty of the two complaints referred for trial by the Competition Commission.

However, during the trial the Tribunal came to the conclusion and found that Senwes placed the margins of competitors in the grain trading markets under pressure (margin squeeze complaint). The contravention is dealt with in terms of section 8(c) of the Competition Act. The finding does not carry a fine.

Senwes is appealing the finding and the matter will be heard in the Appellate division during 2011.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Investigation into the grain silo industry

Senwes was notified by the Competition Commission on Friday, 12 March 2010, that an investigation has been launched into members of the grain silo industry in respect of alleged contraventions of section 4(1) of the Competition Act, in that it allegedly colluded in determining grain silo tariffs. The Commission advised all of the role-players on 28 May 2010 in writing that the complaints will be referred for prosecution. In view of the seriousness of the alleged contraventions, Senwes is co-operating fully with the Commission in an attempt to resolve the matter without proceeding to a trial. The process is still underway.

### Application Mashike & Ross (Trustees of the Treacle Fund II Trust) ("Treacle") against Senwesbel and Senwes

Treacle, one of the minority shareholders in Senwes, and party to the Bafokeng Consortium, served an application upon Senwes and Senwesbel (as first and second respondents) in terms of which it is alleged that the acquisition of Senwes shares by Senwesbel was invalid. Senwes would be required to rectify its share register should the application succeed. Senwes is opposing the application as it is submitted that it is without merit.

## 6. SEGMENTAL ANALYSIS

### SEGMENTAL REVENUE

	% change	SEGMENTAL REVENUE		
		2010 R'm	2009 R'm	2010 R'm
			6 months ended 31 October	12 months ended 30 April
Credit	- 27%	63	86	139
Input Supply (Village)	- 19%	909	1 118	1 943
Market Access (Grainlink)	- 10%	3 115	3 465	6 895
Industries	+ 30%	30	23	54
Normal operating activities	- 12%	4 117	4 692	9 031
Non-apportionable and Corporate		3	2	8
Investment income		-	-	-
<b>Total revenue</b>		<b>4 120</b>	<b>4 694</b>	<b>9 039</b>
Profit before tax				
Taxation				
Profit after tax				
<b>Profit attributable to shareholders</b>				

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 5. CAPITAL COMMITMENTS

Commitments already contracted amount to R18 million and will be financed from cash flow from operating activities. Commitments of R4 million were already approved by the Board but not yet contracted.

SEGMENTAL RESULTS				
		6 months ended 31 October	2009 R'm	12 months ended 30 April 2010 R'm
	% change	2010 R'm	2009 R'm	2010 R'm
	- 16%	32	38	58
	- 53%	32	68	96
	- 39%	103	169	236
	+ 50%	6	4	6
	- 38%	173	279	396
		(43)	(66)	(66)
			0	2
		130	213	332
		(40)	(66)	(123)
		90	147	209
		90	147	209

## CORPORATE INFORMATION

### SENWES LTD

REGISTRATION NUMBER 1997/005336/06

### DIRECTORS

JE Grobler (Chairman), JDM Minnaar (Vice-Chairman), F Strydom (Managing Director), CF Kruger (Director: Finance), JPL Alberts, JA Boggenpoel, SF Booysen, JBH Botha, JAE Els, AJ Kruger, NDP Liebenberg, J Mashike, M Poole, WH van Zyl.

Alternate director: LM Ndala, Company Secretary: EM Joynt.

### REGISTERED OFFICE

1 Charel de Klerk Street, Klerksdorp, 2571

Postal address: PO Box 31, Klerksdorp, 2570

Telephone: (018) 464-7800

### TRANSFER SECRETARIES

The Company Secretary

Postal address: C/o The Company Secretary, Senwes Limited,  
PO Box 31, Klerksdorp, 2570

Telephone: (018) 464-7104

### SHARE TRADING DESK

Senwes Share Trading Desk

Postal address: The Secretary, Senwes Ltd, PO Box 31,  
Klerksdorp, 2570

Telephone: (018) 464-7105

[www.senwes.co.za](http://www.senwes.co.za)



Senwes 