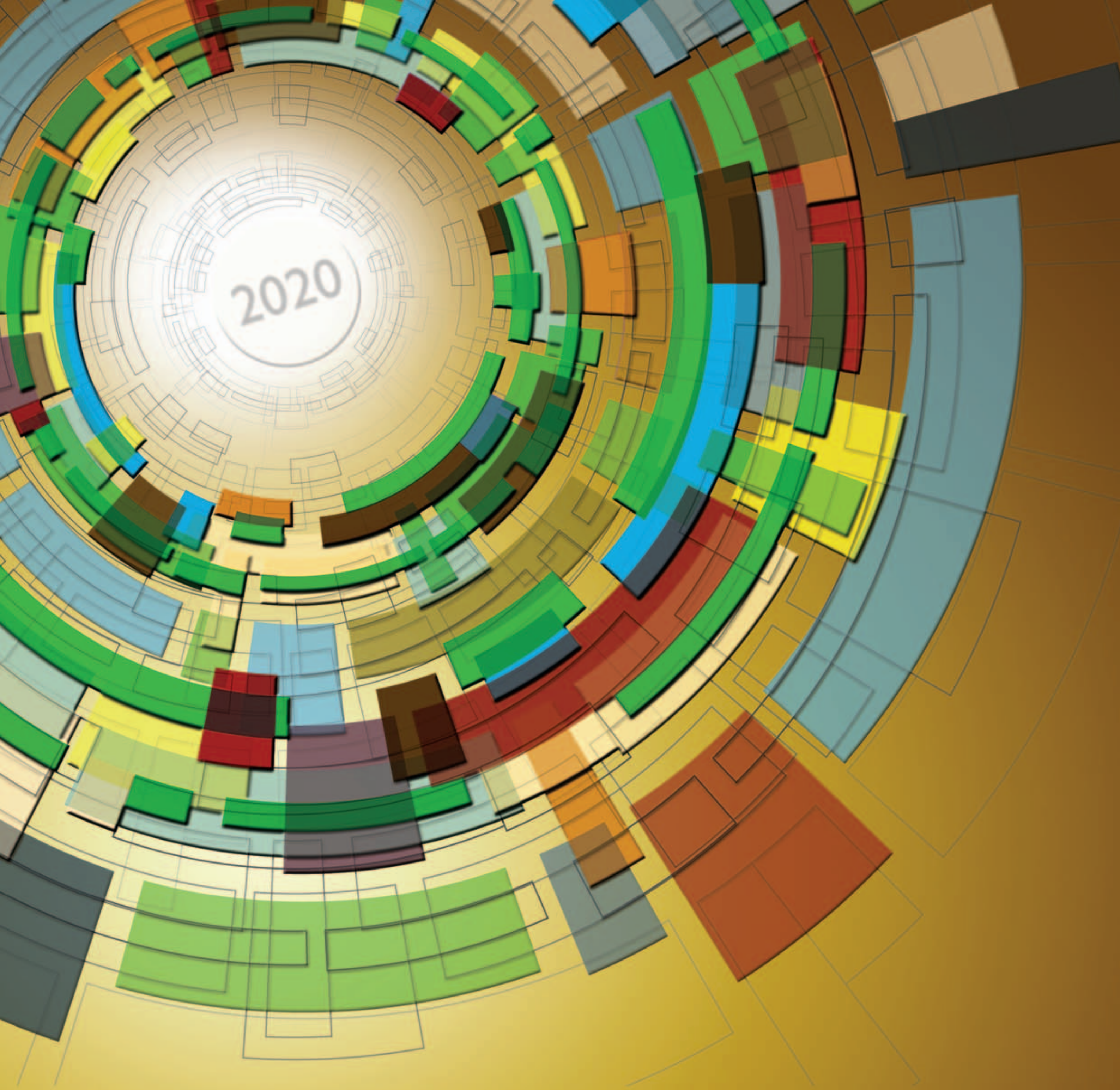



Senwes

# Annual Report

an integrated overview

2012

# CONTENTS



The icon is an indication of media interviews or additional information available on the Senwes website at **www.senwes.co.za**

## WHAT WE DO

Senwes is a leading integrated agri-business, positioned in the grain value chain between the farm gate and the processor.

Producution input products and capital goods are supplied to primarily the grain producer, after which market acces for the crop yield of the client is created. Our financing and logistics services render financial and agricultural value adding services to the client. Business is mainly conducted in the Free State, Northwest, Gauteng and Northern Cape, as well as internationally in the SADC region.

The Group has an integrated model which facilitates the delivery of its primary objective, namely to contribute towards food safety on a sustainable basis. As initiator of a new way of thinking and new partnerships, the objective is to be at the forefront of internationalisation and diversification of its business model. Senwes also participates in the international trading of wheat, yellow maize and oilseed in a strategic partnership with the international agri-business and food company, Bunge.

## SENWES AS INVESTMENT

1. LARGEST SILO CAPACITY IN AFRICA
Senwes has silo capacity of 4,6 million tonnes in SADC from which its clients are serviced.

2. PARTNERSHIPS WITH KEY SUPPLIERS
Core partnerships are created wih suppliers in mechanisation, agricultural input products and financial services in order to be the distribution channel of preference for goods and services within agriculture.

3. EXCELLENT CLIENT RELATIONSHIPS
Senwes also has the necessary human capital, logistics solutions, infrastructure and operating capital in order to render excellent service to not only the customer, but also the offtaker of products.

4. SKILLS WITHIN AGRICULTURE
Competent and skilled personnel with experience, industry leaders, people with exceptional integrity, value systems and a successful performance history form the basis of our human capital and are committed to the financial, social and environmental objectives of the Company. Senwes personnel accept joint and several ownership of the business and are accountable to stakeholders.

5. STRATEGIC FOCUS
Senwes focuses its strategy on agriculture and related industries, which form a prominent part of the deployment of its 2020 strategy.

## THE RESULTS

A constant, **SOUND RETURN** on capital.

**ABOVE AVERAGE** dividend yields.

Strong generator of cash with a **BALANCED GEARING RATIO.**

A strong client base supported by **EXTENSIVE MARKET SHARE.**

A visionary agricultural company, **STRATEGICALLY GEARED FOR GROWTH.**

# FINANCIAL HIGHLIGHTS

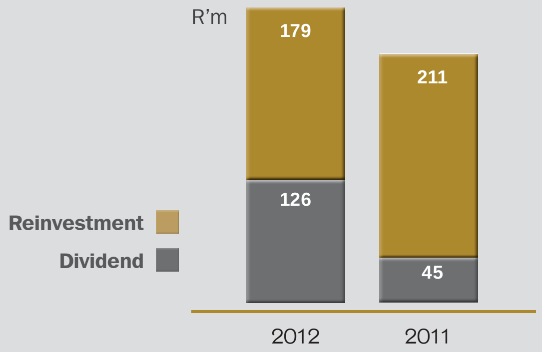
## FINANCIAL PERFORMANCE

| | | 2012 | 2011 | |
|---|---|---|---|---|
| ↑ 73% | Revenue (R'm) | 13 097 | 7 550 | Revenue increased by 73% mostly as a result of increased grain commodity prices. |
| ↑ 21% | Net profit after tax (R'm) | 265 | 219 | The Group profit increased by 21%. The input channel experienced an exceptionally good year especially in respect of mechanisation sales. |
| ↑ 14% | Headline earnings per share (cents) | 132,8 | 116,2 | HEPS increased by 14% in 2012. The increase in HEPS ensures sustainability for the investor. |
| ↑ 0,8% | Return on opening equity | 21,5% | 20,7% | Return on equity increased to 21,5%. ROE is in the top quarter of agri-businesses. |

## INVESTORS' VALUE

| | | 2012 | 2011 | |
|---|---|---|---|---|
| ↑ 2,3% | Dividend yield on average market price | 6,3% | 4,0% | A dividend of 60 cents per share was declared against 35 cents in 2011. |

Dividend paid and reinvestment




The growth strategy of Senwes requires sustained reinvestment

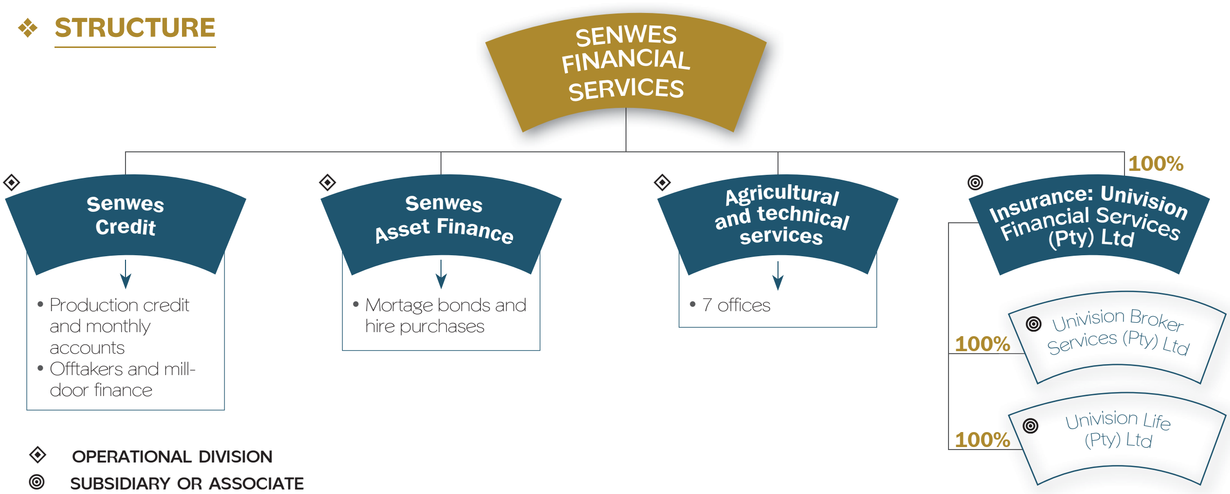
## RISK PROFILE

| | | 2012 | 2011 | |
|---|---|---|---|---|
| ↑ 1,2% | Own capital employed | 40,8% | 39,6% | The own capital ratio is still within the capital maintenance guidelines of between 35% and 45%. |
| ↑ 31% | Interest cover (times) | 5,4 | 4,1 | Lower interest rates and effective balance sheet management contributed to the improved interest cover ratio. The minimum set level for interest cover is 3. |

# OPERATIONAL REVIEW

## SENWES CREDIT AND UNIVISION

### STRUCTURE




◈ OPERATIONAL DIVISION
◎ SUBSIDIARY OR ASSOCIATE

### OUR BUSINESS

- Financing of agricultural input products
- Financing of fixed and movable assets for farming purposes
- Financing of marketed grain by means of a variety of products
- Rendering of agricultural and technical services
- Supplying of various tailor-made insurance products to producers, clients and the general public
- Rendering of broker and administrative services

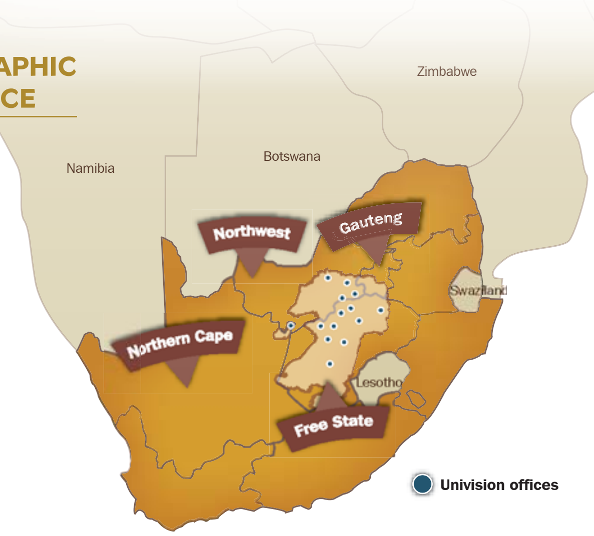
### OUR CONTRIBUTION TO NORMAL OPERATIONAL ACTIVITIES

**13%**

### OUR STRATEGIC OBJECTIVE

- The availability of effective and purpose-made financing products to enable the producer and the grain offtaker to manage their businesses in an optimal manner to the benefit of all stakeholders
- To render value added insurance products and services to the core activities of Senwes and to support the business on various levels

### GEOGRAPHIC PRESENCE

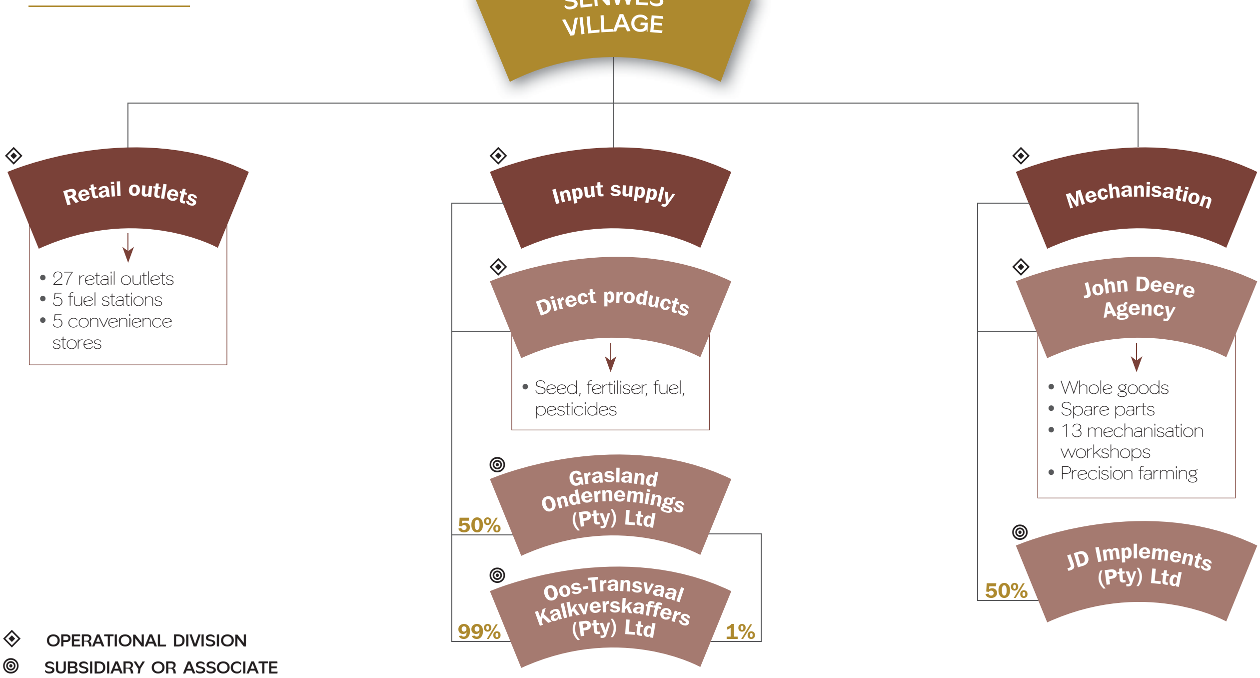



### OUR POSITIONING

- Financing link between the agricultural producer and the other operational activities of Senwes
- Financing link between the grain offtaker and Senwes Grainlink
- Advise the producer on production practices and total input planning

# SENWES VILLAGE

## ❖ STRUCTURE




## ❖ OUR BUSINESS

- Provision of input products to the agricultural producer
- Provision of mechanisation and maintenance services to the agricultural producer, relating to agricultural equipment
- Provision of a variety of hardware and convenience products to the general public

## ❖ OUR POSITIONING

- Deployment of infrastructure, marketing structures and product ranges in order to service the client in respect of production inputs and mechanisation requirements

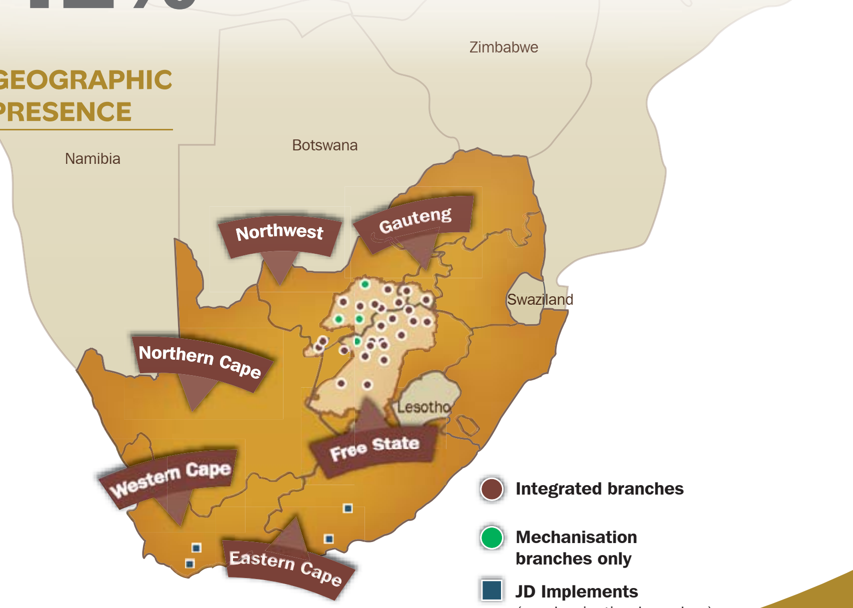
## ❖ OUR CONTRIBUTION TO NORMAL OPERATIONAL ACTIVITIES

**42%**

## ❖ OUR STRATEGIC OBJECTIVE

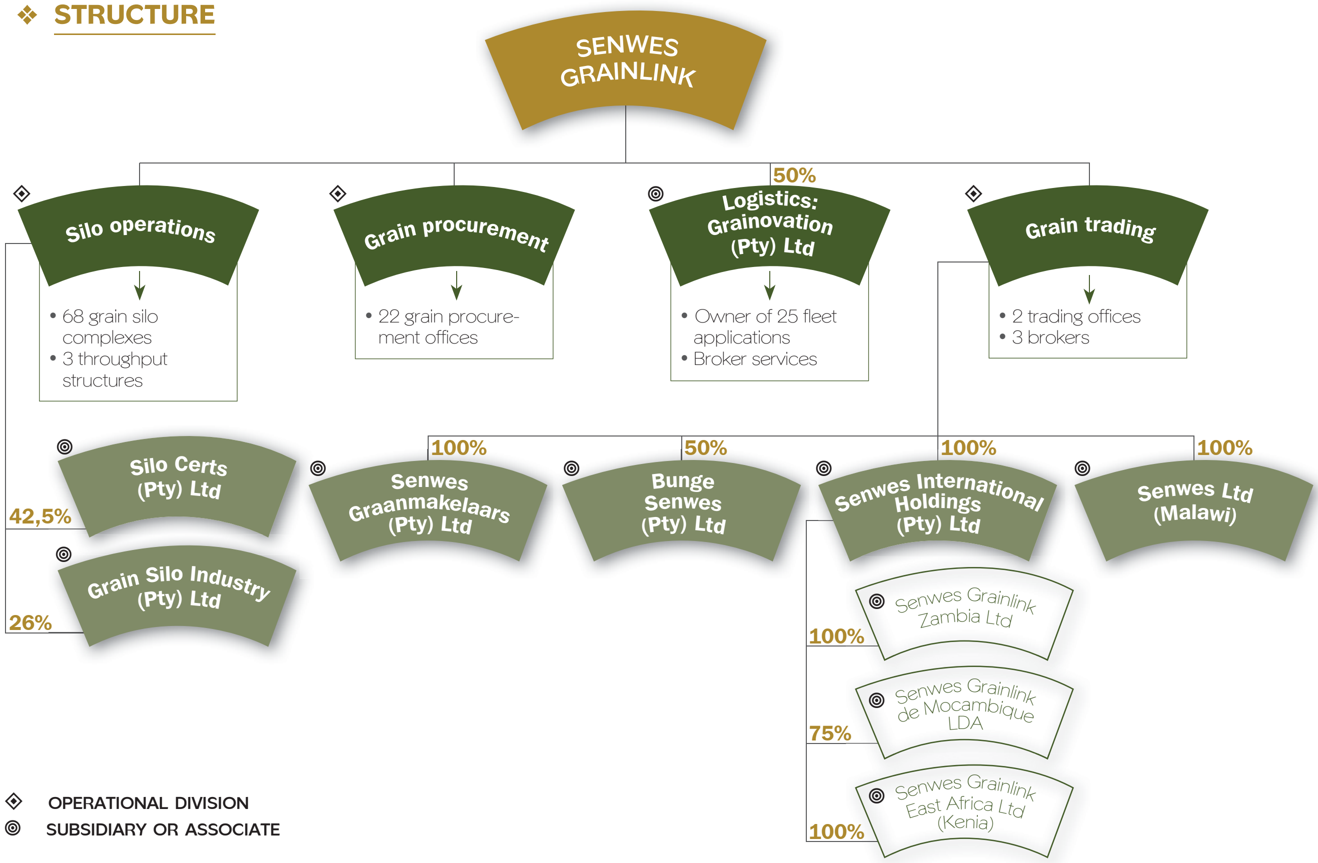
- To fulfil the role of supplier of preference to the agricultural producer in respect of all his input requirements and mechanisation, with excellence

## ❖ GEOGRAPHIC PRESENCE



# SENWES GRAINLINK

## STRUCTURE




## OUR BUSINESS

- Creation of market access for the grain producer
- Procurement and trading of grain
- Handling and storage of grain
- Logistical services for the procurement and distribution of grain
- International marketing

## OUR STRATEGIC OBJECTIVE

- An integrated solution for the producer and grain offtaker to enhance market access and pricing solutions

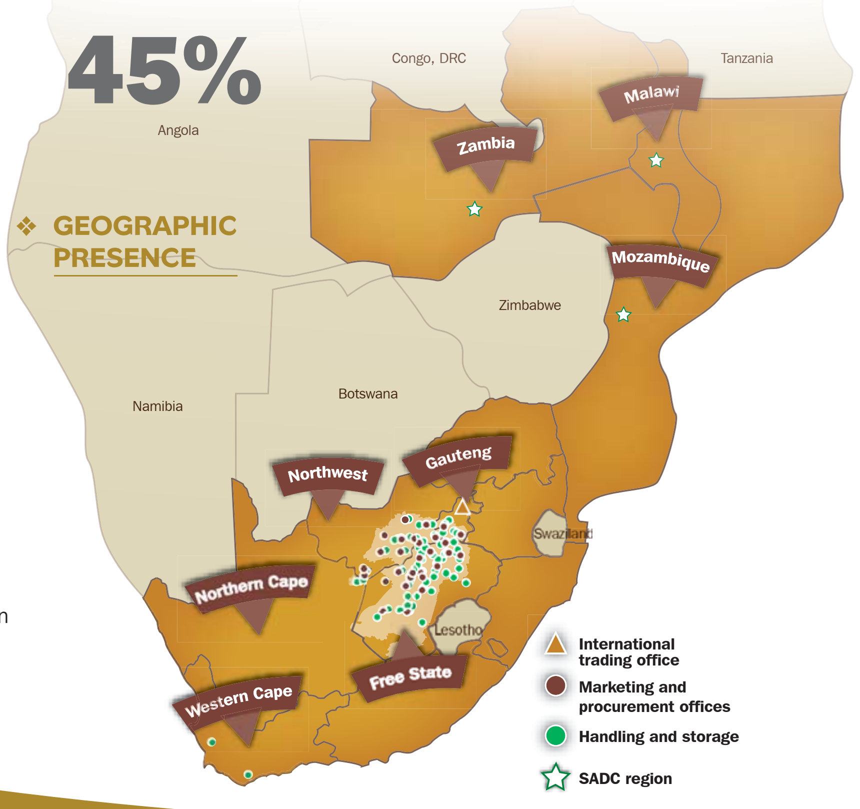
## OUR POSITIONING

- Logistics, handling, storage, procurement, hedging and marketing – positioned between the farm gate and the grain offtaker

## OUR CONTRIBUTION TO NORMAL OPERATIONAL ACTIVITIES

45%

## GEOGRAPHIC PRESENCE



Senwes

All the forces in the world are not so powerful as an idea whose time has come. – VICTOR HUGO

SECTION 1
# CORPORATE GOVERNANCE

- CHAIRMAN'S REPORT – AN INTEGRATED OVERVIEW
- MEET OUR BOARD OF DIRECTORS
- CORPORATE GOVERNANCE REPORT

# CHAIRMAN'S REPORT
## – AN INTEGRATED OVERVIEW

> "At current price levels and measured against the performance of the past year, new investors should find the Senwes share attractive."

JAPIE GROBLER

**LOOKING** back at the end of this financial year, I am most grateful to see the protective hand of our Heavenly Father over Senwes, its board, its personnel and its clients. Without His mercy and guidance I would not have been able to recall the peaks and valleys of 2011/2012 with so much gratitude.

The twelve months under review were full of excitement and challenges and I would like to highlight the following:

- Senwes Group profit of R265 million, despite numerous market and sector challenges.
- The successful roll-out of the Bunge transaction and the expansion of the Africa model.

### CORPORATE GOVERNANCE

Senwes is managed on the same basis as a listed company and we strive towards incorporating the recommendations of the King Report for Corporate Governance in South Africa 2009 (KING III) into every facet of our business. This second integrated financial report continues to build on our intention to report on key material elements of social, economic and environmental aspects, challenges and initiatives.

Corporate governance and sustainability are essential for the shareholder and the Board of Directors of Senwes would like to assure you that the business of the group is conducted with integrity and honesty. The correct measure of corporate management practices and policies are applied in each division and on all levels of the business. Personnel have accepted ownership throughout the business and are empowered by means of sufficient mandates.

The management style of participative collective decision-making and responsibility of the Senwes Exco is being experienced in a posi-

An interview with Japie Grobler regarding his career as chairman of Senwes, was done by Moneyweb (RSG Money Matters) as part of a higher echelon range. This radio and video recording can be viewed at: **http://senwes.co/AR12-JapieGrobler-E**

tive manner by the Board and personnel and gives rise to a general culture of accountability, ownership and creative solutions. Personnel are acknowledged for their input and they realise the importance of each decision made by them. The rolling out of the Centre of Excellence provided an opportunity to every member of personnel to contribute towards innovation through the redesign of processes, products, services and way of thinking. Valuable feedback from personnel is integrated into current business processes, which leads to decreased costs, new products and valuable services for the client, shareholder and broader agricultural community.

## STRATEGY

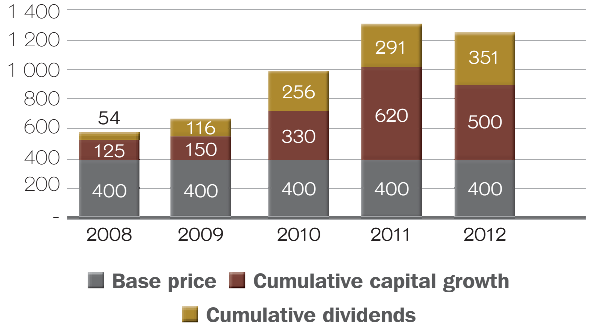
As the Senwes Board we are responsible for the strategic direction of the company and I am proud to say that each and every director is not only capable, but also excited to drive our "4-pillar-10-year-plan"-strategy to realisation.

Through hard work and perseverance the Senwes management team managed to make an impact in reaching important milestones during the first two years through the successful implementation of the Bunge transaction, the joint venture with John Deere Implements and the expansion into Malawi, Mozambique and Zambia.

## SHAREHOLDER WEALTH

The Senwes share traded at R9,00 on the over-the-counter-mechanism at year-end and, although the price was somewhat lower than at financial year-end 30 April 2011 (R10,20), it still represents a five year growth rate of 125% for the shareholder. Including dividends paid, it represents value creation of 209%. A total dividend of 70 cents per share was paid out for the year.

Value creation and value unlocking for shareholders by capital and dividends (c/share)




At current price levels and measured against the performance of the past year, new investors should find the share attractive.

## DIRECTORS

I would like to thank my co-directors for their support and guidance during the 2012 financial year. Exceptional co-operation, diverse thinking, effective planning and sober reasoning made us a formidable team. We took leave of Messrs. WH van Zyl, J Mashike, OM Pooe and LM Ndala, as well as Ms JA Boggenpoel. The board is grateful for their years of service and their contributions to the success story of Senwes. We wish you all the best for the future. Mr JPL Alberts resigned during the year and was reappointed again. Thank you, Johan, for your willingness to continue guiding Senwes. Your contributions are of great value. I would also like to welcome the following new directors who joined us, namely Ms ZBM Bassa, Mr JJ Minnaar and Mr MP Fandeso. I am looking forward to your individual and joint contributions and your special dynamics were already noticeable during the past term.

To be a director of a company such as Senwes requires hard work on a daily basis, good judgement, excellent intuition, an independent spirit, steadfastness and willingness to make difficult decisions at times in the interest of the successful continued existence of our business. Board meetings are characterised by core level deba ting and constructive contributions by all members and our focus remains on the best ratio of value creation for shareholders and rendering of service to our client base.

The Senwes board is currently composed of six non-executive directors, five independent non-executive directors and two executive directors and we as a board are of the opinion that this good balance is representative of the King III guidelines and effective management.

I would like to acknowledge the different committees for their work during the year; the Audit Committee and Investment Committee under the guidance of Steve Booysen, the Risk and Sustainability Committee under the guidance of Nico Liebenberg, the Remuneration committee under the guidance of Danie Minnaar, the Social and Ethics Committee under Dries Kruger as well as the contributions made by the Nomination Committee.

## SUSTAINABILITY

In our minds sustainability means "To leave more behind than what we inherited", and this is the cornerstone of Senwes' business. Sustainability is on our radar on a daily basis and every new transaction is measured against this important characteristic before any implementation decisions are taken. Not only the financial impact of a transaction is analysed and debated, but also its impact on the community, the environment, the sustainability of our resources and more importantly, on the sustainability of Senwes' own business.

The importance of food provision is becoming increasingly evident and we are grateful that the government is also acknowledging the contribution of our producers towards a sustainable South Africa. Senwes therefore salutes each producer in South Africa, established and emerging – YOU ARE important to South Africa and its people!

A number of board members attended the Senwes graduation ceremony in March 2012 with pride. It is so encouraging to see how Senwes is investing in its personnel and empowering them in the attainment of their academic aspirations. The impact of the Senwes development and training strategy under the leadership of the Universities of Stellenbosch, Wits and the Free State is being noticed and experienced on all business levels and, together with our involvement with the Potchefstroom University, it is resulting in positive growth of our talent pool. We are excited about investing in our leaders and personnel of the future.

## COMPLIANCE

The conclusion of a number of disputes in general is much to be thankful for and the Board is grateful that more important aspects can now be focused upon. A lot of resources were used and time was spent on these cases and Senwes wishes to thank the personnel involved for their professionalism and commitment.

During the year under review we took leave of Royal Bafokeng Holdings, our BEE-partner which held a 17% stake in Senwes. Their shares were acquired by Senwesbel, which currently holds a 58,8% share. The entry of a new black empowerment partner will be considered at an opportune time. Senwes complies with the necessary BEE-requirements for the time being and we are still on a level 6 BEE-grading.

Good labour relations are being experienced throughout Senwes at present and I believe it is a result of Senwes' investment in its personnel and the decision taken in 2010 regarding personnel development, the bonus scheme and an open channel management style. All employees are important to Senwes and they are acknowledged for their contributions to Senwes and its sustainable performance.

The decision not to list for the time being was confirmed at the annual general meeting. However, it does not mean that this decision will not be revisited in the future and it remains on the agenda of the Board.

## PROSPECTS FOR 2013

The international and local environment which have an impact on our business will remain difficult for the foreseeable future and Senwes will have to empower and position itself to function in an effective and profitable manner amidst these challenges. On an international basis, the consequences of the 2008/2009 economic activities are not spent as yet. The pressure being experienced by various global economies is concerning, but history has taught us that agricultural companies still managed to perform well during recessions in the past.

On a national basis a large portion of the 2012 summer production crop was impacted by the drought and lower grain stock levels will pose its own challenges. However, it could also initiate great opportunities and Senwes should remain sufficiently prepared and competitive.

## IN CONCLUSION

On behalf of the Board I would like to thank our clients, personnel, shareholders, partners, financiers, suppliers and the community for continued support, loyalty and friendship. Senwes is well positioned for future growth but without these cornerstones in our business, success will not be possible.

We believe that Senwes can make a contribution to the country and economy in which we operate by continuing to build on our current business model, with our core values and loyalty, integrity, business orientation, liability, self-motivation and innovation as basis. This will ensure that Senwes will be an admired, successful and profitable business which creates jobs, pays taxes, develops the community socially, provides food for the people of our country, earns the respect of our competitors and generates pride in the hearts of our shareholders.

I would like to conclude with the words of Brian Tracy, a well-known American television personality. "Those who develop the ability to continuously gather new and better forms of knowledge which can be applied in their lives and work, will be the future 'ones who make things happen' in our community."

May Senwes be part of the 'ones who make things happen' for the future and may each one of you strive towards gaining the knowledge required to realise your dreams for the present and the future.

**JE Grobler**
26 June 2012
Klerksdorp

# MEET OUR BOARD OF DIRECTORS

### JE (JAPIE) GROBLER (60)
**CHAIRMAN**

Director since April 1997
**Qualifications:** B Juris LLB
**Membership of board committees:** Nomination (Chairman), ex-officio access to all committees
**Other applicable directorships:** Senwesbel Ltd, Agri Securitas (Chairman)

Mr Grobler has been farming in the Bothaville district since 1977 and has extensive exposure to agriculture and business. He served on various committees in organised agriculture as member and chairman on local, provincial and national level, inter alia as vice-chairman of the Free State Agricultural Union, chairman of NAMPO, chairman of the SAAU National Business Chamber and president of Agri SA.

### F (FRANCOIS) STRYDOM (52)
**MANAGING DIRECTOR**

Appointed in 2010
**Qualifications:** BSc Agric (Hons)(Animal Science)
**Membership of board committees:** Risk & Sustainability
**Other applicable directorships:** Director of various companies in the Senwes Group and related businesses

Mr Strydom was appointed as Managing Director on 6 August 2010. Prior to this appointment he was the Director Operations, which position he filled since 2002. He joined Senwes in 2001 and was seconded to the former Kolosus Beherend as Managing Director. He started his career as Animal Scientist at Afgri (formerly OTK), and was promoted to the position of Director: Grain at Afgri over a period of 13 years.

### JPL (JOHAN) ALBERTS (69)

Director since November 2011 (served previously from January 2001 until August 2011)
**Qualifications:** SSAF, BCom (Econ), CA(SA)
**Membership of board committees:** Audit

Mr Alberts has been running his own business and farming interests since 1998. During his career he served as Chief Executive Officer of Pretoria Metal Press (1972), the Krygkor Group (1991) and Denel (Pty) Limited (1992). He filled the latter position until 1997.

### Z (ZARINA) BASSA (48)

Director since June 2011
**Qualifications:** BCom (Acc), Higher Diploma (Accountancy), CA(SA)
**Membership of board committees:** Audit, Social & Ethics
**Other directorships:** Financial Services Board, Vodacom Ltd, Yebo Yethu Ltd, Kumba Iron Ore Ltd, Lewis Group Ltd, Sun International Ltd, Woolworths Financial Services Ltd, Oceana Ltd, University of Stellenbosch

Ms Bassa has extensive experience as former executive director of Absa and partner at Ernst & Young. She is also executive chairman of Songhai Capital, an investment company with black majority ownership and control.

> "The focus of the Board is constantly on the guidance of the Group in order to ensure the sustainability thereof, while creating an environment in which to deliver the long term strategy of the Company."

INVESTMENT COMMITTEE · AUDIT COMMITTEE · NOMINATION COMMITTEE · REMUNERATION COMMITTEE · RISK & SUSTAINABILITY COMMITTEE · SOCIAL & ETHICS COMMITTEE

## SF (STEVE) BOOYSEN (50)

Director since October 2010
**Qualifications:** DCom (Acc), CA(SA)
**Membership of board committees:**
Investment (Chairman), Audit, Social & Ethics
**Other directorships:**
Efficient Group Ltd, Steinhoff Ltd, Clover Industries Ltd, Vukile Properties Ltd

Dr Booysen was the Chief Executive Officer of Absa Ltd for many years.

## JBH (JAMES) BOTHA (42)

Director since October 2009
**Qualifications:** BLC.LLB and HDip (Tax)
**Membership of board committees:**
Remuneration, Nomination, Audit, Social & Ethics

Mr Botha practiced as commercial and corporate attorney for 15 years before he entered the corporate world. He is a senior legal advisor at the Institutional Office of the Northwest University at present.

## JAE (JANNIE) ELS (66)

Director since October 2000
**Qualifications:** Agricultural Diploma
**Membership of board committees:**
Risk & Sustainability
**Other applicable directorships:**
Senwesbel Ltd

Mr Els has extensive farming interests in the Bothaville and Heilbron area and has been closely involved in agricultural business over the years. He was a member of the Executive of the Free State Agricultural Union for a number of years.

## MP (MONWABISI) FANDESO (54)

Director since March 2012
**Qualifications:** BSc(Hons) Mechanical Engineering, MBA
**Membership of board committees:**
Risk & Sustainability
**Other directorships:** SAB Ltd, Santam Ltd

Mr Fandeso started his career as engineer at Anglo American/De Beers, after which he worked at various national and international companies as, inter alia, product manager, strategic planning manager, production manager and group operational manager. He was the Chief Operational Manager of New Age Beverages in Johannesburg and was involved with the brewery giant, SAB, for an extensive period of time. He was also seconded to the Land Bank as Managing Director and Chief Executive Director. Mr Fandeso was the Chairman of Shell SA and the Chief Executive Officer of Thebe Investment Corporation.

## AJ (DRIES) KRUGER (60)

Director since October 2007
**Qualifications:** BCompt(Hons), CA(SA)
**Membership of board committees:**
Social & Ethics (Chairman), Audit, Risk & Sustainability
**Other applicable directorships:**
Senwesbel Ltd

Mr Kruger is a registered auditor and accountant who has been practising in Kroonstad since 1976. He has been farming on a part-time basis with his son in the Senekal district since 2005. He served as mayor of the Kroonstad Municipality and was a trustee of the Free State Municipal Pension Fund. He is also a trustee of the pension fund of the Reformed Churches of SA.

INVESTMENT COMMITTEE | AUDIT COMMITTEE | NOMINATION COMMITTEE | REMUNERATION COMMITTEE | RISK & SUSTAINABILITY COMMITTEE | SOCIAL & ETHICS COMMITTEE

# MEET OUR BOARD OF DIRECTORS

## CF (CORNÉ) KRUGER (39)
**FINANCIAL DIRECTOR**

Appointed in 2010
**Qualifications:** BCom(Hons), CA(SA)
**Membership of board committees:** Risk & Sustainability
**Other applicable directorships:** Director of various companies in the Senwes Group and other related businesses

Mr Kruger was appointed as Financial Director on 26 August 2010. He joined Senwes in 1999 and held various positions before he was appointed as Financial Director. He started his career at PWC as auditor.

## NDP (NICO) LIEBENBERG (42)

Director since August 2008
**Qualifications:** BCom(Hons)
M. Sustainable Agriculture
**Membership of board committees:** Risk & Sustainability (Chairman), Remuneration
**Other applicable directorships:** Senwesbel Ltd

Mr Liebenberg has been farming in the Bothaville district since 1991. He established a diversified farming unit and is, inter alia, one of the suppliers of vegetables to a well-known retail group.

## JDM (DANIE) MINNAAR (47)
**VICE-CHAIRMAN**

Director since September 1999
**Qualifications:** BCom
**Membership of board committees:** Remuneration (Chairman) Audit, Nomination, Investment and Social & Ethics
**Other applicable directorships:** Senwesbel Ltd (Chairman)

Mr Minnaar has been farming in the Kroonstad district since 1988 and has been part of the agricultural sector for many years. He is a former chairman of the Free State Agricultural Union Young Farmer Committee and was involved in the implementation and promotion of grain marketing on Safex.

## JJ (JACO) MINNAAR (36)

Director since August 2011
**Qualifications:** BEng (Agriculture)
**Membership of board committees:** Risk & Sustainability
**Other applicable directorships:** Senwesbel Ltd

Mr Minnaar has been involved with various organised agricultural management structures since 2000, which include various Agri SA policy committees. He has been a member of the Executive Committee of Free State Agriculture since 2004 and has been part of the Grain SA management team for the past four years. He is also a member of the Audit Committee and Executive Committee of Grain SA.

## EM (ELMARIE) JOYNT (42)
**COMPANY SECRETARY**

Appointed in 2002
**Qualifications:** BCom (Law), LLB, FCIS, FCIBM, Attorney and Notary of the High Court

Ms Joynt started her career as economist at the Registrar of Companies, after which she practiced as commercial attorney. She also held the position of group company secretary and legal advisor at various organisations in the agricultural and financial sector, before she joined Senwes in 2002.

INVESTMENT COMMITTEE
AUDIT COMMITTEE
NOMINATION COMMITTEE
REMUNERATION COMMITTEE
RISK & SUSTAINABILITY COMMITTEE
SOCIAL & ETHICS COMMITTEE

# CORPORATE GOVERNANCE
REPORT

> "The board is committed to corporate best practices as contained in the King Reports on Corporate Governance (King II & III) and these practices are taken into consideration on each decision-making level on a continuous basis."

## CORPORATE GOVERNANCE ASPECTS

**THE** year under review was characterised by Senwes' focus on the pursuance of its strategy in respect of growth and diversification. The different growth activities demanded extensive time and attention from management, despite which the Senwes board of directors still managed to deliver good results.

The board is committed to corporate best practices as contained in the King Reports on Corporate Governance (King II & III) and these practices are taken into consideration on each decision-making level on a continuous basis.

## THE BOARD OF DIRECTORS

The focus of the Board is constantly on the guidance of the Group in order to ensure the sustainability thereof, while creating an environment in which to deliver the long term strategy of the Company.

During the year under review Royal Bafokeng Agri Investments (Pty) Ltd ("Royal Bafokeng") exited its investment in Senwes. This resulted in the resignation of Mr Mpueleng Pooe (and as a result his alternate, Mr Lucas Ndala) from the board of directors. The other shareholder block in the Royal Bafokeng Consortium was no longer entitled to representation and Mr Mashike also left the board of directors.

Senwesbel Ltd acquired the shares of Royal Bafokeng, which means that a strong block is in control of the Company and the principles of an excellent corporate governance framework still apply. Although the board, which is composed of 13 directors, does not have a majority of independent non-executive directors, the opinion is that the shareholder representatives are in an excellent position to guide the Company to its exclusive future benefit. The five independent non-executive directors are strongly represented and, as is the case with all directors on the board, play an important role in the leadership of the Senwes Group.

The Chairman is a non-executive director, appointed by the Board on an annual basis. The roles of the Chairman and Managing Director are separated.

The following changes took place during the year under review:

- Ms Jesmane Boggenpoel resigned from the board effective as from 17 June 2011, after she received an opportunity to study abroad.
- Messrs Pooe and Ndala resigned from the board on 9 September 2011 and Mr Mashike left the board on 4 November 2011;
- Mr Johan Alberts, a well-known director who has been involved with the Company for a considerable period of time in the past, rejoined the board on 7 November 2011 to fill the interim vacancy left by the departure of Mr Mashike;
- Ms Zarina Bassa was appointed as independent non-executive director on 22 June 2011;
- Mr Jaco Minnaar was appointed as a non- executive director on 26 Augustus 2011; and
- Mr Monwabisi Fandeso also joined the board on 7 March 2012 as an independent non-executive director.

In terms of the Memorandum and Articles of Association of the Company, the terms of office of non-executive directors are three years, after which they have to retire by means of rotation. Retiring directors may be re-elected.

## POWERS AND RESPONSIBILITIES

The composition of the Board makes provision for appropriate and effective decision-making, which ensures that no individual can exercise undue influence. The activities of the Board are directed by the provisions of the Memorandum and Articles of Association and the Board Charter.

The primary responsibilities and powers of the Board are as follows:

- The approval of strategy and budgets in order to ensure the implementation of the strategy;
- The appointment of executive directors and the monitoring of the performance of executive directors;
- The custodian of the values and ethics of the Company;
- Effective control over the Group;
- Stakeholder management;

- Scrupulous risk management and attention to sustainability issues;
- The consideration of important financial and non-financial aspects, such as corporate and social responsibilities and transformation.

The responsibilities and functioning of the Board are contained in the Board Charter. The Charter also addresses a range of other issues such as ethical conduct and the right of directors to obtain professional advice in respect of all aspects which relate to the company at the company's cost. Appropriate delegated authorities and matters reserved for the board are in place.

## RISK AND SUSTAINABILITY ISSUES AT BOARD LEVEL

The sustainability of the Company over the long term remains the most critical imperative and the board adopted a ten year strategy in this regard. This strategy is made up of various pillars, which will ensure that the company will grow and be sustainable, and that it will remain relevant in this very dynamic and highly competitive, informed global business environment. Whilst pursuing these objectives, the board and management alike operate within the parameters of a disciplined and very specific internal control environment, IT-governance framework and compliance structure, which ensure that the board is able to ensure that the company will continue as a going concern.

## COMPLIANCE WITH LEGISLATION

The Board takes total responsibility for compliance with all appropriate legislation and regulatory requirements. These are reported on via the internal Compliance Committee and then via the Risk and Sustainability Committee as well as the Audit Committee.

The comprehensive compliance structure which has been established focuses on the critical legislative risk areas as part of the established risk management process. Continuous awareness programmes, training and liaison between the different divisions regarding compliance take place and comfort is provided to the board via the available committee structures.

## IT-GOVERNANCE

The Board ensures active management of the IT-governance framework by a team of IT-management members and specialists as an integral part of the risk management framework. Reporting takes place to, inter alia, the IT-Steering Committee. The strategy and performance of Senwes are aligned and are dependent upon these fully entrenched and integrated structures and systems. Extensive business and IT-disaster recovery processes have already been established. External audit focuses on the IT-environment as part of the annual year-end audit.

## GOING CONCERN

The Board considered and recorded the facts and assumptions upon which the determination as to whether the business would continue as a going concern for the new financial year, were based. The most important factors and assumptions upon which the Board based its conclusion, were properly recorded and include, inter alia, the profitability of the group, capital structure, adequate financing facilities, geographical distribution, weather prospects, crop prospects, carry-over stock, markets, suppliers, clients, credit extension, litigation, legislative compliance, data security and recovery, IT-business continuity and other social responsibility factors.

## STRENGTHENING OF THE PRODUCER SHAREHOLDER BLOCK

During the year under review Senwesbel acquired the shares of Royal Bafokeng after having followed the pre-emptive rights negotiated in the shareholder agreement. Senwesbel currently holds 58,8% of the shares in Senwes. As strong leading block, the focus of Senwesbel is on the interest of the company, its continued existence and the critical relationship with the producer and the sustainability and well-being of the producer.

### ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

The Board meets on a regular basis and six board meetings were held during the year under review, most of which enjoyed full attendance. Particulars in this regard are as follows:

| NAME OF DIRECTOR | BOARD OF DIRECTORS | AUDIT COMMITTEE | RISK & SUSTAINABILITY COMMITTEE | REMUNERATION COMMITTEE | NOMINATION COMMITTEE | INVESTMENT COMMITTEE | SOCIAL AND ETHICS COMMITTEE |
|---|---|---|---|---|---|---|---|
| NUMBER OF MEETINGS | 6** | 3 | 4** | 5** | 2 | 2 | 0 |
| NON-EXECUTIVE | | | | | | | |
| JE Grobler (Chairman) | 6/6 | - | - | - | 2/2 | - | - |
| JDM Minnaar (Vice-Chairman) | 6/6 | 3/3 | - | 5/5 | 2/2 | 2/2 | - |
| JPL Alberts* | 4/4 | 1/1 | - | - | - | - | - |
| Z Bassa* | 4/5 | 2/2 | - | - | - | - | - |
| JA Boggenpoel *(resigned 17/06/2011) | - | - | - | - | - | - | - |
| SF Booysen | 5/6 | 3/3 | - | - | | 2/2 | |
| JBH Botha | 6/6 | 2/2 | - | 4/5 | 2/2 | - | - |
| JAE Els | 6/6 | - | 4/4 | - | - | - | - |
| MP Fandeso* (new) | - | - | - | - | - | - | - |
| AJ Kruger | 6/6 | 3/3 | 2/2 | 1/1 | - | - | - |
| NDP Liebenberg | 6/6 | - | 4/4 | 5/5 | - | - | - |
| J Mashike* | 3/4 | - | - | - | 1/1 | - | - |
| JJ Minnaar* | 4/5 | - | 2/2 | - | - | - | - |
| M Pooe* | 3/3 | - | - | 1/1 | 2/2 | 0/1 | - |
| WH van Zyl* | 1/1 | - | 2/2 | - | 2/2 | - | - |
| EXECUTIVE | | | | | | | |
| F Strydom | 6/6 | - | 4/4 | - | - | - | - |
| CF Kruger | 6/6 | - | 4/4 | - | - | - | - |

(* Not a member of the board/committee for a full year) (** Includes strategic sessions and workshops)

## INDEPENDENCE OF DIRECTORS

The Board expects independent conduct from all its members. The non-executive directors display independence of character, judgement and action in the execution of their duties.

A number of the non-executive directors have direct and indirect interests in the Company, the details of which are indicated in the table on page 14. The Board is mindful of this, as well as the potential conflict of interests which may arise. A policy of regular disclosure of interests and exclusion from discussions where a director may have an interest is followed in order to avoid any such conflicts.

The register of interests in contracts and other directorships is available for inspection.

## PARTICULARS OF DIRECTORS' INTERESTS AS AT 30 APRIL 2012:

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | DIRECT | | INDIRECT* | | DIRECT | | INDIRECT* | |
| **NAME** | **SHARES** | **%** | **SHARES** | **%** | **SHARES** | **%** | **SHARES** | **%** |
| **NON-EXECUTIVE** | | | | | | | | |
| JPL Alberts | 5 595 | 0,00% | 443 146 | 0,25% | - | 0,00% | 220 891 | 0,12% |
| Z Bassa | - | 0,00% | - | 0,00% | - | 0,00% | - | 0,00% |
| SF Booysen | - | 0,00% | - | 0,00% | - | 0,00% | - | 0,00% |
| JBH Botha | - | 0,00% | - | 0,00% | - | 0,00% | - | 0,00% |
| JAE Els | 3 003 | 0,00% | 1 772 586 | 0,98% | 1 345 | 0,00% | 1 115 609 | 0,62% |
| JE Grobler | - | 0,00% | 9 256 259 | 5,12% | - | 0,00% | 5 573 096 | 3,08% |
| AJ Kruger | 132 386 | 0,07% | 733 077 | 0,41% | 132 386 | 0,07% | 486 399 | 0,27% |
| NDP Liebenberg | - | 0,00% | 886 292 | 0,49% | - | 0,00% | 614 813 | 0,34% |
| JDM Minnaar | - | 0,00% | 8 862 923 | 4,90% | - | 0,00% | 5 236 200 | 2,90% |
| JJ Minnaar | - | 0,00% | 3 622 238 | 2,00% | - | 0,00% | - | 0,00% |
| **RESIGNED:** | | | | | | | | |
| J Mashike (Treacle Private Equity (Pty) Ltd) | - | 0,00% | - | 0,00% | - | 0,00% | 903 027 | 0,50% |
| WH van Zyl | - | 0,00% | - | 0,00% | 400 000 | 0,22% | 5 190 932 | 2,87% |
| **EXECUTIVE** | | | | | | | | |
| F Strydom | - | 0,00% | 953 154 | 0,53% | - | 0,00% | 397 634 | 0,22% |
| CF Kruger | 31 570 | 0,02% | - | 0,00% | 21 570 | 0,01% | - | 0,00% |
| Subtotal of directors | 172 554 | 0,09% | 26 529 675 | 14,68% | 555 301 | 0,30% | 19 738 601 | 10,92% |
| Non-directors | 180 616 754 | 99,91% | | | 180 234 007 | 99,70% | | |
| **TOTAL** | **180 789 308** | **100,00%** | | | **180 789 308** | **100,00%** | | |

* Indirect interest is based on the percentage of the shareholding of the entity in Senwes, multiplied by the percentage interest held by the individual.

The Board applies a code of conduct in respect of the trading of shares in the Group, which regulates the trading of shares by board members and senior management. This Code regulates periods when price sensitive information may be applicable in the Group and the Company Secretary, as the custodian of the Code, monitors the trading diligently. Certain closed and open periods for trading applied during the year, which were as follows:

| DATE | STATUS | REASON |
|---|---|---|
| 31 March 2011 | Closed | Preparation of annual financial statements |
| 2 August 2011 | Closed | Possible acquisition of interest in Moorreesburg Koringboere (Pty) Ltd ("MKB") |
| 30 September 2011 | Closed | Preparation of interim results |
| 21 February 2012 | Open | Withdraw cautionary in respect of MKB (Graanboere Group Limited) |
| 5 March 2012 | Closed | Consideration of interim dividend |
| 9 March 2012 | Open | Announce second interim dividend and publish trading announcement |

Certain directors, as active clients, conduct business with the company on an arms-length basis as part of the normal business activities of Senwes. Senwes Credit extends credit to certain of these non-executive directors in terms of the normal business operations of the company.

Such transactions are evaluated on a continuous basis in order to ensure that the Company's policies are being applied on operational level.

## PERFORMANCE EVALUATION OF THE BOARD

The Board of directors continuously evaluates its own performance as well as that of the Chairman and its sub-committees. Individual evaluation of board members is done by the Chairman and aspects related thereto are dealt with immediately. Such evaluation process commenced again during April 2012.

## COMMITTEES

### FUNCTIONS AND MANDATES

The Board has established a number of committees to facilitate efficient decision-making and to assist the Board in the execution of its duties and authority. The committees function in a transparent manner and report to the Board on a regular basis. Each committee's authority and the discharge of its responsibilities are directed by specific written mandates approved annually by the Board, which are available from the Company Secretary upon request.

These board committees are as follows:

- Audit Committee;
- Remuneration Committee;
- Risk and Sustainability Committee;
- Social and Ethical Committee;
- Nomination Committee; and
- Investment Committee

The Board recognises that it is ultimately accountable to the shareholders for the performance of the business and the use of delegated authority to board committees in no way alleviates the board of its accountability and duties.

The committees are reconstituted annually and members of the committees and the chairmen of the committees are elected annually as well.

## AUDIT COMMITTEE

Report prepared by the CHAIRMAN, STEVE BOOYSEN

### COMPOSITION

The Audit Committee is comprised of five non-executive directors, three of which are independent non-executive directors, including the chairman. The Committee was elected at the 2011 annual general meeting as required in terms of the provisions of the Companies Act, 2008.

The executive and senior management dealing with the business of the company also attend meetings but have no voting power. The committee met three times during the year.

### MANDATE AND RESPONSIBILITIES

In terms of its mandate, this Committee is required, *inter alia*, to:

- Make recommendations for the appointment of the external auditors and their fees;
- Evaluate the independence and effectiveness of the external auditors and approve any non-audit services by such auditors and whether the rendering of such services would substantially affect their independence;
- Review the financial statements of the company and its subsidiaries, both interim and annual;
- Ensure that the financial statements are prepared in accordance with appropriate accounting policies and International Financial Reporting Standards;
- Review the accounting policies and procedures adopted by Senwes and any changes thereto;
- Approve the annual audit plan and audit budget;
- Review the effectiveness of management information, the annual audit, the internal audit programme and function and the internal system of controls;
- Ensure that the roles of internal audit and external audit are suitably clarified and separated;
- Monitor compliance with applicable legislation and regulatory aspects;
- Review the integrated reports and IT-governance framework;
- Evaluate the processes to detect and report fraud and irregularities;
- Evaluate the capital maintenance and dividend policies;
- Ensure proper disclosure, stakeholder communication and reporting;
- Consider tax issues and risks;
- Consider the going concern principles and reasons for recommendation to the Board.

The committee performed all its duties as set out above.

The internal and external auditors have unlimited access to the chairman of the committee. Internal audit reports to the Managing Director on day-to-day matters.

The Chairman of the committee and the external auditors attend the Annual General Meetings to respond to any questions related to the company's financial affairs and annual statements.

The committee is satisfied that the 2012 audit conducted by the external auditors was independent and concurs with the audit report. The Audit Committee's report is included in the annual financial statements on page 57.

**STEVE BOOYSEN**
CHAIRMAN: AUDIT COMMITTEE

## REMUNERATION COMMITTEE

Report prepared by the CHAIRMAN, DANIE MINNAAR

### COMPOSITION

The Remuneration Committee is comprised of three non-executive directors. The Managing Director, General Manager: Corporate Services and the Assistant General Manager: Human Resources attend all meetings. The Executive Management is, however, recused from the meeting when their remuneration is considered. The Committee met five times during the year under review.

### MANDATE

The committee is responsible for the following:

- Determine and maintain the remuneration philosophy of the Company;
- Approve and maintain appropriate human resources and remuneration policies;
- Executive management succession planning;

- Monitoring of the implementation of relevant labour legislation;
- Monitoring of the transformation policies in terms of employment equity and reporting to the Department of Labour;
- Recommendations regarding non-executive and executive directors' remuneration to the Board;
- Designing and recommending market related short- and long-term incentive schemes and the monitoring of the rules of these schemes;
- Approve annual mandates for salary increases;
- Approve and recommend annual bonus payments in terms of pre-approved incentive schemes to the Board of Directors.

It is the company's approach to set remuneration levels that attract, retain and motivate the appropriate calibre of directors and staff.

## EXECUTIVE DIRECTORS

The service contracts of the executive directors are generally for a fixed term of three years. The contracts of the Managing Director and Financial Director expire at the end of July and August 2013 respectively.

## REMUNERATION OF DIRECTORS

The Committee also recommends the level of non-executive directors' remuneration to the Board. Non-executive directors are remunerated for their membership of the board and board designated committees.

The remuneration levels reflect the size and complexity of the company as well as the time spent dealing with the affairs of the company. Market practices and remuneration surveys are taken into account in the determination of directors' remuneration. The elements of non-executive directors' remuneration are as follows:

- A basic annual fee divided into a monthly paid retention amount and an amount per meeting attended;
- A fee as a member of a board committee;
- Traveling and actual expenses.

The remuneration of the directors for the year under review is reflected in the table below. The remuneration proposed to shareholders for 2013, forms part of the notice to shareholders. Further explanations regarding the company's remuneration philosophies and practices are contained in the remuneration report on page 8.

Executive directors are remunerated similarly with additional short- and long-term incentive bonuses, which are considered and approved by the board, based on the achievement of strict pre-determined annual targets. During the year under review the Committee specifically consulted with external consultants regarding the bonus schemes and the remuneration of non-executive directors. It was found that these aspects are well-aligned with market practices and are conservative in certain instances. Consideration is being afforded to changing the scheme to an actual share scheme for executive management.

The Chairman of the committee attends the Annual General Meeting to respond to any queries related to the issues considered by the Committee.

**DANIE MINNAAR**
CHAIRMAN: REMUNERATION COMMITTEE

## REMUNERATION PAID FOR THE YEAR UNDER REVIEW WAS AS FOLLOWS:

| NON-EXECUTIVE DIRECTORS | | DATES | TOTAL | REMUNERATION | TRAVELLING AND ACCOMMODATION EXPENSES | COMMITTEES |
|---|---|---|---|---|---|---|
| JE Grobler | | | **R575 256** | R321 516 | R44 440 | R209 300 |
| JDM Minnaar | | | **R475 315** | R225 196 | R43 669 | R206 450 |
| JPL Alberts | Resigned<br>Reappointed | 26/08/2011<br>07/11/2011 | **R156 938** | R109 317 | R12 521 | R35 100 |
| Z Bassa | New | 22/06/2011 | **R197 268** | R117 329 | R12 139 | R67 800 |
| JA Boggenpoel | Resigned | 17/06/2011 | **R33 483** | R19 726 | R2 057 | R11 700 |
| SF Booysen | | | **R307 021** | R154 317 | R24 004 | R128 700 |
| JBH Botha | | | **R324 604** | R154 317 | R11 587 | R158 700 |
| JAE Els | | | **R224 498** | R154 317 | R21 581 | R48 600 |
| MP Fandeso | New | 07/03/2012 | **R16 699** | R15 000 | R1 699 | - |
| AJ Kruger | | | **R264 469** | R154 317 | R19 852 | R90 300 |
| NDP Liebenberg | | | **R297 352** | R154 317 | R19 935 | R123 100 |
| J Mashike | Resigned | 04/11/2011 | **R111 873** | R79 317 | R9 156 | R23 400 |
| J Minnaar | New | 26/08/2011 | **R121 808** | R90 000 | R6 608 | R25 200 |
| M Pooe | Resigned | 09/09/2011 | **R56 544** | R48 431 | R8 113 | - |
| WH v Zyl | Resigned | 26/08/2011 | **R103 259** | R49 317 | R7 142 | R46 800 |
| | | | **R3 266 387** | R1 846 734 | R244 503 | R1 175 150 |

| EXECUTIVE DIRECTORS | TOTAL | REMUNERATION AND TRAVELLING EXPENSES | PERFORMANCE INCENTIVES & BONUSES | STATUTORY COSTS |
|---|---|---|---|---|
| F Strydom | **R6 572 352** | R3 024 382 | R3 478 578 | R69 392 |
| CF Kruger | **R2 718 343** | R2 045 355 | R645 284 | R27 704 |

# RISK & SUSTAINABILITY COMMITTEE

Report prepared by the CHAIRMAN, NICO LIEBENBERG

## COMPOSITION

The Risk Committee comprises of five non-executive directors and the two executive directors. Four meetings were held during the year. The executive directors and personnel on operational level, as well as the group risk manager also attend the committee meetings and participate fully in this critical risk management approach in order to ensure the continued sustainability of the business.

## MANDATE AND RESPONSIBILITIES

The Boards of directors are increasingly being held accountable for participating in the development of their organisation's strategic direction, approving its strategy and ensuring that appropriate processes and controls are in place to identify, manage and monitor the business risks that follow from the business strategy of the organisation.

Risk management is a high priority on the agenda of the board of directors. The importance of this responsibility has become more evident recently in the wake of a historical global financial crisis, which disclosed perceived risk management weaknesses across financial services and other organisations worldwide.

The Committee assists the board with the identification, assessment, evaluation, mitigation, monitoring and reporting of actual and potential risks as they pertain to the company and its subsidiaries. These risks encompass short, medium and long-term risks.

Risk-taking, in an appropriate manner, is an integral part of the business. The success of the business depends to a large extent on the optimisation of the trade-off between risk and reward. In the normal course of business, the Group is exposed to a variety of risks, which includes financial risk, business risk, environmental risk and strategic risk. The long-term sustained growth, continued success and the reputation of the Group are critically important and dependent on the quality of risk management and good corporate governance.

The group's overall risk management programme focuses on the unpredictable agricultural economic climate and seeks to minimise potential adverse effects thereof on the group's performance. In terms of financial risk, Senwes specifically focuses on market risk, credit risk, liquidity risk and capital maintenance guidelines.

Sustainability and success are dependent upon Senwes understanding and managing strategic risk. Senwes acknowledges that strategic risks have a much larger impact on the shareholder than any of the other risks. This risk and the volatile business environment, coupled with globalisation, have been accepted as a substantial challenge in Senwes.

Senwes' investment profile is exposed to and dependent upon major fluctuations in:

- Grain volumes, mainly due to climate, planting of crops and market share;
- Customer spending ability in respect of production and capital goods, mainly due to fluctuating farming income and commodity prices;
- International and local fundamentals, e.g.
  - Interest rates;
  - Exchange rates;
  - International grain commodity prices;
  - Brent crude oil prices;
  - Basic farming requisites; and
  - National and international political stability.

The following strategic risks have been identified and receive the necessary management attention and are being addressed on a continuous basis:

- Industry risk – The industry becomes so saturated and highly competitive that increased returns can no longer be delivered.
- Unique competitor risk – The unexpected emergence of an especially powerful rival or alternative market can decimate the business.
- Technology risk – Unexpected technological changes can change the business landscape and the current business model cannot adjust in time.
- Customer risk – The business model becomes irrelevant due to the changing requirements and priorities of the client.
- Project risk – The risk that a costly investment in a new project or acquisition could fail.
- Lack of focus on current business – The risk of losing focus on core business while in the process of executing the expansion strategy.
- Brand risk – The lack of trademark diversification could increase the risk should the current trademark be damaged in the market.

The Group's risk management plan is underpinned by its objective of shareholder value creation on a sustainable basis that is consistent with shareholder expectations and is in line with the Group's risk bearing capacity and risk appetite. Risk management is one of the Group's core competencies and management and the Board are committed to applying international best practices and standards in this regard.

The Committee fulfils an essential function by ensuring that the Board effectively accepts accountability for risk management. It plays a strategic role in the identification and management of action plans to proactively address the risks that face the group. Independent assurance is obtained in respect of all key risk areas and related internal controls have been established within the company by the risk manager and compliance structures.

The Board approves the Group's risk appetite on an annual basis, upon recommendation of the Risk Committee, having regard for an appropriate risk/return ratio. The risk appetite is translated into risk limits per division/subsidiary according to risk type. Adherence to these limits is monitored continuously and culminates into a risk profile for the Group. The Executive and Senior Management are responsible for the management of these risks within pre-determined appetites for current and new ventures.

The Committee is also responsible for:

- The risk philosophy, which includes the determination of the risk appetite, risk levels per activity per business unit, value of internal control measures, probability and action plans;
- The risk process and mitigating actions, where applicable;
- Legislative compliance, which is a dynamic process of ongoing and active compliance at all levels in terms of substantial and appropriate legislation; and
- IT and appropriate actions to improve security and business continuity.

The Chairman of the committee attends the Annual General Meeting to respond to any questions related to the company's risk management processes and sustainability issues.

**NICO LIEBENBERG**
CHAIRMAN: RISK COMMITTEE

## NOMINATION COMMITTEE

Report prepared by the CHAIRMAN, JAPIE GROBLER

### COMPOSITION

The Nomination Committee currently comprises of three non-executive directors. The Committee met twice during the year under review.

### MANDATE AND RESPONSIBILITIES

The Committee is responsible for:

- Making recommendations regarding the size, structure, composition and skills of the Board and its committees. The committee does not have the authority to appoint directors, but is limited to making recommendations for consideration by the Board and shareholders;
- Succession planning of the Board, Chairman, Vice-chairman and Company Secretary;
- Recommendations regarding the appropriate composition of committees; and
- Recruitment processes for non-executive directors given the required skills set.

> "The Board of Directors display independence of character, judgement and action in the execution of their duties."

The Committee also assists the Chairman in its task to evaluate the performance of the Board as a whole as well as the performance of the individual directors.

### NOMINATION OF DIRECTORS

Directors are elected on the basis of their skills and experience appropriate to the strategic direction of the company and which are necessary to ensure its sound performance.

Procedures for the nomination of independent and executive directors are formal and transparent. The Board has delegated this responsibility to the Nomination Committee, which makes recommendations to the Board.

The Chairman of the committee attends the Annual General Meeting to respond to any questions related to the board composition and membership.

**JAPIE GROBLER**
CHAIRMAN: NOMINATION COMMITTEE

## INVESTMENT COMMITTEE

Report prepared by the CHAIRMAN, STEVE BOOYSEN

### COMPOSITION

The Investment Committee currently comprises of two non-executive directors and is responsible to the board in terms of its mandate to attend to the following:

- Consideration of the investment strategy framework of the Company's major investment portfolio exposures;
- Examine current global and local investment portfolio dispositions and ensuring that these remain consistent with the Company's current strategy and risk framework;
- Consideration and recommendation of major investments, specific acquisitions, joint ventures or mergers and to monitor and report the progress thereof to the board;
- Revise the operational framework of the investment portfolios of the Company, including the use of both internal and external funding resources;
- Review the performance generated by the investment assets; and
- Examine and challenge the current investment market prospects of investments.

**STEVE BOOYSEN**
CHAIRMAN: INVESTMENT COMMITTEE

## SOCIAL AND ETHICS COMMITTEE

Report prepared by the CHAIRMAN, DRIES KRUGER

### COMPOSITION

During the year under review the Board constituted a new Social and Ethics Committee in accordance with the provisions of the Companies Act, 2008. The Committee intends to adopt the following as its mandate and to ensure that the following aspects receive continuous attention:

- Consideration of ethical corporate control framework and ethical codes;
- Environmental aspects;
- Responsible conduct in respect of labour practices; and
- Prevention of corruption, fraud and unethical conduct by all stakeholders.

**DRIES KRUGER**
CHAIRMAN: SOCIAL AND ETHICS COMMITTEE

## EXECUTIVE COMMITTEE

### COMPOSITION AND RESPONSIBILITIES

The Executive Committee manages the company on an active and daily basis and commenced with the practice to meet early every morning during the year under review.

The committee is comprised of Executive Directors, the operational heads of the various divisions as well as the company secretary. The committee is primarily responsible for the operational activities of the Company and for the development of strategy and policy proposals for consideration and approval by the Board. The Committee is also responsible for the implementation of Board resolutions.

## COMPANY SECRETARY

The Board is assisted by the Company Secretary in complying with its ongoing responsibilities and obligations. The Company Secretary briefs newly appointed directors and they are provided with an appropriate induction and a "governance file". This file contains the board charter, code of conduct, mandates of committees, reserved levels of authority and the Memorandum and Articles of Association of the Company.

A formal orientation and training programme, with current and relevant topics ranging from King III, new Companies Act requirements, the risk landscape and challenges in respect of strategic growth have been presented for nine consecutive years and directors attend these sessions on a regular basis.

All directors have unlimited access to the advice and services of the Company Secretary, executive management and company information.

The Company Secretary is part of the Executive Management, but is not a director of any of the companies in the Group and is therefore able to maintain a high level of independence and an arm's length relationship with the respective boards of directors and its management teams.

The Company Secretary reports structurally to the Managing Director and has a direct channel of communication to the Chairman. In terms of the Companies Act, the Company Secretary takes full responsibility for all board meetings, board committee meetings, shareholder meetings, disclosure, investment services, liaison with stakeholders, reporting, provides guidance to directors, induction and media liaison.

The Company Secretary also oversees compliance with applicable legislation throughout the Group. The appropriate structures have been established in this regard, as explained above under compliance with legislation.

### ACCESS TO INFORMATION

The Company complies with the Promotion of Access to Information Act, 2000 and the manual in this regard is available on the Company's website.

Members also have access to the share register, minutes of members' meetings and information on various company matters. Any queries regarding the Company may be directed to the Company Secretary as Chief Information Officer.

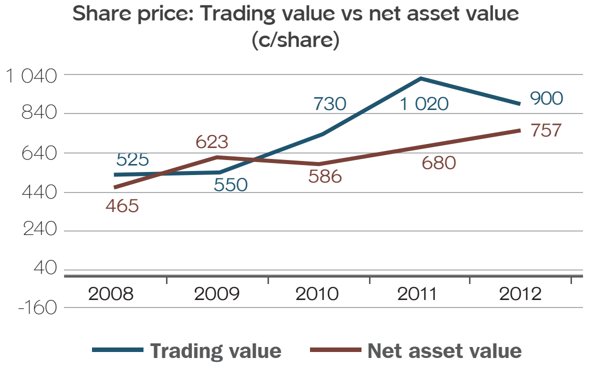
## INVESTOR RELATIONS AND SHAREHOLDER DISTRIBUTION

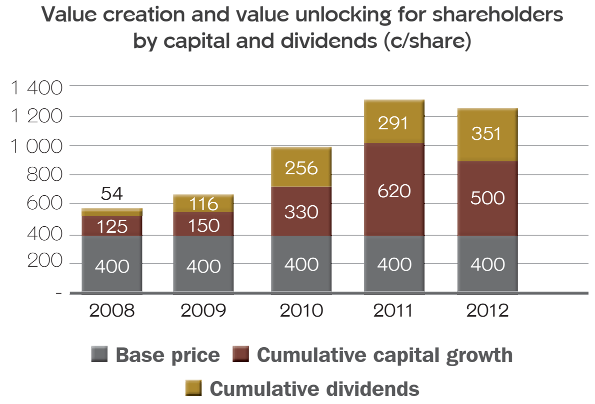
Senwes also provides and maintains an independent and active over-the-counter share trading mechanism. ("OTC "). Share trading is done electronically under the control and supervision of the Company Secretary and is dealt with in terms of strict trading rules and FAIS legislation. The OTC is audited annually by the external auditors, who verify that controls and independence are applied.

The market price of the Senwes shares is therefore determined by trading on the OTC and provides a sound price discovery mechanism.

Trading on the OTC is updated systematically three times per day on the electronic trading platform and bids and offers can be viewed on the Senwes website.

## SHARE PRICE PERFORMANCE




## SHAREHOLDER STRUCTURE

PRODUCER SHAREHOLDERS 16,3%

SENWESBEL LTD 58,8%

TREACLE NOMINEES (PTY) LTD & RELATED PARTIES 17,1%

OTHER SHAREHOLDERS 7,8%

SENWES LTD 100%

### THE FIVE LARGEST SHAREHOLDERS OF SENWES AS AT 30 APRIL 2012 WERE:

| NAME | NUMBER OF SHARES | % OF ISSUED SHARE CAPITAL |
|---|---|---|
| Senwesbel Limited | 106 309 647 | 58,80% |
| Treacle Nominees (Pty) Ltd | 27 118 715 | 15,00% } 17,05% |
| Industrial Development Corporation of SA | 3 700 087 | 2,05% |
| Gardenview Nominees (Pty) Ltd | 2 363 578 | 1,31% |
| Ian van der Merwe Beherend (Edms) Bpk | 861 178 | 0,48% |

### DISTRIBUTION OF SHAREHOLDERS

| PORTFOLIO SIZE | NUMBER OF SHAREHOLDERS | % | NUMBER OF SHARES | % |
|---|---|---|---|---|
| 1 - 1 000 | 954 | 32,55 | 337 979 | 0,19 |
| 1 001 - 5 000 | 655 | 22,35 | 1 673 685 | 0,92 |
| 5 001 - 30 000 | 977 | 33,33 | 13 702 742 | 7,58 |
| 30 001 - 100 000 | 294 | 10,03 | 14 358 978 | 7,94 |
| 100 001 - and more | 51 | 1,74 | 150 715 924 | 83,37 |
| | **2 931** | **100,00** | **180 789 308** | **100,00** |

### SHAREHOLDER DIARY

| | |
|---|---|
| Financial year-end | 30 April 2012 |
| Announcement of results in media | 28 June 2012 |
| Submission of proxies | 29 August 2012 by 11:00 |
| Annual General Meeting | 31 August 2012 |

**EM Joynt**
COMPANY SECRETARY
Klerksdorp
26 June 2012

**Francois Strydom**
MANAGING DIRECTOR

- INTEGRATED STRATEGIC, OPERATIONAL AND FINANCIAL REPORT BY THE MANAGING AND FINANCIAL DIRECTORS
- SUSTAINABILITY REPORT

# SECTION 2
# INTEGRATED REPORT



Individually, we are one drop.
Together, we are an ocean.
– RYUNOSUKE SATORO

# INTEGRATED STRATEGIC, OPERATIONAL AND FINANCIAL REPORT

## BY THE MANAGING AND FINANCIAL DIRECTORS

FRANCOIS STRYDOM

> "Senwes is in the process of positioning itself strategically within the milieu of more extensive integration between the producer and the end consumer."

**THE** report deals with the financial and operational performance of the 2012 financial year, but also with the strategic progress in respect of the growth and deployment aspects of consolidation, geographic expansion, commodity diversification and the positioning of the organisation to do business in Africa and international markets.

## 1. STRATEGIC POSITIONING

Agricultural businesses are currently braving two extremes. On the one hand the food value chain, where active consolidation on primary production level is taking place at a rapid rate, and on the other hand a strong component of international competitiveness is becoming a reality, with multi-national role players positioning themselves globally, which includes South Africa. Taking these trends into account, and in view of Senwes being positioned as an intermediary, it is evident that change is essential and unavoidable.

The consumer also requires a shorter, simpler and cheaper supply chain and wants to participate in deliberations regarding the end product. Indications are that this value chain will be shortened and that the current specialisation model is becoming obsolete.

Senwes is in the process of positioning itself strategically within the milieu of more extensive integration between the producer and the end consumer. In addition, competitiveness increased significantly in a sector targeted by investors as last sanctuary for a global economy trying to escape the unfailing recession. In order to successfully align Senwes with this trend, the business platform has to be enlarged, scale of volume has to be added and the concentration risk in respect of commodities, geography and trade mark in particular, has to be addressed. We believe that more extensive participation in the grain value chain is inevitable, given the involvement of international trade organisations, which have already implemented the integration of the grain value chain successfully on a global basis.

The different value chains will imply different partners in order to ensure specialisation, optimisation and skills within each chain.

## 2. STRATEGIC DEPLOYMENT

Senwes amalgamated its grain marketing business with the Africa initiatives of Bunge, thereby ensuring international origination and destination. Grainovation, a joint venture between Imperial and Senwes, offers a logistics solution and the financial services platform, Univision, was expanded through the merger with NWK Insurance.

Attempts to facilitate geographic consolidation are continuing. The Competition Commission is placing a lot of focus on the food sector, which is complicating transactioning in this sector. The success rate of consolidating similar businesses in agriculture within the borders of South Africa is therefore low and complicates the unavoidable consolidation.

We will continue with this strategy and will also follow a value chain approach as vehicle to align shared equity and strategic partnerships with the industry. Reorganisation of the value chains will obviously flow from successful finalisation of the consolidation process.

In this regard an interest was obtained in a prominent Southern Cape role player in mechanisation, namely JD Implements, while the joint insurance venture with NWK came into operation on 1 May 2012. The expansion of the Senwes footprint in Southern Africa to Malawi, Zambia and Mozambique also gained momentum during the financial year. Bunge was also involved as a partner in this initiative. The involvement of Grainovation in these projects on the logistics side is being investigated at present and is regarded as a priority.

Senwes started to position itself proactively since 2010 in terms of volume, skills and strategy, which the agricultural sector responded to. As initiator of a new way of thinking and partnerships, Senwes is attempting to be at the forefront of internationalisation and diversification of its business model.

Strategic deployment poses the danger of the company becoming removed from the requirements of its clients and the structure of the organisation will be adjusted in such a manner as to improve the retention of clients. In addition Senwes will not deviate from its promise to its clients and personnel will be aligned to a larger extent in order to improve relationships and interaction with clients.

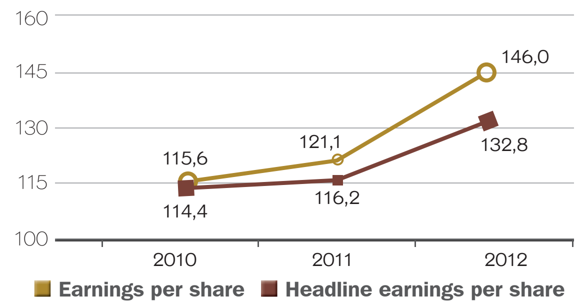
## 3. FINANCIAL REPORT

### 3.1 HIGHLIGHTS

The key financial indicators can be summarised as follows:

- An increase in turnover of 73% to R13 billion;
- A 20,6% growth in earnings per share from 121 cents per share to 146 cents per share;
- It represents a profit after tax of R265 million compared to the previous year's R219 million;
- Return on equity of 21,5%;
- Net asset value increased by 77 cents per share after a dividend of 70 cents per share was paid;
- Dividend return of 6,3% on an average share price of R9,60 per share; and
- Headline earnings represent an increase of 14% from 116 cents to 133 cents per share.

Earnings and headline earnings per share (cent)




### 3.2 SEGMENTAL REPORT


#### 3.2.1 Senwes Village

This division experienced an exceptionally good year with above average sales in respect of mechanisation and input products. Certain strategic focus points enjoyed attention, which contributed to the following positive results:

- Renewed focus on the value proposition of Senwes Village, with good results;
- Geographic expansion of new business units and an extended product range offer;
- Good progress was made with the optimisation of business processes, structures and systems;
- Centralisation of the procurement function facilitated the optimisation of the balance sheet;
- Renewal of the management team and other strategic positions;
- Increased focus on growth of market share in other geographic areas; and


- Strategic partnerships with selected suppliers remain a priority and progress in this regard was on the right track during the past year. It was also aligned with the long term vision.

The Village business model was positioned correctly to optimally utilise the upward input cycle. Favourable grain prices resulted in higher planting levels during the second half of the year, which enabled a large number of producers to upgrade their mechanisation whole goods and to catch up on their contemplated capital replacement cycles. The sector also derived benefit from favourable foreign exchange levels.

The team of Frans du Plessis sold almost all their whole goods in stock and the second highest whole goods unit sales since 1997 realised. Structural adjustments to functionalities in the overhead business model resulted in optimisation of the balance sheet and increased efficiency, which in turn increased the profitability of the retail division.

Strategic partnerships with key suppliers and renewed focus on the Village value proposition and client service made the difference in a year during which 46% of transactioning happened in only four months. The key financial ratios are as follows:

| | Variance | 2012 R'm | 2011 R'm | 2010 R'm |
|---|---|---|---|---|
| Turnover (including direct business) | 26% | **3 555** | 2 824 | 2 920 |
| Gross profit | 28% | **351** | 274 | 308 |
| Operating profit before finance costs | 136% | **170** | 72 | 105 |
| Operating profit after finance costs | 160% | **169** | 65 | 96 |
| Cost to Income ratio | 7% | **65%** | 72% | 65% |
| ROCE | 46% | **82%** | 36% | 38% |

In support of the Senwes 2020 strategy, the Village management team considered certain changes to the current business model, which are being implemented at present:

- Strategic focus on the mechanisation business model is essential. Good progress in this regard was made this year as part of a three-year optimisation and upgrading programme.
- A mechanisation joint venture was established successfully in the Western Cape, which will also serve as platform for the establishment of our input offer, given the financing of input products. This joint venture will serve as platform for further expansion in the region.
- Structures and processes were established to protect market share and to accommodate growth without a significant increase in costs.
- Focus is being placed on increasing input product volumes and a new strategy will be rolled out during the new financial year.

Gerrit van Zyl
**GENERAL MANAGER: SENWES CREDIT**

### 3.2.2 Senwes Credit and Univision

Credit and Univision both performed well and the team of Gerrit van Zyl gained market share with a good value proposition and exceptional service levels.

Increased commodity prices early in the financial year, together with favourable weather conditions and high business confidence levels, resulted in positive planting intentions. The demand for credit was further stimulated by a 10% increase in hectares planted as well as a 16% increase in input cost inflation. A growth in the production credit book of 15% on a year-on-year basis indicates an expansion in market share, confirmed by the number of producers assisted and the hectares financed.

The credit book is sound and total arrears in respect of summer grain production credit as at 30 April 2012 amounted to 3,8% (the lowest in the past decade) against 4,7% the previous year. It is expected that drought conditions during late summer will have a huge impact on grain volumes for the coming season. However, an adjustment in commodity prices should counter this to a large extent while farming inputs are expected to decrease. The margins of a sound book focused on the client segment with strong and sound balance sheets are lower, but the risk profile is also lower.

New business done by Senwes Asset Finance, a joint venture with a prominent asset financier, reflected good growth. This growth was mainly due to increased whole goods sales and expansion of market share. The share of profit from this business is already making a good contribution towards the Senwes Credit profit line.

| | Variance | 2012 R'm | 2011 R'm | 2010 R'm |
|---|---|---|---|---|
| **CREDIT** | | | | |
| Average credit extended | 15% | **1 325** | 1 157 | 1 119 |
| % arrears as at 30 April | 1,1% | **3,8%** | 4,7% | 6,3% |
| Net profit before finance costs | (1)% | **97** | 98 | 106 |
| Net profit after finance costs | (4)% | **48** | 50 | 58 |
| ROCE (Credit only) | (1)% | **7%** | 8% | 9% |
| ROCE (Including Village) | 4% | **17%** | 13% | 15% |
| **UNIVISION** | | | | |
| Net profit after finance costs | 75% | **7** | 4 | 4 |
| ROCE | 20% | **51%** | 31% | 22% |

Univision Financial Services reflected a 15% growth in turnover for the financial year 2011/2012. The net operating profit after interest reflected a 75% increase since the 2011 financial year and the profit margin realised is significantly higher than the average market trend.

For the coming year Univision will focus on the implementation of the joint venture between Senwes and NWK and the development of an expansion strategy.

Pieter Esterhuysen
GENERAL MANAGER:
SENWES GRAINLINK

### 3.2.3 Senwes Grainlink

Pieter Esterhuysen and the Grainlink team had to face material challenges in a highly volatile environment in 2012. High stock levels in 2011 resulted in price levels trading below export parity. Shortly after harvesting 2,4 million tonnes were exported. In addition Grainlink was faced with unexpected late and excessive winter rain, which hampered the harvesting rate and impacted negatively on storage income.

A lot of grain was handled but, due to the above factors, 43,5% less grain was stored, which impacted negatively on storage income and an infrastructure designed for the cost structures and tariff composition of a long term storage model structure.

The market did not offer many opportunities to sell grain in future months and Grainlink had to adjust its model accordingly. The joint venture with Bunge was approved by the Competition Commission and was implemented on 1 October 2011. Senwes participated in 11,2% of the total maize exports in South Africa.

| | Variance | 2012 R'm | 2011 R'm | 2010 R'm |
|---|---|---|---|---|
| Average capital required | (15)% | **1 238** | 1 453 | 702 |
| Net profit before finance costs | (26)% | **228** | 310 | 264 |
| Net profit after finance costs | (27)% | **183** | 252 | 236 |
| ROCE | (2)% | **25%** | 27% | 38% |

A larger balance sheet was initially required due to the increase in commodity prices without a resultant profit increase, but the situation changed after most of the Safex positions were liquidated before year-end.

Grainlink's focus for the new year will be on offering solutions to local producers and South African offtakers of products. In addition to the protection of current volumes flowing through the silos, the expansion of market share in the mill door business will enjoy attention. The management team will also focus on the continuation of the Bunge Senwes joint venture and the Africa activities.

## 3.3 REORGANISATION OF THE BALANCE SHEET

The balance sheet was revisited and reorganised as follows:

- The medical obligation of R81 million which required unexpected actuarial adjustments over the past number of years, was taken over by Liberty. A fair transaction was negotiated for all three parties involved and Senwes transferred its risk in this regard in the process.
- Under-utilised assets were written off while a conservative policy relating to stock and debtor valuations was maintained.
- Low grain stock levels resulted in a number of empty silos, which meant that measured surpluses and shortages could be confirmed.
- Foreign investments and loans were tested against currency and repatriation principles and provision was made for instances where there was uncertainty regarding the shortage of currency in a country.
- The Village model withstood the test of time and adjustments were made in respect of the impairment of assets, particularly assets held by Senwes Capital.
- The medium term hire purchase book was sold during the previous year and this product was used aggressively during the past year to support the good mechanisation sales by means of credit extension.
- Senwes reorganised its interest-bearing loans in order to synchronise the asset expiry dates with the financing arrangements, resulting in the negotiation of a larger portion of long term financing.

## 3.4 CAPITAL MANAGEMENT

| CAPITAL EXPENDITURE PER BUSINESS UNIT | 2012 | | | |
|---|---|---|---|---|
| | TOTAL R'm | NEW CAPACITY R'm | IMPROVEMENT PROJECTS R'm | ESSENTIAL EXPENDITURE R'm |
| Grainlink | 19,8 | 1,5 | 14 | 4,3 |
| Village | 8,1 | - | 7,7 | 0,4 |
| Corporate/other | 28,3 | 16,3 | 7,9 | 4,1 |
| **Total** | **56,2** | **17,8** | **29,6** | **8,8** |
| Associates | 39,7 | 26 | 0,3 | 13,4 |
| **Grand total** | **95,9** | **43,8** | **29,9** | **22,2** |

| | 2011 | | | |
|---|---|---|---|---|
| | TOTAL R'm | NEW CAPACITY R'm | IMPROVEMENT PROJECTS R'm | ESSENTIAL EXPENDITURE R'm |
| Grainlink | 17,3 | 6,9 | 7,9 | 2,5 |
| Village | 4,7 | - | 4,2 | 0,5 |
| Corporate/other | 16,6 | 4,1 | 12,5 | - |
| **Total** | **38,6** | **11,0** | **24,6** | **3,0** |
| Associates | 23,0 | 21,0 | - | 2,0 |
| **Grand total** | **61,6** | **32,0** | **24,6** | **5,0** |

Capital expenditure for the year under review was as follows:
A number of new projects are budgeted for the coming year, which will result in a significant increase in capital expenditure.

Investments and loans to the amount of R43,4 million and operating capital of R38 million were used during the year for the establishment of the Bunge joint venture (Bunge Senwes), the expansion of the fleet of the Imperial joint venture (Grainovation), the establishment of new capacity in the lime mines (Grasland Ondernemings), as well as the acquisition of an interest in a John Deere agency in the Southern Cape (JD Implements). Operating capital increased during the year and the establishment of new businesses in various SADC countries was undertaken.

## 3.5 SOLVABILITY AND LIQUIDITY

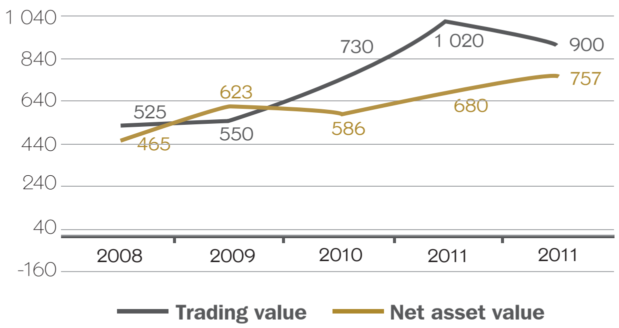
Senwes attempts to manage its balance sheet within the own capital maintenance guideline of 35% - 45% and managed to maintain its own capital ratio of 41% on 30 April 2012.

Senwes has an unutilised ten-year facility of R550 million (55% of total facility) and an unutilised short term facility of R188 million (19% of total facility). Senwes attempts to have equity of 10% available as liquidity buffer and Senwes Capital has been earmarked to stand in as permanent liquidity buffer for this purpose.

## 3.6 INVESTMENT PERFORMANCE

The share price started to decrease after the media coverage on the court ruling in the Treacle case and is still trading at 11,8% lower than in April 2011. Good results, tactical intervention on certain levels and a strong strategic direction should stimulate the share price. The risk premium relating to the cyclicality of agri-companies is busy disappearing as companies are starting to reflect more stable results, while the rest of the markets are burdened by seriously volatile price fluctuations.

Share price: Trading value vs net asset value (cents/share)




A dividend yield of 6,3% was delivered, which includes a second interim dividend. The share is trading at a price earnings ratio of 6,2, which is significantly lower than the listed shares within the agri and fishery sector on the JSE.

### 3.7 FUNDING REQUIREMENTS FOR NEW PROJECTS

In view of the current balance sheet, Senwes Treasury should manage to generate sufficient financing solutions in order to fund the first phase of the 2020 strategy. The design of the transactions is also based on co-operation and the higher capital requirements normally relate to higher operating capital requirements of the joint venture and not so much to the acquisition.

## 4. RELATIONSHIP WITH STAKEHOLDERS

### 4.1 CLIENTS

Senwes is well deployed in the rural areas and supplies the agricultural manufacturing chain which, in most instances, is large trademark-driven companies. We have a specific responsibility in respect of investing in the development of rural areas. Since the client has a choice which he can exercise, irrespective of where he is, companies have to comply with excellence. Senwes' declared strategy is that it operates in a competitive market and that it has to meet the relevant requirements.

As far as the company's structure and functionalities are concerned, these have to be aligned with our client focus. Senwes is not managed from its head office, but on a decentralised basis from a client point of view. Certain functions, such as support services, are centralised for the sake of cost efficiency. However, it does not have an effect on intervention. Our client forum is functioning well and is a good example of the high frequency of client contact which we require.

### 4.2 SHAREHOLDERS

Senwes is regarded as a stable organisation and the typical defensive share by which a share portfolio is supplemented and balanced, rather than an aggressive or speculative share.

The needs of the producer-shareholder in Senwes changed significantly over the past ten to twelve years. During the conversion from a co-operative to a company, members' interests – which were regarded as a pension fund by many – were converted to negotiable shares in respect of which capital growth and predictable dividend yields with low volatility were generally expected. Senwes shareholders also strive towards higher liquidity, particularly those wanting to unlock value, while the long-term shareholder strives towards long-term value creation.

The agricultural environment reflects the dynamics of shareholders using their shareholding as security for the funding of their businesses or farming operations. Given the good growth of the share over the past five years, the share has also been the cornerstone of the core security for the funding of operating capital requirements of many producers. The net asset value of the Senwes share is at a good level and it trades at a premium above net asset value.

Since the controlling interest in the business is held by a shareholding structure with a long term agricultural vision, the other partners have to be aligned accordingly. Senwes is still a value creating organisation. Where the group operates certain aspects of its business on its own, it would have to be balanced by involving other operational partners who will be able to add value.

### 4.3 PERSONNEL

A strong hierarchical management structure does not form part of our philosophy, but rather a flat structure in terms of which responsibility is signed off within each functionality. More value is attached to understanding, ownership and training. It also means that the most appropriate training has to be provided to the talent of tomorrow and Senwes' spending in respect of structured training actions is generous.

Management depends heavily on holistic motivation, incentive schemes and matrix management in order to encourage the acceptance of ownership among the different teams.

### 4.4 BUSINESS PARTNERS

The relationships with professional suppliers of products and services are regarded and managed as strategic partnerships. Senwes and its business partners share one another's successes and growth and strategic positioning pose common benefits.

### 4.5 GOVERNMENT

Senwes is mainly deployed in the rural areas and pays direct and indirect taxes as a responsible citizen. We also do not hesitate to acknowledge our responsibility to ensure growth and job creation in order to contribute to the sustainability of the agricultural industry in Southern Africa. In order to compete effectively with international markets, the government will have to actively do its share to improve infrastructure relating specifically to municipal services, roads, railway lines and safety in rural areas.

## 5. PROSPECTS

### 5.1 2013 PROJECTION

The local grain industry experienced aggressive grain exports for the second successive season. Local production is under pressure due to the exceptionally low rainfall during the second half of the summer season, which was the lowest rainfall in decades. Low opening stock levels, low carry-over moisture conditions and an average crop will probably result in lower grain stock levels, which predict a difficult grain storage year.

Commodity prices are at reasonably good levels at present and will probably stimulate production, but the producer will possibly be confronted with another round of input inflation, due to the devaluation of the rand at a time during which input supply prices are negotiated for the next season. Due to limited soil moisture, producers will find it difficult to undertake normal primary cultivation and an extensive downscaling in wheat production is expected.

Expectations are that consumers all over the world will continue to be burdened by difficult economic conditions and commodity stock levels will recover due to higher production and lower consumption. Lower average international commodity prices are expected for 2013. The ageing population and resultant lower per capita spending will start taking its toll on consumption while world production increases constantly.

The deployment of agricultural role players will probably have to be executed in a more aggressive and active manner. Expectations are that a lot of corporate action will be taking place in the sector during the coming months, which will probably change the landscape and dynamics of the agricultural services sector fundamentally.

### 5.2 STATEMENT OF PROJECTION

Certain statements made in this report are not based on historical facts and relate to analyses and other information based on the prediction of future results which cannot be determined as yet, but which relate to, inter alia, new business volumes, return on investment (including exchange rate fluctuations) and actuarial assumptions. These statements could also relate to our future prospects, developments and business strategies.

These are projection statements as defined in the United States Private Securities Litigation Reform Act of 1995. The objective of words such as “believe”, “anticipate”, “probably”, “possible”, “predict”, “intend”, “strive”, “will”, “plan”, “can”, “may”, “attempt”, “project” and similar expressions is to identify such statements of projection, but it is not the exclusive way of identifying such statements. Statements of projection involve inherent risks and uncertainties and should one or more of these risks realise, or should underlying assumptions appear to be correct, then actual results could differ materially from the expected results. Statements of projection are only applicable as from the date on which they were made and Senwes accepts no liability to adjust or update any statement due to new information, future events or any other reason.

## 6. ACKNOWLEDGEMENTS

We find it enriching as team leaders to be involved in various human capital value chains – we refer to the board, executive management team, personnel corps and the relationship which Senwes maintains with each individual stakeholder group. It is a dynamic process of give and take and any input into our Group is responded to every time from a new angle by a colleague, the innovation of a supplier, the character demonstrated by a board member – or even the enthusiasm with which a maintenance officer talks about the future of our business while he changes a light fitting in my office late one afternoon. Special mention is made of a committed board of directors, to the absolute benefit of Senwes.

The maintenance of the focus of Senwes on all levels – from farm level to international board rooms – would not have been possible without the unfailing commitment of each individual as a link in our human value chain. We acknowledge every one of our team mates in this regard.

We acknowledge the Higher Hand as the rock upon which this business is built and anchored.

**Francois Strydom**
MANAGING DIRECTOR

**Corné Kruger**
FINANCIAL DIRECTOR

Klerksdorp
26 June 2012

The announcement of the year-end results of Senwes on 28 June this year appeared in various forms of media and inlcuded, inter alia, interviews with Francois Strydom, managing director:

- Moneyweb (RSG Money Matters) on 27 June 2012
- OFM Stereo on 28 June 2012
- Results advertisements in Beeld, Die Volksblad and Business Day on 28 June 2012
- See the presentation to be made at the annual general meeting.

In order to see the above, go to the following weblink:
**http://senwes.co/AR12-FrancoisStrydom-E**

# SUSTAINABILITY REPORT

## COMPANY PROFILE, STRATEGY, STRUCTURE AND LEADERSHIP

### PROFILE

Senwes is one of the leading agribusiness companies in South Africa, established in 1909, with its roots and head office based in Klerksdorp South Africa. Its operations extend across four countries in the SADC region. The company's main business is the provision of input products for agricultural production, market access for grain produce, as well as financial, technical and logistical services to grain producers. Senwes' business activities are predominantly in the Northwest, Free State, Gauteng and Western Cape provinces of South Africa, with a footprint in Malawi, Zambia and Mozambique.

The Senwes group has an integrated model that facilitates delivery on its primary purpose of contributing to food security on a sustainable basis.

Senwes Grainlink is the market access side of the business and provides storage and handling through a well-deployed silo infrastructure, which has a capacity of 4, 6 million tonnes and constitutes more than 25% of the total South African commercial storage capacity. Senwes silos handle approximately 18% of the country's grain and oilseeds in a normal agricultural production year. Senwes is a reliable supplier of clean, safe and healthy commodities of integrity and quality.

Senwes Village is responsible for supplying production input products and mechanisation requirements through competitive value and service packages. Value is added for producers through relevant input cost financing packages offered by Senwes Credit.

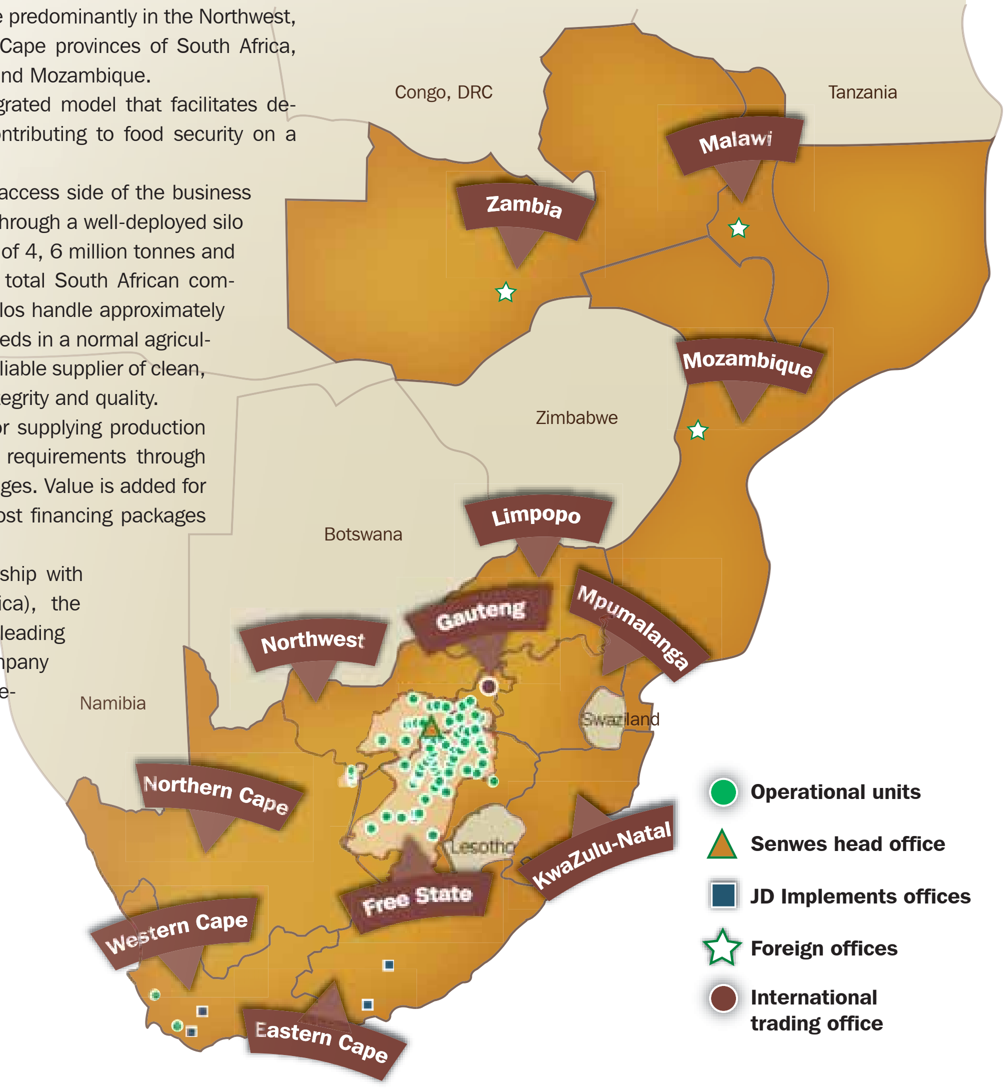
Senwes has a strategic partnership with Bunge (Europe, Middle East, Africa), the operating arm of Bunge Limited, a leading global agribusiness and food company through which joint venture agreements are entered into which facilitate for both parties to realise their mutual aspirations and strategic objectives.

To this end a joint venture is currently in operation, through which the parties engage in international trading of wheat, yellow maize and oilseeds. Furthermore, Senwes and Bunge have recently agreed to jointly investigate the establishment of an oil crushing plant in South Africa.

Senwes is rated as a level 6 BBBEE contributor. (See BBBEE scorecard on the website)

Senwes is an unlisted company with shares trading on an OTC-(over the counter) platform.

### GEOGRAPHIC FOOTPRINT



## STRATEGY

The success of Senwes is built upon an inspiring and clearly defined purpose, clear vision, commitment to ethical values and business culture. The outline below provides a broad overview of the critical components of the Senwes strategy.

### PURPOSE

**To create sustainable value for all our stakeholders**

### VISION

**To be an admired agribusiness to all our stakeholders.**

| | | | | |
|---|---|---|---|---|
| Preferred Investment | Preferred Partner | Preferred Employer | Preferred Supplier | Preferred Citizen |

### STRATEGIC GOAL

**To be a fully integrated agribusiness and a significant player in the global food value chain.**

| | | | |
|---|---|---|---|
| Agribusiness | Agri-Industries | Resources | Investments |
| **Financial Services** | | | |
| **Logistics** | | | |

### TEN STRATEGIC PRIORITIES

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Growth & Diversification | Financial Performance & Productivity | Client Focus | Corporate Governance, Risk & Compliance | Sustainability & Transformation | Business Intelligence & Innovation | Talent, Ethics & Culture | Stakeholder Relations & Strategic Partnerships | Organisational Agility & Operational Efficiency | The Environment |

### VALUES

| | | | | | |
|---|---|---|---|---|---|
| Integrity | Business Orientation | Innovation | Self-Motivation | Accountability | Loyalty |

## VISION 2020

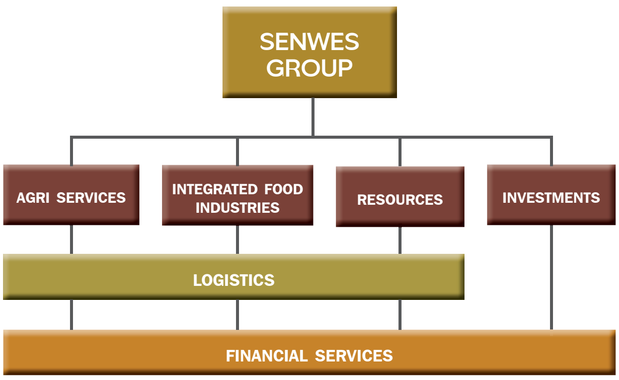
The Senwes strategy is based on building a company that creates value for all its stakeholders on a sustainable basis. Our vision is to be an admired agribusiness and achieve the status of:

- Preferred investment
- Preferred employer
- Preferred supplier
- Preferred partner
- Preferred citizen

The Senwes vision 2020 is driven by the need to grow as well as the mitigation of concentration risk, given the maturity of the business and the market in which we currently operate. The strategic direction is targeted at diversification across the agricultural value chain and adjacencies critical to and supportive of the delivery of the core business.

### 2020 INVESTMENT STRUCTURE

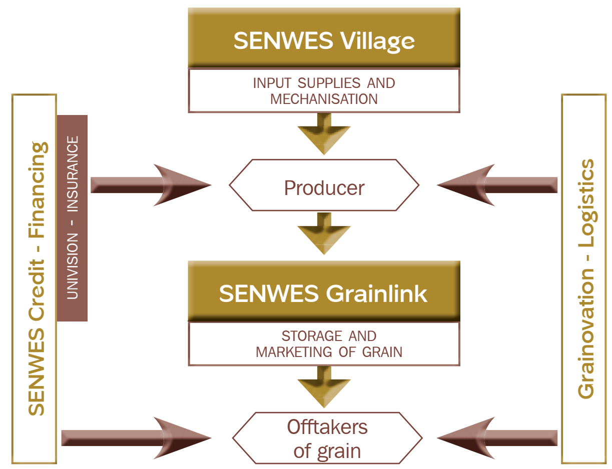
The structure below provides a high level view of the areas in which the Group will have operational and/or equity investment participation.




The strategy entails the following:

- Increase market share in the current market.
- Expand geographically into other domestic markets, the rest of Africa and into the global market.
- Strengthen corporate governance, risk and compliance systems, structures and processes.
- Strengthen sustainability management and integrate it into the day to day management of the business.
- Align the strategy and culture and enhance ethical behaviour throughout the business.
- Acquire, develop, deploy and retain the best talent.
- Effectively manage stakeholder relationships and strategic partnerships.
- Build effective business intelligence and inculcate a culture of innovation to facilitate growth and operational efficiency.

### OUR BUSINESS MODEL




### SERVICES

| INPUT SUPPLY | FINANCIAL AND TECHNICAL SERVICES | MARKET ACCESS SERVICES |
|---|---|---|
| **Retail stores** | **Production finance** | **Grain storage and handling** |
| • Production input supplies | **Grain finance** | **Grain trading** |
| • Gardening equipment | **Asset finance** | **Logistics solution** |
| • Hardware | **Agricultural technical services** | **Electronic certificate trade** |
| • Outdoors and camping | • Agronomy | **Cross border trade** |
| **Mechanisation** | • Soil science | |
| • Whole goods | • Agricultural economics | |
| • Spares and workshops | • GIS-services | |
| • Precision farming | **Insurance** | |
| | • Crop insurance | |
| | • Life insurance | |
| | • Short-term insurance | |

## SUSTAINABILITY REPORT

### SCOPE AND BOUNDARY OF THE REPORT

This report covers the financial year ending 30 April 2012 and contains the material issues concerning the Senwes Group. The report does not deal with the operations of our joint ventures and subsidiaries separately, but with the Group as a whole.

Responsible and balanced reporting to stakeholder groups is very important to us. At Senwes we not only believe that our business is inextricably linked to society and the environment, but that these are integral to the continued sustainable performance of the Group.

The report will cover financial highlights in respect of financial performance but also progress with contemplated social, economic and environmental requirements. Details of financial performance can be found in the detailed annual financial statements on our website (www.senwes.co.za).

This sustainability report was produced in accordance with the Global Reporting Initiative ("GRI") and is aligned with the King III Integrated Reporting Guidelines, while the broad base black economic empowerment report is aligned with the Codes of Good Practice of the Department of Trade and Industry. The financial statements were drafted in accordance with International Financial Reporting Standards (IFRS).

The Board acknowledges its responsibility to ensure the integrity of the sustainability report by applying the global reporting initiative (GRI) guidelines. Reporting against these guidelines ensures that it is uniform and comparable with best practice.

The Board has accordingly applied its mind to the sustainability report and is of the opinion that the sustainability report addresses all material issues, and presents fairly the sustainability performance of the organisation and its impacts.

*The Sustainability report was assessed by GRI at application level C.*

Global Reporting Initiative™

## SUSTAINABILITY MANAGEMENT

### SUSTAINABILITY AS AN INTEGRATED PART OF STRATEGY

Senwes believes that its business is not only inextricably linked to society and the environment, but also interdependent upon its economic performance. We believe that our sustainability is dependent on the effective management of our operational activities, taking care of resources used by the business and taking individual and corporate responsibility for the societal and natural environment in which we conduct business. Sustainability is therefore imperative in respect of all facets of our business.

We believe that optimal value should be created for all stakeholders, taking into account the environmental and social duties which we have to fulfil at all times. We also believe that sustainability is a prerequisite for sustainable value creation. This will maximise the success of the business in the long term, thereby sustainably optimising the returns of our shareholders and the benefits of the employees, customers, suppliers, the communities and the natural environment in which we operate.

### SUSTAINABILITY MANAGEMENT AND APPROACH

The Senwes approach to sustainability management focuses on two primary determinants, risk and opportunity, each with two drivers of business value – risk reduction and the protection of income on the risk driver side, cost reduction and revenue growth on the opportunity side. The diagram below illustrates the sustainability model.


This approach is based on the recognition that to be successful and sustainable, we have to deliver value in the short, medium and long term, and therefore to develop a better and broader understanding and mindset of what constitutes the critical risks and opportunities for our business.

We also recognise that sustainable development issues are not static, but are a dynamic phenomenon that continuously evolves over time. We therefore have to focus on being flexible in order to identify changes in our environment and adapt accordingly in good time.

### SUSTAINABILITY REPORTING POLICIES

The sustainability report aims to present a balanced, transparent and reasonable account of the Group's sustainability performance for the year. The approach of the report is based on the GRI principles and focuses on the three pillars of economic, social and environmental sustainability.

Senwes adopted a progressive developmental approach to integrated sustainability reporting. This report represents management's account of the progress made in pursuit of sustainability objectives, the challenges which have to be overcome and initiatives to meet and overcome the challenges.

In line with the above-mentioned guidelines, Senwes' sustainability reporting process aims to provide a report to stakeholders on our strategic priorities in a manner that enables our stakeholders to assess Senwes' ability to create and sustain value over the short, medium and long term.

The current approach to reporting focuses on the actions taken in respect of each of the strategic priorities. In future further focus will be placed on progress made, but also on the attainment of set targets, benchmarking against global best practices, as well as the outcomes of the strategic priorities and the impact thereof on the relevant stakeholders.

## PROGRESS ON THE TEN STRATEGIC PRIORITIES

## OUR GROWTH STRATEGY

### Growth and diversification

To increase revenue through increased market share and joint ventures in the current area of operation, mergers, acquisitions and joint ventures in new markets across the value chain in line with vision 2020; as well as to diversify the income sources in order to mitigate concentration risk over the long term.

**Why is this a priority?**
To mitigate the risk of dependence on weather patterns and the market concentration risk, and to diversify income sources over the medium and longer term. This will also assist in the strengthening and integration of the grain value chain and contribute towards ensuring sustainable financial performance.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Mergers and acquisitions** | Revenue growth<br>Improved efficiency<br>Increased competitiveness | ❖ The proposed acquisition of a majority stake in Graan Boere Groep Beperk (GBG) of Moorreesburg was unsuccessful. |
| **Joint ventures and strategic partnerships** | Revenue growth,<br>Utilisation of Senwes' corporate platforms | ❖ A transaction with JD Implements was finalised and is now operational. It expanded Senwes' mechanisation business into the Western Cape.<br>❖ The joint venture with Bunge, which was announced and reported in last year, was approved by the Competition Commission.<br>❖ An agreement was concluded between Senwes and NWK to merge their insurance businesses into a 50/50 joint venture. The joint venture will be implemented on 1 May 2012, as no regulatory approval is required.<br>❖ The Grainovation partnership grew and contributed 1% to the growth of the Group.<br>❖ The lime joint venture with NWK (Grasland) also grew by 142% year on year.<br>❖ Senwes and Bunge have agreed to jointly investigate the opportunity to build a large-scale oilseed crushing plant in South Africa. A crushing plant with a capacity of up to 660,000 tonnes per year is being investigated. The current agreement makes provision for such expansion.<br>❖ The partnership with an asset financier in terms of which the mortgage bond book was sold, was established three years ago. Higher participation levels were negotiated during the year.<br>❖ The Africa business was reorganised in the Bunge Partnership.<br>❖ The joint venture agreement with MGK reported on last year, failed to materialise due to delays in regulatory approval. It had a negative impact on the growth and diversification impetus of the Group's strategy and in terms of the provisions of the contract, the contract was cancelled accordingly. |

### Growth and diversification (continued)

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **New geographic footprint** | Revenue growth,<br>Diversification of risk profile to other markets | ❖ Senwes Mozambique has been registered and operations commenced in November 2011.<br>❖ Senwes Zambia has been registered and operations commenced in December 2011.<br>❖ We are doing business in Zimbabwe through strategic partnerships, pending finalisation of regulatory requirements.<br>❖ Senwes Malawi is in its second season and specific products were added to the offer within the region.<br>❖ Senwes still believes in commodity diversification and the wheat focus will increase during the coming year. |

### Financial performance and productivity

To maximise the bottom line through effective cost management, balance sheet management and the alignment of capital with the strategic objectives of the business.

**Why is this a priority?**
To be sustainable in the long term, it is imperative that financial performance is achieved, measured and benchmarked against key financial indicators.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Turnover** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Increased by 73% to R13 billion due to higher commodity prices |
| **EBITDA (Earnings before interest, tax, depreciation and amortisation)** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Increased by 5% to R494 million |
| **EPS (Earnings per share)** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Increase by 20,6% to 146 cents per share |
| **ROE (Return on equity)** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ A return of 21,5% on equity of R1,23 billion |
| **TSR (Total shareholder return = share growth + dividends)** | Revenue protection<br>Revenue growth | ❖ Decreased by 5,9% |
| **Employee productivity** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Operating profit per employee increased by 6,2% to R206 000 |
| **Capital optimisation and balance sheet management** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Own capital ratio is still within the target level of 35% - 45% and currently stands at 41% |

## WEALTH CREATION AND DISTRIBUTION

### ❖ Financial performance

### Value added statement
### for the year ended 30 April

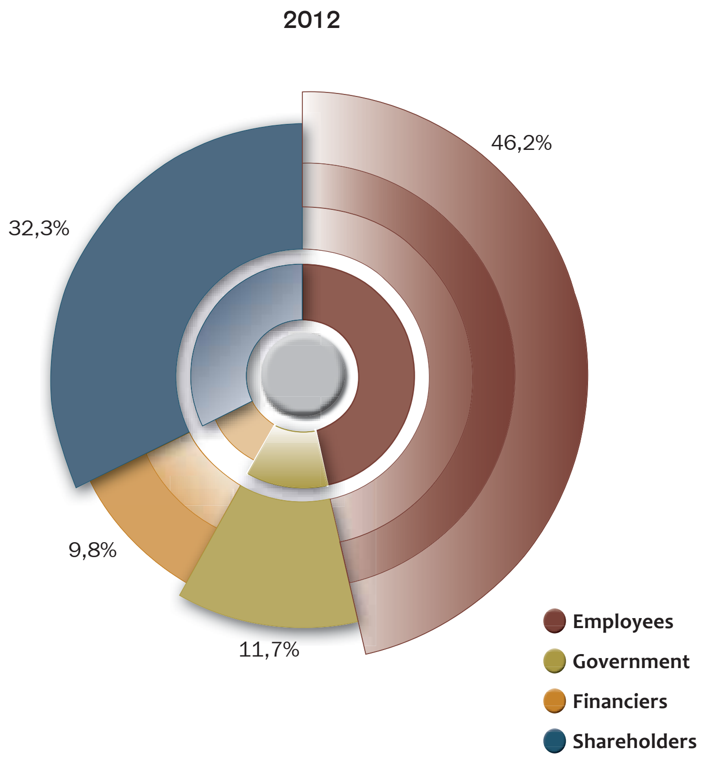
| | Notes | GROUP 2012 R'm | % | 2011 R'm | % |
|---|---|---|---|---|---|
| Revenue | | **13 097** | | 7 550 | |
| Paid to suppliers for goods and services | | **(12 154)** | | (6 661) | |
| **Value added** | | **943** | | 889 | |
| Income from investments | | **2** | | 4 | |
| **WEALTH CREATED** | | **945** | | 893 | |
| **Distributed as follows:** | | | | | |
| Employees and directors | | **437** | 46,2% | 412 | 46,2% |
| Salaries, wages and other benefits | 1 | **391** | 41,4% | 373 | 41,8% |
| Incentive scheme | | **45** | 4,8% | 39 | 4,4% |
| Authorities | 2 | **111** | 11,7% | 110 | 12,3% |
| Financiers | | **92** | 9,8% | 115 | 12,9% |
| Shareholders | | **305** | 32,3% | 256 | 28,6% |
| Dividends and distribution to ordinary shareholders | | **126** | 13,4% | 45 | 5,0% |
| Provision for replacement of assets | | **40** | 4,2% | 37 | 4,1% |
| Retained surplus (deficit) | 3 | **139** | 14,7% | 174 | 19,5% |
| **WEALTH DISTRIBUTED** | | **945** | 100,0% | 893 | 100,0% |

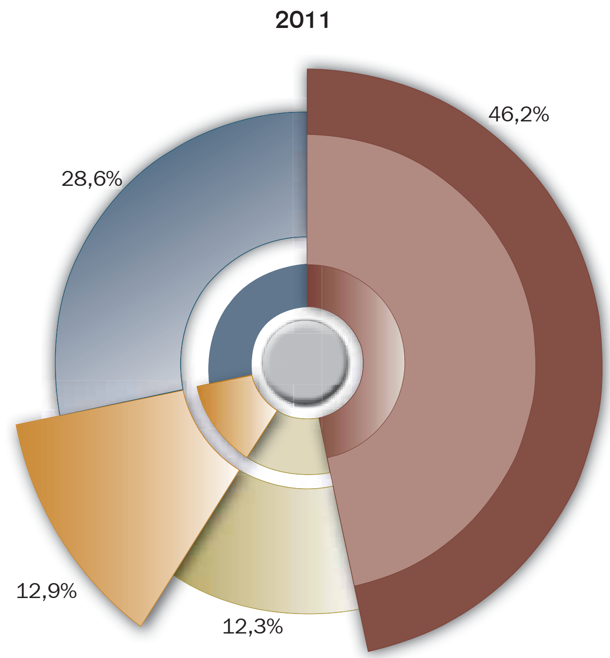
**Notes:**

1. Employer contributions of R4 million (2011 – R4 million) with regards to central insurance funds are not included in this figure as it is accounted for in the amount paid to authorities (Note 2).

| | 2012 R'm | 2011 R'm |
|---|---|---|
| 2. Central and local Government: | | |
| SA Normal taxation - current year | **73** | 95 |
| Decrease in deferred taxation asset | **13** | - |
| Dividend taxation (Secondary taxation on companies) | **12** | 4 |
| Skills development levy net of refunds | **3** | 2 |
| Rates and taxes paid to local authorities | **6** | 5 |
| Central insurance funds | **4** | 4 |
| Total spending on authorities | **111** | 110 |
| 3. Retained surplus comprises of: | | |
| Group profit after tax | **265** | 219 |
| Dividends | **(126)** | (45) |
| Retained surplus | **139** | 174 |

## DISTRIBUTION OF WEALTH




## OUR ORGANISATIONAL AGILITY AND EFFECTIVENESS

### Business intelligence and innovation

To improve our knowledge and understanding of the industry, market and the customer, in order to strategically position the company and to effectively and timeously respond to environmental changes, as well as to support the process of innovation in the organisation, in terms of business model, products, services and processes.

**Why is this a priority?**
In a volatile environment characterised by uncertainty, it is fundamentally important for the organisation to have effective analytics and intelligence, which will assist in building an understanding of the business and the environment, whilst also providing data for effective foresight and future scenario analysis. This will enable the organisation not only to respond, but also to anticipate and innovate accordingly. Poorly considered innovation can, however, be more detrimental than no innovation.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Business intelligence** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Knowledge of local and international drivers of the commodity prices will predict the local price much better and, together with the current local volumes, Senwes will be able to participate in imports and exports to a larger extent.<br>❖ Better arbitrage opportunities and quicker response time to implement new business plans in a highly volatile and changing market environment.<br>❖ Knowledge of the players in the market will facilitate consolidation and pave the way for further mergers.<br>❖ New technological development and knowledge of best practices will reduce costs and optimise efficiency. Research and development actions will result in the most cost effective business model. |

### Business intelligence and innovation (continued)

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Innovation** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Business units will be structured in such a way as to optimise product development and embed a culture of innovation and establishment of win-win partnerships.<br>❖ Transactions are structured in such a manner as to provide a new landscape with a new set of rules.<br>❖ The Centre of Excellence will focus on cost reduction and on enhancing service delivery, as well as positioning the corporate structure to facilitate deals where compliance and the cost of control become too expensive and risky, particularly in respect of organisations with no real growth. |

### Organisational agility and operational efficiency

**Why is this a priority?**
No business operates in a vacuum; every decision and every action is influenced by a wide range of forces, both internal and external to the business. Successful businesses are those who are able to adapt with speed and enhance the effectiveness of their response to exploit the forces that will enhance performance, while optimising their response to performance-limiting forces.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Centre of Excellence** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ A Centre of Excellence has been established to focus on enhancing structural, operational, process, system and resource efficiencies in the Group. The centre will focus on improved efficiency and productivity with a lower cost platform focus for the time being. |

## OUR PEOPLE

### Talent, ethics and culture

To ensure that the company has the right talent, at the right place, the right time and the right price, who operates ethically at all times, as well as a culture that facilitates the effective pursuit of our strategic objectives, whilst enabling our people to realise their potential.

**Why is this a priority?**
The quality and commitment of our people are one of the key factors in the success of our business. We believe that a healthy, engaged, well trained and motivated workforce with a passion for what they do each day is a key competitive advantage.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Succession planning** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ A succession plan for key management is in place and is reviewed twice a year to assess its adequacy and effectiveness. |
| **Leadership development** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ A leadership development plan is in place for senior management in the group which is focused on the critical skills required for strategy execution.<br>❖ Local and international top institutions have been identified and are utilised to provide suitable courses critical to empower our senior management to effectively execute the 2020 strategy. |
| **Ethics programme** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ An ethics committee, chief ethics officer and divisional ethics officers have been appointed and trained accordingly.<br>❖ The ethics programme is being implemented. (see details hereafter) |

## Talent, ethics and culture (continued)

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Organisational culture** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ A culture and climate survey was undertaken, which indicated high levels of employee satisfaction, commitment to strategy and values and loyalty to the organisation. It also highlighted a high level of acceptance of ownership by individuals in respect of the strategy of the organisation, and pursuit of its strategic objectives. |
| **Skills development** | Revenue protection,<br>Risk mitigation<br>Revenue growth,<br>Cost reduction | ❖ Senwes continues to invest in the attraction and development of talent, through the Senwes Academy, with focus on the graduate programme, learnerships, ABET, (adult basic education and training) recognition of prior learning, management and leadership development programmes.<br>❖ Senwes recruited and trained 12 graduates for the year under review and a cumulative 38 over a three year period. Details of the graduate programme are highlighted below. (see page 38) |
| **Stable labour environment** | Risk mitigation | ❖ Programmes have been put in place to establish a stable labour environment, based on the respect and fair treatment of employees, cordial relationships with unions, as well as respect for and compliance with labour legislation. (See page 38) |
| **A healthy and safe work environment** | Risk mitigation | ❖ Health and safety programmes are being rolled out in line with regulations and best practices, in order to ensure the well-being of our employees. (See page 39) |

### THE FOLLOWING STATISTICS PROVIDE ADDITIONAL INSIGHT:

| EPLOYMENT | | 2012 | 2011 | MOVEMENT |
|---|---|---|---|---|
| Number of employees at year end | Number | 2 170 | 2 201 | 1,4% |
| Employee turnover | % | 13,2% | 12% | (1,2%) |
| Direct investment in skills development | R'm | 4,5 | 3,1 | 45,2% |
| Skills development as % of taxable payroll | % | 1,3% | 0,9% | 0,4% |
| **EMPLOYEE PRODUCTIVITY** | | **2012** | **2011** | **MOVEMENT** |
| Revenue per employee | R'm | 6,0 | 3,4 | 76% |
| Operating profit per employee | R'000 | 206 | 194 | 6,2% |

## SUCCESSION MANAGEMENT

Succession management ensures the recruitment and development of employees to fill critical roles within the company. A talent management system was developed to maintain intelligence with regard to succession planning and talent information. Talent forums were established for each division in the company where the flight risk of critical positions and mitigating actions are identified and discussed. Specific career development plans for talented employees are also formalised for selected individuals.

## SKILLS DEVELOPMENT AND THE SENWES ACADAMY

As an accredited training provider, the Senwes Academy was established to offer workplace qualifications. Since then, Senwes has continued to invest time and resources to develop new skills and to recognise competence demonstrated by awarding learners with national qualifications.

The Group is committed to invest affordable and appropriate resources in training and skills development of employees, acknowledging that greater emphasis should be placed on the development of candidates from previously disadvantaged groups in order to progressively support the achievement of BEE targets.

## ETHICS PROGRAMME

An ethics programme was established with focus on creating awareness of the importance of ethics in business deals and to empower employees to deal with ethical dilemmas. Ethics officers were appointed for the Group as well as various divisions to champion the implementation of the programme.

The programme entails the following:

- ❖ Creating a common philosophical view of ethics
- ❖ Developing a code of ethics
- ❖ Establishing an ethics governance framework and structures
- ❖ Training the board, management and staff on ethics
- ❖ Promoting ethical behaviour
- ❖ Establishing reporting mechanisms

## GRADUATE PROGRAMME

The objective of this programme is to cultivate a leadership pipeline through the recruitment and development of graduates in line with the company's future talent requirements. With this in mind, Senwes recruited 38 graduates over the past 3 years to be enrolled on the 12 month Senwes graduate development programme. At least 80% of the graduates who completed the programme were absorbed into the organisation and Senwes therefore succeeded in the development of the talent pole.

## LABOUR RELATIONS

Senwes subscribes to the following principles and rights of workers:

- Freedom of association and recognition of rights of collective bargaining;
- Elimination of all forums of forced or compulsory labour; and
- Elimination of discrimination in respect of employment and occupation.

Senwes is a member of the Employer Organisation for the Grain Industry and is party to the Bargaining Council for the Grain Industry. At this forum employment conditions and remuneration are collectively negotiated for certain job levels. The goal for this forum is to collectively set industry norms in terms of employee benefits, without companies losing their unique identity.

Achievements at this forum are the establishment of a minimum wage for the industry and the establishment of an industry provident fund. The Bargaining Council also revisited its scope and application and published same in the Government Gazette. Discussions are held with the Department of Labour, regarding a possible extended scope and application on a national basis.

Senwes liaises and meets with the unions which are recognised on Bargaining Council level, but also engages with them on shop floor level. The establishment of sound labour relations and open and honest dialogue are of paramount importance.

For the year under review 29% (2011 – 29%) of Senwes' total labour force was associated with a recognised trade union.

## POLICIES AND PRACTICES

The employment policy of Senwes is updated regularly to keep pace with the ever changing human resources environment. The policy includes relevant human resources related policies and procedures, such as a code of ethics, disciplinary code and procedure, grievance procedures and harassment policies.

The aim of the company is to apply these policies consistently and fairly, yet recognising unique situations. These policies are transparent and available to all concerned. Continuous efforts are made to ensure that employees understand these policies and, most importantly, understand the reasons for the existence of these policies and practices.

Policies are available on the intranet, upon request as hard copies and new employees are also informed of the policies during induction programmes.

## ELIMINATION OF DISCRIMINATION

The Senwes Group does not condone discriminatory behaviour whether in terms of race, gender, sexual orientation, harassment, religion or beliefs. Whenever there is an incident of a discriminatory nature, disciplinary action is taken with the view to remedy and address such occurrences.

Employees are free to raise concerns and related issues by means of the grievance procedure without any fear of victimisation. There were no reported incidents of discrimination in the year under review.

## CHILD LABOUR

Senwes does not employ any person under the age of eighteen years. There has not been any incident of child labour in the year under review.

## FORCED LABOUR

Senwes complies with all labour legislation and ensures that no forced labour practices take place. There was no incident of forced labour during the year.

## INDIGENOUS RIGHTS

The Company strives to understand indigenous rights and practices and attempts to accommodate those where operationally practical.

## DISCIPLINARY PROCESSES

All formal disciplinary processes are screened and checked to ensure compliance with the policy and procedures and to ensure fairness and consistency. Regular courses are conducted to inform and train employees on labour related matters which include practical considerations derived from jurist prudence and developments.

## SENWES PERFORMANCE MANAGEMENT

The objective of performance development is to optimise every employee's output in terms of quality and quantity, thereby ensuring that goals are consistently being met in an effective and efficient manner, and improving individual and organisational performance.

The Senwes performance management system uses a weighted balanced scorecard approach and allows for at least two contact sessions during the year.

This system tracks performance and offers employees the opportunity to interact with their supervisors. The performance scores are utilised in the formulation of development plans and calculation of performance bonuses.

## HEALTH AND SAFETY

Managing corporate risks is a key issue for all organisations in the public and private sector. One key risk area is the health and safety of the company's employees, contractors and members of the public or customers who may be affected by company activities. The Senwes SHE (Safety, Health and Environment) integrated system supports standardisation of the corporate and SHE management process.

Senwes has an approved legal appointment structure as a framework within which responsible employees are appointed and form committees. Each business unit, including head office, has a functional health and safety committee comprising of SHE representatives and management representatives.

All committees meet regularly in line with policy, to discuss health and safety issues, injuries that occurred and how they were investigated and more importantly, recommended corrective actions to prevent recurrences.

The health and safety training programme is part of the entire skills development plan and it offers room for refresher training for most health and safety training interventions. Training is covered through formal education, health and safety circulars, open health days, health promotion talks, tool box talks, a suggestion box and health and safety bulletins in the company's internal newsletter.

A comprehensive EAP (Employee assistance plan) and wellness plan is in its final stage, which will cover HIV/AIDS, STI and TB prevention. Also, counselling will be stretched to cover assessment of employees in distress, motivational speakers on topics like nutrition, physical exercises and financial counselling. The plan will include objectives and targets to reach 90% of employees by 2015.

### RATE OF INJURIES, OCCUPATIONAL DISEASE, LOST DAYS AND ABSENTEEISM

| INDICATORS | 2012 | 2011 |
|---|---|---|
| Corporate man-hours worked | **4 696 509** | 4 784 592 |
| Section 24 disabling injuries | **8** | 12 |
| Disabling injuries | **38** | 50 |
| Man-days lost due to injuries | **6 537** | 12 442 |
| DIFR | **1,96** | 3 |
| Non-disabling injuries (NDI) | **23** | 31 |
| Hearing loss | **0** | 2 |

## CUSTOMER HEALTH AND SAFETY

Senwes handles prepared and packed foodstuff. Based on the Foodstuffs, Cosmetics and Disinfectants Act and Regulations (R918) on general requirements of food premises, food samples are taken every six months from our food preparing premises for bacteriological testing and quality purposes. Water samples (effluent) are also taken every six months from our silos to test parameters such as pH, conductivity etc.

Packaged food on the other hand gets examined during our continuous risk assessment for expiry dates, bulging cans, spoilage, improper storage that can lead to cross contamination and tainting.

## Governance, risk and compliance

(Also refer to the Corporate Governance Report)

To ensure high level standards of corporate governance in line with King III guidelines, as well as effective management and compliance with all legislation.

**Why is this a priority?**

In order for a company to be sustainable, it is crucial for directors to commit to maintaining the highest standards of corporate governance, which are fundamental to discharging their stewardship responsibilities to provide leadership, direction and control.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Board committees** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ All the Board committees required in terms of the new Companies Act, and/or recommended by KING III have been established and are operational. |
| **Board development** | Revenue protection<br>Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Board development takes place on an ongoing basis. |

## Governance, risk and compliance (continued)

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Social and Ethics Committee** | Revenue protection<br>Revenue growth<br>Risk mitigation | ❖ A Social and Ethics Committee has been established in line with the New Companies Act. |
| **Compliance management** | Revenue protection<br>Revenue growth<br>Cost reduction | ❖ Compliance is managed through an internal compliance committee and divisional compliance officers, and is monitored by the Risk and Sustainability committee. |
| **Risk management** | Risk mitigation<br>Revenue growth<br>Cost reduction | ❖ Risk management has been integrated into management practices and is monitored by the Risk and Sustainability Committee.<br>❖ A process of aligning enterprise-wide risk and sustainability management, focussing on both risk and opportunities, is being explored and structures will be realigned to facilitate effective implementation. |

## Sustainability management and transformation

To have effective strategies and systems for management, as well as integration of sustainability and transformation into the day to day activities of Senwes.

**Why is this a priority?**
Sustainability and transformation aligned with the changing environment is integral to long-term success and contributes towards the sustainability of a social, economic and natural environment, which is a prerequisite for the sustainable development of business.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Sustainability management** | Revenue protection<br>Revenue growth<br>Cost reduction<br>Risk mitigation | ❖ Sustainability has been integrated into the strategic management processes of the organisation.<br>❖ Sustainability issues have been identified and are being integrated into day-to-day operational management. |
| **Transformation and Broad Based BEE** | Revenue protection<br>Revenue growth<br>Cost reduction<br>Risk mitigation | ❖ Although Royal Bafokeng exited as a 17% BEE-shareholder in Senwes by selling its shares to Senwesbel, Senwes has, in terms of the BEE-transaction, achieved the empowerment objectives stated in the codes of good practice and will therefore retain its ownership rating in terms of the continuing consequence principle.<br>❖ Investigations are underway to structure another BEE-transaction.<br>❖ Transformation in terms of BEE-targets reflected stagnation for the previous three years, especially with regards to Employment Equity.<br>❖ Extensive work is being done in the skills development area to enhance progress in this regard, in order to increase the probability of reaching set objectives. |
| **Socio-economic and enterprise development** | | ❖ CSI-programmes are being implemented and community initiatives are supported in line with our CSI and enterprise development strategy.<br>❖ R2,5 million was spent on CSI-initiatives in the year under review.<br>❖ R30 million was spent on enterprise development, including production loans to emerging farmers. |

## OUR COMMUNITY

### SOCIO-ECONOMIC DEVELOPMENT

As a socially responsible corporate citizen, Senwes' involvement and investment in the community is something we are proud of. Through partnerships with various social organisations, the Group has made a significant impact in the following focus areas:

- Education
- Entrepreneurship and job creation
- Sports
- Arts and culture
- Health and welfare

### SPORTS AND RECREATION

#### Senwes Spinners

The Senwes Spinners farm schools cricket development programme in partnership with the Northwest Cricket Association not only offers youngsters from rural communities the opportunity to play cricket, it also offers them the opportunity to learn the lessons that sports teaches, such as dedication, fairness, determination and team spirit. Beyond this, it provides young people with the opportunity to socialise and have fun within the culturally diverse Senwes Spinners community.

The programme introduced 130 learners to the game and provided them with quality training, coaching and equipment. Our programme extends to the teachers who were trained as coaches and umpires, thereby empowering them with the necessary skills to ensure a sustainable programme and skills transfer.

Outstanding performers are identified and provided with an opportunity to attend a high performing academic and cricket school in order to enable them to pursue cricket at a higher level. One of these stars completed Grade 12 in 2011. There are currently four learners on this programme with another one completing Grade 12 in 2012.

Watch and share our Senwes Spinner videos on our YouTube channel at *www.youtube.com/senwestv.*

#### Senwes Schools Soccer League

The Senwes Schools Soccer League in Bothaville is a soccer development programme focussing on boys and girls at primary school level. This programme involves eight schools, with two teams per school participating in a league and knockout competitions. The programme reached out to over 110 boys and 110 girls involved in the league.

#### The Rural Schools Athletics Programme

The Rural Schools Athletics programme involves twelve rural schools in the Free State that compete in an annual competition. This programme reaches out to 1200 learners.

### ENTERPRISE DEVELOPMENT PROGRAMMES

#### Empowering of emerging farmers

Senwes has been actively involved in a training project aimed at the training and development of emerging farmers, as well as the provision of practical mentoring and coaching in various agricultural and farming disciplines.

Senwes runs a farming management training course to assist farmers to learn the basics of farming and adopt best farming practices.

A group of 20 emerging farmers have been trained in the following areas:

- Farm business management
- Financial management and administration
- Personnel management
- General management principles
- Efficient application of electricity on farms
- People and process skills
- Livestock farming in practice

Senwes assists emerging farmers with technical support, production finance and training in order to ensure that the arable land in our area of operation is productive and that emerging farmers can operate profitable farming enterprises through pursuing best farming practices.

### Entrepreneurship competition

The Senwes entrepreneurship competition is targeted at primary and high schools in the Senwes area of operation. A total of 57 high school and 257 primary school learners took part in the competition. The purpose of the competition is to promote and encourage entrepreneurship amongst young people.

The competition is run in partnership with the Free State University. Since the inception of the competition six learners who have previously won the competition have received bursaries that cover tuition fees at tertiary institutions.

### Young farmer future focus day

Senwes Young Farmers Future Focus is a conference for young farmers of the Free State and Northwest where experts in various fields address the young farmers. The purpose is to encourage young people to pursue farming and to empower them to deal with the challenges of commercial farming. About 300 young farmers attend this event annually.

### National conference sponsorships

Senwes sponsored six national conferences, which were attended by various organisations from the agricultural industry, nine provincial congresses and 170 district and local farmer associations or agriculture-related institutions.

| NATIONAL ORGANISATIONS | PROVINCIAL ORGANISATIONS |
|---|---|
| Agri SA | Free State Agricultural Union Annual Congress |
| Grain SA Annual Congress | Agri Northwest Annual Congress |
| National Chamber of Milling Annual Conference | Agri Northern Cape Annual Congress |
| Grain Handling Organisation of SA Annual Conference | Free State Agricultural Union Young Farmer Congress |
| AMT Agri Outlook Conference | Agri Northwest Young Farmer Congress |
| Agri Securitas | Free State Women Agricultural Union |
| | Agri Northwest Women Agricultural Union |
| | Red Meat Producer Organisation (Northwest) |
| | Hebron Wheat Day |

### Fire disaster fund

Senwes joined forces with its clients and suppliers to help those producers who suffered losses during the destructive veld fires in the Northwest Province and Free State. A fire disaster fund was established for both Agri NW and Free State Agriculture where each of the agricultural unions received an amount of R220 000.

Besides cash and products donated by producers, many contributed maize that could be sold.

### Farm and rural security

Senwes in partnership with OFM, Northwest Cricket and Engen, raised funds for Agri Securitas with the objective of assisting them in ensuring that there is security in the farming and rural communities of South Africa. A total amount of over R150 000 was contributed to Agri Securitas.

### Community programmes

Senwes assists selected credible NGO's and charity organisations with fund raising. In the past year, ten organisations benefited from Senwes Village's Greens to Dreams golf fund-raising project and five organisations benefited from the funding linked to Senwes Credit's R1 million project.

#### Charity

Senwes hosts a Christmas party for six organisations in conjunction with other social and business partners. We play host for 400 disabled or disadvantaged children in the Klerksdorp area. The event is organised and run by Senwes staff, who also buy gifts for the children using their personal funds.

### Educational programmes

Senwes works in partnership with academic institutions in both the Free State and the Northwest, which is our key area of operation. A bursary was granted to a deserving student pursuing studies in the agricultural field at the University of the Free State. Senwes also established and is supporting the running of a Computer Centre at NWU.

## BLACK ECONOMIC EMPOWERMENT

Senwes is a level 6 BEE-contributor.

| ELEMENTS | TARGET | SENWES ACTUAL SCORES |
|---|---|---|
| Ownership | 20 | 18,7 |
| Management control | 10 | 2,3 |
| Employment equity | 15 | - |
| Skills development | 15 | 4,9 |
| Preferential procurement | 20 | 5,7 |
| Enterprise development | 15 | 15,0 |
| Socio-economic development | 5 | 3,5 |
| Total | 100 | 50,2 |

DIVERSITY AND EQUAL OPPORTUNITIES

| | NON-WHITE | | WHITE | | FOREIGN | | TOTAL |
|---|---|---|---|---|---|---|---|
| | MALE | FEMALE | MALE | FEMALE | MALE | FEMALE | |
| EXECUTIVE DIRECTORS | - | - | 2 | - | - | - | 2 |
| SENIOR MANAGEMENT | 1 | - | 11 | 1 | - | - | 13 |
| MIDDLE MANAGEMENT | 7 | 1 | 73 | 14 | - | - | 95 |
| JUNIOR MANAGEMENT AND SPECIALISTS | 37 | 10 | 295 | 94 | - | - | 436 |
| SKILLED WORKERS | 237 | 129 | 121 | 206 | - | - | 693 |
| UNSKILLED WORKERS | 710 | 68 | 4 | 7 | - | - | 789 |
| TOTAL PERMANENT | **992** | **208** | **506** | **322** | **-** | **-** | **2 028** |
| TEMPORARY EMPLOYEES | 68 | 10 | 38 | 25 | 1 | - | 142 |
| TOTAL OF COMPANY | **1 060** | **218** | **544** | **347** | **1** | **-** | **2 170** |
| NON-EXECUTIVE DIRECTORS | 1 | 1 | 9 | - | - | - | 11 |
| GRAND TOTAL AFTER NON-EXECUTIVE DIRECTORS | **1 061** | **219** | **553** | **347** | **1** | **-** | **2 181** |

## Critical skills development

During the period under review, an integrated talent development approach was adopted to develop a critical skills pipeline to support the employment equity (EE) plan in the short, medium and long term. This involved the identification of critical and scarce skills areas where EE-appointment opportunities resulting from natural attrition are likely to surface in the medium and long term.

The following were the identified critical skills in areas targeted for transformation:

- Grain procurement
- Grain marketing
- Tractor mechanics and spares services
- Retail branch management
- Silo management
- Agricultural specialists

Senwes focuses on skills development programmes targeted at these areas as a way to enhance equity to these “mainstream” roles. We are conscious of the fact that the results of these programmes will not immediately reflect on the numerical targets as the learners are brought in at the lower level of the organisation with a plan to accelerate them to  junior and middle management, through accelerated management development programmes.

## Preferential procurement

Our BEE-process focuses on procuring goods and services from historically disadvantaged South Africans on a preferential basis, although some of our goods and services are not available from empowerment companies because of the specialised nature thereof. We continue to identify new BEE-suppliers to increase the portion of our procurement expenditure allocated to valid BEE-suppliers.

To support BEE-procurement, we have established a BEE-procurement strategy to encourage growth in our BEE-procurement spend.

## FOOD SAFETY

Senwes Grainlink is committed to ensuring that all grain is handled in a safe and hygienic manner that complies with Hazard Analysis and Critical Control Points (HACCP) standards and other relevant legislation.

We recognise our responsibility to apply hygienic practices in order to:

- Provide food which is safe and suitable for consumption;
- Ensure that customers have access to clear and easily-understood information, by way of labelling and other appropriate means;
- Protect grain from contamination and pathogens by storing and handling it correctly; and
- Maintain confidence in internationally traded food.

## AGROCHEMICAL RESIDUES IN DELIVERED COMMODITIES

In terms of this process a farmer is required to submit a chemical declaration at each silo where he wishes to store his crop, prior to any deliveries to the silo.

By means of the declaration, the farmer acknowledges that he/she is informed of the legal aspects regarding agrochemical applications and this is reconfirmed on each delivery note that accompanies a consignment.

## WATER ANALYSES

Problem-prone sites with respect to contaminated borehole water are tested routinely. Routine water quality testing is important for food safety and food hygiene accreditation as per the HACCP audit.

Formal HACCP audits by the Perishable Products Export Control Board (PPECB) were executed in March 2012, as per the three year cycle. Audits done at silos were successful and confirmed that the silos complied with legislation with regards to health and safety.

### The environment

**Why is this a priority?**
The reliability of the natural environment and its continued ability to generate natural resources are crucial for organisational success. Failure to preserve the natural capacity of the environment can result in catastrophe and lack of access to natural resources, which are prerequisites for production.

| PERFORMANCE AREA | VALUE DRIVER | PROGRESS |
|---|---|---|
| **Energy efficiency** | Cost reduction | ❖ Programmes have been put in place to reduce the utilisation of electricity in our operations, and to instil a culture of efficiency. Some savings have been realised, but not at the targeted levels as yet. (see details below) |
| **Water efficiency** | Cost reduction | ❖ A programme to investigate the reduction of water utilisation is also underway. |

Senwes has taken strides in reducing our environmental impact and managed to use water with care. Senwes works closely with all staff members to help them understand their impact on the environment and strives towards energy reducing and water consumption.
Continuous supply of electricity is vital for Senwes' operations and generators were installed a few years ago to ensure continuous supply of electricity. The effectiveness of the generators is tested on a frequent basis.

Plans are in progress at Senwes Head Office to increase energy savings by means of the following energy management systems:

- ❖ Occupancy sensing and switching off of lights for offices in general;
- ❖ Movement sensing and dimming in areas such as corridors with low traffic;
- ❖ Light sensing and dimming in areas with sufficient natural light during daytime (daylight harvesting);
- ❖ Replacement of wiring for lighting throughout the building; and
- ❖ New type of energy-efficient light fittings.

Energy-efficient lighting is now being used and plans are in place to ensure that high-energy systems are phased out through a combination of design, maintenance and replacement strategies.

Our environmental strategy for the construction of new buildings or upgrading of the existing buildings is to promote and apply the principles of a green (sustainability) building.

The table below lists the indicators we have chosen to measure our environmental performance and are monitored on a continuous basis. Our aim is to reduce our energy and water consumption by 10% and 5% respectively by the year 2020. Our total consumption is marginally lower year-on-year in respect of water, but higher in respect of the energy consumption for the year under review due to increased out loading of grain. There is a challenge of providing accurate usage as reliance is currently placed on municipality meter readings, which have proved to be unreliable in some instances. Senwes initiated a project through its centre of excellence to provide alternative and reliable usage monitoring technology that can provide accurate and timeous data, to supplement the municipal monitoring mechanism.

## STAKEHOLDER ENGAGEMENT

Stakeholder relations are critical and are one of Senwes' strategic priorities. We aim to be transparent and consistent in our dealings with stakeholders. Senwes employs various communication methods to reach stakeholders by their preferred medium of communication.

Senwes strives towards being the most admired agri-business in South Africa. Stakeholders are at the heart of this vision and therefore stakeholder relations are one of Senwes' strategic priorities. We continuously endeavour to make stakeholder engagement an integral part of the way we do business. Our approach to stakeholder engagement is based on the principles of mutuality and transparency. The Group provides various forums for different stakeholder groupings to engage. The purpose of these engagements is to broaden and deepen our understanding of the needs, expectations, concerns and perceptions of our stakeholders regarding issues material to the performance and sustainability of the Group, as well as to communicate relevant information which enables stakeholders to make informed decisions in their interaction with the Group. The importance of stakeholder groups is relative to their influence on the Senwes Group and its operations and sustainability.

We are constantly seeking innovative ways to improve the effectiveness of our engagement with all stakeholders. The process of engaging stakeholders on sustainability issues is currently underway and the results thereof, together with the impact on how we view and managed these issues, will be reported on in the next report.

### SHAREHOLDERS AND INVESTORS

Senwes interacts at least annually with both the major and minor shareholders through road shows, aimed at communicating the overall performance of the Group, strategic developments and challenges facing the Group at any given time; as well as obtaining feedback on issues of concern to the shareholders. Road shows were held during the year under review, as well as meetings with major shareholders to address any pertinent issues.

| | PERFORMANCE 2012 | PERFORMANCE 2011 | MOVEMENT |
|---|---|---|---|
| Water consumption (kl) | 70 941 | 73 201 | (3,1)% |
| Total electricity consumption (kWh) | 23 442 757 | 22 461 983 | 4,36% |
| Paper utilisation (Waste paper – kg) | 22 042 | 29 897 | (3,1)% |

## CUSTOMERS

Customers are the strategic focus of our business. Understanding their needs is critical in order to provide the right products, service levels and quality and ensure that our value proposition and delivery are in line with the expectations of the customer. We maintain close personal relationships with our major customers through our normal business structures, customer publications, electronic and mobile communication and customer forums.

We also undertake periodic group customer satisfaction surveys to assess the customer's experience of the Senwes brand.

## SUPPLIERS

The success of the Senwes business model is reliant on a solid supplier network, which can ensure reliable availability of consistent quality products, ongoing innovativeness, timely delivery, product safety and after-sales support. In this regard Senwes maintains an ongoing engagement with its supplier network, through personal meetings, supplier forums, conferences and electronic interaction.

## EMPLOYEES

Our employees are the cornerstone of Senwes' sustainability. It is therefore imperative that continuous engagement with them is fostered on a range of issues that affect them. A number of mechanisms are used to engage our employees, ranging from electronic newsletters, employee publications, web blogs, employee forums, performance management systems and climate surveys. In the past year the employees were also engaged in the establishment of the Centre of excellence, the execution of the ethics programme and the review of sustainability issues.

## GOVERNMENT AND REGULATOR

Senwes seeks to maintain sound relationships with government and regulators, with a view to sharing issues of mutual concern, dealing with misunderstandings, discussing policy initiatives, making and taking submissions and developing joint programmes. These stakeholders are engaged with mainly through industry structures and direct meetings with relevant departmental officials.

## COMMUNITY AND SOCIETY

Senwes believes that sustainability challenges cannot be solved by one company acting solo and therefore engages all other stakeholders, including the community-based organisations, non-governmental organisations, academic institutions and industry organisations in the spirit of partnership. In this regard Senwes has been involved in social and environmental projects with a number of its partners in order to improve the standard of living of communities. This communication takes place mainly through meeting and personal interaction with various structures of the organisation, as well as through sponsorship agreements.

## STAKEHOLDER ENGAGEMENT MECHANISMS

| STAKEHOLDER | HOW WE ENGAGE WITH OUR STAKEHOLDERS | WHY WE VALUE OUR STAKEHOLDERS | WHAT OUR STAKEHOLDERS DESERVE FROM US |
|---|---|---|---|
| **Shareholders** | ❖ Road shows<br>❖ Annual reports<br>❖ Annual general meeting<br>❖ Media releases<br>❖ Published reports<br>❖ Presentations | Our shareholders place their trust in our company and provide the capital needed to execute our 2020 strategy. | Our shareholders deserve responsible and sustainable growth of the company which leads to the creation of wealth and returns on their investments. |
| **Customers** | ❖ Key account managers<br>❖ Senwes Agricultural Services<br>❖ Farm visits<br>❖ Personal contact at business units<br>❖ Annual group customer satisfaction survey<br>❖ SMS notifications<br>❖ Website and social media<br>❖ e-Newsletter (eScenario)<br>❖ Customer magazine (*Senwes Scenario*)<br>❖ Expos<br>❖ Farmer days<br>❖ Demonstration days<br>❖ Promotional material | Our customers are our lifeblood and we know and understand them and their businesses, which makes it possible for us to generate revenue and create sustainable growth. The grain buyer provides a market for our products and is critical to the conclusion of grain transactions. | Our customers deserve good quality, safe products and services that offer value for money and peace of mind when doing business with us.<br><br>Our customers expect quality products and services at the right place, the right time with balanced transactional conditions. |
| **Employees** | ❖ Divisional meetings<br>❖ Management road shows<br>❖ Internal print newsletter<br>❖ Internal e-Newsletter<br>❖ Discussion forum and articles on the Senwes intranet<br>❖ Performance objective setting and feedback sessions<br>❖ Employee award functions<br>❖ Employee surveys | Our employees are the foundation on which our organisation is built. We respect and value the skills and experience of our team members and recognise the contributions made by each individual. | Our employees deserve a safe and positive work environment where hard work is rewarded, their activities are stimulating, growth opportunities are provided and where remuneration is fair and equitable. |
| **Suppliers and service providers** | ❖ Supplier meetings and site visits<br>❖ Supplier forums<br>❖ Conferences<br>❖ Electronic interaction<br>❖ Personal contact/discussions<br>❖ Supplier function | Our suppliers are critically important with regards to enabling us to deliver on our value proposition. Our suppliers are our partners and the source of the quality products we sell. | Our suppliers deserve to be treated fairly and to share in the rewards when Senwes experiences prosperous periods. We provide a reliable, efficient and effective distribution channel. |
| **Government and regulatory authorities (local, provincial and national)** | ❖ Engagement through industry structures<br>❖ Direct meetings | Our government and regulators provide the framework within which we operate. Good relationships with these parties are critical to the expansion of the Senwes Group. | Our government and regulatory authorities deserve transparency and adherence to laws. Furthermore, we aim to support the national development objectives and initiatives. |
| **Communities** | ❖ CSI initiatives<br>❖ Study/Focus groups | Our communities not only provide us with a market for our products and services, but our employees are also part of these communities. It is therefore critical for us to operate in a responsible and sustainable fashion within these communities where our employees, clients and their families reside and to contribute to their development. | Our communities deserve our commitment to broader societal interests and to invest in the future of the communities within which we operate. |

STAKEHOLDER ENGAGEMENT MECHANISMS (continued)

| STAKEHOLDER | HOW WE ENGAGE WITH OUR STAKEHOLDERS | WHY WE VALUE OUR STAKEHOLDERS | WHAT OUR STAKEHOLDERS DESERVE FROM US |
|---|---|---|---|
| **JV partners** | ❖ Meetings and site visits<br>❖ Personal and electronic interaction<br>❖ Strategic development<br>❖ Capital participation<br>❖ Integration of optimisation actions<br>❖ Risk and compliance solutions | Our JV partners aid our expansion and value creation, whilst sharing in the risks and rewards of business with us. Therefore we are all committed to the same high standards and operational excellence. | Our JV partners deserve commitment to common goals, support and transparency. |
| **Media** | ❖ Media releases<br>❖ Media tours<br>❖ Invitations to events<br>❖ Exposure to the Group | The media designs the perception of the Group and provides commentary on our operations. They hold us accountable for our actions and assist us in raising awareness regarding our brand, products, services and business strategy. | The media deserves honest feedback and accurate information regarding topics of public interest with regards to our trademark, products, services and business strategy. |

## REMUNERATION REPORT

### REMUNERATION PHILOSOPHY

The purpose of remuneration is to attract, retain, motivate and remunerate talented and high performing staff in order to achieve the Group's strategic and short-term objectives. The Group's philosophy is to encourage sustainable long-term performance that is consistently aligned with the strategic direction including short and long-term objectives of the business.

### GUIDING PRINCIPLES

- Compensation and benefits are not limited to physical payments only, but include everything about the work experience that affects an employee's commitment and contribution to business value.
- Rewards are not exclusively benchmark driven, but are also internally driven by focussing on the business needs and employee/employer collaboration.
- To ensure sensitivity and objectivity in determining, reviewing, monitoring, and approving remuneration levels by ensuring that the remuneration of employees is fair, market related and competitive, based on appropriate benchmarks, whilst always being cautious that the upward movement of remuneration levels is commensurate with corresponding improvement in performance.
- Remuneration forms part of the total work experience and has to ensure that a significant percentage of potential maximum rewards is conditional on both short-term and long-term performance.
- To provide an opportunity for overall remuneration to be at least in the upper quartile of the market and comparator groups if superior performance is achieved, whilst the guaranteed elements should be benchmarked across the board at appropriate median levels, relative to strategic and business objectives and comparative to the relevant labour market.
- To ensure that incentives are paid from growth in shareholder value and that such incentives are aligned with shareholder value.
- Objectives are mainly linked to measurable drivers and are aligned with the strategy, the book performance and share performance of the company.
- A clear distinction is made between performance pay and the revision of fixed remuneration.

### REMUNERATION STRATEGIC OBJECTIVES

- To attract and retain the right talent, taking into account the affordability thereof for Senwes;
- To create a high performance culture;
- To motivate result oriented behaviour;
- To encourage long-term focus that ensures sustainability of performance;
- To reward individual, team and corporate performance; and
- To encourage behaviour that is aligned with the culture and objectives of the Group.

### REMUNERATION POLICY AND STRUCTURE

The Group's remuneration policy and structure has three components and is designed to balance short-term and long-term objectives. These components are made up of guaranteed remuneration, short-term incentives for all employees and long-term incentives for key employees. The last two elements seek to align the interests of management and the executive respectively, with the interests of the shareholders.

The remuneration policy is fully integrated into other management processes such as performance management, talent management, succession planning and the overall group human resources policies.

### GUARANTEED REMUNERATION

Guaranteed remuneration includes basic salary and benefits for all permanent employees, and commission for sales and marketing employees. Guaranteed pay is on a total cost to company (CTC) basis. Certain minimum statutory deductions and contributions towards pension, provident funds and medical aid are funded from this total CTC. Individuals are free to choose their own medical fund within a portfolio of approved medical schemes.

In order to maintain appropriate remuneration competitiveness relative to the labour market, guaranteed remuneration is reviewed annually and increases are effective 1 May of each year. Annual increases in guaranteed remuneration are market related and take into account Group and company performance.

Increases for certain non-managerial positions covered under bargaining council agreements, are negotiated at this forum. Increases for other positions outside collective agreements, are based on internal and external benchmarks but also take the following factors into consideration:

- Seniority of the employee
- Critical and scarce skills
- Retention mechanisms
- Contribution made by the employee
- Market position of the employee in terms of remuneration

The increases determined at collective bargaining level have an element of a minimum threshold across the board for such negotiated categories, whilst increases at other levels take the principle of averaging into consideration.

Benchmarks are done on the following aspects:

- Remuneration levels on fixed pay against the 50th percentile of the market.
- Star performers that consistently outperform objectives are benched against the 75th percentile in the market.
- Job grades relative to that of the market.
- All positions from job grade 12 and higher are benchmarked against national indicators, since those positions include skills and talent that are competed for on a national basis.
- Positions below grade 12 are benchmarked against the Northwest and Free State indicators.
- Increases and prediction of increases in the market relative to the Group and social impact.

## SHORT-TERM PERFORMANCE INCENTIVES

The Group uses short-term performance incentives to focus behaviour on important strategic and business objectives. It is meant to primarily motivate the achievement of short-term goals and financial performance. Incentive schemes are based on achievement of corporate performance targets, divisional and individual objectives and follow the principle of "line-of-sight", in order for targets to be set at the level of influence of the employee.

The payment of short-term incentives is aligned with the performance measurement, which implies that poor performers will receive no short-term incentives, whilst star performers will have the ability to increase their variable pay.

The short-term incentive has two components namely an on-target bonus and when applicable, profit sharing.

Other performance based remuneration such as commission schemes are payable based on agreed performance targets. These incentives are normally payable on a monthly basis, depending on the level of performance.

## LONG-TERM PERFORMANCE INCENTIVES

The purpose of the long-term incentive scheme is to align the long-term interests of the executive management and identified key employees, with the long-term interest of the shareholders and in this regard to provide mechanisms for these employees to share in the shareholder value that they have created or contributed significantly to the creation thereof. It also serves as a mechanism for retaining key staff members that create value and an incentive for further value creation. Participation in the scheme in considered annually by the Remuneration Committee upon recommendations made by the managing director and is approved by the board. 21 senior executives participated in the long-term incentive scheme during this financial year.

## REMUNERATION APPROACH

- Remuneration is viewed as a crucial component of our strategic, business and human resources management process.
- The "total reward" approach does not only take financial elements into consideration, but non-financial elements as well.
- The Group is oriented towards the employee's perspective, thereby looking at the employee as a customer of rewards.
- The Group objective is to always ensure that employee behaviour and interest are aligned with the interest of the shareholders.

The diagram below demonstrates the philosophy:

| PERCENTILE | MARKET | SENWES STAR PERFORMERS | SENWES NORMAL PERFORMERS |
|---|---|---|---|
| 125 | | Profit sharing | |
| 100 | Total cost to company | STI | |
| 75 | | Guaranteed | STI |
| 50 | | | Guaranteed |
| 25 | | | |

The Group positions itself at the 50th percentile in terms of market based pay (guaranteed), which means that the Group is paying only average to the market, which can impact negatively on the attraction and retention of talent and skills. This limitation is, however, overcome by the utilisation of the short-term incentive which has the following advantages:

- It creates flexibility in that total rewards can be compared with benchmarks in terms of total cost.
- It allows for a "lower" base pay and therefore provides a measure to mitigate costs in poor economic conditions and also provides for good remuneration levels when performance warrants it.
- It focuses on variable pay, thereby aligning company performance, individual performance and shareholder expectation.

During the year under review the Remunerations Committee and the Board were assisted by PricewaterhouseCoopers to evaluate the appropriateness, adequacy, affordability, reasonableness of the remuneration structures and incentives in Senwes.

**Joe Maswanganyi**
GENERAL MANAGER:
CORPORATE SERVICES

**Francois Strydom**
MANAGING DIRECTOR

Klerksdorp
26 June 2012

- FIVE-YEAR REVIEW
- STATUTORY REPORTS
- FINANCIAL REPORTS
- CORPORATE INFORMATION

SECTION 3

# INTEGRATED FINANCIAL REPORT

Coming together is a beginning, staying together is progress, and wokring together is a success.
– HENRY FORD

Senwes

# GROUP FIVE YEAR FINANCIAL REVIEW

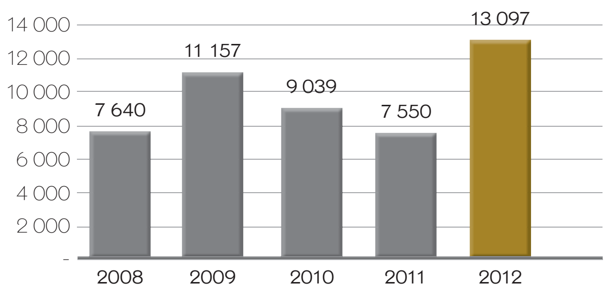
| | 2012 R'm | 2011 R'm | 2010 R'm | 2009 R'm | 2008 R'm |
|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | |
| **Assets** | | | | | |
| Non-current assets | **696** | 548 | 508 | 433 | 377 |
| Current assets | **2 676** | 2 558 | 2 288 | 2 070 | 1 998 |
| **Total assets** | **3 372** | 3 106 | 2 796 | 2 503 | 2 375 |
| **Equity and liabilities** | | | | | |
| Capital and reserves | **1 368** | 1 230 | 1 059 | 1 126 | 841 |
| Non-controlling interest | **8** | - | - | - | 2 |
| Total equity | **1 376** | 1 230 | 1 059 | 1 126 | 843 |
| Non-current liabilities | **457** | 446 | 436 | 432 | 79 |
| Current liabilities | **1 539** | 1 430 | 1 301 | 945 | 1 453 |
| **Total equity and liabilities** | **3 372** | 3 106 | 2 796 | 2 503 | 2 375 |
| Interest-bearing liabilities included in current liabilities | **1 440** | 1 399 | 1 196 | 717 | 802 |
| **INCOME STATEMENT** | | | | | |
| **Revenue** | | | | | |
| Financial Services – ***Senwes Credit & Univision*** | **168** | 156 | 166 | 182 | 136 |
| Input supply – ***Senwes Village*** | **2 259** | 1 770 | 1 943 | 2 208 | 1 573 |
| Market Access – ***Senwes Grainlink*** | **10 659** | 5 567 | 6 895 | 8 723 | 5 902 |
| Sundry operations | **-** | 46 | 27 | 27 | 23 |
| **Normal operating activities** | **13 086** | 7 539 | 9 031 | 11 140 | 7 634 |
| Corporate income | **11** | 11 | 8 | 17 | 6 |
| **Total income for the year** | **13 097** | 7 550 | 9 039 | 11 157 | 7 640 |
| **Profit** | | | | | |
| Financial Services – ***Senwes Credit & Univision*** | **55** | 54 | 62 | 72 | 46 |
| Input supply – ***Senwes Village*** | **169** | 65 | 96 | 138 | 83 |
| Market Access – ***Senwes Grainlink*** | **183** | 252 | 236 | 349 | 138 |
| Sundry operations | **-** | - | 2 | - | 1 |
| **Normal operating activities** | **407** | 371 | 396 | 559 | 268 |
| Corporate costs | **(47)** | (56) | (66) | (37) | (44) |
| Investment income | **2** | 4 | 2 | 4 | 26 |
| **Profit before tax** | **362** | 319 | 332 | 526 | 250 |
| Tax | **(97)** | (100) | (123) | (158) | (75) |
| **Profit for the year** | **265** | 219 | 209 | 368 | 175 |
| Non-controlling interest | **1** | - | - | 1 | 2 |
| **Finance charges included in results** | **(92)** | (115) | (85) | (126) | (126) |
| **CASH FLOW STATEMENT** | | | | | |
| **Net cash flow** | | | | | |
| Cash from operating activities | **508** | 547 | 516 | 744 | 438 |
| Cash profit | **329** | 343 | 329 | 474 | 218 |
| Dividends paid | **(126)** | (45) | (280) | (83) | (103) |
| Movement in operating capital | **(155)** | (290) | 52 | (386) | (316) |
| **Net cash flow from operating activities** | **48** | 8 | 101 | 5 | (201) |
| Net cash invested through investment activities | **(133)** | (31) | (46) | (55) | - |
| Net cash generated through financing activities | **102** | - | - | - | - |
| **Net increase/(decrease) in cash and cash equivalents** | **17** | (23) | 55 | (50) | (201) |

# FINANCIAL AND OPERATIONAL RATIOS

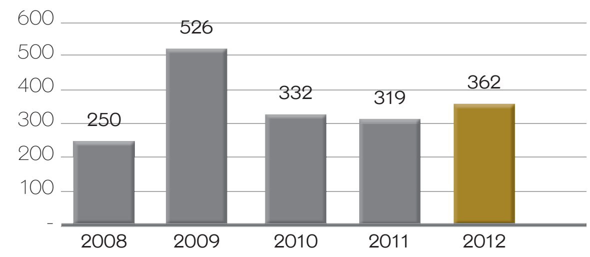
| | Definitions | 2012 | 2011 | 2010 | 2009 | 2008 | 5 year average (%) |
|---|---|---|---|---|---|---|---|
| **FINANCIAL GROWTH (PERCENTAGE)** | | | | | | | |
| Total assets | | **8,6** | 11,1 | 11,7 | 5,4 | 11,9 | 9,7 |
| Total shareholder interest | | **11,9** | 16,1 | (6,0) | 33,6 | 9,1 | 12,2 |
| Interest-bearing liabilities | | **2,9** | 17,0 | 66,8 | (10,6) | 4,0 | 13,3 |
| Total revenue from continuing operations | | **73,5** | (16,5) | (19,0) | 46,0 | 37,6 | 18,7 |
| Profit before tax from continuing operations | | **13,5** | (3,9) | (36,9) | 110,4 | 36,6 | 14,6 |
| Headline earnings per share | | **14,3** | 1,6 | (39,9) | 123,4 | 29,4 | 15,1 |
| Net asset value per share | | **11,2** | 16,1 | (6,0) | 33,9 | 9,1 | 12,2 |
| Closing market price per share | | **(11,8)** | 39,7 | 32,7 | 4,8 | 31,3 | 17,6 |
| Total dividends for the year | | **71,4** | (75,0) | 125,8 | 14,8 | 134,8 | 21,1 |
| **PERFORMANCE OF ORDINARY SHARES (%)** | | | | | | | |
| **Number of ordinary shares ('m)** | | | | | | | |
| Weighted average number in issue | | **180,79** | 180,79 | 180,79 | 180,79 | 180,79 | |
| Number in issue at year-end | | **180,79** | 180,79 | 180,79 | 180,79 | 180,79 | |
| **Cents per share** | | | | | | | |
| Earnings | 1 | **146,0** | 121,1 | 115,6 | 203,0 | 95,7 | 16,1 |
| Headline earnings | 2 | **132,8** | 116,2 | 114,4 | 190,3 | 85,2 | 15,1 |
| Net asset value | 3 | **756,7** | 680,3 | 585,8 | 622,8 | 465,2 | 12,2 |
| Closing market price | 4 | **900,0** | 1 020,0 | 730,0 | 550,0 | 525,0 | 17,6 |
| Total dividends for the year | 5 | **60,0** | 35,0 | 140,0 | 62,0 | 54,0 | 21,1 |
| Final dividend | | **15,0** | 25,0 | 15,0 | 30,0 | 14,0 | |
| Interim dividends paid | | **45,0** | 10,0 | 25,0 | 15,0 | 10,0 | |
| Special dividend paid | | **-** | - | 100,0 | 17,0 | 30,0 | |
| **Percentage** | | | | | | | |
| Price book ratio | 6 | **118,9** | 149,9 | 124,6 | 88,3 | 112,9 | |
| Dividend yield, including special dividends | 7 | **5,9** | 4,8 | 25,5 | 11,8 | 13,5 | |
| Dividend yield, excluding special dividends | 8 | **5,9** | 4,8 | 7,3 | 8,6 | 6,0 | |
| Dividend yield on average market price, including special dividends | 9 | **6,3** | 4,0 | 21,9 | 11,5 | 11,7 | |
| **Times** | | | | | | | |
| Price earnings ratio | 10 | **6,2** | 8,4 | 6,3 | 2,7 | 5,5 | |
| Dividend cover, including special dividends | 11 | **2,4** | 3,5 | 0,8 | 3,3 | 1,8 | |
| Dividend cover, excluding special dividends | 12 | **2,4** | 3,5 | 2,9 | 4,5 | 4,0 | |
| **SHAREHOLDER RETURN (%)** | | | | | | | |
| Return on equity | 13 | **21,5** | 20,7 | 18,6 | 43,6 | 22,4 | |
| Return on average equity | 14 | **20,3** | 19,1 | 19,1 | 37,3 | 21,5 | |
| Total shareholder return (dividends and capital growth) | 15 | **(5,9)** | 44,5 | 58,2 | 16,6 | 44,8 | |
| Total shareholder return (on average market price) | 16 | **(6,3)** | 37,1 | 50,0 | 16,2 | 38,7 | |
| **PRODUCTIVITY** | | | | | | | |
| Asset velocity (times) | 17 | **4,0** | 2,6 | 3,4 | 4,6 | 3,4 | |
| Revenue/equity (times) | 18 | **9,5** | 6,1 | 8,5 | 9,9 | 9,1 | |
| Number of employees | 19 | **2 170** | 2 201 | 2 277 | 2 167 | 2 087 | |
| Operating profit per employee (R'000) | 20 | **206** | 194 | 181 | 299 | 168 | |
| Return on total assets – EBIT (%) | 21 | **13,5** | 14,0 | 14,9 | 26,0 | 15,8 | |
| Operating profit as % of income | 22 | **3,4** | 5,7 | 4,6 | 5,8 | 4,6 | |
| Effective tax rate | 23 | **27** | 31 | 37 | 30 | 30 | |
| **SOLVENCY AND LIQUIDITY** | | | | | | | |
| Equity as % of net assets | 24 | **49** | 47 | 47 | 61 | 51 | |
| Equity as % of total assets | 25 | **41** | 40 | 38 | 45 | 35 | |
| Gearing ratio % | 26 | **103** | 112 | 109 | 64 | 91 | |
| Non-interest-bearing liabilities as % of equity | 27 | **41** | 39 | 51 | 59 | 87 | |
| Cash profit (R'm) | 28 | **329** | 343 | 329 | 474 | 218 | |
| Interest cover – EBITDA (times) | 29 | **5,4** | 4,1 | 5,4 | 5,4 | 3,2 | |
| Current ratio | 30 | **1,7** | 1,8 | 1,8 | 2,2 | 1,4 | |
| Quick asset ratio | 31 | **1,3** | 1,1 | 1,1 | 1,5 | 0,9 | |

## INCOME STATEMENT

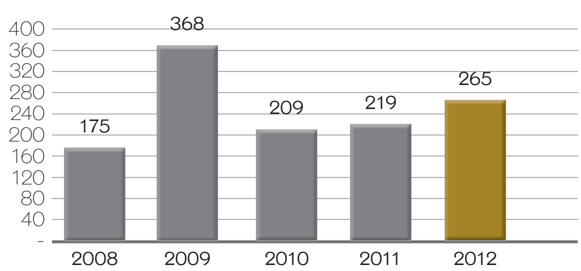
### Revenue from continuing operations (R'm)



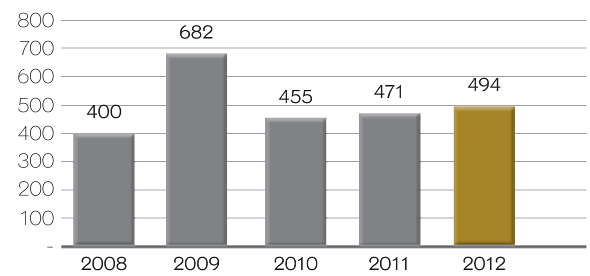

### Profit from continuing operations (R'm)




### Profit after tax (R'm)

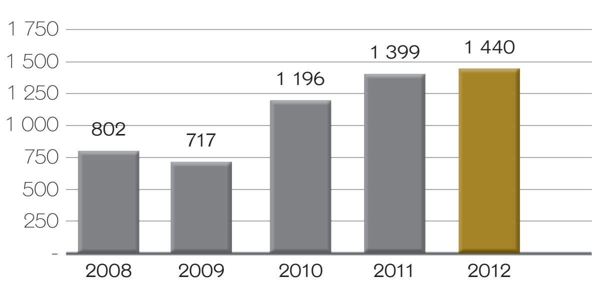



### Earnings before interest, tax, depreciation and amortisation (R'm) (EBITDA)

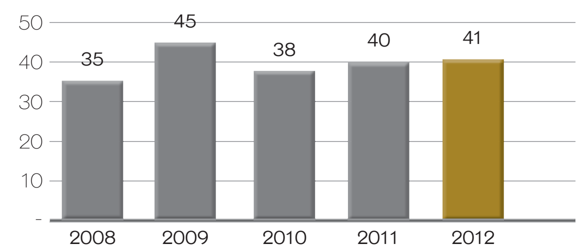



## BALANCE SHEET

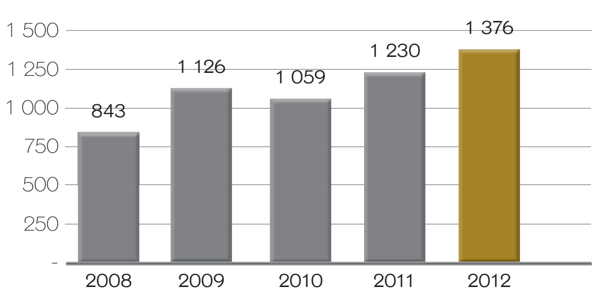
### Interest-bearing debt (R'm)



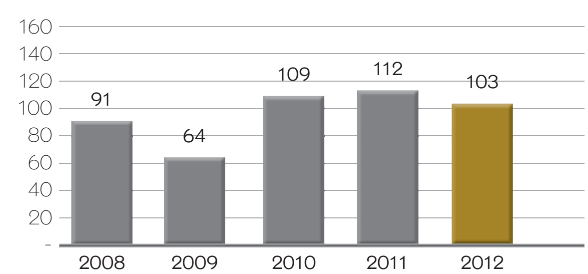

### Own capital ratio (%)




### Total shareholders interest (R'm)

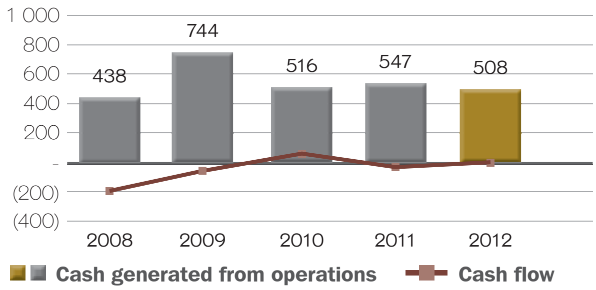



### Gearing ratio (%)

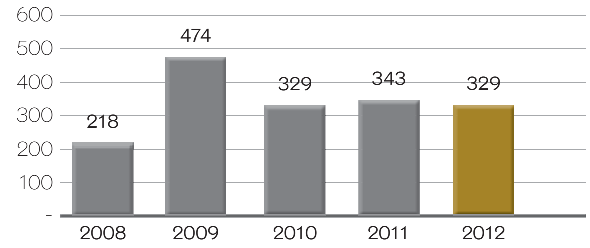


## CASH FLOW STATEMENT

### Cash from operations generated vs net cash flow (R'm)

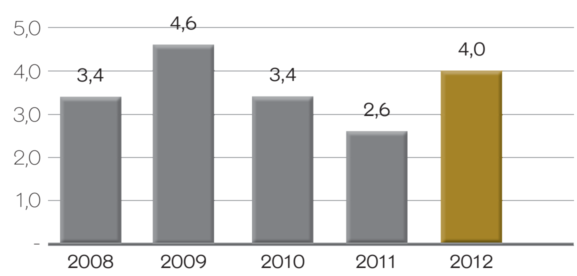



### Cash profit (R'm)

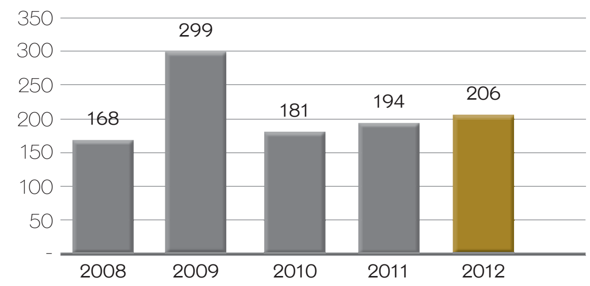



## EFFICIENCY AND PRODUCTIVITY

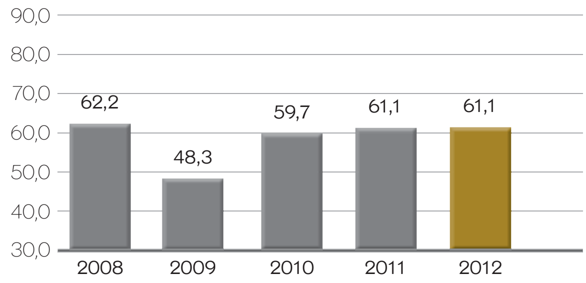
### Asset velocity (times)



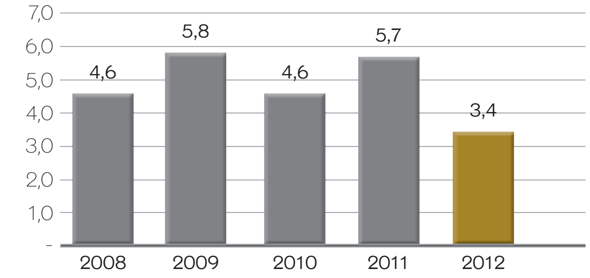

### Operating profit per employee (R'000)



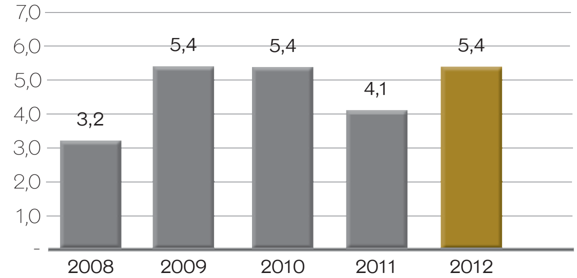

### Distribution, sales and administrative expenses as percentage of gross profit (%)



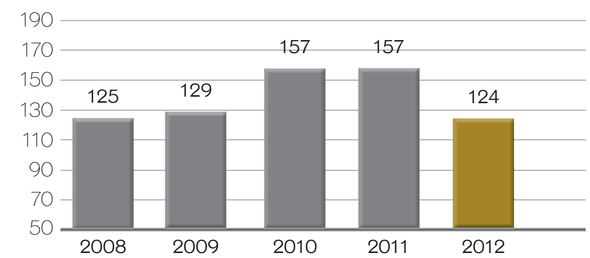

### Operating profit margin (%)




### Interest cover (times)



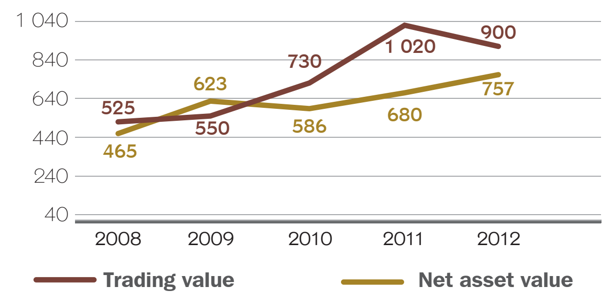

### Quality of earnings: Cash profit vs Accounting profit (%)



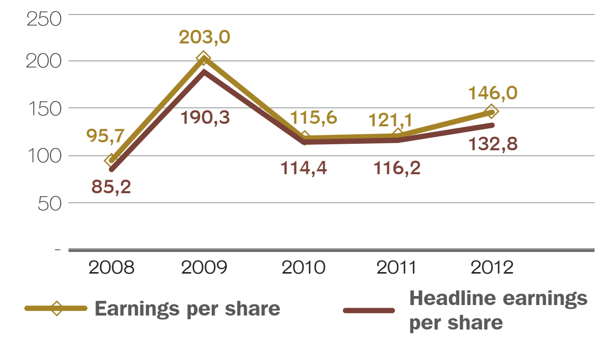
# INVESTMENT STATISTICS

## SHAREHOLDERS

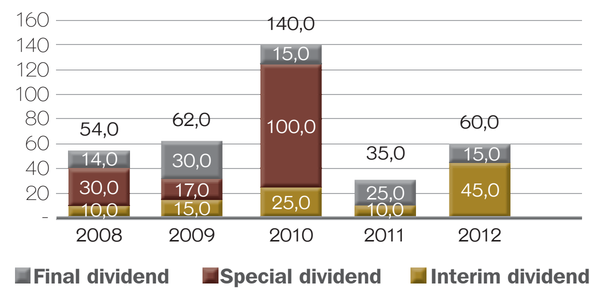
Share price: Trading value vs net asset value (cents/share)



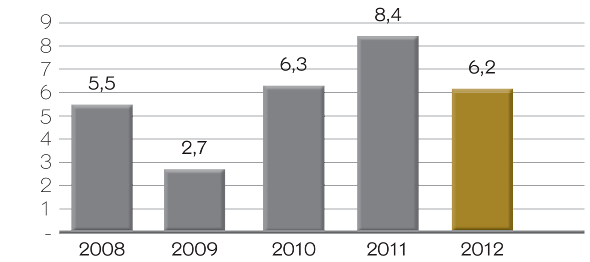

Earnings per share (cents)



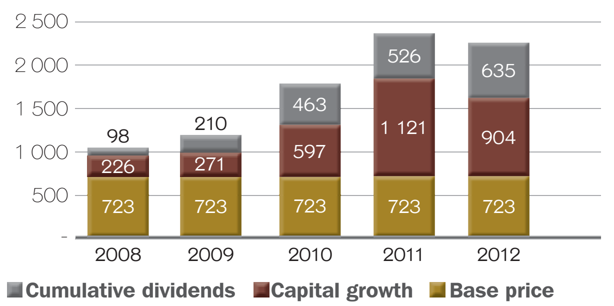

Dividend (cents/share)



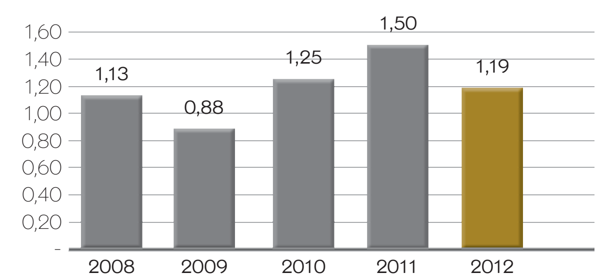

Price earnings ratio calculated on headline earnings (times)



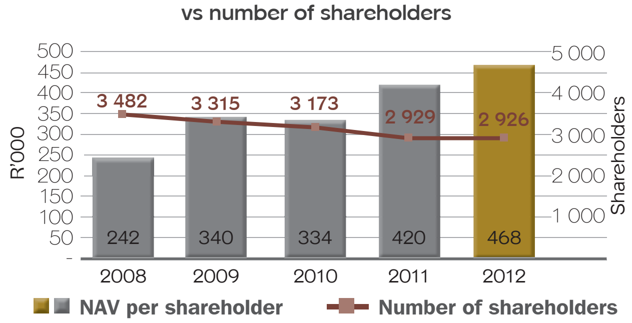

Value creation and value unlocking for shareholders by capital and dividends (R'm)



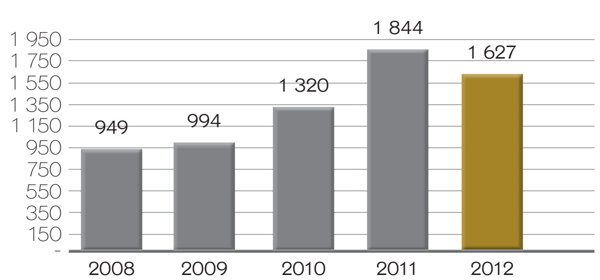

Price-book ratio (times)



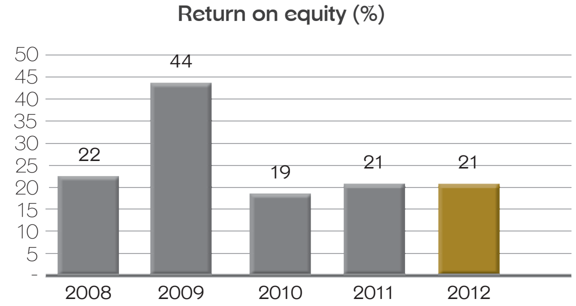

Equity attributable to shareholders vs number of shareholders




Market capitalisation – closing price (R'm)




Return on equity (%)



1. **Earnings per share**
Earnings attributable to shareholders divided by the weighted average number of shares in issue during the year.

2. **Headline earnings per share**
Headline earnings (refer note 2), divided by the weighted average number of shares in issue during the year.

3. **Net asset value per share**
Capital and reserves, divided by the number of shares in issue at year-end.

4. **Closing market price**
Trading price derived from the last share trading transaction of the financial year.

5. **Total dividends for the year**
Total of normal (interim and final) and special dividends for the year.

6. **Price-book ratio**
Closing market price per share divided by the net asset value per share, at year-end.

7. **Dividend yield, including special dividends**
Total dividend per share divided by the opening market price per share.

8. **Dividend yield, excluding special dividends**
Total dividend per share, excluding special dividends, divided by opening market price per share.

9. **Dividend yield on average market price, including special dividends**
Total dividend per share, including special dividends, divided by the average market price per share.

10. **Price earnings ratio**
Closing market price per share divided by the earnings per share.

11. **Dividend cover, including special dividends**
Earnings per share divided by total dividend per share.

12. **Dividend cover, excluding special dividends**
Earnings per share divided by total dividend per share, excluding special dividends.

13. **Return on equity**
Profit after tax divided by the opening balance of capital and reserves.

14. **Return on average equity**
Profit after tax divided by average capital and reserves.

15. **Total shareholders' return (dividend and capital growth)**
Total dividend yield (definition 7), plus growth in market share price.

16. **Total shareholders' return (on average market price)**
Total dividend yield (definition 7), plus average growth in market price.

17. **Asset velocity**
Revenue divided by total average assets.

18. **Revenue/equity**
Revenue divided by total closing equity.

19. **Number of employees**
Number of employees (total of permanent and temporary) at year-end.

20. **Operating profit per employee**
Profit before taxation from continuing operations, adjusted with finance cost, investment income and share of profit from associates (operating profit), divided by the total number of employees at year-end.

21. **Return on total assets**
Profit before taxation and finance cost from continuing operations (PBIT) as % of total assets less assets of discontinued operations – held for sale.

22. **Operating profit as % of revenue**
Operating profit as percentage of revenue from continuing operations.

23. **Effective tax rate**
Tax expense as per the financial statements as a % of profit before tax.

24. **Equity as a % of net assets**
Total equity expressed as a % of total assets less non-interest-bearing debt.

25. **Equity as % of total assets**
Total equity expressed as a % of total assets.

26. **Gearing ratio**
Interest-bearing debt, reduced by cash, divided by total equity.

27. **Non-interest-bearing liabilities as % of equity**
Non-interest-bearing liabilities and provisions divided by total equity.

28. **Cash profit**
Profit for the year, adjusted with non-cash flow items (refer page 64) and taking into account actual tax paid, finance cost paid and other operating income.

29. **Interest cover**
Profit before tax, adjusted with depreciation (refer note 20.1.4) and finance cost (EBITDA), divided by finance cost.

30. **Current ratio**
Current assets divided by current liabilities.

31. **Quick asset ratio**
Current assets less inventory divided by current liabilities.

# STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

**THE** directors are responsible for the preparation, integrity and reasonableness of presentation of the seperate and consolidated financial statements of the Company and its subsidiaries. The financial statements set out on page 55 to 106 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 2008. The directors also prepared all other information included in this annual report and are responsible for both the accuracy and the consistency of the consolidated financial statements.

The directors are also responsible for the financial control and risk management of the Company and its subsidiaries, which are reviewed regularly. These controls are designed to provide reasonable but not absolute assurance with regard to the reliability of the consolidated financial statements, to provide adequate safeguarding and maintenance of assets and to prevent and identify misrepresentations and losses. Nothing has come to the attention of the Board which could indicate a material deficiency in the functioning of these controls, procedures and systems during the year under review.

The consolidated financial statements were prepared on a going concern basis. The directors have no reason to believe that the Group or any company in the group will not be a going concern in the foreseeable future, based on results, operational trends, market environment, estimates and forecasts, risks, capital structure and available cash and finance resources.

The consolidated financial statements were audited by the independent auditor, Ernst & Young Incorporated. The independent auditor had unrestricted access to all financial records, including all minutes of the Board, board committees, and management and shareholder meetings. The Board believes that all representations made to the independent auditor during the audit were valid and proper.

The annual financial statements of the company and the Group consolidated financial statements for the year ended 30 April 2012, set out on page 55 to 106, were approved by the Board.

**JE Grobler**
CHAIRMAN

**F Strydom**
MANAGING DIRECTOR

**CF Kruger**
FINANCIAL DIRECTOR

Klerksdorp
26 June 2012

# NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT, ACT 71 OF 2008, ("THE ACT")

**THESE** annual financial statements have been audited in compliance with the Act. These annual financial statements have been prepared under the supervision of CF Kruger, CA(SA), Financial Director.

**CF Kruger**
FINANCIAL DIRECTOR

Klerksdorp
26 June 2012

## CERTIFICATION BY THE COMPANY SECRETARY

In accordance with section 268G (d) of the Companies act, Act 61 of 1973 and section 88 of the Act, where applicable, for the year ended April 2012, it is hereby certified that the Company and its subsidiaries have lodged all such returns that are required of a public company in terms of both of the aforesaid Acts with the Registrar of Companies and Intellectual Property Commission (CIPC) and that such returns are true, correct and up to date.

**EM Joynt**
COMPANY SECRETARY

Klerksdorp
26 June 2012

# REPORT OF THE SENWES AUDIT COMMITTEE

WE are pleased to present our report for the financial year ended 30 April 2012 in accordance with section 94(7)f of the Companies Act 71 of 2008.

The manner in which the Audit Committee carried out its duties is referred to in the corporate governance report page 6 in respect of roles and responsibilities and mandate.

The committee consists of five non-executive directors, three of which are independent, and meets at least three times per annum as per the committee mandate and terms of reference.

| Name of member | Meeting attendance |
|---|---|
| JPL Alberts*<br>*SSAF, BCom(Econ), CTA, IAMP (Geneva), CA(SA)*<br>*(Previous chairman)* | 1/1 |
| Z Bassa<br>*BCom, CA(SA)* | 2/2 |
| SF Booysen<br>*D.Com (Acc), CA(SA)*<br>*(Current chairman)* | 3/3 |
| AJ Kruger<br>*BCompt(Hons), CA(SA)* | 3/3 |
| JDM Minnaar<br>*BCom* | 3/3 |
| JBH Botha<br>*BLC.LLB, HDip (Tax)* | 2/2 |

* Mr Alberts resigned during the financial year

### External auditors

The committee is satisfied that the external auditors, Ernst & Young Inc. are independent of the company, as determined in terms of legislation, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2011/2012 financial year.

There is a formal written policy and procedure (incorporating an authority matrix) that governs the process whereby the external auditors are considered for non-audit services. The committee approved the terms of the written policy for the provision of non-audit services by the external auditors and approved the nature and extent of non-audit services that the external auditors may provide.

The committee nominated Ernst & Young Inc. as the external auditors and Mr Frans Scheepers as the designated audit director for the 2012/2013 financial year (for approval at the annual general meeting).

### Internal financial controls

Based on the results of the formal documented review of the design, implementation and effectiveness of the Senwes Group's system of internal financial controls conducted by the internal audit function during the 2012 financial year and, in addition, considering information and explanations given by management plus discussions held with the external auditors on the results of their audit, the committee is of the opinion that the Senwes Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

### Financial statements (including accounting practices)

The committee reviewed the financial statements of the company and the Senwes group and is satisfied that they comply with International Financial Reporting Standards.

### Financial function and financial director review

The committee is satisfied that the financial director of Senwes has appropriate expertise and experience.

The committee has considered, and is satisfied with the appropriateness of the expertise and adequacy of resources of the Senwes Group's finance function and experience of the senior members of management responsible for the financial function.

### Duties assigned by the board

The committee fulfils an oversight role regarding the company's integrated annual report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the company and the Senwes Group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors and serves as a link between the board of directors and these functions. During the year under review, the committee and the chairman met with the external auditors and with the head of internal audit separately.

The committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

### Internal audit

The committee is responsible for overseeing internal audit and in particular for:

- Satisfying itself of the competence of the internal auditor and adequacy of internal audit staffing;
- Approving the internal audit plan as well as the internal audit charter;
- Ensuring that the internal audit function is subject to a periodic independent quality review; and
- Reviewing the functioning of the internal audit programme and department to ensure co-ordination between the internal and external auditors.

The head of internal audit has direct access to the Audit Committee, primarily through its chairman.

### Sustainability reporting

The committee considered the company's sustainability information as disclosed in the integrated annual report and assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. A report from the Risk Committee regarding the top ten risks was presented to the Audit Committee for consideration. The Audit Committee further discussed the sustainability information with management and is satisfied that the information is reliable and consistent with the financial results.

### Recommendation of the integrated annual report for approval by the board

The committee recommended the integrated annual report for approval by the board of directors on 26 June 2012.

**SF Booysen**
CHAIRMAN: AUDIT COMMITTEE

Klerksdorp
26 June 2012

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF SENWES LIMITED

We have audited the consolidated and separate financial statements of Senwes Limited set out on pages 61 to 106, which comprise the consolidated and separate statements of financial position as at 30 April 2012, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

### OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Senwes Limited as at 30 April 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 April 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

*Ernst & Young Inc.*

Ernst & Young Incorporated
Director – Frantz Frederik Scheepers
Registered Auditor
Chartered Accountant (SA)

Wanderers Office Park
52 Corlett drive
Illovo
Johannesburg
10 July 2012

# STATUTORY DIRECTORS' REPORT

## 1. MAIN OBJECTIVES

The main objectives of the Group are as follows:

1.1 To supply primary agricultural inputs.

1.2 To provide market access for agricultural produce.

## 2. CHANGE IN NATURE OF ACTIVITIES

There were no material changes in the nature of the business of the Group during the financial year.

## 3. SUBSIDIARIES AND OTHER FINANCIAL ASSETS

Details of the company's interest in subsidiaries, associates and other financial assets are set out in notes 3 to 5 of the financial statements.

## 4. RESULTS

The net profit after tax of the Group for the year under review amounted to R265 million (2011 – R219 million).

The summarised results are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2012 R'm** | **2011 R'm** | **2012 R'm** | **2011 R'm** |
| Revenue | **13 097** | 7 550 | **12 930** | 7 492 |
| Operating profit | **449** | 431 | **396** | 432 |
| Profit after tax | **265** | 219 | **210** | 219 |

Refer to note 1 of the financial statements for a full segmental analysis.

The summarised statement of financial position is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2012 R'm** | **2011 R'm** | **2012 R'm** | **2011 R'm** |
| Total assets | **3 372** | 3 106 | **3 276** | 3 092 |
| Total interest-bearing debt | **1 440** | 1 399 | **1 461** | 1 415 |

The increase in total assets is the result of the higher investment in financing debtors. A review of the results for the year is contained in the operational and financial report on page 21.

## 5. DIVIDENDS

The Board proposed that a final dividend of 15 cents per share (2011 – 25 cents per share) be declared. A first interim dividend of 20 cents per share was paid in December 2011 and a second interim dividend of 25 cents per share was paid in March 2012.

## 6. DIRECTORS

The following directors have a remaining term of office of less than one year:

| **Name** | **Retirement by rotation** |
|---|---|
| JE Grobler | 2012 |
| JAE Els | 2012 |
| JBH Botha | 2012 |
| NDP Liebenberg | 2012 |

Mr JPL Alberts retired on 31 May 2012.

The appointment of Mr MP Fandeso as an independent non-executive director will be tabled for confirmation at the 2012 annual general meeting.

The following directors have a remaining term of office of more than one year:

| **Name** | **Retirement by rotation*** |
|---|---|
| AJ Kruger | 2013 |
| JDM Minnaar | 2013 |
| JJ Minnaar | 2013 |
| SF Booysen | 2013 |
| Z Bassa | 2013 |

* One third of the elected non-executive directors, or should their numbers not be in multiples of three, then the number closest thereto but not less than one third, will retire at each annual general meeting. The elected non-executive directors are those directors with the longest terms of office since the previous election. Should they have been elected on the same day the directors to retire will be decided upon by agreement or by lot.

The independent non-executive directors are appointed by the Board and their appointment is confirmed by shareholders at the annual general meeting. After confirmation these directors are also subject to retirement by rotation. Currently the independent directors are JBH Botha, SF Booysen, MP Fandeso and Z Bassa.

## 7. STATUTORY APPOINTMENTS AND REGISTERED ADDRESS

**7.1 Company Secretary**
EM Joynt

**7.2 Public Officer**
CF Kruger

**7.3 Registered address**
1 Charel de Klerk Street, Klerksdorp

## 8. SHARE CAPITAL

No shares were issued during the year under review.

## 9. BUY-BACK OF SHARES

No shares were repurchased during the year under review (2011 – Nil).

## 10. SPECIAL RESOLUTIONS

The following special resolutions were adopted at the previous annual general meeting on 26 Augustus 2011:

10.1 Special Resolution number 1: Authority was granted to Directors to repurchase shares from directors and prescribed officers in the event that such an offer is made to all shareholders;
10.2 Special resolution number 2: Authority was granted to the Directors to issue and allot shares to directors and prescribed officers;
10.3 Special resolution number 3: Authority was granted to the directors in terms of section 45 of the Companies Act, 2008, as amended, to provide loans and financial assistance to the Company's subsidiaries and associates and other parties in which the Company has an interest; and
10.4 Special resolution number 4: The remuneration of the directors was approved as provided for in section 66(8) of the Companies Act, as amended.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 April 2012

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 2 | **297** | 231 | **198** | 212 |
| Investment in subsidiaries | 3.2 | **-** | - | **30** | 20 |
| Investment in associates | 5 | **59** | 10 | **45** | 2 |
| Other financial assets | 4.1.1 | **3** | 3 | **3** | 3 |
| Loans and other receivables | 6 | **311** | 265 | **311** | 265 |
| Deferred tax asset | 14.2 | **26** | 39 | **26** | 39 |
| **Total non-current assets** | | **696** | 548 | **613** | 541 |
| **Current assets** | | | | | |
| Inventory | 7 | **709** | 984 | **669** | 982 |
| Trade and other receivables | 8 | **1 589** | 1 366 | **1 579** | 1 354 |
| Other loans receivable | 4.1.2 | **39** | 3 | **95** | 27 |
| Agency grain debtors | 9 | **274** | 160 | **274** | 160 |
| Derivative financial instruments | 16.1 | **41** | 28 | **41** | 28 |
| Cash and short-term deposits | 4.1.3 | **24** | 17 | **5** | - |
| **Total current assets** | | **2 676** | 2 558 | **2 663** | 2 551 |
| **TOTAL ASSETS** | | **3 372** | 3 106 | **3 276** | 3 092 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Issued capital | 10 | **1** | 1 | **1** | 1 |
| Share premium | 11.1 | **67** | 67 | **67** | 67 |
| Fair value adjustments | 11.2 | **1** | 1 | **1** | 1 |
| Retained earnings | | **1 299** | 1 161 | **1 226** | 1 142 |
| Own equity | | **1 368** | 1 230 | **1 295** | 1 211 |
| Non-controlling interest | | **8** | - | **-** | - |
| **Total equity** | | **1 376** | 1 230 | **1 295** | 1 211 |
| **Non-current liabilities** | | | | | |
| Interest-bearing loans | 4.2.3 | **450** | 350 | **450** | 350 |
| Long-term incentive bonuses | 12.1 | **7** | 13 | **7** | 13 |
| Post-retirement liability | 12.2.2 | **-** | 81 | **-** | 81 |
| Derivative financial instruments | 16.3 | **-** | 2 | **-** | 2 |
| **Total non-current liabilities** | | **457** | 446 | **457** | 446 |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | **468** | 313 | **432** | 302 |
| Interest-bearing loans | 4.2.2 | **964** | 1 021 | **964** | 1 021 |
| Other loans payable | 4.2.1 | **26** | 28 | **47** | 44 |
| Derivative financial instruments | 16.2 | **7** | 10 | **7** | 10 |
| Tax payable | 25 | **7** | 15 | **7** | 15 |
| Short-term incentive bonuses | 12.1 | **52** | 32 | **52** | 32 |
| Provisions | 15 | **15** | 11 | **15** | 11 |
| **Total current liabilities** | | **1 539** | 1 430 | **1 524** | 1 435 |
| **Total liabilities** | | **1 996** | 1 876 | **1 981** | 1 881 |
| **TOTAL EQUITY AND LIABILITIES** | | **3 372** | 3 106 | **3 276** | 3 092 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 April 2012

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| Services rendered | | **424** | 408 | **393** | 382 |
| Finance income | 18.3 | **142** | 130 | **142** | 130 |
| Income from operating activities | | **4 834** | 3 159 | **4 698** | 3 127 |
| Income from commodity trading | | **7 697** | 3 853 | **7 697** | 3 853 |
| **Revenue** | | **13 097** | 7 550 | **12 930** | 7 492 |
| Cost of sales | | **(11 948)** | (6 451) | **(11 833)** | (6 429) |
| **Gross profit** | | **1 149** | 1 099 | **1 097** | 1 063 |
| Other operating income | 19 | **2** | 4 | **19** | 15 |
| Distribution, sales and administrative expenses | | **(702)** | (672) | **(720)** | (646) |
| **Operating profit** | 18.1 | **449** | 431 | **396** | 432 |
| Finance cost | 18.2 | **(92)** | (115) | **(92)** | (115) |
| Share of profit from associates | 5 | **5** | 3 | **-** | - |
| **Profit before tax** | | **362** | 319 | **304** | 317 |
| Taxation | 14.1 | **(97)** | (100) | **(94)** | (98) |
| **Profit for the year after tax** | | **265** | 219 | **210** | 219 |
| **Other comprehensive income** | | **-** | (1) | **-** | (1) |
| Fair value adjustment available-for-sale financial assets | 11.2 | **-** | (1) | **-** | (1) |
| **Total comprehensive income for the year, net of tax** | | **265** | 218 | **210** | 218 |
| Profit attributable to: | | | | | |
| Owners of the parent | | **264** | 219 | **210** | 218 |
| Non-controlling interest | | **1** | - | **-** | - |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | **264** | 218 | **210** | 218 |
| Non-controlling interest | | **1** | - | **-** | - |
| **Earnings per share** | | | | | |
| Basic and diluted earnings for the year attributable to ordinary equity holders of the parent (cents) | 21.1.4 | **146,0** | 121,1 | | |
| Headline earnings per share (cents) | 21.1.4 | **132,8** | 116,2 | | |

| **DIVIDENDS FOR THE YEAR:** | Notes | 2012 Cents/share | 2011 Cents/share |
|---|---|---|---|
| **Dividend per share paid during the year** | 21.2 | **70** | 25 |
| Final dividend previous year | | **25** | 15 |
| Interim dividend | | **20** | 10 |
| Second interim dividend | | **25** | - |
| Final dividend per share proposed | | **15** | 25 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 April 2012

| | Notes | Issued capital R'm | Share premium R'm | Fair value adjust-ments R'm | Retained earnings R'm | Non-controlling interest R'm | Total equity R'm |
|---|---|---|---|---|---|---|---|
| | | 10 | 11.1 | 11.2 | | | |
| **GROUP** | | | | | | | |
| **Balance at 30 April 2010** | | **1** | **67** | **2** | **989** | **-** | **1 059** |
| **Total comprehensive income** | | - | - | (1) | 219 | - | 218 |
| Profit for the year | | - | - | - | 219 | - | 219 |
| Other comprehensive income | | - | - | (1) | - | - | (1) |
| Dividends | 21.2 | - | - | - | (45) | - | (45) |
| Associate adjustment from prior years | | - | - | - | (2) | - | (2) |
| **Balance at 30 April 2011** | | **1** | **67** | **1** | **1 161** | **-** | **1 230** |
| **Total comprehensive income** | | - | - | - | 264 | 1 | 265 |
| Profit for the year | | - | - | - | 264 | 1 | 265 |
| Other comprehensive income | | - | - | - | - | - | - |
| Dividends | 21.2 | - | - | - | (126) | - | (126) |
| Acquisition of JD Implements (Pty) Ltd | 3.1 | - | - | - | - | 6 | 6 |
| Acquisition of Senwes Grainlink De Mocambique Lda | 3.1 | - | - | - | - | 1 | 1 |
| **Balance at 30 April 2012** | | **1** | **67** | **1** | **1 299** | **8** | **1 376** |
| **COMPANY** | | | | | | | |
| **Balance at 30 April 2010** | | **1** | **67** | **2** | **968** | **-** | **1 038** |
| **Total comprehensive income** | | - | - | (1) | 219 | - | 218 |
| Profit for the year | | - | - | - | 219 | - | 219 |
| Other comprehensive income | | - | - | (1) | - | - | (1) |
| Dividends | 21.2 | - | - | - | (45) | - | (45) |
| **Balance at 30 April 2011** | | **1** | **67** | **1** | **1 142** | **-** | **1 211** |
| **Total comprehensive income** | | - | - | - | 210 | - | 210 |
| Profit for the year | | - | - | - | 210 | - | 210 |
| Other comprehensive income | | - | - | - | - | - | - |
| Dividends | 21.2 | - | - | - | (126) | - | (126) |
| **Balance at 30 April 2012** | | **1** | **67** | **1** | **1 226** | **-** | **1 295** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 April 2012

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash from operating activities | 23 | **508** | 547 | **495** | 538 |
| Other operating income | | **2** | 1 | **19** | 7 |
| Finance costs paid | 18.2 | **(89)** | (113) | **(89)** | (113) |
| Tax paid | 25 | **(92)** | (92) | **(89)** | (89) |
| **Cash profit** | | **329** | 343 | **336** | 343 |
| Dividends paid | 21.2 | **(126)** | (45) | **(126)** | (45) |
| Changes in operating capital | 24 | **(155)** | (290) | **(137)** | (284) |
| **Net cash flows from operating activities** | | **48** | 8 | **72** | 14 |
| **Net cash flows from investment activities** | | **(133)** | (31) | **(167)** | (49) |
| Purchase of property, plant and equipment | 26 | **(56)** | (38) | **(40)** | (37) |
| Proceeds from the disposal of property, plant and equipment | 27 | **3** | 3 | **3** | 3 |
| Proceeds from the sale of subsidiary | | **-** | 9 | **-** | 9 |
| (Increase)/decrease of investments in subsidiaries and associates | | **(44)** | (2) | **(48)** | 3 |
| Increase in other loans receivable | | **(36)** | (3) | **(82)** | (27) |
| **Net cash flows before financing activities** | | **(85)** | (23) | **(95)** | (35) |
| Net cash flows from financing activities | | **102** | - | **100** | - |
| **Net increase/(decrease) in cash and cash equivalents** | | **17** | (23) | **5** | (35) |
| Foreign translation differences | | **(10)** | - | **-** | - |
| Cash and cash equivalents – beginning of the year | | **17** | 40 | **-** | 35 |
| **Cash and cash equivalents – end of the year** | 4.1.3 | **24** | 17 | **5** | - |

## 1. SEGMENT INFORMATION

### 1.1 SEGMENTAL REVENUE AND RESULTS

| | GROUP SEGMENTAL REVENUE 2012 R'm | GROUP SEGMENTAL REVENUE 2011 R'm | GROUP SEGMENTAL PROFIT 2012 R'm | GROUP SEGMENTAL PROFIT 2011 R'm |
|---|---|---|---|---|
| Financial services *(Senwes Credit and Univision)* | **168** | 202 | **55** | 54 |
| Input supply *(Senwes Village)* | **2 259** | 1 770 | **169** | 65 |
| Market access *(Senwes Grainlink)* | **10 659** | 5 567 | **183** | 252 |
| Normal operational activities | **13 086** | 7 539 | **407** | 371 |
| Corporate income/(costs) | **11** | 11 | **(47)** | (56) |
| Other operating income | **-** | - | **2** | 4 |
| Total revenue | **13 097** | 7 550 | | |
| Profit before tax | | | **362** | 319 |
| Taxation | | | **(97)** | (100) |
| Profit for the year | | | **265** | 219 |

### 1.2 NET SEGMENT ASSETS

| | GROUP ASSETS 2012 R'm | GROUP ASSETS 2011 R'm | GROUP LIABILITIES 2012 R'm | GROUP LIABILITIES 2011 R'm | GROUP NET 2012 R'm | GROUP NET 2011 R'm |
|---|---|---|---|---|---|---|
| Financial services | **1 765** | 1 417 | **(936)** | (759) | **829** | 658 |
| Input supply | **511** | 366 | **(422)** | (283) | **89** | 83 |
| Market access | **804** | 1 153 | **(456)** | (641) | **348** | 512 |
| Total operations | **3 080** | 2 936 | **(1 814)** | (1 683) | **1 266** | 1 253 |
| Corporate | **207** | 121 | **(151)** | (107) | **56** | 14 |
| Investment in associates | **59** | 10 | **(31)** | (5) | **28** | 5 |
| | **3 346** | 3 067 | **(1 996)** | (1 795) | **1 350** | 1 272 |
| Deferred tax | **26** | 39 | **-** | - | **26** | 39 |
| Provision for post-retirement liability | **-** | - | **-** | (81) | **-** | (81) |
| **Total** | **3 372** | 3 106 | **(1 996)** | (1 876) | **1 376** | 1 230 |

### 1.3 SEGMENT DISCLOSABLE ITEMS

| | GROUP CAPITAL EXPENDITURE 2012 R'm | GROUP CAPITAL EXPENDITURE 2011 R'm | GROUP DEPRECIATION 2012 R'm | GROUP DEPRECIATION 2011 R'm | GROUP NON-CASH TRANSACTIONS 2012 R'm | GROUP NON-CASH TRANSACTIONS 2011 R'm |
|---|---|---|---|---|---|---|
| Financial services | **-** | 1 | **-** | - | **24** | 8 |
| Input supply | **21** | 5 | **6** | 5 | **14** | 16 |
| Market access | **26** | 17 | **20** | 18 | **35** | 7 |
| Corporate | **9** | 15 | **14** | 14 | **12** | 55 |
| **Total** | **56** | 38 | **40** | 37 | **85** | 86 |

1.4 For management and control purposes, the Group is divided into business units based on their products, services and clients and consists of the following reportable segments:

| | |
|---|---|
| **Financial services** (Senwes Credit and Univision) | Credit extension to agricultural producers and grain buyers. It also includes term credit. Agri-services were moved to Senwes Credit to align with the client base to a larger extent. Univision includes commission received on short-term, crop-, life insurance premiums and administration fees. |
| **Input supply** (Senwes Village) | Sales at the retail outlets, direct sales of farming input requirements and sales of mechanisation goods and spare parts. |
| **Market access** (Senwes Grainlink) | Income received for the handling and storage of agricultural produce. Commission earned on grain marketing. Income received from the sale of own grain. |
| **Corporate** | Head office services, information technology, human resources, properties, fleet management, secretarial services, legal services, corporate marketing, risk management, internal audit, strategic development, group finance, treasury and directors. |

Income tax is managed on a group basis and is not allocated to operating segments. Services rendered between related parties as reflected in operating segments are on an arm's length basis in a manner similar to transactions with third parties. Management monitors the operational results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated, based on operating profit or loss, and is measured consistently with operating profit or loss in the consolidated financial statements.

## 2. PROPERTY, PLANT AND EQUIPMENT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2012 R'm** | **2011 R'm** | **2012 R'm** | **2011 R'm** |
| Cost price | **763** | 643 | **653** | 614 |
| Land | **16** | 5 | **2** | 2 |
| Buildings and improvements | **297** | 228 | **217** | 211 |
| Plant and equipment | **381** | 358 | **369** | 351 |
| Vehicles | **69** | 52 | **65** | 50 |
| Accumulated depreciation and impairments | **(466)** | (412) | **(455)** | (402) |
| Land | **-** | - | **-** | - |
| Buildings and improvements | **(138)** | (114) | **(135)** | (111) |
| Plant and equipment | **(288)** | (266) | **(281)** | (260) |
| Vehicles | **(40)** | (32) | **(39)** | (31) |
| **Total carrying value** | **297** | 231 | **198** | 212 |

2.1 Registers of land and buildings are available for inspection at the registered offices of the relevant companies.

2.2 Certain assets are encumbered as set out in note 4.2.3.

2.3 The capital commitments of the Group are set out in note 17.2.

RECONCILIATION OF THE MOVEMENTS ON PROPERTY, PLANT AND EQUIPMENT – 2012

| | Balance at the beginning of the year R'm | Purchases R'm | Disposals R'm | Impairments and reversals R'm | Depreciation R'm | Balance at the end of the year R'm |
|---|---|---|---|---|---|---|
| **GROUP – 2012** | | | | | | |
| Land | 5 | 9 | - | 2 | - | 16 |
| Buildings and improvements | 115 | 6 | - | 49 | (10) | 160 |
| Plant and equipment | 92 | 23 | - | - | (22) | 93 |
| Vehicles | 19 | 18 | (1) | - | (8) | 28 |
| **Balance at the end of the year** | **231** | **56** | **(1)** | **51** | **(40)** | **297** |
| **COMPANY – 2012** | | | | | | |
| Land | 2 | - | - | - | - | 2 |
| Buildings and improvements | 100 | 6 | - | (14) | (10) | 82 |
| Plant and equipment | 91 | 18 | - | - | (21) | 88 |
| Vehicles | 19 | 16 | (1) | - | (8) | 26 |
| **Balance at the end of the year** | **212** | **40** | **(1)** | **(14)** | **(39)** | **198** |

RECONCILIATION OF THE MOVEMENTS ON PROPERTY, PLANT AND EQUIPMENT – 2011

| | Balance at the beginning of the year R'm | Purchases R'm | Disposals R'm | Impairments and reversals R'm | Depreciation R'm | Balance at the end of the year R'm |
|---|---|---|---|---|---|---|
| **GROUP – 2011** | | | | | | |
| Land | 2 | 3 | - | - | - | 5 |
| Buildings and improvements | 117 | 7 | - | - | (9) | 115 |
| Plant and equipment | 95 | 20 | (1) | - | (22) | 92 |
| Vehicles | 17 | 8 | - | - | (6) | 19 |
| **Balance at the end of the year** | **231** | **38** | **(1)** | **-** | **(37)** | **231** |
| **COMPANY – 2011** | | | | | | |
| Land | 2 | - | - | - | - | 2 |
| Buildings and improvements | 99 | 10 | - | - | (9) | 100 |
| Plant and equipment | 95 | 19 | (1) | - | (22) | 91 |
| Vehicles | 17 | 8 | - | - | (6) | 19 |
| **Balance at the end of the year** | **213** | **37** | **(1)** | **-** | **(37)** | **212** |

## 3. INVESTMENT IN COMPANIES

### 3.1 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

2013

**Senwes Ltd and NWK Ltd**

During the year under review (2 April 2012), Senwes Ltd and NWK Ltd announced a merger of both companies' insurance businesses with effect from 1 May 2012. The new insurance business will render financial advice and services to particularly agricultural producers. Senwes Ltd and NWK Ltd will be equal shareholders in the joint venture.

**Senwes Ltd and Bunge Europe**

Bunge Europe, the European operating arm of Bunge Limited (NYSE: BG), a leading global agri-business and food company, exercised its rights to invest in 50% of Senwes' foreign operations. The agreement is expected to become effective during the 1st quarter of 2013.

2012

**Bunge Senwes (Pty) Ltd**

On 1 October 2011, Senwes Ltd and Bunge Europe entered into an agreement to develop grain and oilseeds operations in South Africa, which supplies the domestic market and exports products to other countries in Africa. Senwes Ltd and Bunge Europe are equal shareholders in the associate.

**JD Implements (Pty) Ltd**

On 1 October 2011 Senwes Ltd and DM Thomlinson Trust entered into an agreement to supply whole goods to producers in parts of the Western and Eastern Cape. A 50% share is held by each party.

The cosolidated financial statements include the results of JD Implements (Pty) Ltd from acquisition date. On 1 October 2011, the fair value of the identifiable assets and liabilities of JD Implements (Pty) Ltd was as follows:

| | R'm |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Property, plant and equipment | 13 |
| **Current assets** | |
| Inventory | 22 |
| Trade receivables | 4 |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Long-term loans | (1) |
| **Current liabilities** | |
| Trade payables | (21) |
| Bank overdraft | (5) |
| | 12 |
| Non-controlling interest | 6 |
| Purchase consideration | (6) |
| Goodwill | - |

**Senwes Grainlink De Mocambique Lda**

On 14 September 2011 Senwes International Holdings (Pty) Ltd and a private entity entered into an agreement to procure, market and supply grain commodities to local markets as well as markets outside Mozambique. Senwes International Holdings hold 75% of the equity.

3.2 SHARES HELD IN SUBSIDIARIES

| | Total shares in issue | % interest | Shares R'm | Shares provision R'm | Total net investment R'm |
|---|---|---|---|---|---|
| **COMPANY – 2012** | | | | | |
| JD Implements (Pty) Ltd | 1 000 | 50 | **6** | - | **6** |
| Senwes Capital (Pty) Ltd* | 11 054 | 100 | **24** | - | **24** |
| Senwes Graanmakelaars (Pty) Ltd | 100 | 100 | **-** | - | **-** |
| Senwes International Holdings (Pty) Ltd | 100 | 100 | **-** | - | **-** |
| Senwes Ltd – incorporated in Malawi | 20 100 000 | 100 | **1** | **(1)** | **-** |
| Univision Financial Services (Pty) Ltd | 100 | 100 | **-** | - | **-** |
| **Total carrying value** | | | **31** | **(1)** | **30** |

* On 24 November 2011 the name of Charel de Klerk Street Properties was changed to Senwes Capital.

| | Total shares in issue | % interest | Shares R'm | Shares provision R'm | Total net investment R'm |
|---|---|---|---|---|---|
| **COMPANY – 2011** | | | | | |
| Charel de Klerk Street Properties (Pty) Ltd | 11 054 | 100 | 24 | (4) | 20 |
| Senwes Graanmakelaars (Pty) Ltd | 100 | 100 | - | - | - |
| Senwes International Holdings (Pty) Ltd | 100 | 100 | - | - | - |
| Senwes Ltd – incorporated in Malawi | 100 000 | 100 | - | - | - |
| Univision Financial Services (Pty) Ltd | 100 | 100 | - | - | - |
| **Total carrying value** | | | **24** | **(4)** | **20** |

### 3.3 RESULTS OF SUBSIDIARIES AFTER TAX

The attributable interest of the company in the profits and losses of its subsidiaries for the year ended 30 April 2012 is as follows:

| | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|
| JD Implements (Pty) Ltd | **3** | - |
| Senwes Capital (Pty) Ltd | **65** | - |
| Senwes International Holdings (Pty) Ltd – consolidated | **(3)** | - |
| Senwes Ltd – incorporated in Malawi | **(13)** | - |
| Univision Financial Services (Pty) Ltd – consolidated | **11** | 2 |

### 3.4 NATURE OF BUSINESS AND DIRECTORS' VALUATION

| | | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|
| JD Implements (Pty) Ltd | - Mechanisation and workshop services | **7** | - |
| Senwes Capital (Pty) Ltd | - Financing and property company | **85** | 20 |
| Senwes International Holdings (Pty) Ltd | - Investment in foreign countries | **10** | - |
| Senwes Ltd – incorporated in Malawi | - Trading of agricultural commodities | **(12)** | - |
| Univision Financial Services (Pty) Ltd | - Insurance broker and administrative services | **2** | 11 |

*Directors' valuations are based on the net asset value according to the latest available financial statements.*

## 4. OTHER FINANCIAL ASSETS AND LIABILITIES

### 4.1 FINANCIAL ASSETS

#### 4.1.1 Other financial assets

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| *Financial investment available-for-sale* | | | | |
| Public companies | | | | |
| Quoted equity shares | **3** | 3 | **3** | 3 |
| **Other financial assets total** | **3** | 3 | **3** | 3 |

**Financial investments available-for-sale: Unlisted public and other companies**

Available-for-sale financial investments comprise of investments with no maturity date or coupon rate, namely Suidwes Beleggings Ltd and Suidwes Beherend Ltd. The fair value of the public shares is determined by the market value thereof as traded on the OTC-mechanism.

### 4.1.2 Other loans receivable

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| *Interest-bearing loans to related parties* | | | | |
| Bunge Senwes (Pty) Ltd | **39** | - | **39** | - |
| JD Implements (Pty) Ltd | **-** | - | **8** | - |
| Grasland Ondernemings (Pty) Ltd | **-** | 3 | **-** | 3 |
| Senwes International Holdings (Pty) Ltd | **-** | - | **14** | - |
| Senwes Ltd – incorporated in Malawi | **-** | - | **30** | 17 |
| Univision Financial Services (Pty) Ltd | **-** | - | **18** | 6 |
| Univision Broker Services (Pty) Ltd | **-** | - | **-** | 1 |
| Provision for impairments | **-** | - | **(14)** | - |
| *Non-interest-bearing loans to related parties* | | | | |
| Silo Certs (Pty) Ltd | **3** | 3 | **3** | 3 |
| Provision for impairments | **(3)** | (3) | **(3)** | (3) |
| **Balance at the end of the year** | **39** | 3 | **95** | 27 |

- The loan to Bunge Senwes (Pty) Ltd is unsecured, has no fixed repayments terms and bears interest at a prime-linked rate.
- The loan to JD Implements (Pty) Ltd is unsecured, has no fixed repayments terms and bears interest at a prime-linked rate.
- The loan to Grasland Ondernemings (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- The loan to Senwes International Holdings (Pty) is unsecured, has no fixed repayment terms and bears interest at Libor linked rate. A portion of the loan (R1,1 million) is subordinated to the claims of other creditors.
- The loan to Senwes Ltd – incorporated in Malawi is unsecured, has no fixed repayment terms and bears interest at a Libor linked rate.
- The loan to Univision Financial Services (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- The loan to Univision Broker Services (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- The non-interest-bearing loans are unsecured, interest free with no fixed repayment terms. The total loan to Silo Certs (Pty) Ltd is subordinated to the claims of other creditors.

**Investments in and loans to/from private companies**

The register of shares and loans to/from private companies is available for inspection at the registered office of the company.

### 4.1.3 Cash and short-term deposits

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| **Cash and short-term deposits** | **24** | 17 | **5** | - |

Cash bears interest at a prime-linked rate on a daily basis and Senwes aims to have a zero balance on the group of bank accounts by sweeping amounts to and from the short-term facilities.

## 4.2 FINANCIAL LIABILITIES

### 4.2.1 Other loans payable

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| *Interest-bearing loans from related parties* | | | | |
| Senwesbel Ltd | **26** | 28 | **26** | 28 |
| Univision Broker Services (Pty) Ltd | **-** | - | **18** | 14 |
| *Non-interest-bearing loans from related parties* | | | | |
| Senwes Capital (Pty) Ltd | **-** | - | **3** | 2 |
| | **26** | 28 | **47** | 44 |

- The loan from Senwesbel Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- The loan from Univision Broker Services (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- The loan from Senwes Capital (Pty) Ltd is unsecured, have no fixed repayment terms and bears no interest.

### 4.2.2 Current interest-bearing loans

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Short-term loans | **777** | 502 | **777** | 502 |
| Commodity finance | **187** | 519 | **187** | 519 |
| **Total** | **964** | 1 021 | **964** | 1 021 |

**Short-term loans**

As continuing security for Senwes' current facilities with Absa Bank Ltd ("Absa"), all rights and interest to producer debtors and their underlying security have been ceded and pledged to Absa. The Absa loan is renewable annually and the current facilities bear interest at a sub-prime-linked rate, capitalised on a monthly basis.

**Commodity finance**

The carrying value of the financing is in accordance with the fair value of the underlying commodities. Commodities which are pledged as security are reflected in note 7.4. Interest on the commodity finance is linked to the sub-prime-linked rate and is capitalised monthly.

### 4.2.3 Non-current interest-bearing loans

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| **Interest-bearing loans** | **450** | 350 | **450** | 350 |

The Group has two interest-bearing non-current loans with Land Bank:

- A facility of R350 million, effective from 3 May 2010. This loan is repayable as a balloon payment on 30 April 2015 and bears interest at a sub-prime-linked rate. Interest is paid on a monthly basis, therefore only the capital amount will be repayable at the end of the term, and
- A second facility of R650 million, effective from 19 January 2012. R100 million of the facility was utilised on 30 April 2012. This loan is repayable as a balloon payment on 31 May 2022 and bears interest at a sub-prime-linked rate. Interest is paid on a monthly basis, therefore only the capital amount will be repayable at the end of the term.

Assets with a market value of R1 372 million serve as security for the abovementioned long-term loans.

## 5. INVESTMENTS IN ASSOCIATES

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| Grainovation (Pty) Ltd | 5.1 | **4** | 1 | **-** | - |
| Grasland Ondernemings (Pty) Ltd | 5.2 | **12** | 9 | **2** | 2 |
| Bunge Senwes (Pty) Ltd | 5.3 | **42** | - | **43** | - |
| Silo Certs (Pty) Ltd | 5.4 | **1** | - | **-** | - |
| | | **59** | 10 | **45** | 2 |

### 5.1 GRAINOVATION (PTY) LTD

The Group has a 50% interest in Grainovation (Pty) Ltd ("Grainovation"), the core business activity of which is the transportation of grain commodities. The company's financial year-end is the same as the Senwes Group financial year-end.

The following is the summarised financial information of the Group's interest in Grainovation:

| | 2012 R'm | 2011 R'm |
|---|---|---|
| **50% share of statement of financial position of Grainovation:** | | |
| Current assets | **14** | 3 |
| Non-current assets | **17** | 7 |
| Current liabilities | **(7)** | (2) |
| Non-current liabilities | **(20)** | (7) |
| Equity | **4** | 1 |
| **50% of the revenue and profit of Grainovation is as follows:** | | |
| Revenue | **165** | 95 |
| Profit after taxation | **3** | 1 |
| Carrying amount of the investment | **4** | 1 |

### 5.2 GRASLAND ONDERNEMINGS (PTY) LTD

The Group holds a 50% interest in Grasland Ondernemings (Pty) ("Grasland") Ltd. The company's main business objective is the mining and distribution of agricultural lime. The company's financial year-end is the same as the Senwes Group financial year-end.

The following is the summarised financial information of the Group's interest in Grasland:

| | 2012 R'm | 2011 R'm |
|---|---|---|
| **50% share of statement of financial position of Grasland:** | | |
| Current assets | **7** | 4 |
| Non-current assets | **9** | 10 |
| Current liabilities | **(3)** | (2) |
| Non-current liabilities | **(1)** | (3) |
| Equity | **12** | 9 |
| **50% of the revenue and profit of Grasland is as follows:** | | |
| Revenue | **19** | 11 |
| Profit after taxation | **3** | 2 |
| Carrying amount of the investment | **12** | 9 |

5.3 BUNGE SENWES (PTY) LTD

The Group has a 50% interest in Bunge Senwes (Pty) Ltd ("Bunge Senwes"). The main business objective is the importing and exporting of grains, oilseeds and grain related by-products. The company's financial year-end is the same as the Senwes Group financial year-end.

The following is the summarised financial information of the Group's interest in Bunge Senwes:

| | 2012 R'm | 2011 R'm |
|---|---|---|
| **50% share of statement of financial position of Bunge Senwes:** | | |
| Current assets | **137** | - |
| Non-current assets | **4** | - |
| Current liabilities | **(61)** | - |
| Non-current liabilities | **(38)** | - |
| Equity | **42** | - |
| **50% of the revenue and profit of Bunge Senwes is as follows:** | | |
| Revenue | **503** | - |
| Profit after taxation | **(1)** | - |
| Carrying amount of the investment | **42** | - |

5.4 SILO CERTS (PTY) LTD

The Group has a 42,5% interest in Silo Certs (Pty Ltd) ("Silo Certs"). Silo Certs deals with the electronic issuing and trading of silo certificates. The company's financial year-end is the same as the Senwes Group financial year-end.

The following is the summarised information of the Group's interest in Silo Certs:

| | 2012 R'm | 2011 R'm |
|---|---|---|
| **42,5% share of statement of financial position Silo Certs:** | | |
| Assets | **1** | - |
| Liabilities | **(3)** | (2) |
| Equity | **(2)** | (2) |
| **42,5% of the revenue and profit of Silo Certs is as follows:** | | |
| Revenue | **2** | 1 |
| Profit after taxation | **-** | - |
| Carrying amount of the investment | **1** | 1 |

## 6. LOANS AND OTHER RECEIVABLES

Represent debtors for items sold in terms of mortgage loans (note 6.1) and instalment sales agreements (note 6.2) extended over varying terms of up to 120 months. The underlying asset serves as security for the loan/agreement. Interest rates are market-related and can be variable or fixed, depending on the specific agreement.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Gross investment in instalment sales agreements and mortgage loans | | **551** | 459 | **551** | 459 |
| Less: Unearned finance income | | **(154)** | (125) | **(154)** | (125) |
| Carrying amount | | **397** | 334 | **397** | 334 |
| Less: Current portion | | **(86)** | (69) | **(86)** | (69) |
| **Total loans and other receivables** | 6.1, 6.2 | **311** | 265 | **311** | 265 |

6.1 MORTGAGE LOANS

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Within one year | **85** | 68 | **85** | 68 |
| After one year but not more than five years | **199** | 175 | **199** | 175 |
| More than five years | **112** | 89 | **112** | 89 |
| Carrying amount | **396** | 332 | **396** | 332 |
| Less: Current portion | **(85)** | (68) | **(85)** | (68) |
| **Total** | **311** | 264 | **311** | 264 |

**6.1.1 Terms and conditions**

Mortgage loans are repayable over 2 to 10 years, secured mainly by first bonds over property. The interest rate is market-related, depending on the specific agreement.

**6.1.2 Fair value**

The Board is of the opinion that the carrying amount of the mortgage loans is a reasonable approximation of the fair value thereof.

6.2 INSTALMENT SALES AGREEMENTS

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Within one year | **1** | 1 | **1** | 1 |
| After one year but not more than five years | **-** | 1 | **-** | 1 |
| Carrying value | **1** | 2 | **1** | 2 |
| Less: current portion | **(1)** | (1) | **(1)** | (1) |
| **Total** | **-** | 1 | **-** | 1 |

**6.2.1 Terms and conditions**

Instalment sales agreements are payable over 2 to 5 years after the initial date of the contract. These contracts bear interest at competitive rates. The main portion of the historic book was sold to an external financier and future transactions will be financed through this finance alliance, namely Senwes Asset Finance.

**6.2.2 Fair Value**

The Board is of the opinion that the carrying amount of the instalment sale agreements is presented at fair value.

## 7. INVENTORY

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| Merchandise | 7.1, 7.3 | **387** | 268 | **354** | 268 |
| Consumables | | **1** | 1 | **1** | 1 |
| Grain commodities | 7.4, 7.5 | **321** | 715 | **314** | 713 |
| **Balance at the end of the year** | 7.2 | **709** | 984 | **669** | 982 |

7.1 Included in merchandise is floor plan inventory of R110,3 million (2011 – R19,4 million), which is subject to encumbrance in terms of an agreement with the relevant manufacturers of farming equipment.

7.2 Inventory is valued as follows:

| | GROUP | | |
|---|---|---|---|
| | 2012 R'm | 2011 R'm | Valuation method |
| Merchandise | **190** | 188 | Weighted average cost price |
| Mechanisation whole goods | **198** | 81 | Unit price |
| Grain commodities | **321** | 715 | Initial contract price and thereafter at fair value |
| **Balance at the end of the year** | **709** | 984 | |

7.3 Included in merchandise of the company and Group is a provision for slow-moving and obsolete inventory of R19 million (2011 – R24,9 million).

7.4 Grain inventory of the company and Group has been pledged as security for loans granted by financiers to the value of R187 million (2011 – R519 million).

7.5 Grain commodities represent grain inventory purchased from producers, the price of which is hedged on the South African Futures Exchange (Safex). Variance margins are also set off against these items. Consequently the carrying value is equal to the fair value thereof.

7.6 Inventory with a carrying value of R6,5 million (2011 – R3 million) was written off during the financial year. The expense was recognised in cost of sales.

## 8. TRADE AND OTHER RECEIVABLES

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Trade receivables | | **1 460** | 1 265 | **1 448** | 1 254 |
| Production accounts | 8.1 | **1 303** | 1 023 | **1 303** | 1 023 |
| Current accounts | 8.2 | **157** | 242 | **145** | 231 |
| Current portion of loans and other receivables | 6.1, 6.2 | **86** | 69 | **86** | 69 |
| Sundry receivables | 8.3 | **96** | 76 | **98** | 75 |
| Less: Provision for impairment | 8.4 | **(53)** | (44) | **(53)** | (44) |
| **Balance at the end of the year** | 8.5 | **1 589** | 1 366 | **1 579** | 1 354 |

8.1 Production accounts mainly include the extension of credit to producers on a seasonal basis for purposes of procuring inputs and/or mechanisation purchases from or via Senwes. These accounts bear interest at competitive rates.

8.2 Current accounts consist of 30-day monthly accounts, silo cost accounts and other accounts for specific products.

These accounts bear interest at the following rates:

| | |
|---|---|
| Monthly account: | Interest free for first 30 days after statement |
| Silo cost account: | Interest free period that varies from season to season (determined before every season) |
| Deferred payment arrangement: | Interest free period that varies according to various transactions and products |

Interest on arrear accounts is levied at guideline rates as determined by the National Credit Act.

8.3 Sundry receivables consist of accounts for corporate and statutory services as well as deposits held for trading purposes (Safex).

8.4 As at year-end, a provision of R53 million (2011 – R44 million) was made for the impairment of trade and other receivables, the details of which are as follows:

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| ***Specific impairment*** | **(23)** | (11) | **(23)** | (11) |
| Balance at the beginning of the year | **(11)** | (23) | **(11)** | (23) |
| Provision during the year | **(13)** | (2) | **(13)** | (2) |
| Utilised during the year | **1** | 14 | **1** | 14 |
| ***Portfolio impairment*** | **(30)** | (33) | **(30)** | (33) |
| Balance at the beginning of the year | **(33)** | (22) | **(33)** | (22) |
| Provision during the year | **(8)** | (11) | **(8)** | (11) |
| Utilised during the year | **11** | - | **11** | - |
| **Total provision for impairment** | **(53)** | (44) | **(53)** | (44) |

8.5 Trade and other receivables can be summarised as follows:

| | GROUP 2012 Current R'm | GROUP 2012 Debt in arrears R'm | GROUP 2012 Total R'm | GROUP 2011 Current R'm | GROUP 2011 Debt in arrears R'm | GROUP 2011 Total R'm |
|---|---|---|---|---|---|---|
| Trade receivables | **1 401** | **59** | **1 460** | 1 213 | 52 | 1 265 |
| Production accounts | **1 264** | **39** | **1 303** | 992 | 31 | 1 023 |
| Current accounts | **137** | **20** | **157** | 221 | 21 | 242 |
| Current portion of loans and accounts receivable | **76** | **10** | **86** | 62 | 7 | 69 |
| Sundry receivables | **96** | **-** | **96** | 73 | 3 | 76 |
| Less: Provision for impairment | **(43)** | **(10)** | **(53)** | (33) | (11) | (44) |
| **Total trade and other receivables** | **1 530** | **59** | **1 589** | 1 315 | 51 | 1 366 |

8.5.1 Current receivables are accounts within current credit terms.

8.5.2 Receivables in arrears are accounts outside current credit terms.

8.6 As security for Senwes' short-term facilities with Absa, all rights and interests in producer debtors and their underlying securities have been ceded and pledged to Absa. The value of security ceded amounts to R1 356 million (2011 – R1 146 million) as at year-end.

## 9 AGENCY GRAIN DEBTORS

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| Agency grain debtors | 9.1, 9.2 | **283** | 173 | **283** | 173 |
| Provision for impairment | | **(9)** | (13) | **(9)** | (13) |
| Balance at the beginning of the year | | **(13)** | (13) | **(13)** | (13) |
| Provision for the year | | **-** | 1 | **-** | 1 |
| Utilised during the year | | **4** | (1) | **4** | (1) |
| **Total agency grain debtors** | | **274** | 160 | **274** | 160 |

9.1 Agency grain debtors represent agricultural produce sold to third parties. The produce is stored for the third party and serves as security for the outstanding debt. A provision for impairment of R8,5 million (2011 – R12,6 million) is included in the balance.

9.2 No agency grain debtors were encumbered (2011 – R nil) at year-end.

## 10. ISSUED CAPITAL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Authorised<br>581 116 758 (2012 and 2011) ordinary shares of 0,516 cents each | **3** | 3 | **3** | 3 |
| Issued<br>180 789 308 (2012 and 2011) ordinary shares of 0,516 cents each | **1** | 1 | **1** | 1 |

RECONCILIATION OF ISSUED SHARES:

| | GROUP NUMBER OF SHARES | | COMPANY NUMBER OF SHARES | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Shares issued | **180 789 308** | 180 789 308 | **180 789 308** | 180 789 308 |

The unissued shares are under the control of the directors until the forthcoming annual general meeting.

## 11. RESERVES

### 11.1 SHARE PREMIUM

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Issue of shares | **67** | 67 | **67** | 67 |
| **Balance at the end of the year** | **67** | 67 | **67** | 67 |

### 11.2 FAIR VALUE ADJUSTMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Balance at the beginning of the year | **1** | 2 | **1** | 2 |
| Fair value adjustments | **-** | (1) | **-** | (1) |
| **Balance at the end of the year** | **1** | 1 | **1** | 1 |

This reserve represents fair value changes on available-for-sale financial assets as indicated in note 4.1.1.

## 12. EMPLOYEE BENEFITS

### 12.1 INCENTIVE BONUSES

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Short-term R'm | Long-term R'm | Total R'm | Short-term R'm | Long-term R'm | Total R'm |
| **GROUP AND COMPANY** | | | | | | |
| Balance at the beginning of the year | **32** | **13** | **45** | 46 | 7 | 53 |
| Increase in provision during the year | **43** | **3** | **46** | 27 | 12 | 39 |
| Utilised during the year | **(32)** | **-** | **(32)** | (47) | - | (47) |
| Total for the year | **43** | **16** | **59** | 26 | 19 | 45 |
| Short-term portion | **9** | **(9)** | **-** | 6 | (6) | - |
| **Balance at the end of the year** | **52** | **7** | **59** | 32 | 13 | 45 |

The Group has a short-term and a long-term incentive scheme for employees. It is aligned with the objectives and remuneration philosophy of the Group in that a portion of the remuneration is subject to risk. A provision is created in accordance with the rules of the schemes.

#### 12.1.1 Short-term incentive scheme

The short-term incentive scheme is paid each year to qualifying employees. The calculation is based on the performance of the Group, the division in which the employee is employed as well as an individual evaluation of the performance of the employee.

#### 12.1.2 Cash-settled share-based payment scheme

The long-term incentive scheme is a phantom share scheme, which vests over a three-year period, based on the performance of the Group's shares due to growth in the share price, net asset value and dividends.

The table below reflects the number of shares, weighted average vested price and movement:

| | GROUP 2012 | | GROUP 2011 | |
|---|---|---|---|---|
| | Number of shares based on the market value scheme | Number of shares based on the net asset value scheme | Number of shares based on the market value scheme | Number of shares based on the net asset value scheme |
| Outstanding at the beginning of the year | **2 860 000** | 2 860 000 | **3 462 868** | 1 956 831 |
| Allocated during the year | **1 500 000** | 1 500 000 | **1 425 000** | 1 425 000 |
| Forfeited during the year | **(152 500)** | (152 500) | **(45 000)** | (45 000) |
| Exercised during the year | **(695 000)** | (695 000) | **(1 982 868)** | (476 831) |
| **Outstanding at the end of the year** | **3 512 500** | 3 512 500 | **2 860 000** | 2 860 000 |

| **Date of grant** | 1 MAY 2011 | | 1 MAY 2010 | | 1 MAY 2009 | |
|---|---|---|---|---|---|---|
| | Market value scheme | Net asset value scheme | Market value scheme | Net asset value scheme | Market value scheme | Net asset value scheme |
| Issue price of phantom shares | R10,08* | R6,80 | R7,44* | R5,86 | R5,54* | R6,23 |
| Expiry date | 30/04/2014 | 30/04/2014 | 30/04/2013 | 30/04/2013 | 30/04/2012 | 30/04/2012 |
| Market price of underlying shares as at 30 April 2012 | R8,74* | R7,57 | R8,74* | R7,57 | R8,74* | R7,57 |
| Accumulated dividends per share | R0,70 | R0,70 | R0,95 | R0,95 | R2,50 | R2,50 |

* *The market price is normally the weighted average price which applies from 30 trading days prior to year-end until 20 trading days thereafter, with the condition that at least 500 000 shares should trade during this period. 500 000 shares traded from 14 February 2012 to 29 May 2012.*

The calculation of the liability was based on the following assumptions:

- Risk free rate: 5,8%
- Dividend yield: 4,4%
- Volatility: 30%

At year-end, the carrying value of the cash-settled share-based liability amounted to R16 million (2011 – R19 million).

### 12.2 POST-RETIREMENT LIABILITIES

#### 12.2.1 Pension

The Group has a defined contribution plan which essentially covers all employees in the Group. For contributions to the pension fund, refer to note 18.4.

#### 12.2.2 Health care

The post-retirement health care liability was taken over by Liberty Life during the year under review. The movement in the post-retirement health care liability is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Opening balance | **81** | 79 | **81** | 79 |
| Net provision created/(utilised) | **(3)** | 8 | **(3)** | 8 |
| Contributions paid | **(3)** | (6) | **(3)** | (6) |
| Settlement | **(75)** | - | **(75)** | - |
| **Balance at the end of the year** | **-** | 81 | **-** | 81 |

## 13. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Trade payables | **314** | 183 | **290** | 182 |
| Other amounts payable | **126** | 106 | **116** | 96 |
| Leave and thirteenth cheque accrual | **28** | 24 | **26** | 24 |
| **Total trade and other payables** | **468** | 313 | **432** | 302 |

Terms and conditions in respect of trade and other payables:

- Trade payables are payable on different terms from 30 days after date of statement and are not interest-bearing.
- Other amounts payable have varying payment dates.
- Leave and thirteenth cheque payable are accrued for on a monthly basis.

## 14. INCOME TAX

### 14.1 TAX EXPENSE

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| SA normal tax – current year | **(72)** | (95) | **(69)** | (93) |
| Decrease in deferred tax asset | **(13)** | - | **(13)** | - |
| Capital gains tax | **-** | (1) | **-** | (1) |
| Secondary tax on companies | **(12)** | (4) | **(12)** | (4) |
| **Total tax expense** | **(97)** | (100) | **(94)** | (98) |

### 14.2 DEFERRED TAX ASSET

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| **The main temporary differences:** | | | | |
| Property, plant and equipment | **(10)** | (17) | **(10)** | (17) |
| Inventory | **5** | 8 | **5** | 8 |
| Trade and other receivables | **2** | 13 | **2** | 13 |
| Provisions | **29** | 35 | **29** | 35 |
| **Balance at the end of the year** | **26** | 39 | **26** | 39 |

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| **Reconciliation of deferred tax balance:** | | | | |
| Opening balance | **39** | 39 | **39** | 39 |
| Temporary differences – movements during the year | **(13)** | - | **(13)** | - |
| **Balance at the end of the year** | **26** | 39 | **26** | 39 |

### 14.3 RECONCILIATION OF THE TAX RATE

| | GROUP 2012 % | GROUP 2011 % | COMPANY 2012 % | COMPANY 2011 % |
|---|---|---|---|---|
| Standard tax rate | **28,0** | 28,0 | **28,0** | 28,0 |
| **Adjusted for:** | | | | |
| Non-taxable income | **(5,6)** | (2,2) | **(2,3)** | (2,2) |
| Non-deductable items | **2,3** | 3,4 | **2,6** | 3,4 |
| Other | **(1,4)** | 0,3 | **(1,5)** | (0,1) |
| Capital gains tax | **-** | 0,4 | **-** | 0,4 |
| Secondary tax on companies | **3,5** | 1,4 | **4,1** | 1,4 |
| **Effective tax rate** | **26,8** | 31,3 | **30,9** | 30,9 |

14.4 UNUTILISED DEFERRED TAX ASSET

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Unutilised estimated assessed losses available for set-off against income at the beginning of the year | **-** | 2 | **-** | - |
| Utilised during the year | **-** | (2) | **-** | - |
| **Net unutilised amounts at year-end** | **-** | - | **-** | - |

## 15. PROVISIONS

| | Notes | GROUP AND COMPANY Grain risk R'm | Straight-line recognition of operating leases R'm | Total R'm |
|---|---|---|---|---|
| | | 15.1 | 15.2 | |
| **Balance at 30 April 2010** | | **14** | **6** | **20** |
| Utilised during the year | | (8) | (1) | (9) |
| **Balance at 30 April 2011** | | **6** | **5** | **11** |
| Increase in provision for the year | | 4 | - | 4 |
| **Balance at 30 April 2012** | | **10** | **5** | **15** |

15.1 GRAIN RISKS

The Group is exposed to risks in the grain industry, which include the physical risk of holding inventory and non-compliance with grain contracts by counter-parties. Estimates for these risks are based on potential shortfalls and non-compliance with contracts at current market prices.

15.2 STRAIGHT-LINE RECOGNITION OF OPERATING LEASES

In terms of IAS 17 operating leases with a fixed term and fixed escalation rate have to be recognised on a straight-line basis. Subsequently a provision needs to be made, which will only be utilised over the contract term.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

| | Notes | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|---|
| **16.1 Current assets** | | **41** | 28 | **41** | 28 |
| - Forward purchase contract | 20.1.1.2 | **40** | 23 | **40** | 23 |
| - Foreign currency futures | 20.1.1.3 | **1** | 5 | **1** | 5 |
| **16.2 Current liabilities** | | **7** | 10 | **7** | 10 |
| - Forward purchase contracts | 20.1.1.2 | **2** | 2 | **2** | 2 |
| - Forward sales contracts | 20.1.1.2 | **-** | 2 | **-** | 2 |
| - Interest rate swap | 20.1.1.4 | **5** | 6 | **5** | 6 |
| **16.3 Non-current liabilities** | | **-** | 2 | **-** | 2 |
| - Interest rate swap | 20.1.1.4 | **-** | 2 | **-** | 2 |

## 17. CAPITAL OBLIGATIONS AND CONTINGENT LIABILITIES

### 17.1 CONTINGENT LIABILITIES

The following are material contingencies as at 30 April 2012:

- Appeal: Senwes/Competition Commission ("CC") (CTH Complaint);
- Competition Commission – GSI complaint;
- Treacle Fund II Trust/Senwesbel and Senwes.

The historical claim (2003) against certain members of the previous executive management of Senwes regarding losses as a result of the investments in Kolosus and Sabawes, was settled in March 2012 in accordance with the mandate granted by the Senwes Board.

**Appeal: Senwes/Competition Commission ("CC") (CTH complaint)**
The Constitutional Court found on 12 April 2012 that Senwes did in fact contravene section 8(c) of the Competition Act. The finding does not carry a penalty. Senwes and the Commission are engaged in discussions regarding the remedies with regards to the finding.

**Investigation into the Grain Silo Industry (GSI)**
The GSI matter relating to grain storage tariffs in which a number of agricultural companies were involved, was settled with the Competition Commission. All costs were provided for in the results of 30 April 2012.

The Competition Commission is investigating the GSI role-players (including Senwes) on an alleged complaint of collusion regarding the 1% screening deduction and the moisture requirements. The matter is still pending.

**Application of Mashike & Ross (trustees of the Treacle Fund II Trust) ("Treacle") against Senwesbel and Senwes**
Treacle, one of the non-controlling shareholders in Senwes and party to the Bafokeng Consortium, served an application upon Senwes and Senwesbel (as second and first respondents) during 2010 in terms of which it is alleged that the historical acquisition of Senwes shares by Senwesbel was invalid. Senwes would be required to rectify its share register should the application succeed. Senwes opposed the application as it is submitted that it is without merit.

The trial took place from 31 May 2011 to 1 June 2011 and since it was not concluded, it was postponed until 23 June 2011.

The court dismissed the application by Treacle on 31 January 2012 with costs on the basis that the allegation did not have any factual or legal basis. Treacle subsequently applied for leave to appeal. The application was granted and the appeal process in the Supreme Court of Appeal is underway. The matter is expected to be heard at the end of 2012.

### 17.2 COMMITMENTS IN RESPECT OF CAPITAL PROJECTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Already contracted | **18** | 18 | **18** | 18 |
| Authorised by the Board but not yet contracted | **20** | 3 | **20** | 3 |
| **Total future capital projects** | **38** | 21 | **38** | 21 |

### 17.3 OPERATING LEASES – MINIMUM LEASE PAYMENTS

The Group has certain operational lease obligations (fixed rental contracts) in respect of equipment and properties with an average period of between three and six years.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Within one year | **6** | 6 | **6** | 6 |
| More than one year and within five years | **17** | 18 | **17** | 18 |
| More than five years | **1** | 3 | **1** | 3 |
| **Operating lease obligation** | **24** | 27 | **24** | 27 |

The capital commitments and operating leases will be financed by net cash flow from operations and/or loans from financial institutions.

## 18. OPERATING PROFIT

### 18.1 DISCLOSABLE ITEMS INCLUDED IN OPERATING PROFIT

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Profit from operations is stated after having taken the following into account: | | | | |
| Auditors' remuneration – audit services | **(6)** | (5) | **(6)** | (5) |
| – other services | **(2)** | (1) | **(2)** | (1) |
| Bad debt written-off | **(7)** | (5) | **(7)** | (5) |
| Bad debt recovered | **1** | - | **1** | - |
| Doubtful debt reversed | **-** | 2 | **-** | 2 |
| Depreciation | **(40)** | (37) | **(39)** | (37) |
| Foreign exchange loss | **(10)** | 1 | **(2)** | 1 |
| Operating lease expenses | **(10)** | (7) | **(6)** | (7) |
| Property | **(6)** | (5) | **(4)** | (5) |
| Plant and equipment | **(4)** | (2) | **(2)** | (2) |
| Profit from the sale of property, plant and equipment | **2** | 2 | **2** | 2 |
| Provision for actuarial profit on pension fund distributions | **-** | 1 | **-** | 1 |
| Provision for grain risk | **(4)** | - | **(4)** | - |

### 18.2 FINANCE COSTS

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Loans from commercial banks | **(46)** | (41) | **(48)** | (41) |
| Commodity finance | **(40)** | (67) | **(40)** | (67) |
| Other | **(3)** | (5) | **(1)** | (5) |
| **Total finance costs paid** | **(89)** | (113) | **(89)** | (113) |
| Interest rate swap | **(3)** | (2) | **(3)** | (2) |
| **Total finance costs** | **(92)** | (115) | **(92)** | (115) |

### 18.3 FINANCE INCOME

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Loans and other receivables | **36** | 31 | **36** | 31 |
| Trade receivables | **106** | 99 | **106** | 99 |
| **Total finance income** | **142** | 130 | **142** | 130 |

18.4 EMPLOYEE COSTS

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Net remuneration | **400** | 380 | **385** | 363 |
| Remuneration and benefits | **359** | 345 | **344** | 328 |
| Incentive bonuses | **41** | 35 | **41** | 35 |
| Pension costs – defined contribution plan | **24** | 25 | **23** | 24 |
| **Total employee costs** | **424** | 405 | **408** | 387 |
| | **Number** | **Number** | **Number** | **Number** |
| Permanent employees | **2 064** | 2 014 | **1 966** | 1 941 |
| Temporary employees | **142** | 187 | **137** | 185 |
| **Employees at the end of the year** | **2 170** | 2 201 | **2 103** | 2 126 |

## 19. OTHER OPERATING INCOME

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Dividend received | **2** | - | **19** | 7 |
| Sundry income | **-** | 4 | **-** | 8 |
| **Total other operating income** | **2** | 4 | **19** | 15 |

## 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects thereof on the Group's financial performance.

The methods and assumptions used for the year are consistent with the previous year. Major risks have been identified and are managed as set out below.

### 20.1 FINANCIAL RISKS

#### 20.1.1 Market risks

**20.1.1.1 Commodity price risk**

Positions that are not hedged on the Safex market leave Senwes with an exposure to price movements. This risk is exacerbated during low market liquidity. Senwes maintains a strict policy and limits are set at low levels with regard to open positions, whether speculative or operational in nature. The status of open positions is monitored daily and reported to appropriate senior management.

The Group uses derivative instruments to manage and hedge exposure to commodity price risk. In accordance with the Group's risk management policy, only minimal unhedged market positions exist from time to time. The value of available commodities, the net value of futures contracts and option contracts and the value of the net position of the pre-season contracts indicate an effective hedge. The total value of the futures contracts is regarded as sensitive information and is not disclosed in the financial statements.

The hedging instruments used consist of futures contracts and option contracts. The net realisable value in respect of futures contracts for hedging as at 30 April 2012 amounted to R33,5 million (2011 – R4,6 million). As explained in the previous paragraph, the net revaluation difference of the instruments used for hedging was taken into account against the value of commodities and the fair value of pre-season contracts. The value of commodities on the statement of financial position reflects the market value thereof at year-end and the fair value of the futures contracts, option contracts and pre-season contracts is also included in the statement of financial position.

**20.1.1.2 Trading risk**

Market risk with regards to trading relates to the potential losses in the trading portfolio due to market fluctuations such as interest rates, spread between current and future prices of commodities, volatility of these markets and changes in market liquidity. Risk limits are set to govern trading within the risk appetite of the Group via forward purchase and sales contracts.

Forward purchase contracts represent contracts with producers for the procurement of physical commodities in the future. The forward sales contracts represent contracts with clients for the sale of physical commodities in the future.

**20.1.1.3 Foreign exchange risk**

The Group has minimal exposure to fluctuations in mainly the Rand/USD exchange rate in respect of imports and exports. Foreign currency transactions are mainly concluded for the purchasing and selling of inventory. Foreign exchange contracts are concluded for specific transactions to hedge against fluctuations in exchange rates.

At year-end, foreign exchange contracts of R1,9 million (2011 – R53,2 million) were entered into as a hedge against expected payments. The fair value adjustment on foreign exchange contracts is recognised through profit and loss. A sensitivity analysis is not indicated since the amounts are not material.

Contracts were concluded in order to hedge expected cash flows of R1,9 million (2011 – R58,7 million). The hedged cash flows are expected to occur at various dates during the 12 months following the reporting date.

**20.1.1.4 Interest rate risk**

**Funding**

The Group is naturally hedged against fluctuating interest rates to a large extent since interest-bearing debt is mainly utilised for assets earning interest at fluctuating rates.

| | | GROUP 2012 | |
|---|---|---|---|
| **Interest rate risk** | **Total current assets R'm** | **Non-interest earning assets R'm** | **Interest earning assets R'm** |
| Inventory | **709** | **709** | **-** |
| Debtors | **1 589** | **50** | **1 539** |
| Agency grain | **274** | **-** | **274** |
| Bank | **24** | **-** | **24** |
| Other | **80** | **41** | **39** |
| **Total** | **2 676** | **800** | **1 876** |
| Interest bearing liabilities | | | (1 440) |
| **Net exposure to interest rate risk (limited to R nil)** | | | **-** |

| | | GROUP 2011 | |
|---|---|---|---|
| **Interest rate risk** | **Total current assets R'm** | **Non-interest earning assets R'm** | **Interest earning assets R'm** |
| Inventory | 984 | 984 | - |
| Debtors | 1 366 | 57 | 1 309 |
| Agency grain | 160 | - | 160 |
| Bank | 17 | - | 17 |
| Other | 31 | 31 | - |
| **Total** | 2 558 | 1 072 | 1 486 |
| Interest bearing liabilities | | | (1 399) |
| **Net exposure to interest rate risk (limited to R nil)** | | | **-** |

Interest costs are naturally hedged in instances where interest earning assets exceed interest-bearing liabilities. Interest rates are hedged by means of financial instruments in times of high volatility or when interest-bearing liabilities significantly exceed interest earning assets.

The Group entered into an interest rate swap agreement on 11 November 2009, with a notional value of R250 million at a fixed rate of 8,15%. A variable rate equal to the 3-month Jibar rate applies to the Group. The swap is being used to hedge the interest cost over the long-term at an acceptable level.

**Sensitivity of interest rates**
The potential impact of interest rate changes on finance costs is illustrated below:

| | GROUP 2012 | | GROUP 2011 | |
|---|---|---|---|---|
| | Increase/ (decrease) % | (Increase)/ decrease interest expenses before tax R'm | Increase/ (decrease) % | (Increase)/ decrease interest expenses before tax R'm |
| Commodity financing | **2%** | **(3,7)** | 2% | (20,7) |
| | **1%** | **(1,9)** | 1% | (10,4) |
| | **(1)%** | **1,9** | (1)% | 10,4 |
| | **(2)%** | **3,7** | (2)% | 20,7 |
| Short-term rate | **2%** | **(14,3)** | 2% | (4,7) |
| | **1%** | **(7,1)** | 1% | (2,4) |
| | **(1)%** | **7,1** | (1)% | 2,4 |
| | **(2)%** | **14,3** | (2)% | 4,7 |
| Long-term rate | **2%** | **(9,0)** | 2% | (7,0) |
| | **1%** | **(4,5)** | 1% | (3,5) |
| | **(1)%** | **4,5** | (1)% | 3,5 |
| | **(2)%** | **9,0** | (2)% | 7,0 |

### 20.1.2 Credit risk

**Concentration risk**
The potential credit concentration risk relates mainly to trade debtors. Trade debtors consist of a large number of clients, spread over different geographic areas and credit is extended in accordance with the credit policy of the Group. Prudent credit evaluation processes are strictly adhered to.

The value at risk mentioned below, is calculated as follows:

1. "Gross exposure" is calculated by decreasing the total producer debtor balance by the security value held or ceded to Senwes as well as the appropriate provision for bad debt.
2. Distribution (spread) is measured against best practices in the industry, given the concentration in respect of geography, stratification, categorisation and arrears. Sources for measurement of concentration risk are formulated by using various industry norms, market trends in big agricultural companies and own analyses. The spread will increase the value at risk should it be higher than the norm and will decrease should it be lower than the norm.

| | GROUP | |
|---|---|---|
| | 2012 R'm | 2011 R'm |
| Gross exposure | **739** | 548 |
| Concentration decreased due to better distribution | **(335)** | (231) |
| Value at risk of producer debtors (VaR) | **404** | 317 |

The value at risk of R404 million (2011 – R317 million) was calculated before taking into account the statement of financial position of clients. The VaR increased by 27% as the debtor book increased by 24%. This is an indication that the profiles of new clients are the same as the profile of the existing clients. An additional provision for bad debt of R3 million was created to provide for the increased VaR.

The above values at risk are measured in respect of concentration in the different areas, namely arrears, categorisation, stratification (individual extent of the balance of the debtor account) and geography and are discussed in detail below:

**Geography**

Low concentration risk is applicable due to extensively spread geographic area, mainly the Free State, Northwest and Northern Cape.

**Stratification and arrears**

| | GROUP 2012 | | GROUP 2011 | |
|---|---|---|---|---|
| **Stratification of the client base to the extent of credit extended** | **Exposure of book** | **Arrears** | **Exposure of book** | **Arrears** |
| R1 – R500 000 | **4,27%** | **13,32%** | 5,84% | 16,79% |
| R500 000 – R1 250 000 | **7,06%** | **3,02%** | 9,72% | 3,16% |
| R1 250 000 – R3 000 000 | **17,48%** | **1,10%** | 20,26% | 1,36% |
| R3 000 000 – R5 000 000 | **21,97%** | **2,08%** | 23,72% | 1,58% |
| R5 000 000 – R10 000 000 | **19,91%** | **1,37%** | 15,96% | 2,60% |
| Above R10 000 000 | **25,68%** | **0,65%** | 21,95% | 2,95% |
| Legal clients | **3,63%** | **55,10%** | 2,55% | 61,51% |
| | **100,00%** | **3,88%** | 100,00% | 4,57% |

A fair distribution of client size and arrears is applicable and the size of the current book is in line with the risk appetite per segment of Senwes.

**Categorisation**

| | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **Distribution of debtors by category** | **Trade debtors** | **Trade debtors** |
| Category 1 | **40,94%** | 28,78% |
| Category 2 | **48,17%** | 58,67% |
| Category 3 | **4,95%** | 7,06% |
| Category 4 | **-** | 0,40% |
| Other | **3,13%** | 2,54% |
| Legal clients | **2,81%** | 2,55% |
| | **100,00%** | 100,00% |

The different categories are defined as follows:

| | |
|---|---|
| Category 1 client: | Top clients in the market with an excellent credit history, balance sheet, financial position and repayment ability. |
| Category 2 client: | Top quartile clients (with the exclusion of category 1 clients) in the market with a good credit history, sound financial position and excellent repayment ability. |
| Category 3 and 4 client: | Represents a broad client base varying from beginner-farmers with relatively poor balance sheets to producers involved in a fight for survival. Senwes' policy only provides for this category in circumstances which include a high security position, specific tailor-made low risk financing products and where Senwes is of the opinion that the client should be able to recover to a stronger position. |
| Other: | Accounts are evaluated on the basis on which the account is handled and are fully secured. |

**Counter-party risk**

The credit crunch raises generic questions regarding the ability and appetite of financiers for funding. Absa and Land Bank as key financiers are regarded as excellent counter-parties, and therefore fall within acceptable levels of counter-party risk. Counter-party risk relating to credit extension to clients is managed actively and is considered to be within acceptable levels.

### 20.1.3 Liquidity risk

The Group monitors its liquidity risk by means of a cash flow planning and security model.

The Group takes into account the maturity date of its various assets and funds its activities by obtaining a balance between the optimal financing mechanism and the different financing products, which include bank overdrafts, short-term loans, commodity finance and other creditors. The different debt expiry dates are as follows:

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total R'm | Due within 1 month R'm | Due within 1 - 2 months R'm | Due within 2 - 6 months R'm | Due within 6 - 12 months R'm | Due between 1 and 5 years R'm | Due after 5 years R'm |
| **DEBT – 2012** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Interest-bearing loans | **450** | **-** | **-** | **-** | **-** | 350 | 100 |
| Long-term incentive bonuses | **7** | **-** | **-** | **-** | **-** | 7 | - |
| | **457** | **-** | **-** | **-** | **-** | **357** | **100** |
| **Current liabilities** | | | | | | | |
| Interest-bearing loans | **964** | 164 | 23 | - | 777 | - | - |
| Trade and other payable | **468** | 322 | 138 | - | - | 8 | - |
| Other | **107** | - | 82 | 11 | 11 | 3 | - |
| | **1 539** | **486** | **243** | **11** | **788** | **11** | **-** |
| **Total liabilities** | **1 996** | **486** | **243** | **11** | **788** | **368** | **100** |

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total R'm | Due within 1 month R'm | Due within 1 - 2 months R'm | Due within 2 - 6 months R'm | Due within 6 - 12 months R'm | Due between 1 and 5 years R'm | Due after 5 years R'm |
| **DEBT – 2011** | | | | | | | |
| **Non-current liabilties** | | | | | | | |
| Interest-bearing loans | 350 | - | - | - | - | 350 | - |
| Long-term incentive bonuses | 13 | - | - | - | - | 13 | - |
| Post-retirement liability | 81 | - | - | - | - | 81 | - |
| Derivative financial instruments | 2 | - | - | - | - | 2 | - |
| | **446** | **-** | **-** | **-** | **-** | **446** | **-** |
| **Current liabilities** | | | | | | | |
| Interest-bearing loans | 1 021 | 352 | - | 669 | - | - | - |
| Trade and other payable | 313 | 84 | 199 | 5 | 11 | 14 | - |
| Other | 96 | 35 | 29 | 17 | 13 | 2 | - |
| | **1 430** | **471** | **228** | **691** | **24** | **16** | **-** |
| **Total liabilities** | **1 876** | **471** | **228** | **691** | **24** | **462** | **-** |

### 20.1.4 Capital maintenance guidelines

The Group maintains its own capital ratio within the following guidelines:

| Capital maintenance | GROUP 2012 Own capital ratio | GROUP 2011 Own capital ratio |
|---|---|---|
| Total assets | **3 372** | 3 106 |
| Equity | **1 376** | 1 230 |
| Liabilities | **1 996** | 1 876 |
| Total equity and liabilities | **3 372** | 3 106 |
| Calculated rate (%) | **41%** | 40% |
| Set target band (%) | **35% - 45%** | 35% - 45% |

The own capital ratio increased by 1% and is still within the set target band. The policy in respect of the maintenance of capital is in accordance with the previous financial year.

| Interest cover | GROUP 2012 Interest cover R'm | GROUP 2011 Interest cover R'm |
|---|---|---|
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | **494** | 471 |
| Finance costs | **92** | 115 |
| Calculated interest cover (times) | **5,4** | 4,1 |
| Set target (times) | **>3** | >3 |

The interest cover exceeds the minimum set target of 3.

## 20.2 BUSINESS RISKS

### 20.2.1 Operational risks

**Access to grain**

There is a risk of Senwes not being able to maintain access to or increase volumes of grain within its geographic base and that the concomitant impact on its grain income stream can be significant. Reduced access to grain volumes could be the result of a number of causes such as:

- Downscaled planting – The occurrence of downscaled planting impacts Senwes at various levels. Models were developed and are being managed to reduce the impact of significant downscaled planting.
- Droughts – Climate change poses significant risks for Senwes and the sale of products could be affected significantly. Models have been developed and financial instruments are being used to manage and reduce the potential impact of droughts.
- Competitive alternative storage structures – Alternative storage structures are addressed by innovative market transactions and the maintenance of good producer relationships. Differences between product offerings are also being addressed in the market.
- Improper management of transformation and land reform could have a significant impact on production. Senwes works in conjunction with all government departments concerned in seeking and implementing viable options, taking the BEE-policy into account.

**Human capital – scarcity and retention of talent**

One of the cornerstones of good performance is access to and retention of excellent personnel. South Africa is currently involved in a talent war due to various reasons. Furthermore, Senwes itself has a relatively young talent profile which brings about difficulty to retain talent because of mobility. Added to this is the fact that Senwes is predominantly situated in rural areas and many young people relocate to the larger metropoles where there are more career opportunities. In order to mitigate this risk and as part of a comprehensive strategy in respect of the retention of talent, appropriate remuneration and incentive schemes have been implemented and ample opportunities for growth through training and practical exposure have been provided. Succession planning and identification of talent also receive the necessary attention.

**Operational risk**

Operational risks relate to events that are not caused by human error and form part of the normal running of the business. Such events would include operational breakdowns at critical times, unforeseen lead times on stock orders and lack of business enablers.

**Theft and fraud**

The current economic conditions give rise to increased possibilities of fraudulent activity. The diversified nature of the Group's activities also increases the possibilities of theft or fraud. This is further increased by the complexity of certain activities which require special control measures. A refocus of business processes, a culture programme, redesign of appointment practices and the upgrading of physical control measures are some of the management actions implemented to mitigate the risk to an acceptable level.

20.2.2 Legal risks

**Non-compliance with contracts**

Senwes contracts with both producer and buyer which poses a risk when prevailing conditions create circumstances of inability or the temptation not to comply with contractual obligations. These conditions could arise due to drought or significant price movements. Proper evaluation and accreditation of clients as well as the monitoring of the flow of the harvest play important roles in addressing this risk. Limiting contract volumes per counter party further reduces the risk. Market trends that might lead to non-compliance with contracts are monitored closely and strategies to hedge this risk on the Safex market are used when deemed necessary. These instruments are included with the values indicated in note 16.

**Law suits**

Senwes is involved in certain legal actions as discussed in note 17.1.

The possibility always exists that losses for the Group may occur, while legal advice indicates a positive outcome for Senwes. The possibility of losses is considered and evaluated on a continuous basis and reported to the Risk and Sustainability Committee and the Board.

20.2.3 Strategic risk

**Sustainability and reputation risk**

The possibility exists that certain events or perceptions could lead to uncertainty among certain stakeholders. This could in turn negatively impact on the business done with the Group or the share value.

The risk management process considers all relevant actions, events and circumstances that could have an impact on the reputation of the company. The process also endeavours to measure the impact of possible reputation risks. Appropriate measures and structures are in place to deal with this timeously and effectively.

The risk process also identifies events which place pressure on the sustainability of the Group. The process identifies the decisive areas for action that lead to the implementation of action plans to ensure sustained profitability.

20.2.4 System risks

The company relies on technology to a large extent. The risks relating to archiving, capacity, data integrity, relevance, integration and adaptability are the main risks. A good IT-strategy and management committee are in place and formal change, project and integration management is applied.

20.3 ENVIRONMENTAL RISKS

20.3.1 Weather and climate risks

Refer to paragraph 20.2.1.

20.3.2 Political risks

Refer to paragraph 20.2.1

20.4 FAIR VALUE

All financial instruments are reflected at carrying value. The carrying value is a reasonable approximation of a market related fair value.

20.4.1 **Fair value hierarchy**

Senwes uses the following hierarchy for determining and disclosing the fair value of financial instruments in accordance with the valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities.

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

| | | GROUP AND COMPANY – 2012 | | | |
|---|---|---|---|---|---|
| | Notes | 30 April 2012 R'm | Level 1 R'm | Level 2 R'm | Level 3 R'm |
| **Assets measured at fair value** | | **44** | **44** | **-** | **-** |
| Quoted equity shares | 4.1.1 | 3 | 3 | - | - |
| Forward purchase contracts | 16.1 | 40 | 40 | - | - |
| Foreign currency futures | 16.1 | 1 | 1 | - | - |
| | Notes | 30 April 2011 R'm | Level 1 R'm | Level 2 R'm | Level 3 R'm |
| **Liabilities measured at fair value** | | **7** | **7** | **-** | **-** |
| Forward purchase contracts | 16.2 | 2 | 2 | - | - |
| Interest rate swap | 16.2 | 5 | 5 | - | - |

During the reporting period ending 30 April 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

| | | GROUP AND COMPANY – 2011 | | | |
|---|---|---|---|---|---|
| | Notes | 30 April 2012 R'm | Level 1 R'm | Level 2 R'm | Level 3 R'm |
| **Assets measured at fair value** | | 31 | 31 | - | - |
| Quoted equity shares | 4.1.1 | 3 | 3 | - | - |
| Forward purchase contracts | 16.1 | 23 | 23 | - | - |
| Foreign currency futures | 16.1 | 5 | 5 | - | - |
| | Notes | 30 April 2011 R'm | Level 1 R'm | Level 2 R'm | Level 3 R'm |
| **Liabilities measured at fair value** | | 12 | 12 | - | - |
| Forward purchase contracts | 16.2 | 2 | 2 | - | - |
| Forward sales contracts | 16.2 | 2 | 2 | - | - |
| Interest rate swap | 16.2, 16.3 | 8 | 8 | - | - |

## 21. EARNINGS PER SHARE AND DIVIDENDS

### 21.1 EARNINGS PER SHARE

The following calculations are based on a weighted average number of 180 789 308 (2011 – 180 789 308) shares in issue. The earnings were calculated on profit attributable to shareholders.

21.1.1 Earnings per share is based on a profit of R264 million (2011 – R219 million) attributable to ordinary shares.
21.1.2 Earnings per share from continuing operations is based on a profit of R264 million (2011 – R219 million).
21.1.3 Headline earnings per share is based on a profit of R240 million (2011 – R210 million).
21.1.4 Reconciliation between earnings and headline earnings is as follows:

| | GROUP | |
|---|---|---|
| | 2012 R'm | 2011 R'm |
| Earnings per statement of comprehensive income | **264** | 219 |
| Adjustments: | | |
| Impairment and adjustments of silos and other buildings | **(51)** | - |
| Loss on foreign exchange | **8** | - |
| Profit from sale of property, plant and equipment | **(1)** | (1) |
| Provision for actuarial profit on pension fund contributions | **-** | (1) |
| Profit from sale of investments | **-** | (7) |
| Restructuring costs | **20** | - |
| Headline earnings | **240** | 210 |
| Earnings per share (cents) | **146,0** | 121,1 |
| Headline earnings per share (cents) | **132,8** | 116,2 |

*All adjustments are stated on an after-tax basis.*

### 21.2 DIVIDENDS PAID AND PROPOSED

| | GROUP AND COMPANY | |
|---|---|---|
| | 2012 R'm | 2011 R'm |
| **Declared and paid during the year:** | | |
| Dividends on ordinary shares: | | |
| Final dividend 2011 – 25 cents (2010 – 15 cents) | **45** | 27 |
| Interim dividend 2012 – 20 cents (2011 – 10 cents) | **36** | 18 |
| Second interim dividend 2012 – 25 cents (2011 – nil cents) | **45** | - |
| **Total dividends paid** | **126** | 45 |
| Proposed for approval at the annual general meeting (not recognised as a liability as at 30 April) | | |
| Dividends on ordinary shares: | | |
| **Final dividend 2012 – 15 cents (2011 – 25 cents)** | **27** | 45 |

## 22. RELATED PARTY TRANSACTIONS

### 22.1 SUBSIDIARIES

The financial statements include the financial results of the subsidiaries listed. The table below reflects the total of transactions per subsidiary.

| | COMPANY | | |
|---|---|---|---|
| | % interest | Income received from subsidiaries R'm | Amounts owed (to)/by subsidiaries R'm |
| **2012** | | | |
| JD Implements (Pty) Ltd | **50%** | **1** | **8** |
| Senwes Capital (Pty) Ltd* | **100%** | **-** | **(3)** |
| Senwes Ltd – incorporated in Malawi | **100%** | **-** | **30** |
| Senwes International Holdings (Pty) Ltd | **100%** | **-** | **14** |
| Univision Broker Services (Pty) Ltd | **100%** | **1** | **(18)** |
| Univision Financial Services (Pty) Ltd | **100%** | **3** | **18** |
| **Total** | | **5** | **49** |

* On 24 November 2011 the name of Charel de Klerk Street Properties was changed to Senwes Capital.

| | % interest | Income received from subsidiaries R'm | Amounts owed (to)/by subsidiaries R'm |
|---|---|---|---|
| **2011** | | | |
| Charel de Klerk Street Properties (Pty) Ltd | 100% | - | (2) |
| Senwes Ltd – incorporated in Malawi | 100% | - | 17 |
| Univision Broker Services (Pty) Ltd | 100% | 1 | (8) |
| Univision Financial Services (Pty) Ltd | 100% | 5 | 1 |
| **Total** | | **6** | **8** |

Univision Financial Services (Pty) Ltd has a 100% interest in Univision Broker Services (Pty) Ltd. Senwes Ltd holds a direct interest in Univision Financial Services (Pty) Ltd and therefore indirect interest in Univision Broker Services (Pty) Ltd.

### 22.2 ASSOCIATES

Details of transactions with associates are listed in the table below:

| | COMPANY | | | | |
|---|---|---|---|---|---|
| | % interest | | Transactions with related parties | | Amounts owed by/(to) associates |
| | 2012 | 2011 | 2012 R'm | 2011 R'm | 2012 R'm |
| Bunge Senwes (Pty) Ltd | **50%** | - | **200** | - | **39** |
| Grainovation (Pty) Ltd | **50%** | 50% | **(323)** | (183) | **1** |
| Grain Silo Industry (Pty) Ltd | **26%** | 26% | **-** | (1) | **-** |
| Grasland Ondernemings (Pty) Ltd | **50%** | 50% | **1** | (2) | **-** |
| Silo Certs (Pty) Ltd | **42,5%** | 42,5% | **-** | - | **3** |

## 22.3 PARENT COMPANY

Senwesbel Ltd increased its shareholding to 58,8% (2011 – 41,16%) during the 2012 financial year.

| | PARENT COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Management fees received | | Interest paid | | Loan payable | |
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| **Senwesbel Limited** | **-** | 1 | **3** | 4 | **26** | 28 |

❖ Dividends paid to Senwesbel Ltd amounted to R76 million (2011 – R18 million).

## 22.4 TRADE RECEIVABLES – DIRECTORS AND EXECUTIVE MANAGEMENT

These comprise of production credit and other accounts for which customers of the company qualify. Credit extension terms and interest rates in respect of loans are aligned with company policy. These amounts are included in trade and other receivables according to normal credit terms and conditions.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| **Related parties – trade and other accounts receivable** | **25** | 24 | **25** | 24 |

## 22.5 DIRECTORS' REMUNERATION (EXECUTIVE AND NON-EXECUTIVE)

| | COMPANY | |
|---|---|---|
| | 2012 R'm | 2011 R'm |
| Salaries | **5** | 4 |
| Short-term incentive | **2** | 2 |
| Long-term incentive | **2** | 2 |
| Executive directors | **9** | 8 |
| Non-executive directors | **3** | 3 |
| **Directors' remuneration** | **12** | 11 |

The directors' remuneration is not included in the employee costs, as stated in note 18.4.

The remuneration per director is indicated in the remuneration committee report on page 16.

## 22.6 OTHER KEY MANAGEMENT PERSONNEL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Salaries | **24** | 20 | **23** | 19 |
| Incentive bonuses | **10** | 8 | **10** | 8 |
| **Total remuneration to key management personnel** | **34** | 28 | **33** | 27 |
| Number of key management personnel at year-end | **16** | 17 | **16** | 16 |

The remuneration of these employees is included in employee costs as stated in note 18.4.

## 22.7 CASH-SETTLED SHARE-BASED TRANSACTION

Refer to note 12.1.2 for information regarding the cash-settled share-based transactions of certain directors.

22.8 INFORMATION ON DIRECTORS' TERMS OF OFFICE

For information regarding the non-executive directors, refer to the statutory directors' report (page 59).

**Executive directors**

| *Director* | *Service contract expiry date* | *Position held* |
|---|---|---|
| F Strydom | 31 July 2013 | Managing Director |
| CF Kruger | 31 August 2013 | Financial Director |

Interest of the directors in the company:

| | COMPANY | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Number of shares | % of total shares | Number of shares | % of total shares |
| *Direct* | | | | |
| Non-executive directors | **140 984** | **0,08** | 533 731 | 0,29 |
| Executive directors | **31 570** | **0,02** | 21 570 | 0,01 |
| *Indirect* | | | | |
| Non-executive directors | **25 576 521** | **14,15** | 19 340 967 | 10,70 |
| Executive directors | **953 154** | **0,53** | 397 634 | 0,22 |
| **Total direct and indirect interest** | **26 702 229** | **14,78** | 20 293 902 | 11,22 |

Refer to the Corporate Governance report for information regarding interests held on page 14.

## 23. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FROM OPERATING ACTIVITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2012 R'm | 2011 R'm | 2012 R'm | 2011 R'm |
| Profit before tax | **362** | 319 | **304** | 317 |
| Non-cash adjustments to reconcile profit before tax to net cash flows: | **146** | 228 | **191** | 221 |
| Foreign translation difference | **10** | - | **-** | - |
| Depreciation | **40** | 37 | **39** | 37 |
| Increase in provisions and non-cash items | **67** | 86 | **83** | 87 |
| Finance costs | **89** | 113 | **89** | 113 |
| Impairment (reversal)/charge – buildings | **(51)** | - | **14** | - |
| Impairment reversal – investments | **-** | - | **(5)** | - |
| Profit from associates | **(5)** | (2) | **-** | - |
| Profit on disposal of property, plant and equipment | **(2)** | (2) | **(2)** | (2) |
| Profit on disposal of subsidiary | **-** | (3) | **-** | (7) |
| Other operating income | **(2)** | (1) | **(19)** | (7) |
| **Cash from operating activities** | **508** | 547 | **495** | 538 |

## 24. CHANGES IN OPERATING CAPITAL

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Decrease/(increase) in inventory | **280** | (152) | **319** | (157) |
| Increase in trade and other receivables | **(287)** | (117) | **(290)** | (106) |
| Increase in agency grain debtors | **(114)** | (63) | **(114)** | (63) |
| Increase/(decrease) in trade and other payables | **25** | (159) | **2** | (158) |
| (Decrease)/increase in interest-bearing current loans | **(59)** | 248 | **(54)** | 248 |
| (Decrease)/increase in interest-bearing loans from related parties | **-** | (47) | **-** | (48) |
| **Changes in operating capital** | **(155)** | (290) | **(137)** | (284) |

## 25. TAX PAID

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Tax payable at the beginning of the period | **(15)** | (7) | **(15)** | (6) |
| Deferred tax receivable at the beginning of the period | **39** | 39 | **39** | 39 |
| Amounts debited in the statement of comprehensive income | **(97)** | (100) | **(94)** | (98) |
| Deferred tax receivable at the end of the period | **(26)** | (39) | **(26)** | (39) |
| Tax payable at the end of the period | **7** | 15 | **7** | 15 |
| **Tax paid** | **(92)** | (92) | **(89)** | (89) |

## 26. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Land | **(9)** | (3) | **-** | - |
| Buildings and improvements | **(6)** | (7) | **(6)** | (10) |
| Machinery and equipment | **(23)** | (20) | **(18)** | (19) |
| Vehicles | **(18)** | (8) | **(16)** | (8) |
| **Total acquisition of property, plant and equipment** | **(56)** | (38) | **(40)** | (37) |
| Represented by: | **(56)** | (38) | **(40)** | (37) |
| Acquisition to increase operating capacity | **(22)** | (21) | **(22)** | (20) |
| Acquisition to maintain operating capacity | **(34)** | (17) | **(18)** | (17) |

## 27. PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| Carrying value of assets sold | **1** | 1 | **1** | 1 |
| Profit from disposal | **2** | 2 | **2** | 2 |
| **Proceeds from disposal** | **3** | 3 | **3** | 3 |

## 28. OTHER LOANS RECEIVABLE

| | GROUP 2012 R'm | GROUP 2011 R'm | COMPANY 2012 R'm | COMPANY 2011 R'm |
|---|---|---|---|---|
| **Increase in current financial assets** | **(36)** | (3) | **(69)** | (27) |

## 29. UNUTILISED FUNDING FACILITIES

The Group has unutilised short-term loan facilities of R188 million, which are secured by means of cessions and pledges of production credit debtors as well as silo storage and handling debtors. The Group also has an unutilised long-term loan facility (SPV) to the amount of R550 million, which is secured by a first bond over silo assets. The Group also entered into commodity transactions from time to time and financiers demonstrated an unlimited appetite for this type of financing. However, the commodity loan is limited to the commodity value that can be presented as security.

## 1. Basis of presentation

The financial statements are prepared on the historical-cost basis, except for derivative financial instruments and available-for-sale financial assets measured at fair value. The carrying values of hedged assets and liabilities are adjusted to reflect changes in the fair values resulting from the hedged risks. The financial statements are compiled in rand terms and all values are rounded to the nearest million (R' 000 000), except where stated otherwise.

### 1.1 Statement of compliance

The financial statements of Senwes Limited and all its subsidiaries, joint ventures and associates ("Group") have been prepared in accordance and in compliance with the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with those requirements of the South African Companies Act of 2008, applicable to companies reporting under IFRS.

### 1.2 Change in accounting policy and disclosures

The accounting policy adopted in the preparation of the consolidated financial statements is consistent with the policy followed in the preparation of the Group's annual financial statements for the year ended 30 April 2011, except for the adoption of new standards and interpretations effective as of 1 May 2011 set out below:

- *IAS 24 Related party disclosures (Amendment)*
  The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.
- *Improvements to IFRS (issued May 2010)*
  In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to the accounting policy, but no impact on the financial position or performance of the Group:
  - IFRS 3 Business Combinations
  - IFRS 7 Financial Instruments – Disclosures
  - IAS 1 Presentation of Financial Statements
  - IAS 27 Consolidated and Separate Financial Statements
  - IAS 34 Interim Financial Statements
- *IFRIC 14 Prepayments of a minimum funding requirement (Amendment)*
  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service costs by the entity to be recognised as a pension asset. The amendment is deemed to have no impact on the financial statements of the Group.
- *IFRIC 19 Extinguishing financial liabilities with equity instruments*
  The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

### 1.3 New standards, interpretations and amendments

Standards already issued but which were not effective upon the issuing of the Group's financial statements are listed below. This list contains standards and interpretations issued, which are expected to be applicable at a future date. The intention of the Group is to adopt these standards when they become effective.

- IAS 1 Financial Statement Presentation – Presentation of items of other comprehensive income (Amendment)
- IAS 12 Deferred Tax: Recovery of underlying assets (Amendment)
- IAS 19 Employee Benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting of Financial Assets and Financial Liabilities
- IFRS 1 Severe Hyperinflation and removal of fixed dates for First-time adopters (Amendment)
- IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets (Amendment)
- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS 13 Fair Value Measurement

The Group is in the process of evaluating the effects of these standards, and whilst they are not expected to have a significant impact on the Group's results, presentation and additional disclosures may be required.

## 2. Significant accounting policies

### 2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Senwes Limited and its subsidiaries, joint ventures and associates as at 30 April 2012.

### 2.1.1 Subsidiaries and special purpose entities

Subsidiaries are entities where control can be exercised over their operating and financial policies in order to benefit from their activities or where the Group has the majority of the voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies. All intra-company balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Special purpose entities are entities where the Group is entitled to control the entities and they are consolidated into the Group financial statements. Included in the consolidated annual financial statements are the assets and liabilities of all the subsidiaries and their results for the year. In the case of an acquisition or a change in interest during the year, the results of the relevant subsidiaries are included as from the date of effective control or to the effective date when effective control ended. Inter-group transactions, balances and unrealised profits and losses among entities in the Group are eliminated. All the subsidiaries have the same financial year-end and accounting policy as the holding company.

Any provisions for investment write-offs on account of accumulated losses arising in the entity are written back upon consolidation. Where impairments occur, these are accounted for against the relevant class of assets. Investments in subsidiaries at company level are shown at cost less any provisions for impairments.

### 2.1.2 Joint ventures

Joint ventures are businesses where the Group, together with one or more other entities, performs an economic activity which is subject to joint control. The Group's interest in joint ventures is accounted for by applying the equity method. In applying the equity method, account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies becomes joint ventures and up to the effective dates of disposal.

Under the equity method, the investment in joint ventures is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The share of the results of operations of joint ventures is reflected in profit or loss. Where there has been a change recognised in other comprehensive income of joint ventures, the Group recognises its share of any changes and discloses this, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint ventures are eliminated to the extent of the interest in joint ventures.

The share of profit in joint ventures is included in profit or loss. This is the profit attributable to equity holders of joint ventures and therefore is profit after tax and non-controlling interests in the subsidiaries of the joint ventures. Adjustments are made where the accounting period of joint ventures is not in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's Investment in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investments in joint ventures are impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of joint ventures and its carrying value and recognises the amount in profit or loss.

### 2.1.3 Associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence. Acquisitions of shares in investments can be reflected as financial assets available for sale until significant influence is obtained in that investment when that investment is shown as an associate.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The share of the results of operations of associates is reflected in profit or loss. Where there has been a change recognised in other comprehensive income of associates, the Group recognises its share of any changes and discloses this, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in associates.

The share of profit in associates is included in profit or loss. This is the profit attributable to equity holders of associates and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates. Adjustments are made where the accounting period of associates is not in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's Investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of associates and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over associates, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of associates upon loss of significant influence and the fair value movements of the retaining investments and proceeds from disposal, are recognised in profit or loss.

**2.1.4 Other investments**

All investments are recognised at fair value, including any acquisition costs associated with the investment. After initial recognition, investments classified as available-for-sale are adjusted to fair value. Profits or losses arising from fair value adjustments on these investments are taken directly to other comprehensive income. Once the investment is sold or disposed of, the cumulative profit or loss previously adjusted to other comprehensive income is included as part of profit or loss in the statement of comprehensive income.

**2.2 Foreign currency**

**2.2.1 Foreign transactions**

Transactions in foreign currencies are converted at spot rates applicable on the transaction dates. Monetary assets and/or liabilities in foreign currencies are converted to rand at spot rates applicable at the reporting date. Exchange differences arising on settlement or recovery of such transactions are recognised in profit or loss.

**2.2.2 Foreign operations**

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different to the company's presentation currency, are translated into the presentation currency as follows:

i) Assets and liabilities at the closing exchange rate at the reporting date,
ii) Income and expense items are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the dates of the transactions), and)
iii) All resulting exchange differences are recognised in other comprehensive income.

On disposal of foreign operations, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

**2.3 Property, plant and equipment**

Property, plant and equipment are held with a view to generate economic benefit from it for more than one period and are not acquired for resale purposes.

All property, plant and equipment are initially recognised at cost. Thereafter it is measured with reference to the cost of the asset less accumulated depreciation and impairments.

- The cost of property, plant and equipment includes the following: purchase price including import duties, non-refundable purchase taxes, less trade discounts and rebates, and costs directly attributable to bringing an asset to the location and condition necessary to operate as intended by management.
- Property, plant and equipment with a cost of more than R5 000 are capitalised, assets less than R5 000 are written off against operating profit.
- Profits and losses on sale of property, plant and equipment are calculated on the basis of their carrying values and are accounted for in operating profit.
- With the replacement of a significant part of an item of property, plant and equipment, the replaced part is derecognised. The replacement part shall be recognised according to the recognition criteria as an individual asset with specific useful life and depreciation.

The carrying values of property, plant and equipment are considered for impairment when the events or changes in circumstances indicate that the carrying values are no longer recoverable from its future earnings or realisation of the assets.

Depreciation is calculated on a fixed instalment basis over the expected useful life at the following rates:

| | % |
|---|---|
| Land | - |
| Buildings and improvements | 2,5 - 2,85 |
| Plant and equipment | 7,5 - 33,3 |
| Vehicles | 20 |

Depreciation begins when an asset is available for use, even if it is not yet brought into use. Each part of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item is depreciated separately. Land is not depreciated as it is deemed to have an unlimited life.

The useful life method of depreciation and residual value of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate. The evaluations in respect of the useful life and residual value of assets can only be determined accurately when items of property, plant and equipment approach the end of their lives. Useful life and residual value evaluations can result in an increased or decreased depreciation expense. If the residual value of an asset equals its carrying amount, there will be a change in the write-down period of depreciation.

**2.4 Inventory**

Inventory represents assets held for resale in the normal course of business, to produce assets for sale, or for use in production processes or the provision of services. Included in cost of inventory are the cost price, production costs and any costs incurred in bringing the inventory to its current position and condition, ready for the intended purpose. Cost of inventory does not include interest, which is accounted for as an expense in the period when incurred.

Included in cost of production are costs directly attributable to units produced, and direct costs such as direct wages and salaries and variable overheads as well as the systematic allocation of fixed production overheads based on the normal capacity of the production facility.

Cost of inventory items is determined in accordance with the weighted average cost method, unless it is more appropriate to apply another basis on account of the characteristics of the inventory. Cost of inventory determined on a basis other than weighted average cost is as follows:

| | |
|---|---|
| ❖ Mechanisation whole goods | Purchase price |
| ❖ Grain commodities | Specific contract price/fair value |
| ❖ Other inventory | First-in, first-out (FIFO) |

Inventory is stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business less estimated costs necessary to conclude the sale. Cost of inventory items is determined on the basis of their characteristics in terms of their nature and use.

**2.5 Agency grain debtors**

Agency grain debtors represent payments made on behalf of third parties in respect of agricultural produce received from producers, which are payable by the third party on delivery of such agricultural produce to them. This includes sales in terms of sales contracts secured by inventory.

**2.6 Taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Provision is made for deferred tax using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for purposes of financial reporting, by applying the tax rate applicable at year-end. The liability for deferred tax or deferred tax assets are adjusted for any changes in the income tax rate.

In accordance with this method, the Group has to provide for deferred income tax on the revaluation of certain non-current assets and on the difference between fair values and the tax base of assets at acquisition. Deferred tax assets arising from all deductible temporary differences are limited to the extent that future taxable income will probably be available against which the temporary differences can be charged.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

***Value added tax***

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- ❖ Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ❖ Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

**2.7 Liability for long-term employee benefits**

**2.7.1 Retirement liability**

The retirement liability comprises a defined contribution fund registered in terms of the Pension Funds Act, 1956, and the assets are administered separately by trustees. Funding is in terms of conditions of employment by means of contributions by the Company, participating subsidiaries as well as employees. Contributions are recognised in profit or loss in the period to which they relate. As the funds are defined contribution funds, any under funding that may occur when the value of the assets drop below that of the contributions, are absorbed by the members by means of decreased benefits. The Group therefore has no additional exposure in respect of the retirement liability.

**2.7.2 Post-retirement medical care liability**

Provision for future costs of post-retirement medical care is made against income, based on an annual independent actuarial valuation. Actuarial profits and losses are recognised in the year they originated. At reporting date the provision amounted to 100% of the obligation, based on certain accepted changes in benefits and assumptions.

**2.7.3 Share-based payments**

Key employees of the Group receive remuneration in the form of share-based payment transactions, as part of a share appreciation scheme (cash-settled share-based payment). The cost of cash-settled transactions is measured initially at fair value at the grant date using an economic forecasting model, taking into account the terms and conditions upon which the instruments were granted (see note 12). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

**2.8 Short-term employee benefits**

These include normal benefits such as salaries, wages, paid leave, and sick leave, profit-sharing and other bonuses as well as fringe benefits in respect of existing employees, and are charged to income in the period in which they incurred. A provision is raised for the expected costs of incentive bonuses where a legal or constructive liability exists and an accurate estimate of the liability can be made.

A provision is raised for the expected cost of the liability in respect of both normal leave days and long-service leave days accumulated, converted to a rand value at year-end, based on the cash equivalent thereof. The required adjustment is set off against income in profit or loss.

A provision is raised for normal thirteenth cheque bonuses accrued, as a pro rata pay-out is made where resignation occurs prior to the employee's normal elected date of pay-out.

Termination of service benefits are recognised as a liability and expense where the business is committed to terminating the position prior to the employee's normal retirement, or where benefits are offered to encourage voluntary termination of service by redundant employees. However, only a contingent liability is disclosed where it is uncertain by whom the offer would be accepted.

**2.9 Revenue recognition**

Revenue represents the net invoiced value of goods and services and any commission received from activities as a grain handler and provider of insurance and financial services. Interest received as a result of credit extension is also stated as revenue but only to the extent that collection is reasonably assured. Revenue is stated net of value-added tax. Revenue is measured at the fair value of the consideration received or receivable. Intra-group sales are eliminated.

Revenue from sales of goods is recognised when the material risks and rewards of ownership of the goods are transferred to the buyer and reasonable assurance exists that the economic benefits of the transaction will flow to the business. Revenue from agency grain debtors is recognised on a time-apportioned basis as and when services are rendered. Revenue from services provided is recognised by taking into account the stages of completion at reporting date and/or if results can be determined with reasonable accuracy. If revenue cannot be determined with reasonable accuracy, it is only recognised to the extent of recoverable expenses incurred.

In grain selling transactions, price risk exposure with regard to purchases is hedged by selling on the futures exchange, Safex. Where the objective is hedging, rather than delivery to Safex, these transactions are eliminated from revenue.

Direct delivery transactions with regard to fuel, fertiliser, seed and other farming inputs are eliminated from revenue, since their nature is in line with agency principles rather than acting as principal. The underlying reason for the transactions is credit extension. Commission earned on the transactions is accounted for as revenue.

Dividends received from investments are recognised when the last date for registration has expired.

**2.10 Financial assets, financial liabilities and fair value**

Financial assets are recognised when the Group has the right or access to receive economic benefits. Such assets consist of cash, a contractual right to receive cash or any other financial asset. Financial liabilities are recognised where there is an obligation to transfer economic benefits and that obligation is a contractual obligation to transfer cash or any other financial asset or a financial instrument to another entity.

**2.10.1 Financial assets at fair value through profit or loss**

This includes financial assets designated at initial recognition as financial assets at fair value through profit or loss as well as financial assets held for trade. Movements in the fair value of assets held at fair value are recognised in profit or loss. Financial assets are classified as financial assets held for trading when acquired for the purpose of being sold in the near future. The Group has no financial assets designated at fair value through profit or loss.

**2.10.2 Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

**2.10.3 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and/or trade and other receivables financed by a commercial financier in the statement of financial position. Loans and receivables are initially at fair value. The subsequent measurement is at amortised costs according to the effective interest rate method. This includes the original invoiced amount less any provisions because of impairments.

Loans to subsidiaries, associates and joint ventures are initially measured at cost plus transaction cost if incurred. Settlement agreements and term loans are recognised at gross value of outstanding instalments less unearned finance costs and are disclosed as carrying amount of the agreement. Instalments are divided between finance costs and principal payment of the outstanding amount.

**2.10.4 Available-for-sale financial investments**

Available-for-sale financial assets include equity investments and debt securities and are non-derivative financial assets that are classified as available-for-sale or are not classified in any of the other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in other comprehensive income is recognised in profit or loss.

Financial assets are initially valued at cost price plus transaction costs. Transaction costs in respect of financial assets classified at fair value through profit or loss are expensed. Transaction costs are incremental costs, directly attributable to the purchase of the financial asset; in other words costs which would not have been incurred should the asset not have been purchased. Financial assets are derecognised as soon as the right to receive cash flow from investments expires or is transferred and when the Group has substantially transferred all risks and reward of ownership.

**2.11 Derivative financial instruments**

Derivative instruments are used by the Group in the management of business risks. They are initially recognised in the statement of financial position at cost (which is the fair value on that date) and are thereafter remeasured to fair value. The method of recognising the resultant profit or loss depends on the type of item being hedged. The Group allocates certain financial instruments as:

- A hedge of the exposure to changes in fair value of a recognised asset or liability or, an unrecognised firm commitment (fair value hedge); or
- A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Changes in the fair value of derivative instruments which have been allocated, and qualify as fair value hedges, which are highly effective, are accounted for in profit or loss together with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk, and is therefore effectively set off against one another. Changes in the fair value of derivative instruments which have been allocated and qualify as cash flow hedges, which are also highly effective, are accounted for in other comprehensive income. The ineffective portion of a cash flow hedge is recognised immediately in profit or loss. If the forward transaction results in the recognition of an asset or a liability, the profit or loss that was deferred earlier to other comprehensive income, is transferred from other comprehensive income and included in the initial determination of the cost of the asset or liability. Otherwise, amounts deferred to other comprehensive income are transferred to profit or loss during the same period when the hedged fixed commitment or forward transaction has an influence on profit or loss.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting with reference to IAS 39, are immediately recognised in profit or loss. If the hedging instrument lapses or is sold, or if the hedge no longer meets the criteria for hedge accounting, any cumulative profit or loss that exists at that point in other comprehensive income, is retained in other comprehensive income and recognised when the forward transaction is finally recognised in profit or loss. If it is expected that the forward transaction will no longer realise, the reported cumulative profit or loss is immediately transferred profit or loss.

From the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management aim and strategy for entering into the hedging transaction. As part of this process, all derivative instruments are allocated as hedges to specific assets and liabilities or to specific fixed commitments or forward transactions. The Group also documents valuations, both at the outset and continuously, in order to determine whether the derivative instrument being used in hedging transactions, is indeed highly effective to set-off the changes in fair value or cash flows of the hedged items.

**Commodity term contracts (futures)**
The Group participates in various over-the-counter (OTC) future buying and selling contracts for the buying and selling of commodities. Although certain contracts are covered by the physical provision or delivery during normal business activities, OTC-contracts are regarded as a financial instrument. In terms of IAS 39, it is recorded at fair value, where the Group has a long history of net finalisation (either with the other party or to participate in other off-setting contracts).

**Off-setting**
Where a legal right to set-off financial assets and liabilities and where it is intended to settle the relevant assets and liabilities simultaneously or on a net basis, the amounts are set-off. Financial instruments to which the Group is a party are disclosed in note 20.

**2.12 Cash and cash equivalents**
Included in cash and cash equivalents, which form an integral part of cash management, are cash at hand and bank overdraft balances. Bank overdraft balances are stated as current liabilities. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash and cash equivalents as defined above, after having taken bank overdrafts into account.

**2.13 Operating leases**
Leases in respect of property, plant and equipment, where essentially all the risks and rewards attached to property rights to an asset are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Future escalations in terms of the lease agreement are calculated and the average lease expenditure is recognised over the lease period in equal amounts, only if a fixed escalation rate has been agreed to contractually.

**2.14 Impairment of assets**
All categories of assets are assessed for impairment at each reporting date.

**Trade and other receivables**
Trade receivables are stated at an expected realisable value; which is the original invoiced amount less any provisions created by way of impairments. An impairment provision will be calculated if there is proof that the Group will not be able to collect all amounts from the debtor, as set out in the original terms of payment. The amount of the provision is the difference between the carrying value and the recoverable amount, which is the current value of future cash flows (excluding future credit losses not yet exposed to), discounted against the financial asset's original effective rate of interest, as calculated at the recognition of the asset. Bad debts are written off in the year in which they occur or are identified.

**Non-financial assets**
On each reporting date the Group considers whether there are any indications of impairment of an asset. If such an indication exists, the Group prepares an estimate of the recoverable amount of the asset. The recoverable amount of an asset or the cash generating unit, within which it and other assets operate, is the greater of the fair value less the cost of selling or the value in use of the asset. Where the carrying amount of an asset exceeds the recoverable amount, the impairment is determined and the carrying amount written off to the recoverable amount. Where the value in use is determined, the expected future cash flow is discounted to a current value by using a pre-tax discounting rate reflecting the current market rating of the time value of money and specific risks associated with the asset. Impairment losses of continuing operations are recognised in profit or loss.

If there is an indication that previously recognised impairment losses no longer exist or that they have decreased, an estimate is once again made of the recoverable amount of the asset in question excluding goodwill and if necessary, the impairment is written back to the recoverable amount. The write-back may not cause the carrying value to exceed the value it would have been if it was not previously impaired. After such a write-back, the depreciation expense in future periods is adjusted to apportion the adjusted carrying amount of the asset, less its residual value, systematically over the remaining useful life.

**Other accounts receivable**
An assessment is made at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence for impairment includes observable data that comes to the attention of the Group in relation to the asset about the following loss events:

- significant financial difficulty of the issuer, or
- a breach of contract, such as a default in payment, or
- probability that the borrower will enter bankruptcy or other financial reorganisation, or
- disappearance of an active market for that financial asset because of financial difficulties, or
- indications that there is a measurable decrease in the estimated future cash flows from the Group of financial assets since the initial recognition of that assets.

The impairment is determined as the difference between the carrying amount and the recoverable amount. This is done on the basis of discounting the future cash flows to present value using a calculated-weighted average rate. This rate is the rate of the financial debtor or group of debtors contracted.

**2.15 Provisions and contingent liabilities**

**Provisions and other liabilities**

Provisions are liabilities of which the timing or amount is uncertain and can therefore be distinguished from other creditors. Provisions are only recognised if:

- a currently constructive or legal obligation exists due to a past event;
- an outflow of economic benefits is probable in order to meet the commitment; and
- a reliable estimate of the amount is made.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are disclosed in note 15.

Liabilities are current obligations arising from past events, which are expected to result in economic benefits flowing from the business, when met, and are accounted for directly after the occurrence of the event giving rise to the obligation. Liabilities form part of creditors in the statement of financial position.

**Contingent liabilities**

Contingent liabilities are potential obligations arising from past events, the existence of which will only be confirmed upon the occurrence or non-occurrence of one or more uncertain future events beyond the control of the business.

Contingent liabilities may also arise from a current obligation arising from past events but are not recognised because:

- it is improbable that an outflow of economic resources will occur; and/or
- the amount cannot be measured or estimated reliably.

Contingent liabilities are not recognised but are merely disclosed by way of a note in the financial statements. (See note 17.)

**2.16 Non-current assets held for sale and discontinued operations**

A discontinued operation is a component of an entity which has been sold or classified as held-for-sale and:

- represents a separate important business component or geographical area of activities;
- forms part of a single co-ordinated plan to sell a separate important business segment or geographical area of activities; or
- is a subsidiary acquired with the sole purpose of selling it.

An item is classified as held for sale if the carrying amount of such item will largely be recovered through a transaction of sale rather than through continued use. Upon discontinuance the after-tax profit or loss is shown in the statement of comprehensive income.

**2.17 Segment reporting**

The format of the Group for segment reporting comprises of the following business segments: Credit Extension, Input Supply, Market Access, Sundry Operations and Corporate items.

- Inter-segment transfers: Included in segmental income, segmental expenditure and segmental results are transfers among business segments. These transfers occur at arm's length but are eliminated on consolidation.
- Segmental income and expenditure: Income and expenditure directly related to segments are allocated specifically to those segments.
- Segmental assets and liabilities: Included in segmental assets are all current assets utilised by a segment, including mainly cash, amounts receivable, inventory and property, plant and equipment, all net of provisions.
- Included in segmental liabilities are all current liabilities, comprising mainly of amounts payable.

**2.18 Borrowing costs**

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes an substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing cost consists of interest and other costs that an entity occurs in connection with the borrowing of funds.

**2.19 Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received, including directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through an amortisation process.

## 3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**3.1 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of income and expenses, assets and liabilities within the next financial year, are discussed below.

**3.2 Share-based payments**

The Group measures the cost of cash settled transactions with certain employees by reference to the fair value at the grant date using an economic forecasting model. The terms and conditions upon which the instruments were granted are also taken into account. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

**3.3 Provision for post-retirement medical obligations**

The cost of post-retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rate of government bonds at the time. Mortality rate is based on publicly available mortality tables. Future increases are based on expected future increases in subsidies granted.

**3.4 Fair Value of Financial Instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**3.5 Provision for bad debt**

A decision framework was implemented. Debtors are stated at an expected realisable value; which is the original invoiced amount less any provisions created by way of impairments. An impairment provision will be calculated if there is proof that the Group will not be able to collect all amounts from the debtor, as set out in the original terms of payment. The amount of the provision is the difference between the carrying value and the recoverable amount, which is the current value of future cash flows (excluding future credit losses not yet exposed to), discounted against the financial asset's original effective rate of interest, as calculated at the initial recognition of the asset. Bad debts are written off in the year in which they occur or are identified.

**3.6 Provision for slow moving inventory**

Inventory is valued at the lower of cost and net realisable values. A provision is raised against inventory according to the age and net realisable value of inventory.

**3.7 Income tax and deferred tax provision**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss can be utilised.

**3.8 Provision for non-compliance with pre-season grain contracts**

Calculations with the following key assumptions:

- Default rate on current deliveries extrapolated to the total extrapolated;
- A fixed recovery rate on defaults; and
- Compensating financial instruments.

**3.9 Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to, or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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